

**VITEC PRODUCTION SOLUTIONS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

Registered number 01738425

MONDAY



\*A9JV8D14\*

A09

14/12/2020

#20

COMPANIES HOUSE

# VITEC PRODUCTION SOLUTIONS LIMITED

<b>Contents</b>	<b>Page</b>
<b>Strategic Report</b>	<b>1</b>
<b>Directors' Report</b>	<b>7</b>
<b>Statement of Directors' responsibilities in respect of the Directors' Report and the Financial Statements</b>	<b>11</b>
<b>Independent auditor's report to the members of Vittec Production Solutions Limited</b>	<b>12</b>
<b>Profit and Loss Account</b>	<b>15</b>
<b>Statement of Other Comprehensive Income</b>	<b>16</b>
<b>Balance Sheet</b>	<b>17</b>
<b>Statement of Changes in Equity</b>	<b>18</b>
<b>Notes to the Financial Statements</b>	<b>19</b>

# VITEC PRODUCTION SOLUTIONS LIMITED

## STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2019.

### Principal activities

The Company is principally engaged in the design, manufacture and sale of broadcast camera mounting equipment. A change in the Company's activities is not expected in the foreseeable future.

### Business Review

The Company is part of the Production Solutions Division of the Vitec Group and is owned by The Vitec Group plc. The Company designs, manufactures, distributes and provides premium branded and technically advanced products and solutions for broadcasters, film and video production companies, independent content creators and enterprises. Products include video heads, tripods, lights, batteries and speciality camera systems.

In 2019, sales of the Flowtech 75 and 100 carbon-fibre tripods remained successful and increased in the year. We continued to focus on the more technically advanced multi-colour lighting segment and launched Litepanels' LED Gemini 1x1 lights in H1 2019. Other new products launched during the year include a Vinten robotic head, which contributed to significant growth in robotic supports, and Anton/Bauer Titon digital batteries, which drove an increase in battery sales. Although there was, as anticipated due to the trend towards commoditisation, a reduction in sales of manual supports (excluding the Flowtech tripods) and white LED lights, the Company's operational result for 2019 was consistent with our strategy of maintaining revenue and improving margins.

The Company's operating profit for the year to 31 December 2019 was £7.2 million (2018: £5.6 million) and net assets as at 31 December 2019 were £132.6 million (2018: £131.6 million). Turnover for the year to 31 December 2019 was £80.0 million (2018: £79.2 million).

Since the year end, COVID-19 impacted the business early in the pandemic. Customer demand was significantly impacted from March onwards with film and TV productions shut down, and sporting events postponed. We responded quickly, implementing mitigating actions to safeguard our people, cut costs and manage cash.

Our production facility in Bury St Edmunds was temporarily closed for three weeks during the first phase of the government-imposed restrictions, although our third-party distribution centre in Germany remained open and customer orders were fulfilled. The Bury St Edmunds facility re-opened in April after rigorous health and safety and social distancing measures had been put in place to protect staff working on the premises. We continue to monitor and review our working practices, to ensure we adhere to Government guidelines and safeguard our employees. Most non production staff continue to work from home.

In response to lower demand for our products, we have used UK Government support where available to limit making permanent headcount reductions, including through the Coronavirus Job Retention Scheme. The company is also a party to the Bank of England's COVID Corporate Financing Facility entered into by the Group, aimed at supporting commercial operations as is necessary. We have sought to protect R&D investment to continue to develop world leading products to maximise our future growth potential.

### Key performance indicators

The Company uses turnover and operating profit to review and monitor performance. Turnover overall increased by £0.8 million. Operating profit increased by £1.6 million, particularly driven by savings arising from operational efficiencies compared to 2018.

The Company also monitors health and safety performance. In 2019 there were no accidents that resulted in more than three days absence (2018: nil).

# VITEC PRODUCTION SOLUTIONS LIMITED

## STRATEGIC REPORT *(continued)*

### **Principal risks and uncertainties**

The Company is exposed to a number of risks which may affect its performance and has a well-established process for reviewing and assessing these and procedures to mitigate against them. However, no system of control or mitigation can completely eliminate these risks. The Directors regard the risks below to be the principal risks and uncertainties facing the Company.

#### ***Demand for our products***

Demand for our products may be adversely affected by many factors, including changes in customer and consumer preferences and our ability to deliver appropriate products or to support changes in technology. The Company increasingly produces and sells products that are more technologically advanced. These products have a shorter life cycle than our historical products, and continuous investment in new product development is needed to keep up with the changing demand. Demand may also be impacted by competitor activity, particularly from low-cost countries.

We value our relationships with our customers and to mitigate this risk we monitor closely our target markets and user requirements. We maintain good relationships with our key customers and make significant investments in product development and marketing activities to ensure that we remain competitive in these markets. In support of our new product launches, we have completed appropriate market analysis before developing new products to ensure that they are appropriately designed for our target markets. We monitor closely the demand for new products and phase out old product lines. We are actively pursuing growth in selected emerging markets.

#### ***Impact of COVID-19***

The COVID-19 pandemic has had an adverse impact on demand for the company's products, with film and TV productions shutdown, and the majority of sporting events postponed, including the European Football Championships 2020 and the Summer Olympic Games. We believe this is primarily a short-term issue regarding the timing of recovery in the markets in which we operate. We believe that the long-term market drivers are positive, and that demand for original content will continue to grow. In addition, new social distancing guidelines are expected to drive demand for our robotic camera and prompting products.

To mitigate the short-term impact of the pandemic, the Company has cut costs significantly to protect our financial position and to ensure that we are well placed for recovery when the crisis is over. We have used Government support where available to limit making permanent headcount reductions, including through the Coronavirus Job Retention Scheme. We have sought to protect R&D investment to continue to develop world leading products to maximise our future growth potential.

#### ***New markets and channels of distribution***

As we enter new markets and channels of distribution, we may achieve lower than anticipated trading volumes and pricing levels or higher costs and resource requirements. This may impact the levels of profitability and cash flows delivered.

To mitigate these risks, we have a thorough process for assessing and planning the entry into new markets and related opportunities. This includes marketing and advertising strategies for our products and services. We continuously assess our performance and the related opportunities and risks in these markets. We adapt our approach taking into account our actual and anticipated performance. We review our channels of distribution to make sure that they remain appropriate.

# VITEC PRODUCTION SOLUTIONS LIMITED

## STRATEGIC REPORT *(continued)*

### ***Pricing pressure***

The Company provides premium branded products and faces a number of competitors. The strength of this competition varies by product and geographical market. We continually review our production activities for cost saving opportunities.

To mitigate this risk, we ensure that our product and service offering remains competitive by investing in new product development and in appropriate marketing and product support, and by improving the management of supply chain costs. This, and working closely with our suppliers and managing our expenses and cost base appropriately, allows us to support price increases when required. We are rationalising our product range to reduce complexity which will also allow us to achieve some cost savings on production. Most of our products and services have a premium or niche differentiation which commands a price point that is higher than that of the competition.

### ***Dependence on key suppliers***

We source materials and components from many suppliers in various locations and in some instances are more dependent on a limited number of suppliers for particular items. If any of these suppliers or subcontractors fail to meet the Company's requirements, we may not have readily available alternatives, thereby impacting our ability to provide an appropriate level of customer service.

To address this risk we aim to secure multiple sources of supply for all materials and components and develop strong relationships with our major suppliers. We review the performance of strategically important suppliers and outsourced providers globally on an ongoing basis. Where economical we look to source materials closer to the manufacturing facilities to reduce lead times and improve control over the supply chain.

### ***Dependence on key customers***

While the Company has a wide customer base, the loss of a key customer, or a significant worsening in their success or financial performance, could result in a material impact on the Company's results.

We mitigate this risk by monitoring closely our performance with all customers through developing strong relationships, and we monitor the financial performance of our key customers.

### ***People***

The majority of our employees are employed within the UK, with the exception of some staff based in mainland Europe and Asia, and we are exposed to a risk of being unable to retain or recruit suitable talent to support the business. We manufacture and supply products from a number of locations and it is important that our employees operate in a professional and safe environment.

