MANFROTTO UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Registered number 1959633

MANFROTTO UK LIMITED

STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2016.

Principal activities

The principal activity of the Company during the year was the manufacture of photographic equipment and the sale and distribution of premier photographic accessories including supports and camera bags in the UK. The Company also manufactures, sells and distributes paper, plastic and fabric products for use in the photographic market and related industries to other areas of the world. The Company closed its branch office in Australia on 11 October 2016 and established a branch office in Sweden on 17 May 2016. A change in the Company's activities is not expected in the foreseeable future.

Business review

The Company made a loss of £1.1 million (2015: loss of £72,000) for the year to 31 December 2016. Turnover was £16.6 million in 2016 (2015: £15.1 million).

Sales increased by 9.3% year-on-year partly due to increased third party brand sales due to the distribution of additional brands including Yuneec. Sales of Manfrotto products increased, in particular supports and bags, along with an increase in the sales of Colorama paper products.

Gross margin was severely impacted by foreign exchange rates in 2016 following the decision at the start of the year to purchase products from a sister company in Euros (prior year purchases were in Sterling). The impact of the Euro rate weakening against Sterling following the UK's referendum decision to exit the EU had not been forecast.

Principal risks and uncertainties

The Directors regard the risks below to be the principal risks and uncertainties facing the Company. They continue to monitor the recent referendum decision by the UK to exit the EU and its impact on the Company's principal risks and uncertainties.

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. During the year we have continued to invest in new product development and launched a number of new products. Demand may also be impacted by competitor activity, particularly from low cost countries. As mitigation, we maintain good relationships with all key customers and make appropriate investments in product development and marketing activities.

Major contract awards
Our operating performance and cash flow may be dependent on the timing of major contract awards, which can be difficult to predict. In addition, the loss, suspension or cancellation of contracts may impact trading performance. We actively review orders and trading outlook and have a broad range of contracts to reduce dependence on any one particular contract or customer.

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. During the year we continued to increase our online presence by developing our ecommerce activity and using our platform to promote partner brands. We plan our entry into new markets and continually assess performance, adapting our approach as necessary.

Pricing pressure
We might experience pricing pressure including challenges in raising prices, especially in the current economic climate, or not recovering increases in commodity and other costs. If the price of our products does not at least recover movements in commodity costs and other expenses and we are unable to reduce our expenses, our results could be adversely affected. In mitigation, we ensure our products and services remain competitive by investing in new product development and improving the management of supply chain costs.

STRATEGIC REPORT (continued)

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, for example, the supplier of paper for resale is transacted through one supplier in the US. To mitigate this, we develop strong relationships with our major suppliers and any potential lost revenue from issues in continuing to source goods from sole suppliers is covered under the Vitec Group's Business Interruption insurance policy.

Dependence on key customers
Whilst 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 strive to develop strong relationships with our customers and we monitor the financial performance of our key customers. We continue to expand our customer base including entering into new channels of distribution.

Employees
All of our employees are employed within the UK 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 single UK site and it is important that our employees operate in a professional and safe environment. We fairly reward our employees and have appropriate recruitment, appraisal and succession planning strategies.

Dependence on single site
All of our UK operations including manufacturing and distribution are carried out from one UK site based in Ashby-de-la-Zouch. To mitigate the risk of any potential lost gross profit resulting from a serious incident at the site, the Company is covered under the Vitec Group's Property Insurance programme.

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, taxation, data protection regimes, 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 have resources dedicated to legal and regulatory compliance supported by external advice whenever necessary. Although there are no specific issues arising in the near term, 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.

Reputation
Damage to our reputation and our many premium 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 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 Group's Code of Conduct.

Exchange rates
The global nature of our business means it is exposed to volatility in currency exchange rates in respect of foreign currency denominated transactions. We are exposed to a number of foreign currencies, the most significant being the US Dollar and Euro. We regularly review and assess our exposure to changes in exchange rates. We reduce the impact of sudden movements in exchange rates through our relationship with the Vitec Group who manage appropriate hedging activities on forecast foreign exchange net exposures across the Vitec Group for our benefit.

Business continuity planning
There 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. We address the risk by carrying out periodic IT and cyber security vulnerability assessments. We have global insurance schemes in place which provide cover for business interruption.

MANFROTTO UK LIMITED

STRATEGIC REPORT (continued)

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 research and development roadmap designed to address key developments identified through market research and customer feedback. Projects are split between innovations and product development. Innovation 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, marriage or civil partnership, religion or belief, gender reassignment, sex 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.

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 monthly updates on the Company's results. Employees also receive periodic communications and newsletters from management.

Employees are given the opportunity to join a Share save scheme on an annual basis, enabling the employee to save a fixed amount each month to purchase shares in the parent company at a discounted rate.

