

**Production Resource Group (Europe)
Limited**

Report and Financial Statements

Year Ended

31 December 2017

Company Number 03024622

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Production Resource Group (Europe) Limited

Report and financial statements for the year ended 31 December 2017

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Directors

R M Williams
G Boyd

Secretary and registered office

R M Williams, The Cofton Centre, Groveley Lane, Longbridge, Birmingham, West Midlands, B31 4PT

Company number

03024622

Auditor

BDO LLP, Two Snowhill, Birmingham, B4 6GA

Production Resource Group (Europe) Limited

Strategic report for the year ended 31 December 2017

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2017.

Review of business

We supply technical expertise and equipment in the Media Entertainment industry for corporate and special events, music touring and festivals, theatre and the arts, exhibitions, brand activations, and film and television productions. The services offered by PRG XL Video range from consulting, planning and design to the provision of event technology and other services for all kinds of events in the UK and globally.

The XL business acquired in 2015 has been integrated into the core PRG business which will assist with synergies and will in the long term benefit the group. Although this proved costly in the short term, the results of 2017 have shown an improved performance in terms of generating stronger operating profits. The Directors believe this will continue going forward.

The results for the year show revenue of £47,863,865 (2016 - £51,545,010) and a pre-tax loss of £958,406 (2016 - £7,238,166). The operating profit for the current year is £244,424 (2016 operating loss - £2,444,344). The losses have reduced due to the following items:

- An improved operating performance this year with an operating profit generated of £345k, as a result of the improved efficiency and synergies from the restructuring during 2016
- Exceptional one off costs of £121k included within the operating loss, all relating to the acquisition of XL Video Limited, and the subsequent restructuring, compared to £1,398k in 2016.
- Foreign exchange gain of £1.46m relating to the year end conversion of loans denominated in Euros and US Dollars required to fund the acquisition in XL Video Limited, compared with a loss on exchange in 2016 of £2.3m.

The net operating result before exceptional items in 2017 is a profit of £345k, compared with a loss of £1,047k in 2016. This improved performance, despite a reduction in revenue, is a result of the improved efficiencies and synergies gained following the re organisation of the business within 2016 and 2017, following the XL Video acquisition.

In 2016 the results were significantly impacted by losses on foreign currency relating to additional group loans which were denominated in foreign currency. These loans were utilised for the acquisition of XL Video, and also for significant capital expenditure. These losses were exaggerated following the Brexit vote. During 2017 the GBP has strengthened against the same currencies and this has resulted in a gain on the conversion of these loans. The company does continue to be subject to risk of foreign exchange going forward, albeit there is no direct cash impact of such transactions.

The impact of the above has resulted in a net liability position for the group at the year end. The directors however are confident that with the items above being one off items, and given the expected improved performance during 2017 and beyond, the group will return to a net asset position. Furthermore the group continues to be fully supported by the parent entity.

In terms of cash generations, the group has continued to generate strong cash flows with £9.2m of cash being generated from operations, compared with £7.8m in 2016, with this being a result of the improved operating result for the year and the reduction in the exceptional items which was seen in 2016.

In terms of trading going forward the acquisition of XL Video will continue to help the company grow within the video market and this will allow us to produce a more rounded experience for a clients, covering both lighting and video revenue streams. The company have won a number of large and long term contracts which will generate strong revenues over the next 12 months and beyond.

Production Resource Group (Europe) Limited

Strategic report for the year ended 31 December 2017 (*continued*)

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks.

The key business risks affecting the group are considered to relate to competition which is always an ongoing threat, to both new UK and EU legislation which are currently not viewed as a significant threat and the fluctuation in exchange rates. Separate currency accounts are maintained to mitigate the group's exposure to currency risk from a trading perspective.

The group and company are also exposed to foreign currency risk in respect of the long term funding agreements with its ultimate parent. These have had a significant impact on the group's results in 2017 following the UK's decision to leave the European Union, although will only be realised in terms of cash on eventual repayment.