We recognise that it is important to motivate and retain capable people across our businesses to ensure we are not exposed to risk of unplanned employee turnover. We fairly reward our people and have appropriate recruitment, appraisal, talent management and succession planning strategies to ensure we recruit and retain diverse, good quality people and leadership across the business. We take our employees' health and safety very seriously and have appropriate processes in place to allow us to monitor and address any issues appropriately. We continue to monitor and review our working practices, to ensure we adhere to Government guidelines on COVID-19 procedures and safeguard our employees. Most non production staff continue to work from home.

# VITEC PRODUCTION SOLUTIONS LIMITED

## STRATEGIC REPORT (continued)

### **Laws and Regulations**

We are subject to a comprehensive range of legal obligations in all countries in which we operate. As a result, we are exposed to many forms of legal risk. These include, without limitation, regulations relating to government contracting rules, anti-bribery provisions, competition, and health and safety laws in numerous jurisdictions around the world. Failure to comply with such laws could significantly impact the Company's reputation and could expose the Company to fines and penalties. We may also incur additional cost from any legal action that is required to protect our intellectual property.

Recent political developments in the US and Europe may have implications for several areas of regulations including but not limited to: the customs and import tariffs our businesses will be subject to; corporation tax rates; employment laws and regulations; and other business regulation.

More specifically, the UK's exit from the European Union (Brexit) may have a significant impact on rates of duties and other taxes applied to the Company's exports and imports, which could have a material effect on the results. There may be other legal, regulatory and commercial ramifications, the likely impact of which are difficult to measure given the uncertainties surrounding the outcome of the current negotiations between the UK Government and the EU.

We address this risk by having resources dedicated to legal and regulatory compliance supported by external advice where necessary. We monitor and respond to developments in the regulatory environment in which the Company operates. We enhance our controls, processes and employee knowledge to maintain good governance and to comply with laws and regulations. The Company has processes in place, including senior management training, to ensure that its employees understand and apply the Company's culture and processes. We actively protect our intellectual property, and will legally pursue any party that infringes our intellectual property rights.

We have a Brexit steering group which monitors developments and implements contingency measures to minimise the risk of disruptions to trade flows which may arise at the end of the transition period, following the UK's exit from the EU. Across the Vitec Group we aim to optimise product flow to reduce incremental tariffs and will review our pricing strategy in response to any changes in input costs, maintaining close contact with our distributors and suppliers.

### **Reputation**

Damage to our reputation and our brand names can arise from a range of events such as poor product performance, unsatisfactory customer service, and other events either within or outside our control. We are mindful of the increasing level of regulatory and stakeholder scrutiny of companies' affairs, coupled with the widespread impact of social media.

We manage this risk by recognising the importance of our reputation and attempting to identify any potential issues quickly and address them appropriately. We recognise the importance of providing high quality products, good customer service and managing our business in a safe and professional manner. This requires all employees to commit to, and comply with, the Vitec Code of Conduct. A Social Media Policy is in place and communicated to all employees and contractors. A whistleblowing facility is in place to allow employees to confidentially report any compliance issues. We have implemented a compliance programme with key vendors which includes site inspections, compliance database checks and we require all vendors to sign up to the Vitec Code of Conduct or equivalent standards.

### **Exchange rates**

The global nature of the Company's business means it is exposed to volatility in currency exchange rates in respect of foreign currency denominated transactions. The Company is exposed to a number of foreign currencies, the most significant being the US Dollar, Euro and Japanese Yen. The uncertain outcome of Brexit negotiations may increase Sterling's volatility in the next few years, which in turn may have a material impact on the translated results.

We regularly review and assess our exposure to changes in exchange rates and reduce the impact of sudden movements in exchange rates through our relationship with the Vitec Group who manage appropriate hedging activities on our forecast foreign exchange net exposures.

# VITEC PRODUCTION SOLUTIONS LIMITED

## STRATEGIC REPORT *(continued)*

### ***Business Continuity Planning including cyber security***

These are risks relating to business continuity resulting from specific events that may impact our manufacturing plants or supply chain, particularly where these account for a significant amount of our trading activity. We are also dependent on our IT platforms continuing to work effectively in supporting our business and therefore there is a cyber-security risk for the Company.

The combination of the COVID-19 outbreak together with a general continued business continuity and cyber security threats, has increased this risk.

We address the risk of Business Continuity and cyber security, with Business Continuity Plans and Disaster Recovery Plans at our key sites, and by carrying out periodic IT and cyber security vulnerability assessments. There are standard procedures in place to escalate breaches and remediate IT security incidents. We have global insurance schemes in place which provide cover for business interruption and damage to our assets. We review the insurance coverage annually to determine whether adjustments are needed.

### **Research and Development**

The Company is aware of the effects that evolving technology will have on its future products and markets, and carries out research and development programmes to suit its own market and product needs. The Company has a three year research and development roadmap designed to address key developments identified through market research and customer feedback. Projects are split between innovations and product development. Innovations projects address developments in underpinning technology within the product portfolio.

### **Equal opportunities**

The Company has an equal opportunities culture with an express prohibition on discrimination of any kind. The approach to diversity has always been to follow a strict policy of sourcing the best person for the role irrespective of race, gender, age, religion, sexual orientation, gender reassignment, marriage and civil partnerships, paternity, maternity and pregnancy, or disability.

It is the Company's policy that applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and ability of the applicant concerned. In the event of employees becoming disabled all reasonable efforts are made to ensure that their employment within the Company continues. It is our policy that the training, career development and promotion of disabled persons should be, as far as possible, identical to that of all other employees.

### **Section 172 Disclosure**

Under The Companies (Miscellaneous Reporting) Regulations 2018 there is a requirement for the Directors to understand the views of the Company's key stakeholders and to describe how those interests and the matters set out in Section 172 of the Companies Act 2006 have been considered in Board discussions and decision-making. Throughout the year, while discharging their section 172 duty, the Directors have acted in a way that they considered, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholder.

Decisions relating to the Company are primarily taken at a Group and Divisional level. However, details of how the directors of The Company discharged their section 172 duties and the stakeholders that were considered when taking principal decisions during the year are set out in the Directors' Report.

# VITEC PRODUCTION SOLUTIONS LIMITED

## STRATEGIC REPORT *(continued)*

The Company is a wholly owned subsidiary of The Vitec Group plc. More detailed information on the principal risks and mitigation around those risks, as well as employment practices and other corporate responsibility matters within the Vitec Group are disclosed in the Annual Report & Accounts 2019 for that company.

By order of the Board



Jonathan Bolton  
Director

17 November 2020

# VITEC PRODUCTION SOLUTIONS LIMITED

## DIRECTORS' REPORT

The Directors present their report and the audited Financial Statements for the year ended 31 December 2019.

The particulars of any important events which have occurred since the end of the financial year and an indication of likely future developments of the business have been included within the Strategic Report. In addition, research & development activities alongside our disabled employee policies are disclosed in the Strategic report.

### Profit and dividends

The retained profit for the year was transferred to reserves. On 22 November 2019, the Company paid an interim dividend of £10,000,000 (20 pence per share) to its sole shareholder, The Vitec Group plc (2018: £10,000,000).

The directors do not propose a final dividend for the year ended 31 December 2019.

### Financial instruments

The Company's exposure to credit risk is primarily attributable to its trade debtors. Trade debtors are subject to credit limits, and control and approval procedures. Due to its large geographic base and number of customers, the Company is not exposed to material concentrations of credit risk on its trade debtors. The Company holds any cash balances with banks with high credit ratings.

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Euros, US Dollar and Yen. The Company manages its net exposure arising from forecasted foreign currency sales and purchases by entering into forward foreign currency exchange contracts. Forward exchange contracts are typically used to hedge up to 75% of the Company's forecasted net foreign currency exposure in respect of forecasted foreign exchange transactions for the following 12 months. Cash flow hedges are used to hedge the variability in cash flows of highly probable forecast transactions caused by changes in exchange rates. Where a derivative financial instrument is designated in a cash flow hedge relationship with a highly probable forecast transaction, the effective part of any change in fair value arising is deferred in the cash flow hedging reserve within equity, via the Statement of Comprehensive Income. The gain or loss relating to the ineffective part is recognised in the Profit and Loss Account within net finance expense. Amounts deferred in the cash flow hedging reserve are reflected in the Profit and Loss Account in the periods when the hedged item is recognised in the Profit and Loss Account.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages this risk by developing cash flow forecasts and using pooled cash accounts of the Vitec Group.