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 2016 for that company.

By order of the Board

Jonathan Bolton
Director
12 April 2017

DIRECTORS' REPORT

The Directors present their report and the audited Financial Statements for the year ended 31 December 2016.

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.

Dividends

There were no dividends paid or approved during the year (2015: £nil).

Directors

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

Jonathan Bolton
Loris Frizzo
Martin Green
Paul Hayes
Marco Pezzana
Neil Martin
Chris Carr

Detail of Directors' remuneration is provided in note 7 to the Financial Statements.

Auditor

The auditor, KPMG 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 KPMG LLP will therefore continue in office.

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 of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

Jonathan Bolton
Director
12 April 2017

Registered Office:
Bridge House
Heron Square
Richmond
TW9 1EN

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

The Directors are responsible for preparing the Strategic Report, Directors' 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 they have elected to prepare the Financial Statements in accordance with UK 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 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 MANFROTTO UK LIMITED

We have audited the Financial Statements of Manfrotto UK Limited for the year ended 31 December 2016 set out on pages 7 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports and
- *in our opinion, those reports have been prepared in accordance with the Companies Act 2006.*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

C Brearley

Colin Brearley (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Nottingham
NG1 6FQ
13 April 2017

MANFROTTO UK LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2016

	Notes	**2016 £'000**	2015 £'000
Turnover	4	**16,549**	15,135
Cost of sales		**(13,975)**	(11,860)
Gross profit		**2,574**	3,275
Operating expenses		**(3,747)**	(3,392)
Loss on ordinary activities before taxation	5	**(1,173)**	(117)
Tax on loss on ordinary activities	8	**62**	45
Loss for the financial year		**(1,111)**	(72)

The Profit and Loss Account contains all the gains and losses recognised in the period and therefore no separate statement of other Comprehensive Income has been presented.

All the above results are derived from continuing activity.

The notes on pages 10 to 19 form an integral part of these Financial Statements.

MANFROTTO UK LIMITED

BALANCE SHEET
as at 31 December 2016

	Notes	**2016** **£'000**	2015 £'000
Fixed assets			
Intangible assets	9	**151**	168
Tangible assets	10	**948**	1,064
Investments	11	**-**	117
		1,099	1,349
Current assets			
Stock	12	**2,341**	3,022
Debtors – amounts falling due within one year	13	**3,705**	3,005
Deferred tax	16	**110**	48
Cash at bank and in hand		**2,072**	2,754
		8,228	8,829
Creditors – amounts falling due within one year	14	**(4,913)**	(4,603)
Net current assets		**3,315**	4,226
Total assets less current liabilities		**4,414**	5,575
Provisions for liabilities	15	**-**	(50)
Net assets		**4,414**	5,525
Capital and reserves			
Called up share capital	17	**31**	31
Share premium account		**99**	99
Other reserves	18	**2**	2
Profit and loss account		**4,282**	5,393
Shareholders' funds		**4,414**	**5,525**

The notes on pages 10 to 19 form an integral part of these Financial Statements.

The Financial Statements on pages 7 to 19 were approved by the Board of Directors on 12 April 2017 and were signed on its behalf by:

Paul Hayes
Director

Registered in England number 1959633

MANFROTTO UK LIMITED

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share Premium	Other reserves	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2016	**31**	**99**	**2**	**5,393**	**5,525**
Total comprehensive expense for the year					
Loss for the year	-	-	-	**(1,111)**	**(1,111)**
Balance at 31 December 2016	**31**	**99**	**2**	**4,282**	**4,414**
Balance at 1 January 2015	31	99	2	5,465	5,597
Total comprehensive expense for the year					
Loss for the year	-	-	-	(72)	(72)
Balance at 31 December 2015	31	99	2	5,393	5,525

The notes on pages 10 to 19 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

These Financial Statements have been prepared on the historical cost basis and in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/2015 Cycle) issued July 2015 and effective immediately have been applied, including FRS 101 Reduced Disclosure Framework.

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

The Company is an indirect 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.

2. 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;
- Comparative period reconciliations for tangible fixed assets, and share capital;
- Disclosures in respect of transactions with wholly-owned subsidiaries which form part of the Group;
- Disclosures in respect of capital management;
- 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:

- 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.

3. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Financial Statements.

a) Going concern
The Directors have reviewed the current activity, future prospects and resources available to the Company. On the basis of their assessment, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the Financial Statements. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

b) Turnover
Turnover is stated exclusive of sales tax and consists of the sale of goods in the ordinary course of the Company's activities after an allowance for returns, trade discounts and volume rebates. Revenue from the sale of goods is recognised when both the significant risks and rewards of ownership have been transferred to the customer and the amount of revenue can be measured reliably. This is normally when title passes to the customer.