Key Performance Indicators

The group's directors use KPIs for an understanding of the development, performance and position of the business. KPIs used include:

	2017	2016
Turnover to net book value of tangible fixed assets	2.01	1.81
Turnover per employee	221,592	207,008

The increase in the ratio of turnover to net book value of tangible fixed assets is principally due to large acquisitions of fixed assets in the prior year which are generating additional income in the current period.

This strategic report was approved by order of the board on 26 September 2018.



R M Williams
Director

Production Resource Group (Europe) Limited

Directors' report for the year ended 31 December 2017

The directors present their report together with the audited financial statements for the year ended 31 December 2017.

Principal activity

Production Resource Group (Europe) Limited is the UK parent company of a group engaged during the year in the sale and hire of lighting and video equipment and the provision of ancillary services. The UK group is part of Production Resource Group, Inc., a global group engaged in the same trade.

The company is itself an investment holding company.

Results and dividends

The loss for the year, after taxation, amounted to £764,438 (2016 - £6,748,822).

The directors do not recommend the payment of a dividend.

Directors

The directors of the company during the year were:

R M Williams
G Boyd

Financial instruments

The group does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. Fixed assets and working capital are financed from finance leases, retained profits and loans from group companies at fixed rates.

The group is subject to liquidity although not interest rate risk on its funding arrangements which are generally at fixed rates. Liquidity risks are managed by ensuring appropriate trade terms are negotiated with suppliers and customers which are monitored on a regular basis so that any exposure in normal trade terms can be managed. Funding derived from fellow US group undertakings and the parent group bankers is managed via both current and loan account facilities at a combination of fixed interest rates. Certain of these facilities are denominated in foreign currency and therefore there is a currency risk due to the fluctuation of currency rates.

Employee involvement

The group creates platforms and encourages regular consultation with employees and management throughout the business. Employees are notified of the business performance and future developments through monthly operating updates, weekly team leader review meetings and the group's annual conference. All employees have performance reviews, learning & development plans and self-assessment appraisal meetings at least once a year.

Disabled employees

Full and fair consideration is given to the employment of applicants who are disabled persons, taking account of their disabilities and abilities. Employees who become temporarily or permanently disabled are retained in employment where possible with fair regard to their training needs, role and career development. All employees are fairly and equally provided opportunities for any promotion opportunities.

Production Resource Group (Europe) Limited

Directors' report for the year ended 31 December 2017

Post balance sheet events

On 23 August 2018, Production Resource Group LLC completed a merger with Video Equipment Rental LLC, this will see the UK business merge. The merger will help to grow the combined business both within the US and within the UK.

Auditor

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This directors' report was approved by order of the board on 26 September 2018.



**R M Williams
Director**

Production Resource Group (Europe) Limited

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the 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 the directors have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Production Resource Group (Europe) Limited

Independent auditor's report

TO MEMBERS OF PRODUCTION RESOURCE GROUP (EUROPE) LIMITED

Opinion

We have audited the financial statements of Production Resource Group (Europe) Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company statement of financial position, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the 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 Group or the Parent 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.

Production Resource Group (Europe) Limited

Independent auditor's report (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 this regard.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

Production Resource Group (Europe) Limited

Independent auditor's report (*continued*)

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, 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 determines 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 Group's and the Parent 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 Group or the Parent 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 at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.



Gareth Singleton (*Senior Statutory Auditor*)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham
United Kingdom

Date: 27 SEPTEMBER 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Production Resource Group (Europe) Limited

Consolidated statement of comprehensive income for the year ended 31 December 2017