### Directors

The Directors of the Company in the year under review and to the date of this report were:

Jonathan Bolton  
Martin Green  
Alan Hollis  
Andrew Kelly  
Richard Satchell  
Kath Kearney-Croft (resigned on 13 September 2019)

Details of Directors' remuneration is provided in note 11 to the Financial Statements.

The Company has also granted indemnities to some of its Directors to the extent permitted by law. Qualifying third party indemnity provisions (as defined in Section 324 of the Companies Act 2006) have been adopted for some Directors and indemnify in relation to certain losses and liabilities which the Directors may incur to third parties in the course of acting as Directors of the Company.

# VITEC PRODUCTION SOLUTIONS LIMITED

## DIRECTORS' REPORT (continued)

### Post balance sheet events

The company is a guarantor of The Vitec Group plc Multicurrency Revolving Credit Facility. On 14 February 2020 The Vitec Group plc signed a new committed £165 million Multicurrency Revolving Credit Facility with an initial five year term and a two-year extension option, of which the Company is a guarantor.

On 23 April 2020 the Company entered into an agreement between various parties, including The Vitec Group plc, to act as a guarantor to a Euro Commercial Paper Programme, set up to access the Bank of England's Covid Corporate Finance Facility scheme (the "CCFF"). To date, £50,000,000 has been drawn down under the CCFF.

The period between the end of the reporting period and the date these financial statements are authorised for issue saw the outbreak of COVID-19. This has been treated as a non-adjusting event in these financial statements but has been considered when preparing these financial statements on a going concern basis, as set out in the basis of preparation in Note 1. The extent and duration of the economic impact are highly uncertain and as such it is not possible to provide an estimate of the financial effect on the Company.

The Company's response to the COVID-19 pandemic is set out in the Strategic Report.

### Going concern

As part of the Company's Directors' consideration of the appropriateness of adopting the going concern basis in preparing the Company's financial statements, a range of scenarios for the Group, which includes the Company, have been modelled through to the end of 2021. While the Group's trading performance continues to improve following the easing of restrictions imposed by governments around the world in response to COVID-19, the rate of recovery is difficult to predict. The forecast recovery is based on a number of factors including assumptions around the overall global economic environment, how long it takes for our end markets to resume creation of original content, and continued actions that governments might take in relation to controlling the pandemic.

The Company's Directors have reviewed the scenarios modelled and are satisfied that the Group, which includes the Company, has access to adequate cash resources to settle obligations as they fall due within twelve months from the date of approval of the financial statements. They also consider that the current operations provide sufficient financial sustainability to generate positive cash flows for the foreseeable future. Accordingly, the Company's Directors continue to adopt the going concern basis in preparing the annual financial statements.

### Employee involvement

The importance of good communication and working relationships is recognised and the Company's policy is to keep employees informed on matters relating to their employment. Employees are invited to regular updates on the Company's results and employee forums are held to canvass opinions on existing or new programmes.

Employees are given the opportunity to join a Sharesave scheme on an annual basis, enabling the employee to save a fixed amount each month to purchase shares in The Vitec Group plc at a discounted rate.

The health and safety of all employees is a top priority for the Company with robust reporting of accidents and near misses and corrective measures. Management is clear on the importance of a safe working environment and the need to constantly improve in this area.

# VITEC PRODUCTION SOLUTIONS LIMITED

## DIRECTORS' REPORT (continued)

### Statement regarding fostering relationships with suppliers, customers and others

The Company engages with a large number of suppliers, customers and other stakeholders in the course of its operations. It is imperative for the Company's existence that relationships with these third parties remain strong, and the Company actively ensures that it works with reliable and trustworthy partners.

#### **Customers**

The directors are kept informed about the wide variety of the Company's customers, their changing needs and trends in their buying patterns. In doing business with customers, clear terms and conditions are documented including service levels, payment terms and working practices. Onsite visits are arranged to allow existing and potential customers to meet and interact directly with employees, as well as experience the products. This further enhances the relationship with the customers and the visits are carried out within health and safety measures.

#### **Suppliers**

We build close and mutually beneficial relationships with our suppliers to source the best possible materials and services. The integrity of the supply chain is a key consideration with robustness of supply an issue that is actively managed. In doing business with suppliers, clear terms and conditions are documented including service levels, payment terms and working practices.

#### **Community and Environment**

The Company provides engaging and well remunerated employment within the community in which it operates, and its operations are focused on minimising the Company's impact upon the environment including use of raw materials, natural resources and energy, and cutting down on waste and any harmful emissions, components or by-product.

As part of our corporate responsibility programme, we encourage our employees to involve themselves within the local community to foster a relationship between our business and local people.

In 2019, employees were involved in various activities which raised the profile of the business and raised cash for local charities including My WISH charity and Henry's Holiday Help.

The Company also aims to invest in future industry talent. During the year 2019, some of the Company's contributions included gifting equipment to the Offshoot Foundation charity to support young filmmakers and hosting eight students across different departments for summer intern roles. The Company is also a donator to The Vinten Trust whose aim is to pursue initiatives which increase interests from students at schools and colleges in the Bury St Edmunds area in science and technology subjects.

#### **Disclosure of information to the auditor**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information (as defined in section 418(2) of the Companies Act 2006) of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**VITEC PRODUCTION SOLUTIONS LIMITED**

**DIRECTORS' REPORT (continued)**

(Incorporated in England and Wales)

**Auditor**

Deloitte LLP, 100 Brook Street, London, W1A 1AA

The auditor, Deloitte LLP, has indicated its willingness to continue in office. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and Deloitte LLP will therefore continue in office.

Approved, authorised for issue and signed on behalf of the Board



Jonathan Bolton  
Director

17 November 2020

Registered Office:  
Bridge House  
Heron Square  
Richmond  
TW9 1EN

## VITEC PRODUCTION SOLUTIONS LIMITED

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Director's 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 elected to prepare the Financial Statements in accordance with United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 "*Reduced Disclosure Framework*".

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 Company and of the profit or loss of the Company 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- 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 enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VITEC PRODUCTION SOLUTIONS LIMITED

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Vitec Production Solutions Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 27

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

# VITEC PRODUCTION SOLUTIONS LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VITEC PRODUCTION SOLUTIONS LIMITED (continued)

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Responsibilities of directors**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

## VITEC PRODUCTION SOLUTIONS LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VITEC PRODUCTION SOLUTIONS LIMITED (continued)

#### *Matters on which we are required to report by exception*

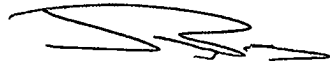
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

#### *Use of our report*

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



James Brass FCA  
For and on behalf of Deloitte LLP  
Statutory Auditor  
St Albans  
United Kingdom  
17 November 2020

## VITEC PRODUCTION SOLUTIONS LIMITED

### PROFIT AND LOSS ACCOUNT for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Turnover	5	80,019	79,166
Cost of sales		<u>(52,165)</u>	<u>(53,414)</u>
Gross profit		27,854	25,752
Operating expenses	6	<u>(20,679)</u>	<u>(20,138)</u>
Operating profit		7,175	5,614
Interest receivable and similar income	8	3,799	3,554
Interest payable and similar charges	9	<u>(615)</u>	<u>(203)</u>
Profit before taxation	7	10,359	8,965
Tax on profit	12	<u>(551)</u>	<u>278</u>
Profit after taxation		<u>9,808</u>	<u>9,243</u>

The notes on pages 19 to 42 form an integral part of these Financial Statements.

## VITEC PRODUCTION SOLUTIONS LIMITED

### STATEMENT OF OTHER COMPREHENSIVE INCOME for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
<b>Profit for the year</b>		<b>9,808</b>	<b>9,243</b>
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of defined benefit obligation	25	981	3,950
Related tax		(167)	(672)
<i>Items that are or may be reclassified to profit or loss:</i>			
Cash flow hedges – reclassified to the Profit & Loss		(179)	26
Cash flow hedges – effective portion of changes in fair value		836	(446)
Related tax		(138)	89
Other comprehensive income, net of tax		<u>1,333</u>	<u>2,947</u>
<b>Total comprehensive income for the year</b>		<u><b>11,141</b></u>	<u><b>12,190</b></u>

The notes on pages 19 to 42 form an integral part of these Financial Statements.


