

**VITEC IMAGING SOLUTIONS UK LIMITED
(FORMERLY MANFROTTO UK LIMITED)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Registered number 1959633



VITEC IMAGING SOLUTIONS UK LIMITED (FORMERLY MANFROTTO UK LIMITED)

STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2018.

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. A change in the Company's activities is not expected in the foreseeable future.

Key performance indicators

The Company uses turnover and gross profit margin to review and monitor performance.

Business review

The Company made a profit of £0.4 million (2017: loss of £0.3 million) for the year to 31 December 2018. Turnover was £21.9 million in 2018 (2017: £18.4 million).

Sales increased by 19.1% year-on-year mainly due to taking on distribution of Lowepro and JOBY brands during the year following a fellow Vitec Group subsidiary acquiring the brands from DayMen Group S.A.R.L. in 2017.

Gross profit margin for the year to 31 December 2018 was 20.8% (2017: 21.45%) and the slight reduction is linked to increased promotional activity to drive sales volumes, particularly for Lowepro and JOBY products sold through Amazon for EMEA region.

Principal risks and uncertainties

The Directors regard the risks below to be the principal risks and uncertainties facing the Company and they continue to monitor the 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 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.

VITEC IMAGING SOLUTIONS UK LIMITED (FORMERLY MANFROTTO UK LIMITED)

STRATEGIC REPORT (continued)

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.

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 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.

VITEC IMAGING SOLUTIONS UK LIMITED (FORMERLY MANFROTTO UK LIMITED)

STRATEGIC REPORT (continued)

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. 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 result.

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.

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, 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.

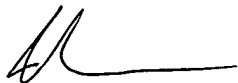
Employee involvement

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 Sharesave scheme on an annual basis, enabling the employee to save a fixed amount each month to purchase shares in the ultimate parent company (The Vitec Group plc) 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 2018 for that company.

By order of the Board



Jonathan Bolton
Director

17 July 2019

VITEC IMAGING SOLUTIONS UK LIMITED (FORMERLY MANFROTTO UK LIMITED)

DIRECTORS' REPORT

The Directors present their report and the audited Financial Statements for the year ended 31 December 2018.

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 and no final dividend is proposed (2017: £nil).

Directors

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

Jonathan Bolton
Chris Carr
Loris Frizzo
Martin Green
Kath Kearney-Croft
Neil Martin
Marco Pezzana

Detail of Directors' remuneration is provided in note 8 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.

Change of Company name

The Company changed its name from Manfrotto UK Limited to Vitec Imaging Solutions UK Limited on 28 February 2018.

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. The Company reviews credit worthiness of customers before providing credit terms, and only provides credit when the credit risk is deemed satisfactory. The Company holds any cash balances with a bank 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. The Company manages this risk by exchanging Euros for Sterling with other Vitec Group subsidiaries when it holds excess Euros.

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.

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 IMAGING SOLUTIONS UK LIMITED (FORMERLY MANFROTTO UK LIMITED)

DIRECTORS' REPORT (continued)

Auditor

In 2018 Deloitte LLP were appointed as auditors. 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 and authorised for issue by the Board



Jonathan Bolton
Director

17 July 2019

Registered Office:
Bridge House
Heron Square
Richmond
TW9 1EN

VITEC IMAGING SOLUTIONS UK LIMITED (FORMERLY MANFROTTO UK LIMITED)

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 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 IMAGING SOLUTIONS UK LIMITED (FORMERLY MANFROTTO UK LIMITED)

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Vitec Imaging Solutions UK Limited (formerly Manfrotto UK Limited) (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 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 balance sheet, the statement of changes in equity and the related notes 1 to 22.

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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VITEC IMAGING SOLUTIONS UK LIMITED (FORMERLY MANFROTTO UK LIMITED) (continued)

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. 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.

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 (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
St Albans
United Kingdom

2019

17 July

VITEC IMAGING SOLUTIONS UK LIMITED (FORMERLY MANFROTTO UK LIMITED)

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Turnover	5	21,869	18,368
Cost of sales		(17,317)	(14,443)
Gross profit		<u>4,552</u>	<u>3,925</u>
Operating expenses		(4,047)	(4,208)
Profit/(loss) before taxation	6	<u>505</u>	<u>(283)</u>
Tax on profit/(loss)	9	(61)	31
Profit/(loss) for the financial year		<u>444</u>	<u>(252)</u>

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.