	Note	2017 £	2016 £
Turnover	3	47,863,865	51,545,010
Cost of sales		(36,902,601)	(38,727,728)
Gross profit		10,961,264	12,817,282
Administrative expenses - including amortisation of goodwill and intangibles assets of £976,374 (2016 - £976,428) and exceptional items of £120,524 (2016 - £1,397,683)		(10,736,840)	(15,261,626)
Operating profit/(loss) before exceptional items		344,948	(1,046,661)
Exceptional items		(120,524)	(1,397,683)
Group operating profit/(loss)	4	224,424	(2,444,344)
Interest receivable and similar income	8	1,670,700	383,427
Interest payable and similar charges	9	(2,853,530)	(5,177,249)
Loss on ordinary activities before taxation		(958,406)	(7,238,166)
Taxation on loss on ordinary activities	11	193,968	489,344
Loss on ordinary activities after taxation and total comprehensive income		(764,438)	(6,748,822)

All amounts relate to continuing activities.

The group has no other comprehensive income for the year (2016 - £Nil).

The notes on pages 18 to 39 form part of these financial statements.

Production Resource Group (Europe) Limited

Consolidated statement of financial position at 31 December 2017

<i>Company number 03024622</i>	<i>Note</i>	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Intangible assets	12	5,237,588		6,213,962	
Tangible assets	13	23,880,256		28,474,132	
			29,117,844		34,688,094
Current assets					
Stocks	15	779,260		855,388	
Debtors: amounts falling due after more than one year		4,060,093		3,112,215	
Debtors: amounts falling due within one year	16	21,464,482		23,419,989	
Cash at bank and in hand	17	326,438		458,654	
		26,630,273		27,846,246	
Creditors: amounts falling due within one year	18	(26,957,534)		(30,606,047)	
Net current liabilities			(327,261)		(2,759,801)
Total assets less current liabilities			28,790,583		31,928,293
Creditors: amounts falling due after more than one year	19		(30,260,931)		(32,197,303)
Provisions for liabilities					
Deferred taxation	22	(291,075)		(478,075)	
Other provisions	23	-		(250,000)	
			(291,075)		(728,075)
Net assets			(1,761,523)		(997,085)

The notes on pages 18 to 39 form part of these financial statements.

Production Resource Group (Europe) Limited

Consolidated statement of financial position at 31 December 2017

<i>Company number 03024622</i>	<i>Note</i>	2017 £	2017 £	2016 £	2016 £
Capital and reserves					
Called up share capital	25		1,118,889		1,118,889
Share premium account			1,570,000		1,570,000
Capital redemption reserve			69,112		69,112
Other reserves			866,667		866,667
Profit and loss account			(5,386,191)		(4,621,753)
Total equity			(1,761,523)		(997,085)

The financial statements were approved by the board of directors and authorised for issue on 26 September 2018.



R M Williams
Director

The notes on pages 18 to 39 form part of these financial statements.

Production Resource Group (Europe) Limited

Consolidated statement of changes in equity for the year ended 31 December 2017

	Share capital £	Share premium account £	Capital redemption reserve £	Other reserve £	Profit and loss account £	Total equity £
Balance at 1 January 2017	1,118,889	1,570,000	69,112	866,667	(4,621,753)	(997,085)
Comprehensive income for the year	-	-	-	-	(764,438)	(764,438)
Loss for the year	-	-	-	-	(764,438)	(764,438)
Total comprehensive income for the year	-	-	-	-	(764,438)	(764,438)
Balance at 31 December 2017	1,118,889	1,570,000	69,112	866,667	(5,386,191)	(1,761,523)

Production Resource Group (Europe) Limited

Consolidated statement of changes in equity for the year ended 31 December 2017

	Share capital £	Share premium account £	Capital redemption reserve £	Other reserve £	Profit and loss account £	Total equity £
Balance at 1 January 2016	1,118,889	1,570,000	69,112	866,667	2,127,069	5,751,737
Comprehensive income for the year						
Loss for the year	-	-	-	-	(6,748,822)	(6,748,822)
Total comprehensive income for the year	-	-	-	-	(6,748,822)	(6,748,822)
Balance at 31 December 2016	1,118,889	1,570,000	69,112	866,667	(4,621,753)	(997,085)

The notes on pages 18 to 39 form part of these financial statements.