## VITEC PRODUCTION SOLUTIONS LIMITED

### BALANCE SHEET as at 31 December 2019

	Notes	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Intangible assets	13	3,834	3,997
Tangible assets	14	10,334	5,234
Investments	15	1,110	1,110
		<u>15,278</u>	<u>10,341</u>
<b>Current assets</b>			
Stock	16	9,401	8,708
Debtors	17	148,193	146,961
Cash at bank and in hand		315	105
		<u>157,909</u>	<u>155,774</u>
Creditors – amounts falling due within one year	18a	<u>(29,981)</u>	<u>(28,873)</u>
<b>Net current assets</b>		<b>127,928</b>	<b>126,901</b>
<b>Total assets less current liabilities</b>			
		<u>143,206</u>	<u>137,242</u>
Creditors – amounts falling due after one year	18b	(5,845)	(17)
Provisions for liabilities	19	(612)	(481)
<b>Net assets excluding pension liabilities</b>		<u>136,749</u>	<u>136,744</u>
Pension liabilities	25	(4,170)	(5,160)
<b>Net assets</b>		<u><b>132,579</b></u>	<u><b>131,584</b></u>
<b>Capital and reserves</b>			
Called up share capital	21a	50,000	50,000
Share premium account	22	67,639	67,639
Cash flow hedging reserve		354	(165)
Profit and loss account		14,586	14,110
<b>Shareholder's funds</b>		<u><b>132,579</b></u>	<u><b>131,584</b></u>

The notes on pages 19 to 42 form an integral part of these Financial Statements.

The Financial Statements on pages 15 to 42 were approved by the Board of Directors on 17 November 2020 and were signed on its behalf by:



Martin Green  
Director

Registered in England number 1738425  
Vitec Production Solutions Limited is a private company limited by shares.

**VITEC PRODUCTION SOLUTIONS LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2019

	Note	Called up share capital £'000	Share premium account £'000	Cash flow hedging reserve £'000	Profit and loss account £'000	Total equity £'000
Balance 1 January 2019		50,000	67,639	(165)	14,110	131,584
Adoption of IFRS 16					(146)	(146)
Balance at 1 January 2019 (adjusted)		50,000	67,639	(165)	13,964	131,438
Profit for the year		-	-	-	9,808	9,808
Other comprehensive income for the year		-	-	519	814	1,333
Total comprehensive income for the year		-	-	519	10,622	11,141
<b>Contributions by and distributions to owners</b>						
Dividends paid	21b	-	-	-	(10,000)	(10,000)
<b>Balance at 31 December 2019</b>		<b>50,000</b>	<b>67,639</b>	<b>354</b>	<b>14,586</b>	<b>132,579</b>
Balance 1 January 2018		50,000	67,639	166	11,589	129,394
<b>Total comprehensive income for the year</b>						
Profit for the year		-	-	-	9,243	9,243
Other comprehensive income for the year		-	-	(331)	3,278	2,947
Dividends paid		-	-	-	(10,000)	(10,000)
<b>Balance at 31 December 2018</b>		<b>50,000</b>	<b>67,639</b>	<b>(165)</b>	<b>14,110</b>	<b>131,584</b>

The notes on pages 19 to 42 form an integral part of these Financial Statements.

# VITEC PRODUCTION SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Basis of Preparation

These Financial Statements have been prepared on the historical cost basis except for derivative financial instruments and defined benefit pension plans where plan assets are measured at fair value. These Financial Statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("EU Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006, and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

The Company is a wholly owned subsidiary of The Vitec Group plc and is included in the consolidated financial statements of The Vitec Group plc, which are publicly available. The Company is therefore exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare Group Financial Statements. These Financial Statements present information about the Company as an individual undertaking and not about its group.

### Significant judgements, key assumptions and estimates

The following provides information on those policies that the Directors consider critical because of the level of judgement and estimation required which often involves assumptions regarding future events which can vary from what is anticipated. The Directors review the judgements and estimates on an ongoing basis with revisions to accounting estimates recognised in the period in which the estimates are revised and in any future periods affected. The Directors believe that the financial statements reflect appropriate judgements and estimate and provide a true and fair view of the Company's performance and financial position.

### Critical judgements involving estimates

The following are the critical judgements which involve estimations that the Directors have made in the process of applying the Company's accounting policies and that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities within the next financial year.

#### *Working capital*

Judgement is applied to assess whether a trade debtor is recoverable or not, and whether the level of provision required to write down the value of the debtor to its recoverable amount is appropriate.

Judgement is applied to assess the level of provisions required to write down slow-moving, excess and obsolete inventory to its net realisable value. The estimation of inventory impairment is based on anticipated future sales of products over particular time periods. The anticipated level of future sales is determined primarily based on actual sales over a specified historic reference period which is determined by management and is deemed appropriate to the type of inventory. The amount of provision made is set out in Note 19.

#### *Pension benefits*

The actuarial valuations associated with the pension scheme involve making assumptions about discount rates, future salary increases, future pension increases and mortality rates. All assumptions are reviewed at each reporting date. Further details about the assumptions used are set out in note 25.

#### *Taxation*

Management is required to make estimates in determining the provisions for income taxes and deferred tax assets and liabilities recognised in the financial statements. Tax benefits are recognised to the extent that it is probable that sufficient taxable income will be available in the future against which temporary differences can be utilised. Details on the tax charge and assets and liabilities recorded are set out in notes 12 and 20.

## VITEC PRODUCTION SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

#### **Critical judgements in applying the Company's accounting policies**

The following are critical judgements that the Company makes, apart from those involving estimations (which are dealt with above), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

The Company capitalises development costs which meet the criteria under IAS 38 "Intangible Assets" and discloses the amount capitalised in note 13 "Intangible Assets". The Group makes significant judgements in the application of IAS 38, particularly in relation to its requirements regarding the technical feasibility of completing the asset and the Group's ability to sell and generate future economic benefits from the intangible asset. The amount of costs capitalised in the year 2019 and further details are set out in Note 13.

In relation to tax, these include the interpretation and application of existing legislation.

#### **2. Impact of adoption of new accounting standards**

The Company has applied IFRS 16 "Leases" from 1 January 2019, which has impacted the Company's financial statements as described below.

##### *IFRS 16 "Leases"*

On initial application, the cumulative impact of adopting the standard has been recognised as an adjustment to opening equity, and the comparative amounts presented in the Balance Sheet have not been restated.

On adoption, the Company recognised lease liabilities of £6.7 million for leases previously classified as operating leases, measured at the present value of the remaining lease payments. In accordance with the transition provisions of IFRS 16, the Company discounted the future lease payments at the incremental borrowing rate of the lessee at the date of adoption. The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 January 2019 was 4%. At the same time, the Company recognised right-of-use assets of £6.3 million, measured as if the standard had been applied since commencement date of the lease, and discounted using the lessee's incremental borrowing rate at the date of adoption. As a result of the adoption of IFRS 16 the Company also recognised deferred tax assets of £0.03 million at 1 January 2019 and made adjustments for accruals of £0.2 million.

A difference arises between the present value of operating lease commitments disclosed at 31 December 2018 and the lease liabilities recognised by the Company at 1 January 2019. This is due to notional increases for future rental payments following the lease agreements being incorporated into the calculation of the lease liabilities as at 1 January 2019. The Company has also taken advantage of the exemptions in IFRS 16 that permit lease payments for short term leases, and leases of low value assets, to continue to be accounted for as an expense on a straight line basis over the lease term.

In applying IFRS 16 for the first time, The Company has used the following practical expedients permitted by the standard:

- Reliance on previous assessments of whether leases are onerous;
- The exclusion of initial direct costs in the measurement of the right-of-use at the date of initial application;
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- Elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company relies on its assessment made applying IAS 17 "Leases" and IFRIC 4 "Determining whether an Arrangement contains a Lease".

## VITEC PRODUCTION SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

#### *Other standards*

IFRIC Interpretation 23, "Uncertainty over Income Tax Treatments" – The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. The interpretation was adopted on 1 January 2019. There has been no material impact on the financial statements of adopting the Interpretation.

Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement – The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. The amendment was adopted on 1 January 2019. There has been no material impact on the Financial Statements of adopting the amendment to IAS 19.

There has been no material impact on the financial statements of adopting other new standards or amendments.