The notes on pages 12 to 21 form an integral part of these Financial Statements.

VITEC IMAGING SOLUTIONS UK LIMITED (FORMERLY MANFROTTO UK LIMITED)

BALANCE SHEET as at 31 December 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	10	114	132
Tangible assets	11	742	846
Investments	12	-	-
		<u>856</u>	<u>978</u>
Current assets			
Stock	13	3,537	2,782
Debtors – amounts falling due within one year	14	5,803	4,211
Deferred tax	16	80	141
Cash at bank and in hand		910	1,639
		<u>10,330</u>	<u>8,773</u>
Creditors – amounts falling due within one year	15	(6,580)	(5,589)
Net current assets		<u>3,750</u>	<u>3,184</u>
Total assets less current liabilities		<u>4,606</u>	<u>4,162</u>
Capital and reserves			
Called up share capital	17	31	31
Share premium account		99	99
Other reserves	18	2	2
Profit and loss account		4,474	4,030
Shareholder's funds		<u>4,606</u>	<u>4,162</u>

The notes on pages 12 to 21 form an integral part of these Financial Statements.

The Financial Statements on pages 9 to 21 were approved by the Board of Directors on 17 July 2019 and were signed on its behalf by:



Kath Kearney-Croft
Director

Registered in England number 1959633
Vitec Imaging Solutions UK Limited is a private company limited by shares

VITEC IMAGING SOLUTIONS UK LIMITED (FORMERLY MANFROTTO UK LIMITED)

STATEMENT OF CHANGES IN EQUITY

	Called up share capital £'000	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2018	31	99	2	4,030	4,162
Total comprehensive income for the year					
Profit for the year	-	-	-	444	444
Balance at 31 December 2018	31	99	2	4,474	4,606
Balance at 1 January 2017	31	99	2	4,282	4,414
Total comprehensive expense for the year					
Loss for the year	-	-	-	(252)	(252)
Balance at 31 December 2017	31	99	2	4,030	4,162

The notes on pages 12 to 21 form an integral part of these Financial Statements.

VITEC IMAGING SOLUTIONS UK LIMITED (FORMERLY MANFROTTO UK LIMITED)

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").

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 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. Impact of adoption of new accounting standards

The Company has applied IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018, which has resulted in new accounting policies as set out below.

IFRS 9 "Financial Instruments"

IFRS 9 replaces the provisions of IAS39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. In accordance with the transitional provisions of IFRS 9, comparative figures have not been restated. The Company was required to revise its provision methodology under IFRS 9 for its trade debtors. There has been no material impact on the financial statements of adopting IFRS 9.

IFRS 15 "Revenue from Contracts with Customers"

The Company has applied IFRS 15 retrospectively using the cumulative effect method and has chosen not to adjust contract consideration for the effects of a significant financing component when the period between delivery of a specified good or service and payment by a customer is less than one year. 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. There has been no material impact on the financial statements of adopting IFRS 15.

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;
- 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.

VITEC IMAGING SOLUTIONS UK LIMITED (FORMERLY MANFROTTO UK LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. 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 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 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 tax, adjusted for the expected level of returns, trade discounts and volume rebates. For the products expected to be returned, both a refund liability and a right to the returned goods are recognised using an expected value method based on past history.

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 reduced balance 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. Intangible assets are amortised as follows:

Patents	7 years
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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) 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.

h) Trade and other creditors

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

VITEC IMAGING SOLUTIONS UK LIMITED (FORMERLY MANFROTTO UK LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Accounting policies (continued)

i) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these transaction costs are recognised in the Profit and Loss Account over the term of the related borrowings.

j) Cash and cash equivalents

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

k) 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.

l) 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.

m) Leases

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

n) 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 Company's legal or constructive obligation is limited to the contributions made. The amounts charged against profits represent contributions payable to the schemes in respect of the accounting period.

o) Accounting estimates and judgments

There are no significant estimates or judgments contained in the Financial Statements.