Production Resource Group (Europe) Limited

Consolidated statement of cash flows for the year ended 31 December 2017

	Note	2017 £	2016 £
Operating activities			
Loss for the financial year		(764,438)	(6,748,822)
Adjustments for:			
Depreciation of tangible fixed assets	13	7,274,661	7,845,420
Amortisation of intangible fixed assets	12	976,374	976,428
Net book value of assets disposed		9,643	88,686
Net interest payable		1,182,830	4,793,822
Taxation expense	11	(193,968)	(489,344)
Increase in trade and other debtors and prepayments		(27,715)	(747,955)
Decrease in stocks		76,128	202,007
Increase in trade and other creditors and accruals		921,119	1,598,483
(Decrease)/increase in provisions		(250,000)	250,000
Cash from operations		9,204,634	7,768,725
Interest paid		-	(393,181)
Taxation paid		-	(185,647)
Net cash from operating activities		9,204,634	7,189,897
Investing activities			
Purchase of tangible fixed assets	13	(2,690,428)	(2,561,215)
Net cash used in investing activities		(2,690,428)	(2,561,215)
Financing activities			
Intercompany treasury funding		(5,237,287)	(2,490,867)
Repayment of obligations under finance leases		(1,309,599)	(2,106,993)
Interest paid		(99,536)	
Net cash from financial activities		(6,646,422)	(4,597,860)
Net increase in cash and cash equivalents		(132,216)	30,822
Cash and cash equivalents at beginning of year		458,654	427,832
Cash and cash equivalents at end of year	17	326,438	458,654
Cash and cash equivalents comprise:			
Cash at bank and in hand	17	326,438	458,654

The notes on pages 18 to 39 form part of these financial statements.


Production Resource Group (Europe) Limited

Company statement of financial position at 31 December 2017

<i>Company number 03024622</i>	<i>Note</i>	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Fixed asset investments	14		15,576,458		15,576,458
Current assets					
Debtors: amounts falling due after more than one year	16	21,708,414		21,000,610	
Debtors: amounts falling due within one year	16	497,898		288,224	
		<u>22,206,312</u>		<u>21,288,834</u>	
Creditors: amounts falling due within one year	18	(5,176,330)		(2,764,742)	
Net current assets			<u>17,029,982</u>		<u>18,524,092</u>
Total assets less current liabilities			<u>32,606,440</u>		<u>34,100,550</u>
Creditors: amounts falling due after more than one year	19		(30,260,931)		(32,031,348)
Net assets			<u>2,345,509</u>		<u>2,069,202</u>
Capital and reserves					
Called up share capital	25		1,118,889		1,118,889
Share premium account			1,570,000		1,570,000
Capital redemption reserves			69,112		69,112
Profit and loss account			(412,492)		(688,799)
Total equity			<u>2,345,509</u>		<u>2,069,202</u>

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The company had a profit for the year after tax of £276,307 (2016 – loss of £3,243,356).

The financial statements were approved by the board of directors and authorised for issue on 26 September 2018.


R M Williams
Director

The notes on pages 18 to 39 form part of these financial statements.

Production Resource Group (Europe) Limited

Company statement of changes in equity for the year ended 31 December 2017

	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
Balance at 1 January 2017	1,118,889	1,570,000	69,112	(688,799)	2,069,202
Comprehensive income for the year					
Profit for the year	-	-	-	276,307	276,307
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	-	276,307	276,307
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	1,118,889	1,570,000	69,112	(412,492)	2,345,509
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Production Resource Group (Europe) Limited

Company statement of changes in equity for the year ended 31 December 2016

	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
Balance at 1 January 2016	1,118,889	1,570,000	69,112	2,554,557	5,312,558
Comprehensive income for the year					
Loss for the year	-	-	-	(3,243,356)	(3,243,356)
Total comprehensive income for the year	-	-	-	(3,243,356)	(3,243,356)
Balance at 31 December 2016	1,118,889	1,570,000	69,112	(688,799)	2,069,202

The notes on pages 18 to 39 form part of these financial statements.