### **3. Exemptions taken by the Company under FRS 101**

The Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- Disclosures in respect of leases;
- Certain disclosures in respect of IFRS 15 revenue from contracts with customers;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of The Vitec Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

## VITEC PRODUCTION SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 4. Accounting policies

The following accounting policies have been applied consistently to all periods presented in these financial statements:

##### a) Going concern

As part of the Company's Directors' consideration of the appropriateness of adopting the going concern basis in preparing the Company's financial statements, a range of scenarios for the Group, which includes the Company, have been modelled through to the end of 2021. While the Group's trading performance continues to improve following the easing of restrictions imposed by governments around the world in response to COVID-19, the rate of recovery is difficult to predict. The forecast recovery is based on a number of factors including assumptions around the overall global economic environment, how long it takes for our end markets to resume creation of original content, and continued actions that governments might take in relation to controlling the pandemic.

The Company's Directors have reviewed the scenarios modelled and are satisfied that the Group, which includes the Company, has access to adequate cash resources to settle obligations as they fall due within twelve months from the date of approval of the financial statements. They also consider that the current operations provide sufficient financial sustainability to generate positive cash flows for the foreseeable future. Accordingly, the Company's Directors continue to adopt the going concern basis in preparing the annual financial statements.

##### b) Turnover

###### *Sale of goods*

Turnover from the sale of goods is recognised when the Company sells a product to a customer and control has passed. This is either once the product has been shipped or delivered to the customer, depending on the terms and conditions of the sale. Payment terms vary by customer but where credit terms are given, payments are due generally 30 days after control of the goods has passed to the customer. Turnover is recognised at the transaction price exclusive of sales taxes, adjusted for trade discounts and volume rebates.

Some contracts include multiple deliverables, such as the sale of the product and its installation. If material, distinct goods and services are accounted for as separate performance obligations. The transaction price is allocated to each performance obligation based on their stand-alone selling price.

###### *Service contracts*

Turnover from service contracts which are fulfilled using the Company's equipment and operators is recognised in the period which the services are rendered. Payment terms vary and there can be small advance payments but generally payments are due as services are rendered. Generally contracts with customers are for periods of one year or less. As a result, the transaction price allocated to any unsatisfied contracts is not disclosed as permitted by IFRS 15. The amounts relating to Service contracts are not material to total turnover.

###### *Licenses*

Software licenses are sold by the Company on a standalone basis and together with a tangible product. If the license is considered distinct, the turnover recognition pattern is based on whether the license is a right to use intellectual property (turnover recognised at a point in time) or a right to access intellectual property (turnover recognised over time). The majority of the licenses granted by the Company represent a right to use intellectual property for which payments are generally in advance. From a right to access intellectual property, payments are normally on a monthly basis with credit period of 30 days. The amounts relating to Licenses are not material to total turnover.

###### *Financing components*

The Company generally does not have contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year.

# VITEC PRODUCTION SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. Accounting policies (continued)

#### b) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate on that day. Foreign currency monetary assets and liabilities are translated at the year-end exchange rate. Where there is a movement in the exchange rate between the date of the transaction and the year-end, a currency translation gain or loss may arise. Any such differences are recognised in the Profit and Loss Account.

**(d) Derivative financial instruments**  
The Company uses derivative financial instruments, such as forward foreign exchange contracts, to hedge its exposure to fluctuations in foreign exchange rates arising from operational activities. These are designated as cash flow hedges. It does not hold or use derivative financial instruments for trading or speculative purposes.

#### e) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the Profit and Loss Account.

The effective gains and losses recognised in the cash flows hedge reserve are reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

#### f) Research and development

Research and development costs are charged to the Profit and Loss Account in the year in which they are incurred unless development expenditure meets the criteria for capitalisation. Once detailed and strict criteria have been met that confirm that the product or process is both technically and commercially feasible and the Company has sufficient resources to complete the product, any further expenditure incurred on the project is capitalised. The capitalised expenditure includes the cost of materials, direct labour and an appropriate portion of overheads. Capitalised expenditure is amortised over the life of the product, and is stated at cost less accumulated amortisation and impairment losses.

#### g) Other intangible assets

Trademarks are measured at cost less accumulated amortisation. Amortisation is calculated to write off the cost over its estimated useful life which is the shorter of the economic life and the period the right is legally enforceable. The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The cost of acquiring software (including associated implementation and development costs where applicable) is capitalised and amortised over its estimated useful life between 3 to 5 years.

#### h) Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of the relevant assets, less their estimated residual values, on a straight line basis over their estimated useful lives. Fixed assets are depreciated as follows:

Leasehold improvements	Over the shorter of the lease term and the useful economic life
Plant, machinery and tooling	3 to 7 years
Equipment, fixtures and fittings	3 to 10 years
Motor vehicles	4 years

## VITEC PRODUCTION SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 4. Accounting policies (continued)

##### i) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

##### j) Investments

The Company's investments in other group companies are reported at cost less impairment. The carrying value of the Company's investments are reviewed at inception and at each Balance Sheet date to determine if any provision is required against the value of the investment.

# VITEC PRODUCTION SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. Accounting policies (continued)

#### k) Leases

This note provides information in relation to leases when the Company is a lessee. The Company does not have any material leases where it acts as a lessor.

#### **Up to and including the 2018 financial year:**

Leases in which a significant portion of risks and rewards were not transferred to the Company were classified as operating leases. The payments made for operating leases were recognised in profit or loss on a straight line basis over the period of the lease.

#### **New accounting policy from 1 January 2019:**

Each lease is recognised as a right-of-use asset with a corresponding liability at the date at which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. Interest expense is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

#### **For the Company, lease payments generally comprise of:**

- Fixed payments, less any leased incentives receivable; and
- Variable payments that are based on an index or rate.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability, and lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

When an adjustment to lease payments based on an index takes effect, the liability is remeasured with a corresponding adjustment to the right-of-use asset.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Income Statement.

#### **The Company's leasing activities**

The Company enters into leases of buildings which serve as office space and a factory. In addition, the Company leases vehicles and printers.

Contracts entered into by the Company have a wide range of terms and conditions but generally do not impose any additional covenants. One of the Company's contracts include indexation adjustments to lease payments in future periods which are not reflected in the measurement of the lease liabilities at 31 December 2019.

Many of the contracts entered into by the Company include extension or termination options which provide the Company with additional operational flexibility. If the Company considers it reasonably certain that an extension option will be exercised or a termination option not exercised, the additional period is included in the lease term. Generally, extension options are not included in the lease term for plant, machinery and vehicles, and equipment, fixtures and fittings. Most options in respect of the buildings are not included in the calculation of the lease term.

## VITEC PRODUCTION SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 4. Accounting policies (continued)

##### Right-of use Assets

	Leasehold land and buildings £'000	Equipment, fixtures & fittings £'000	Motor Vehicles £'000	Total £'000
<b>Cost</b>				
As at 1 January 2019	-	-	-	-
Adoption of IFRS 16	6,709	112	21	6,842
Adjusted amount at 1 January 2019	6,709	112	21	6,842
Additions:	-	-	-	-
Disposals:	-	-	(6)	(6)
As at 31 December 2019	<u>6,709</u>	<u>112</u>	<u>15</u>	<u>6,836</u>
<b>Depreciation</b>				
As at 1 January 2019	-	-	-	-
Adoption of IFRS 16	548	17	11	576
Adjusted amount at 1 January 2019	548	17	11	576
Disposals	-	-	(6)	(6)
Charge for the year:	483	22	7	512
As at 31 December 2019	<u>1,031</u>	<u>39</u>	<u>12</u>	<u>1,082</u>
<b>Net book value</b>				
Adjusted amount at 1 January 2019	6,161	95	10	6,266
As at 31 December 2019	<u>5,678</u>	<u>73</u>	<u>3</u>	<u>5,754</u>

The total cash outflow for leases is £664,000 of which £251,000 relates to interest and £413,000 to principal lease repayments.

##### l) Stock

Stock is valued at the lower of cost and net realisable value. Cost includes materials, direct labour and production and other overheads incurred in bringing stocks and work in progress to their present location and condition. In determining the cost of raw materials, consumables and goods purchased for resale, an average cost or first-in, first-out method is used as appropriate. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

Provisions for inventories are recognised when the book value exceeds its net realisable value. In the ordinary course of business, judgement is applied to assess the level of provisions required to write down slow-moving, excess and obsolete inventory to its net realisable value.