MANFROTTO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

c) Fixed assets

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 and machinery	7 years
Fixtures and fittings	7 years

d) Intangible assets – patents

Patents are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives which is 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.

e) Investments

The Company's investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. The carrying value of the Company's investments are reviewed at each Balance Sheet date to determine if any impairment provision is required against the value of the investment

f) Stock

Stock is valued at the lower of cost and net realisable value. Cost includes materials, labour and overheads incurred in bringing stock to its 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.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

g) Foreign currency

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.

h) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accounting policies (continued)

j) Leases

Operating lease rentals are charged to the Profit and Loss Account on a straight line basis over the period of the lease.

k) Pensions

All UK employees of the Company are offered membership of The Vitec Group 2014 Pension Scheme, which is a defined contribution scheme, and from 1 April 2014 all qualifying employees were automatically enrolled in that scheme. The assets are held separately from those of the Company in independently administered funds. The amounts charged against profits represent contributions payable to the schemes in respect of the accounting period.

l) 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.
Derivative financial instruments are recorded initially at cost. Subsequent measurements are recognised immediately in the profit and loss account.

m) Trade and other debtors

Trade and other debtors are recognised at the invoice value less provision for impairment. The carrying value of trade debtors is considered to approximate fair value.

n) Trade and other creditors

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

o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

p) Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation.

4. Turnover

Turnover by geographic market is presented as follows:

	2016	2015
	£'000	£'000
United Kingdom / Ireland	**12,894**	11,865
The rest of Europe	**2,851**	2,530
USA / Canada	**721**	562
The rest of the World	**83**	178
	16,549	15,135

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Operating profit

Loss on ordinary activities is stated after charging:

	2016 £'000	2015 £'000
Operating lease costs for the year – land and buildings	**203**	201
Operating lease costs for the year – plant and machinery	**74**	74
Amortisation of intangible assets	**17**	19
Amounts written off for fixed asset investment	**117**	-
Restructuring costs	**140**	-
Depreciation	**293**	290
Audit fee	**22**	20

6. Staff costs, including Directors' remuneration

Staff costs during the year amounted to:

	2016 £'000	2015 £'000
Wages and salaries including employee benefits	**2,237**	2,163
Employer's social security costs	**186**	214
Employer's pension costs	**111**	139
	2,534	2,516

The average number of persons employed by the Company during the year were as follows:

	2016	2015
Production	**40**	46
Administration	**9**	9
Sales and Marketing	**21**	22
	70	77

7. Directors' remuneration

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

	2016 £'000	2015 £'000
Directors' emoluments	**265**	241
Defined contribution pension costs	**14**	13
	279	254

Remuneration of highest paid Director:

	2016 £'000	2015 £'000
Directors' emoluments	**130**	103
Defined contribution pension costs	**8**	8
	138	111

During the year retirement benefits were accruing to four Directors (2015: two) in respect of defined contribution pension schemes. Only two of these Directors were employed by the Company during the year.

8. Tax on loss on ordinary activities

a) Tax charged in the profit and loss account

	2016 **£'000**	2015 £'000
Current tax:		
UK corporation tax	-	-
Total current tax charge	-	-
Deferred tax:		
Prior year adjustment	**(37)**	(28)
Origination and reversal of timing differences	**(35)**	(23)
Effect of rate change	**10**	6
Total deferred tax credit	**(62)**	(45)
Total tax credit	**(62)**	(45)

(b) Reconciliation of the total tax charge

The tax assessed on the loss on ordinary activities for the year is higher (2015: higher) than the effective rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are reconciled below:

	2016 **£'000**	2015 £'000
Loss on ordinary activities before tax	**(1,173)**	**(117)**
Loss on ordinary activities multiplied by effective rate of corporation tax in the UK of 20% (2015: 20.25%)	**(235)**	(24)
Effects of:		
Prior year adjustment	**(37)**	(28)
Effect of rate charge	**10**	6
Expenses not deductible for tax purposes	**57**	9
Group relief claimed free of charge	**143**	(8)
Total tax credit reported in the profit and loss account	**(62)**	(45)

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020 and replacing the rate enacted in 2015) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

9. Intangible assets

	Patents £'000
Cost	
At 1 January 2016	**277**
Additions	**-**
At 31 December 2016	**277**
Amortisation	
At 1 January 2016	**109**
Charge for the year	**17**
At 31 December 2016	**126**
Net Book Value	
At 31 December 2016	**151**
At 31 December 2015	168

10. Tangible assets

	Leasehold improvements £'000	Plant & machinery £'000	Fixtures & fittings £'000	Total £'000
Cost				
At 1 January 2016	898	529	542	1,969
Additions	-	152	25	177
Disposals	-	-	-	-
At 31 December 2016	**898**	**681**	**567**	**2,146**
Depreciation				
At 1 January 2016	248	280	377	905
Charge for the year	90	79	124	293
At 31 December 2016	**338**	**359**	**501**	**1,198**
Net book value				
At 31 December 2016	**560**	**322**	**66**	**948**
At 31 December 2015	650	249	165	1,064