Production Resource Group (Europe) Limited

Notes forming part of the financial statements for the year ended 31 December 2017

1 Accounting policies

Production Resource Group (Europe) Limited ("the Company") is a limited liability company incorporated in England, registered number 03024622. The registered office is at Cofton Centre, Groveley Lane, Birmingham, B31 4PT. The nature of the company's operations and principal activities are given on page 3.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies (see note 2).

Parent company disclosure exemptions

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements in respect of the parent company;

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated profit and loss account from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 January 2014. Therefore, the Group continues to recognise a merger reserve which arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.

Production Resource Group (Europe) Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

Going concern

As detailed in the strategic report the current year has seen an improved result compared with the previous years. During the year, the company has benefited further from synergies following the acquisition of XL Video and the subsequent re organisation of the business has assisted in improving the functionality and profitability of the business.

In recent years, the overall result of the business has been impacted by exceptional costs, directly as a result of the acquisition of XL Video. The Directors believe that with the improved efficiencies and synergies now benefitting the company, will help to continue generating improved profits for the business.

It is fully expected that further synergies should arrive during the 2018 year and this should see a continued improvement in the operating result of the business.

The addition of the VER companies to the PRG UK group will see market and synergy opportunities to better utilise and share equipment while maintaining a reduced costs base that will enhance and improve the UK results significantly in the years ahead.

The directors have considered the expected future trading of the UK group and have prepared forecasts to 31 December 2019 and considered the trading period for the following 12 months post approval of the financial statements. The UK group is predicted to trade profitably and be cash generative although will require the continued support of the company's ultimate parent undertaking group headed by PRG Holdings LLC not to request repayment of existing intercompany loans and balances owed to the parent group and other subsidiaries in the group.

PRG Holdings LLC has confirmed to the directors that it will provide this financial support and has provided written assurances that current account balances and term facilities due will not be called for a period of not less than 12 months from the date of approval of these financial statements unless the UK group has sufficient resources to repay them.

Accordingly, the directors have continued to adopt the going concern basis in preparing these financial statements.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured and it is probably consideration will be received. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Revenue from the sale of goods both new and ex rental are recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

Revenue from a contract to provide services and equipment hire is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

Production Resource Group (Europe) Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or business at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight line method to its estimated useful life. Goodwill recognised on acquisition before transition to FRS 102 is being amortised to 'administrative expenses' over 15 years. Goodwill recognised on acquisition following transition to FRS 102 is being amortised to 'administrative expenses' over 10 years.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 January 2014. Therefore, the Group has not restated previously recognised goodwill into separately identifiable intangible assets.

(b) Other intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations made post the transition to FRS102 if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangible assets are arrived at by using appropriate valuation techniques (see note 2).

Brands are amortised over their useful economic lives of 5 years. The valuation method uses estimated discounted cash flows to determine the cost of brands acquired.

Customer lists are amortised over their useful economic lives of 8 years. The valuation method takes account of the historic customer relationship and uses discounted cash flows to determine the cost of customer relationships acquired.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

Production Resource Group (Europe) Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost or fair value on acquisition less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over these estimated useful lives.

The estimated useful lives range as follows:

Long term leasehold property	-	Over lease term
Plant and machinery	-	Over 7 years straight line
Motor vehicles	-	Between 4 and 7 years straight line
Fixtures and fittings	-	Over 5 years
Equipment for hire	-	Between 5 and 10 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. In respect of hire equipment, proceeds are included within revenue and the carrying amount in cost of sales in the statement of comprehensive income. In respect of other fixed assets the gain and loss is shown net within administrative expenses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Fixed asset investments

Subsidiary undertakings

Long term investments are shares and long term interest free revolving loans in group undertakings and are classified as fixed assets.

Shares in group undertakings are stated at cost and loans to group undertakings are stated at amortised cost using the effective interest method in the company balance sheet.