##### m) Financial assets classification and measurement

The Company classifies its financial instruments depending on the business model for managing the financial assets and their contractual cash flows. Loans to group undertakings, trade receivables and contract assets are measured at amortised cost while derivatives are measured at fair value through profit or loss unless designated in a qualifying hedging relationship.

VITEC PRODUCTION SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Accounting policies (continued)

n) Trade and other debtors

Trade debtors and contract assets are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method, less provision for impairment.

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade debtors and contract assets. To measure the expected credit losses, trade debtors and contract assets have been grouped based on shared credit risk characteristics and the number of days past due. The expected loss rates are based on payment profiles of sales over a preceding 36 month period and the corresponding historical credit losses experienced within this period. When appropriate the historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the debtors where a trend exists.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for an extended period. Amounts recoverable on contracts are included in trade debtors and represent revenue recognised in excess of payments on account.

Loans to group undertakings are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method, less provision for impairment. The Company recognises expected credit losses which uses a lifetime expected loss allowance for all debt investments unless the asset is considered to have low credit risk, in which case the loss allowance recognised is limited to 12 months' expected losses.

o) Trade and other creditors

Trade creditors are generally recognised at the value of the invoice received from a supplier.

p) Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet represent cash on hand and at banks.

q) Provisions

Provisions are recognised in the Balance Sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle it. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate discount rate.

Provisions for warranties, based on historical warranty data, are recognised when the underlying products or services are sold. Warranties over the Company's products cover a period of one to two years.

	2023	2022
Trade debtors	1,000,000	800,000
Contract assets	200,000	150,000
Loans to group undertakings	100,000	100,000
Cash and cash equivalents	500,000	400,000
Trade creditors	300,000	250,000
Provisions	100,000	100,000
Warranties	100,000	100,000
Other provisions	100,000	100,000
Total	2,000,000	1,850,000

## VITEC PRODUCTION SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 4. Accounting policies (continued)

##### r) Pensions

###### Defined benefit scheme

The Company is a participating employer of The Vitec Group Pension Scheme, the Vitec Group's defined benefit pension scheme in the UK, which was closed to future benefit accrual with effect from 31 July 2010. The assets of the scheme are held separately from those of the Company. The Company's net obligation in respect of this defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to market yields at the Balance Sheet date on high quality corporate bonds.

The calculation is performed by a qualified actuary using the projected unit credit method. Actuarial gains and losses are recognised in full in the period in which they arise in the statement of other comprehensive income.

The Company recognises the on-going service cost in the Profit and Loss Account as part of operating profit. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets and is recognised as part of net financial expense. Past-service costs are recognised immediately in the Profit and Loss Account, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period. Any cost or income relating to the curtailment or settlement of a pension scheme is recognised immediately in the Profit and Loss Account.

###### Defined contribution scheme

All UK employees of the Company are offered membership of the Vitec Group 2014 Pension Scheme, which is a defined contribution scheme and, with effect from 1 April 2014, all employees are automatically enrolled in to that scheme. The Company's legal or constructive obligation is limited to the contributions made. The amounts charged against profits represent contributions payable to the scheme in respect of the accounting period.

#### 5. Turnover

Turnover by geographic market is presented as follows:

	2019	2018
	£'000	£'000
United Kingdom	10,854	8,611
Rest of Europe	25,543	27,586
The rest of the World	43,622	42,969
	<b>80,019</b>	<b>79,166</b>

#### 6. Operating expenses

	2019	2018
	£'000	£'000
Marketing, selling and distribution costs	9,102	8,777
Administration costs	8,795	8,424
Research and development costs	2,782	2,937
	<b>20,679</b>	<b>20,138</b>

## VITEC PRODUCTION SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

#### 7. Profit before tax

Profit before tax is stated after charging:

	2019	2018
	£'000	£'000
Amortisation of intangible assets (see note 13)	1,871	1,799
Depreciation of fixed tangible assets (see note 14)	1,503	747
Net foreign exchange gains	(113)	(374)
Operating lease/rentals:		
Plant and machinery	3	23
Other	4	513
Auditors' remuneration: Audit of Company's annual accounts	57	55
	57	55

#### 8. Interest receivable and similar income

	2019	2018
	£'000	£'000
Interest received from Group companies	3,799	3,516
Net currency translation gains	-	38
	3,799	3,554

#### 9. Interest payable and similar charges

	2019	2018
	£'000	£'000
Interest payable	2	3
Interest payable on lease liability	251	-
Net interest charge on pension scheme liabilities (see note 25)	150	200
Net currency translation loss	212	-
	615	203

## VITEC PRODUCTION SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

#### 10. Staff numbers and costs including Directors' remuneration

Average number of employees during the year was made up as follows:

	2019	2018
Production	100	100
Sales and marketing	35	40
Administration	33	32
Research and development	27	25
	195	197

Aggregate remuneration of all employees during the year:

	2019	2018
	£'000	£'000
Wages and salaries	10,945	10,605
Employer's social security costs	1,257	1,252
Employer's pension costs (see note 25)	462	1,157
	12,664	13,014

#### 11. Directors' remuneration

Directors' remuneration and associated costs that were borne by the Company during the year are disclosed in the table below.

	2019	2018
	£'000	£'000
Directors' emoluments	927	856
Defined contribution pension costs	62	56
	989	912

During the year retirement benefits were accruing to three (2018: four) Directors in respect of defined contribution pension schemes. Three of the Directors were employed by the Company during the year.

Directors employed by the ultimate parent company received £nil (2018: £nil) remuneration from the Company in respect of qualifying services to the Company.

During the year, two (2018: two) Directors exercised share options in the ultimate parent company.

During the year, three Directors (2018: two) employed and remunerated by the Company, received shares in the ultimate parent company under a long term incentive scheme in respect of qualifying services to the Company.

#### Remuneration of highest paid Director:

	2019	2018
	£'000	£'000
Directors' emoluments	400	431
Defined contribution pension costs	32	11
	432	442

## VITEC PRODUCTION SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

#### 12. Tax on profit

a) Tax charged in the profit and loss account:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<i>Current tax:</i>		
Foreign tax	<u>4</u>	<u>-</u>
	<u>4</u>	<u>-</u>
<i>Deferred tax:</i>		
Prior year adjustments	356	(263)
Effect of rate change	212	4
Origination and reversal of timing differences	(22)	(19)
IFRS 16	2	
	<u>547</u>	<u>(278)</u>
Total tax charge/(credit)	<u>551</u>	<u>(278)</u>

b) Reconciliation of the total tax charge

The tax assessed on the profit for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Profit before tax	10,359	8,965
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	1,968	1,703
<i>Effects of:</i>		
Expenses not deductible for tax purposes	43	50
Tax incentive claim	-	(316)
Prior year adjustments	356	(263)
Effect of rate change	(22)	4
Use of group wide brought forward losses previously not recognised under deferred tax	-	(364)
Group relief claimed free of charge	(1,795)	(1,092)
Total tax charge/(credit)	<u>551</u>	<u>(278)</u>

The UK corporation tax rate of 19% (effective from 1 April 2017) has been maintained at 19% effective from 1 April 2020.

Deferred tax assets and liabilities have been based on a tax rate of 17% which is the tax rate at the end of the reporting period 31 December 2019 imposed by Finance Act 2019 and substantively enacted by Finance Act 2016 on 6 September 2016. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment occurred after the balance sheet date there is no impact on the accounts for the current period. Changes in accounting for the rate change are not material for the Company.

## VITEC PRODUCTION SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

#### 13. Intangible assets

	<b>Capitalised development costs £'000</b>	<b>Trademarks £'000</b>	<b>Software £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
As at 1 January 2019	7,119	2,059	3,132	12,310
Additions	1,441	-	267	1,708
Disposals	-	-	-	-
As at 31 December 2019	<u>8,560</u>	<u>2,059</u>	<u>3,399</u>	<u>14,018</u>
<b>Amortisation</b>				
As at 1 January 2019	3,382	2,059	2,872	8,313
Disposals	-	-	-	-
Amortisation for the year	1,718	-	153	1,871
As at 31 December 2019	<u>5,100</u>	<u>2,059</u>	<u>3,025</u>	<u>10,184</u>
<b>Net book value</b>				
As at 31 December 2018	<u>3,737</u>	-	260	3,997
As at 31 December 2019	<u>3,460</u>	-	374	3,834

Capitalised development costs relate to ten projects and are amortised over their lives, commencing when the project is finalised. Trademarks relate to the Litepanels brand.