VITEC IMAGING SOLUTIONS UK LIMITED (FORMERLY MANFROTTO UK LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Turnover

Turnover by geographic market is presented as follows:

	2018 £'000	2017 £'000
United Kingdom and Ireland	17,430	13,990
The rest of Europe	3,571	3,606
USA and Canada	690	672
The rest of the World	178	100
	<u>21,869</u>	<u>18,368</u>

6. Profit/(loss) before taxation

Profit/(loss) before taxation is stated after charging:

	2018 £'000	2017 £'000
Operating lease costs for the year – land and buildings	281	203
Operating lease costs for the year – plant and machinery	93	89
Net foreign exchange losses	5	96
Amortisation of intangible assets	18	19
Restructuring costs	-	83
Depreciation	201	209
Auditors' remuneration: Audit of Company's annual accounts	20	24
	<u></u>	<u></u>

7. Staff costs, including Directors' remuneration

Staff costs during the year amounted to:

	2018 £'000	2017 £'000
Wages and salaries including employee benefits	2,133	2,234
Employer's social security costs	207	209
Employer's pension costs	120	116
	<u>2,460</u>	<u>2,559</u>

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

	2018	2017
Production	36	37
Administration	8	7
Sales and Marketing	21	24
	<u>65</u>	<u>68</u>

VITEC IMAGING SOLUTIONS UK LIMITED (FORMERLY MANFROTTO UK LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Directors' remuneration

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

	2018 £'000	2017 £'000
Directors' emoluments	338	208
Defined contribution pension costs	14	14
	<u>352</u>	<u>282</u>

Remuneration of highest paid Director:

	2018 £'000	2017 £'000
Directors' emoluments	231	176
Defined contribution pension costs	9	9
	<u>240</u>	<u>185</u>

During the year retirement benefits were accruing to two Directors (2017: two) in respect of defined contribution pension schemes and the Directors were employed by the Company during the year.

Directors' employed by the other Group companies received £nil remuneration from the Company in respect of qualifying services to the Company.

9. Tax on profit/(loss) on ordinary activities

a) Tax charge/(credit) in the profit and loss account

	2018 £'000	2017 £'000
<i>Current tax:</i>		
UK corporation tax	-	-
Total current tax charge	<u>-</u>	<u>-</u>
<i>Deferred tax:</i>		
Prior year adjustment	54	-
Origination and reversal of timing differences	7	(35)
Effect of rate change	-	4
Total deferred tax charge/(credit)	<u>61</u>	<u>(31)</u>
Total tax charge/(credit)	<u>61</u>	<u>(31)</u>

VITEC IMAGING SOLUTIONS UK LIMITED (FORMERLY MANFROTTO UK LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Tax on profit/(loss) on ordinary activities (continued)

	2018 £'000	2017 £'000
Profit /(loss) before tax	505	(283)
Profit/(loss) on ordinary activities multiplied by effective rate of corporation tax in the UK of 19% (2017: 19.25%)	96	(54)
<i>Effects of:</i>		
Prior year adjustment	54	-
Effect of rate charge	-	4
Tax incentive claim	(1)	-
Expenses not deductible for tax purposes	25	18
Use of brought forward losses not previously recognised for deferred tax	(67)	-
Group relief claimed free of charge	(46)	1
Total tax charge/(credit) reported in the profit and loss account	61	(31)

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 2018 has been calculated based on these rates.

10. Intangible assets

	Patents £'000
Cost	
At 1 January 2018 and 31 December 2018	277
Amortisation	
At 1 January 2018	145
Charge for the year	18
At 31 December 2018	163
Net book value	
At 31 December 2018	114
At 31 December 2017	132

VITEC IMAGING SOLUTIONS UK LIMITED (FORMERLY MANFROTTO UK LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Tangible assets