Provision is made for any permanent impairment in the value of fixed asset investments.

Current asset investments

Current asset investments are initially recognised at cost and are remeasured to fair value at year end.

Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost is determined on a first in, first out basis.

Production Resource Group (Europe) Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from other third parties and loans to and from related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Where debt instruments from related parties are at a non-market rate of interest they are discounted using a market rate of interest with the corresponding discount being recognised in reserves in the year of the loan and the discount unwound through interest payable using the effective interest method.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Investments in unlisted company shares which are held for resale as current asset investments are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Production Resource Group (Europe) Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Borrowing

The group is principally financed by loans due after more than one year from its parent company group. For loans where a non-market rate of interest is charged, the loan is measured initially at the present value of the future cash flows discounted at a market rate of interest based on the interest rate of a similar debt instrument with a third party and subsequently at amortised cost. The credit from discounting of an under market value loan on initial recognition is taken to reserves.

Foreign currency translation

(a) Functional and presentation currency

The company's functional and presentational currency is GBP.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within interest receivable or payable. All other foreign exchange gains and losses are presented in the income statement within administrative expenses.

Leased assets and obligations

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are "operating leases" and the annual rentals are charged to profit or loss on a straight line basis over the lease term.

Production Resource Group (Europe) Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

Leased assets: lessor

All rentals to third parties are treated as operating lease rentals as the rental agreements give no rights approximating to ownership (finance leases). Rentals are credited to turnover on a straight line basis over the term of the rental.

Pension costs

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payments obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Group operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Lease provision

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the estimated liability that will crystallise.

Production Resource Group (Europe) Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

2 Critical accounting estimates and areas of judgement

In preparing these financial statements, the directors have had to make the following judgments:

- Determine whether leases entered into by the group either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine the nature of balances with group companies in order to identify the appropriate classification of the related cash flows as operating, investing or financing.
- Determine whether there are indicators of impairment of the group's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determine whether an appropriate market rate of interest is charged on loans repayable other than on demand to and from related parties and establish an effective market rate of interest on which to base discounted cash flow valuation workings. In evaluating an appropriate market rate of interest factors considered include the rates of interest negotiated with third party borrowers at US parent group level of similar debt instruments and the underlying borrowing capacity of the company and US parent group.
- Determine that the group can continue as a going concern as a result of continued financial support from its US parent group as detailed in Note 1.

Key sources of estimation uncertainty

Intangible assets and amortisation (note 12)

The group is required to determine the fair value of intangible assets acquired as part of a business combination and estimate the useful economic life of those assets in order to determine appropriate amortisation rates. Both the initial valuation and the assessment of the assets' useful economic life require significant assumptions to be made. Changes in these underlying assumptions could have a significant impact on the carrying value of these assets.

Tangible fixed assets (note 13)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Lease provision (note 23)

The lease provision represents the directors' best estimate of the expected cost to end the lease.

Production Resource Group (Europe) Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

2 Critical accounting estimates and areas of judgement (continued)

Key sources of estimation uncertainty (continued)

Investments (note 14)

The parent company carries its investments in subsidiaries at cost less any provision for impairment and so there are significant estimates, assumptions and judgements in determining the carrying value of these investments. The group considers the nature, facts and circumstance of each investment to determine the recoverable amount of each investment. Changes in these underlying assumptions and events occurring after the year-end could have a significant impact on the carrying value of these assets.

Inventory provisions (note 15)

Company inventory levels are constantly reviewed and, should there be an indication of obsolescence, the inventory is written down to its assessed net realisable value.

Trade debtors (note 16)

At each reporting date trade debtors are assessed for recoverability. If there is any evidence of impairment, the carrying amount of the debtor is reduced to its recoverable amount. The impairment loss is recognised immediately in the income statement.