## VITEC PRODUCTION SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

#### 14. Tangible assets

	Leasehold Land & Buildings £'000	Plant, machinery & tooling £'000	Equipment, fixtures & fittings £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>					
As at 31 December 2018	2,865	8,887	2,654	4	14,410
Adoption of IFRS 16	6,709	-	112	21	6,842
Adjusted amount at 1 January 2019	9,574	8,887	2,766	25	21,252
Additions	22	151	164	-	337
Disposals	-	-	(8)	(6)	(14)
As at 31 December 2019	<b>9,596</b>	<b>9,038</b>	<b>2,922</b>	<b>19</b>	<b>21,575</b>
<b>Depreciation</b>					
As at 31 December 2018	144	7,137	1,891	4	9,176
Adoption of IFRS 16	548	-	17	11	576
Adjusted amount at 1 January 2019	692	7,137	1,908	15	9,752
Disposals	-	-	(8)	(6)	(14)
Charge for the year	684	513	299	7	1,503
As at 31 December 2019	<b>1,376</b>	<b>7,650</b>	<b>2,199</b>	<b>16</b>	<b>11,241</b>
<b>Net book value</b>					
As at 31 December 2018	2,721	1,750	763	-	5,234
As at 1 January 2019	8,882	1,750	858	10	11,500
As at 31 December 2019	<b>8,220</b>	<b>1,388</b>	<b>723</b>	<b>3</b>	<b>10,334</b>

Depreciation charge for the year 2019 relating to Right of use Assets is £512,000 (2018: nil) with Net book Value as at 31 December 2019 of £5,754,000 (2018: nil).

Capital commitments at 31 December 2019 for which no provision has been made in the accounts amount to £257,000 (2018: £47,000).

## VITEC PRODUCTION SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 15. Investments

	2019	2018
	£'000	£'000
<b>Cost:</b>		
As at 1 January and 31 December	4,385	4,385
<b>Provision:</b>		
As at 1 January and 31 December	(3,275)	(3,275)
<b>Net book value at 31 December</b>	<b>1,110</b>	<b>1,110</b>

The Company's investments in subsidiaries as at 31 December 2019 are as follows:

	Country of incorporation	Class and number of shares in existence	Percentage of shares held
The Camera Store Limited	England & Wales <sup>(1)</sup>	2 ordinary shares of £1 each	100%
Radamec Broadcast Systems Limited	England & Wales <sup>(1)</sup>	1,042,655 ordinary shares of £1 each	100%

Registered address:

<sup>(1)</sup> Bridge House, Heron Square, Richmond, TW9 1EN, United Kingdom.

#### 16. Stock

	2019	2018
	£'000	£'000
Raw materials and components	1,381	1,264
Work in progress	645	705
Finished goods	7,375	6,739
	<b>9,401</b>	<b>8,708</b>

During the year £792,000 (2018: £496,000) was recognised as an expense resulting from the write down of stock.

## VITEC PRODUCTION SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

#### 17. Debtors

	2019	2018
	£'000	£'000
<i>Amounts falling due within one year:</i>		
Trade debtors, net of provisions	4,196	3,963
Amounts owed by group undertakings	140,687	139,572
Other debtors	695	878
Prepayments	726	638
Derivative financial instruments	578	70
Deferred tax asset (see note 20)	74	727
	146,956	145,848
<i>Amounts falling due after more than one year:</i>		
Other debtors	529	230
Derivative financial instruments	-	6
Deferred tax asset (see note 20)	708	877
	1,237	1,113
	148,193	146,961

Included in the amounts owed by group undertakings is a total of £107,639,000 which is unsecured and bear interest at an agreed 2.65% margin plus six month GBP LIBOR rate. The loan amount is repayable on 31 December 2023.

All other amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

## VITEC PRODUCTION SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

#### 18a. Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
<i>Amounts falling due within one year:</i>		
Trade creditors	4,167	3,531
Amounts owed to group undertakings	22,203	21,601
Other taxation and social security costs	791	786
Derivative financial instruments	12	302
Other creditors	1,758	1,983
Accruals	609	622
Lease liabilities	427	-
Contract liabilities	14	48
	<b>29,981</b>	<b>28,873</b>

#### 18b. Creditors: amounts falling due after more than one year

	2019	2018
	£'000	£'000
<i>Amounts falling due after more than one year and less than five years:</i>		
Lease liabilities	1,721	-
Derivative financial instruments	-	17
	<b>1,721</b>	<b>17</b>
<i>Amounts falling due after more than five years</i>		
Lease liabilities	4,124	-
	<b>4,124</b>	<b>-</b>
<b>Total</b>	<b>5,845</b>	<b>17</b>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

## VITEC PRODUCTION SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

#### 19. Provisions

	Warranty provision	Other provisions	Total provisions
	£'000	£'000	£'000
As at 1 January 2019	258	223	481
Utilised during the year	(258)	(17)	(275)
Charge to profit and loss for the year	388	18	406
As at 31 December 2019	<b>388</b>	<b>224</b>	<b>612</b>

Warranties over the Company's products cover a period of one to two years.

Other provisions relate to estimated dilapidation costs relating to the site at Bury St. Edmunds, payable at the end of the lease in 2032, and legal costs due in one to five years.

#### 20. Deferred taxation

##### (a) Deferred tax assets and liabilities:

	2019 £'000	Recognised in profit and loss £'000	Recognised in OCI or Equity £'000	2018 £'000
<b>Assets</b>				
Pension	708	(2)	(167)	877
Property, plant, equipment & other	730	(589)	-	1,319
Cash flow hedges	-	-	(43)	43
IFRS 16	27	(2)	29	
	<b>1,465</b>	<b>(593)</b>	<b>(181)</b>	<b>2,239</b>
<b>Liabilities</b>				
Intangible liabilities	(588)	46	-	(635)
Cash flow hedges	(95)	-	(94)	-
	<b>(683)</b>	<b>46</b>	<b>(94)</b>	<b>(635)</b>
<b>Net</b>	<b>782</b>	<b>(547)</b>	<b>(275)</b>	<b>1,604</b>

##### b) Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 19% (effective from 1 April 2017) to 17% (effective from 1 April 2020) have been imposed by Finance Act 2019 which was already substantively enacted by Finance Act 2016 on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2019 has been calculated based on these rates. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment occurred after the balance sheet date there is no impact on the accounts for the current period. Changes in accounting for the rate change are not material for the Company.

## VITEC PRODUCTION SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 21a. Share capital

	2019	2018
	£'000	£'000
Authorised ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>
Issued, allotted and called up:	2019	2018
50,000,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

#### 21b. Dividends

	2019	2018
	£,000	£'000
Dividend paid in the year	£,000	£'000
Interim Dividend for the year ended 31 December 2019 of 20p (2018:20p) per ordinary share	<u>10,000</u>	<u>10,000</u>

There was no final dividend proposed or paid for the year ended 31 December 2019.

#### 22. Share premium

	2019	2018
	£'000	£'000
As at 1 January and 31 December	<u>67,639</u>	<u>67,639</u>

#### 23. Operating leases

Non-cancellable operating leases are payable as follows:

	2019	2018
	£'000	£'000
Less than one year	7	672
Between one and five years	3	2,492
After five years	1	4,895
	<u>11</u>	<u>8,059</u>

The Operating leases, include low value leases, where the company has chosen to recognise the lease payments as expenses in the statement of profit or loss in accordance with IFRS 16 "Leases".

## VITEC PRODUCTION SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

#### 24. Contingent liabilities

As at 31 December 2019 the Company was a guarantor to a Multicurrency Revolving Credit Facility Agreement, totalling £150 million. The agreement was between The Vitec Group plc, several of its subsidiaries and five banks.

This guarantee is considered to be an inter group insurance arrangement and in accordance with IFRS 4 is accounted for as a contingent liability.

Details of the financing facility can be found in the Annual Report & Accounts 2019 of The Vitec Group plc. A new Revolving Credit Facility Agreement was entered in to on 14 February 2020, details of which are set out in note 26.