	Leasehold improvements £'000	Plant & machinery £'000	Fixtures & fittings £'000	Total £'000
Cost				
At 1 January 2018	898	751	603	2,252
Additions	-	52	45	97
Disposals	-	-	(60)	(60)
At 31 December 2018	<u>898</u>	<u>803</u>	<u>588</u>	<u>2,289</u>
Depreciation				
At 1 January 2018	427	438	541	1,406
Charge for the year	90	79	32	201
Disposals	-	-	(60)	(60)
At 31 December 2018	<u>517</u>	<u>517</u>	<u>513</u>	<u>1,547</u>
Net book value				
At 31 December 2018	<u>381</u>	<u>286</u>	<u>75</u>	<u>742</u>
At 31 December 2017	<u>471</u>	<u>313</u>	<u>62</u>	<u>846</u>

12. Fixed asset investments

	2018 £'000
Cost	
At 1 January 2018 and 31 December 2018	<u>117</u>
Provision	
At 1 January 2018 and 31 December 2018	<u>117</u>
Net book value	
At 1 January 2018 and 31 December 2018	<u>-</u>

The Company's investments in subsidiaries as at 31 December 2018 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.

*Panlight Limited has in 2019 submitted an application to Companies House to be struck off.

VITEC IMAGING SOLUTIONS UK LIMITED (FORMERLY MANFROTTO UK LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Stock

	2018 £'000	2017 £'000
Raw materials	1,025	828
Work in progress	47	19
Finished goods	2,465	1,935
	<u>3,537</u>	<u>2,782</u>

During the year, £17,256,000 (2017: £14,443,000) was recognised as cost of sales.

14. Debtors – amounts falling due within one year

	2018 £'000	2017 £'000
Trade debtors	3,805	3,313
Amounts owed by group undertakings	1,545	276
Other debtors	212	215
Prepayments	241	407
	<u>5,803</u>	<u>4,211</u>

Amounts owed by group undertakings are unsecured and payable on demand.

15. Creditors – amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	1,194	1,091
Amounts owed to group undertakings	3,085	2,475
Taxation and social security	120	134
Accruals	2,181	1,889
	<u>6,580</u>	<u>5,589</u>

Amounts owed to group undertakings are unsecured and payable on demand.

VITEC IMAGING SOLUTIONS UK LIMITED (FORMERLY MANFROTTO UK LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Deferred tax

(a) Deferred tax assets and liabilities:

	2018 £'000	Recognised in profit and loss £'000	2017 £'000
Assets			
Short term timing differences	21	2	19
Property, plant, equipment & other	59	(63)	122
	<u>80</u>	<u>(61)</u>	<u>141</u>
Net	<u>80</u>	<u>(61)</u>	<u>141</u>

	2017 £'000	Recognised in profit and loss £'000	2016 £'000
Assets			
Short term timing differences	19	9	10
Property, plant, equipment & other	122	22	100
	<u>141</u>	<u>31</u>	<u>110</u>
Net	<u>141</u>	<u>31</u>	<u>110</u>

A calculation was carried out to support the deferred tax asset recognised within the Financial Statements and to assess whether it can be fully utilised. The carrying value of the deferred tax asset was compared to the five year taxable profit forecast to ensure the profit forecast exceeds the deferred tax asset value.

(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 2018 has been calculated based on these rates.

VITEC IMAGING SOLUTIONS UK LIMITED (FORMERLY MANFROTTO UK LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Share capital

	2018 £'000	2017 £'000
Allotted, called up and fully paid: 31,033 (2017: 31,033) Ordinary shares of £1 each	<u>31</u>	<u>31</u>

18. Other reserves

	2018 £'000	2017 £'000
Other reserve	<u>2</u>	<u>2</u>

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:

	2018 £'000	2017 £'000
Due within one year	88	326
Due within two to five years	<u>1,166</u>	<u>1,008</u>
	<u>1,254</u>	<u>1,334</u>

20. Contingent liabilities

The Company is a guarantor to a Multicurrency Revolving Credit Facility Agreement, which increased from £125 million to £150 million in November 2018. The agreement is 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 2018 of The Vitec Group plc.

21. Post balance sheet events

Panlight Limited, the Companies subsidiary has submitted an application to Companies House to be struck off.

There were no other 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 is a wholly owned subsidiary of Vitec Investments Limited and of its ultimate parent, The Vitec Group plc. 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 2018 of The Vitec Group plc are available from the Company Secretary, Bridge House, Heron Square, Richmond, TW9 1EN.