11. Fixed asset investments

	2016 £'000
Cost	
At 1 January 2016	117
At 31 December 2016	**117**
Provision	
At 1 January 2016	-
Impairment charge	117
At 31 December 2016	**117**
Net Book Value	
At 31 December 2016	**-**
At 1 January 2016	117

The investment in Panlight Limited was fully impaired in the year. At the same time the provision for the contingent consideration of £50,000 was released (see Note 15). On 9 August 2016, Colorama Photodisplay Limited, an indirect wholly owned subsidiary was struck off.

The Company's investments in subsidiaries as at 31 December 2016 were as follows:

	Country of incorporation	Class of shares in existence	Percentage of shares held
Colorama Photodisplay Holdings Limited	England & Wales	Ordinary shares of £1 each	100%
Panlight Limited	England & Wales	Ordinary shares of £1 each	100%

The registered address of both subsidiaries is Bridge House, Heron Square, Richmond, TW9 1EN, United Kingdom.

12. Stock

	2016 £'000	2015 £'000
Raw materials	**778**	1,021
Work in progress	**19**	7
Finished goods	**1,544**	1,994
	2,341	3,022

During the year, £13,975,000 (2015: £11,860,000) was recognised as cost of sales.

13. Debtors – amounts falling due within one year

	2016 £'000	2015 £'000
Trade debtors	**2,988**	2,455
Amounts owed by group undertakings	**288**	126
Other debtors	**193**	175
Prepayments and accrued income	**236**	249
	3,705	3,005

14. Creditors – amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	**787**	684
Amounts owed to group undertakings	**2,412**	2,490
Other creditors including taxation and social security	**77**	76
Accruals and deferred income	**1,637**	1,353
	4,913	4,603

15. Provisions

	Contingent consideration 2016 £'000
As at 1 January 2016	**50**
Reversed during the period (see Note 11)	**(50)**
As at 31 December 2016	**-**

16. Deferred tax

(a) Deferred tax assets and liabilities:

	2016 £'000	Recognised in income £'000	2015 £'000
Assets			
Short term timing differences	**10**	8	2
Property, plant, equipment & other	**100**	54	46
	110	62	48
Liabilities	**-**	-	-
Net	**110**	62	48

	2015 £'000	Recognised in income £'000	2014 £'000
Assets			
Short term timing differences	2	(1)	3
Property, plant, equipment & other	46	46	-
	48	45	3
Liabilities	-	-	-
Net	48	45	3

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Deferred tax *(continued)*

(b) Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020 and replacing the rate enacted in 2015) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

17. Share capital

	2016 £'000	2015 £'000
Allotted, called up and fully paid:		
31,033 (2015: 31,033) Ordinary shares of £1 each	**31**	31
	31	31

18. Other reserves

	2016 £'000	2015 £'000
Other reserve	**2**	2

The other reserve relates to a capital redemption reserve created on 4 March 2011 when the Company purchased 1,000 of its own Ordinary 'A' shares and 500 of its own Ordinary 'B' shares.

19. Leasing commitments

Non-cancellable operating lease rentals are payable as follows:

	2016 £'000	2015 £'000
Expiring within one year	**247**	300
Expiring within two to five years	**958**	243
Expiring after five years	**230**	-
	1,435	543

20. Contingent liabilities

The Company is also a guarantor in accordance with the provisions of a $50 million Private Placement shelf facility between companies within The Vitec Group as original borrowers, and Pricoa Capital Group Limited. Additionally, the Company is a guarantor to a £125 million Multicurrency Revolving Credit Facility Agreement between The Vitec Group plc, several of its subsidiaries and five banks. The Company is jointly and severally liable with the other original borrowers for liabilities arising under this agreement.

These guarantees are considered to be inter group insurance arrangements and in accordance with IFRS 4 are accounted for as contingent liabilities.

Details of the financing facility can be found in the Annual Report & Accounts 2016 of The Vitec Group plc.

21. Post balance sheet events

There were no material adjusting or non-adjusting events that require disclosure between the Balance Sheet date and the date of this report.

22. Ultimate parent company

The Company's immediate parent is Vitec Investments Limited, a company which is registered in England and Wales. The Company is an indirect wholly-owned subsidiary of The Vitec Group plc, a company which is registered in England and Wales and is the ultimate parent company. Copies of the Annual Report & Accounts 2016 of The Vitec Group plc are available from the Company Secretary, Bridge House, Heron Square, Richmond, TW9 1EN.