The Company is also a guarantor of the Covid Corporate Financing Facility undertaken by The Vitec Group plc on 30 April 2020. Details are set out in note 26

#### 25. Pension commitments

The Vitec Group operates a defined contribution pension scheme called The Vitec Group 2014 Pension Scheme. The assets of the scheme are held separately from those of the Vitec Group in an independently administered fund. All UK employees of the Group are eligible to join The Vitec Group 2014 Pension Scheme. With effect from 1 April 2014, all employees of the Company are automatically enrolled in to that scheme. The costs of providing pensions for employees under defined contribution schemes are expensed as incurred.

The employer's pension costs (see note 10) are the cost of both the defined benefit and defined contribution schemes.

The Vitec Group Pension scheme is a funded final salary scheme closed to future benefit accrual with effect from 31 July 2010. As a result, since that date, no contributions are payable in respect of future accrual of benefits. As the 5 April 2016 funding valuation of the scheme disclosed a funding surplus, no recovery plan was required under the Pensions Act 2004. As such, member and employer contributions to the scheme over the year to 31 December 2019 were £nil. The scheme is subject to all legislation and regulations that apply to UK occupational pension schemes. The pension cost for the year in respect of the defined contribution scheme was £622,000 (2018: £627,000).

The latest funding valuation of the Scheme was performed as at 5 April 2019 and showed that the Scheme had a surplus of £2.8 million under the technical provisions. The Principal Employer has agreed with the Trustees of the Scheme that no recovery plan is required and therefore the Company is not expected to make any payments into the Scheme until at least the completion of the next triennial valuation as at 5 April 2022.

The main risk to which the Company is exposed to by the scheme is that the cost of the benefits provided by the scheme is greater than expected, for example due to lower than expected investments returns or members of the scheme living longer than expected, which may result in additional contributions being required from the Company.

#### Sensitivity of obligations to alternative assumptions

	2019	2018
Discount rate increased by 0.1% points	-2%	-2%
Inflation increased by 0.1% points	+1%	+1%
Life expectancy reduced by one year	+4%	+4%

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

## VITEC PRODUCTION SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

#### 25. Pension commitments *(continued)*

Assumptions used by the actuary to value the liability of the defined benefit plan, on 31 December were:

	2019	2018
Discount rate	2.1% pa	2.9% pa
Price inflation (RPI)	2.9% pa	3.1% pa
Price inflation (CPI)	1.9% pa	2.1% pa
Pension increase rate		
- Discretionary (pre - 6 April 1997 accrual in excess of GMP)	3.0% pa	3.0% pa
- Guaranteed LPI 5% (6 April 1997 - 30 June 2008)	2.8% pa	3.0% pa
- Guaranteed LPI 5%, with 3% floor	3.2% pa	3.2% pa
- Guaranteed LPI 2.5% (accrual from 1 July 2008)	2.0% pa	2.1% pa
Life expectancy of male / female aged 65 in 2019	22.1/24.4	22.4 / 24.4
Life expectancy of male / female aged 65 in 2034	22.7/25.2	23.1 / 25.3

#### Change in DBO for the year to 31 December

	2019	2018
Present value of DBO at start of year:	66,073	72,483
Interest cost	1,858	1,710
Actuarial gain on experience	(1,390)	-
Actuarial loss/(gain) on financial assumptions	7,030	(5,630)
Actuarial gain on demographic assumptions	(881)	(430)
Actual benefit payments	(3,940)	(2,580)
Past service (gains)/cost	(160)	520
Present value of DBO at end of year	<u>68,590</u>	<u>66,073</u>

At 31 December 2019, the weighted-average duration of the scheme's DBO was 17 years (2018: 16 years).

#### Scheme assets and proportion which have quoted market price, at 31 December

	Fair value 2019 £'000	Quoted split %	Unquoted split %	Fair value 2018 £'000
Bonds	33,230	100	-	30,030
Equities	22,550	77	23	19,250
Infrastructure	8,170	-	100	8,820
Cash/non-cash assets	310	-	100	2,580
Insurance policies	160	-	100	230
Total value of assets	<u>64,420</u>			<u>60,910</u>

Note: The asset values shown are, where relevant, estimated bid values of market securities.

## VITEC PRODUCTION SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

#### 25. Pension commitments *(continued)*

##### Change in fair value of assets for the year to 31 December

	2019	2018
	£'000	£'000
Fair value of assets at start of year	60,910	64,100
Interest income on scheme assets	1,710	1,510
Return on scheme assets greater/(less) than discount rate	5,740	(2,110)
Actual benefit payments	(3,940)	(2,580)
Administration expenses paid	-	(10)
<b>Fair value of assets at the end of year</b>	<b>64,420</b>	<b>60,910</b>

##### Development of net balance sheet position at 31 December

	2019	2018
	£'000	£'000
Present value of defined benefit obligations	(68,590)	(66,073)
Assets at fair value	64,420	60,910
<b>Net defined benefit scheme liability</b>	<b>(4,170)</b>	<b>(5,163)</b>

##### Reconciliation of net balance sheet position

	2019	2018
	£'000	£'000
Net defined benefit scheme liability at start of year	(5,163)	(8,380)
Total amounts credited/(charged) to the Income Statement	12	(733)
Remeasurement effects recognised in Other Comprehensive Income ("OCI")	981	3,950
<b>Defined benefit scheme liability at end of year</b>	<b>(4,170)</b>	<b>(5,163)</b>

##### Amounts recognised in the Income Statement

	2019	2018
	£'000	£'000
Administration costs incurred during the period	-	10
Past service (gains)/cost	(160)	520
Included in operating expenses	(160)	530
Net interest expense on net defined pension scheme liability	150	200
<b>Total amounts (credited)/charged to the Income Statement</b>	<b>(10)</b>	<b>730</b>

Note: From 1 April 2017 the Company directly meets the expenses of running the Scheme as well as any PPF levies. These expenses are included in administration costs in the Profit and Loss.

## VITEC PRODUCTION SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 25. Pension commitments (continued)

##### Amounts recognised in the OCI

	2019	2018
	£'000	£'000
Actuarial gain due to liability experience	(1,390)	-
Actuarial loss/(gain) due to liability assumption changes	7,030	(5,630)
Actuarial gain due to changes in demographic assumptions	(881)	(430)
Actuarial loss/(gain) arising during the period	4,759	(6,060)
Return on scheme assets greater/(less) than discount rate	(5,740)	2,110
<b>Remeasurement effects recognised in OCI</b>	<b>(981)</b>	<b>3,950</b>

##### Defined benefit pension scheme cost

	2019	2018
	£'000	£'000
Administration costs incurred during the period	-	10
Past service (gains)/losses	(160)	520
Net interest expense on net defined benefit pension scheme liability	150	200
Remeasurement effects recognised in OCI	(981)	(3,950)
<b>Total defined benefit pension scheme credit</b>	<b>(991)</b>	<b>(3,220)</b>

#### 26. Post balance sheet events

The company is a guarantor of The Vitec Group plc Multicurrency Revolving Credit Facility. On 14 February 2020 The Vitec Group plc signed a new committed £165 million Multicurrency Revolving Credit Facility with an initial five year term and a two year extension option, of which the Company is a guarantor.

On 23 April 2020 the Company entered into an agreement between various parties, including The Vitec Group plc, to act as a guarantor to a Euro Commercial Paper Programme, set up to access the Bank of England's Covid Corporate Finance Facility scheme (the "CCFF"). To date, £50,000,000 has been drawn down under the CCFF.

The period between the end of the reporting period and the date these financial statements are authorised for issue saw the outbreak of COVID-19. This has been treated as a non-adjusting event in these financial statements but has been considered when preparing these financial statements on a going concern basis, as set out in the basis of preparation in Note 1. The extent and duration of the economic impact are highly uncertain and as such it is not possible to provide an estimate of the financial effect on the Company.

The Company's response to the COVID-19 pandemic is set out in the Strategic Report.

#### 27. Ultimate parent company

The Company is a wholly owned subsidiary of The Vitec Group plc of whom are deemed to be the controlling party. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is The Vitec Group plc, a company which is registered in England and Wales. Copies of the Annual Report & Financial Statements 2019 of The Vitec Group plc are available from the Company Secretary, Bridge House, Heron Square, Richmond, TW9 1EN.