3 Turnover

	2017 £	2016 £
Analysis by geographical market:		
United Kingdom	27,096,362	40,472,585
Rest of Europe	10,627,315	1,955,924
Rest of the world	10,140,188	9,116,501
	<u>47,863,865</u>	<u>51,545,010</u>

The aggregate rental income in respect of operating leases was £29,552,251 (2016 - £30,625,154).

4 Operating loss

	2017 £	2016 £
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	7,274,661	7,845,420
Amortisation of goodwill	571,374	571,428
Amortisation of other intangible assets	405,000	405,000
Hire of plant and machinery - operating leases	200,182	226,577
Hire of other assets - operating leases	1,474,502	1,697,718
Foreign exchange differences	(112,544)	(494,428)
Exceptional items	120,524	1,397,683
	<u>120,524</u>	<u>1,397,683</u>

Exceptional items relate to costs incurred during the year in respect of employee termination payments and relocation costs of £120,524.

Production Resource Group (Europe) Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

5 Auditors' remuneration

	2017 £	2016 £
Fees payable to the company's auditor for the auditing of the company's annual accounts	10,500	10,500
Fees payable to the company's auditor for other services:		
- the audit of the company's subsidiaries	64,000	69,000
- taxation compliance services	10,500	10,500
- all other services	15,150	20,800

6 Employees

Group	2017 £	2016 £
Staff costs (including directors) consist of:		
Wages and salaries	6,453,554	7,576,362
Social security costs	458,859	766,092
Other pension costs	448,068	453,623
	7,360,481	8,796,077

The average number of employees (including directors) during the year was as follows:

	Number	Number
Project production staff	136	163
Administrative staff	80	86
	216	249

Company

The average number of employees (including directors) was 2 (2016 – 2). Employee costs for the year were £Nil (2016 - £Nil) and have been borne by its subsidiary undertakings.

Production Resource Group (Europe) Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

7 Directors' remuneration

	2017 £	2016 £
Directors' emoluments	318,552	322,340
Company contributions to money purchase pension schemes	81,201	84,534

The total amount payable to the highest paid director in respect of emoluments was £191,800 (2016 - £195,600). Company pension contributions of £36,665 (2016 - £39,998) were made to a money purchase scheme on his (her) behalf.

During the year retirement benefits were accruing to 2 directors (2016 - 2) in respect of money purchase pension schemes.

8 Interest receivable and similar income

	2017 £	2016 £
Interest receivable from group undertakings	209,870	383,427
Foreign exchange movement on intercompany funding	1,460,830	-
	<u>1,670,700</u>	<u>383,427</u>

9 Interest payable and similar charges

	2017 £	2016 £
Bank loans and overdrafts	-	203,607
Finance leases and hire purchase agreements	99,536	189,574
Interest and finance charges from group undertakings	2,409,156	2,147,308
Unwinding of discount on parent company loans at non-market rate of interest	344,838	311,116
Foreign exchange movement on intercompany funding	-	2,325,644
	<u>2,853,530</u>	<u>5,177,249</u>

10 Profit for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The profit after tax of the parent company for the year was £276,307 (2016 - loss of £3,243,356).

Production Resource Group (Europe) Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

11 Taxation on loss on ordinary activities

	2017 £	2016 £
<i>Deferred tax</i>		
Origination and reversal of timing differences	(161,864)	(489,344)
Adjustment in respect of previous periods	(32,104)	-
	<hr/>	<hr/>
Total deferred tax	(193,968)	(489,344)
	<hr/>	<hr/>
Taxation on loss on ordinary activities	(193,968)	(489,344)
	<hr/>	<hr/>

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2017 £	2016 £
Loss on ordinary activities before tax	(958,406)	(7,238,166)
	<hr/>	<hr/>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19.25% (2016 – 20%)	(184,493)	(1,447,633)
Effect of:		
Expenses not deductible for tax purposes	150,021	149,279
Adjustment in respect of previous periods	(32,104)	-
Other tax adjustments, reliefs and transfer	64,003	143,912
Effect of the change in tax rates	(23,991)	16,427
Deferred tax not recognised	(167,404)	648,671
	<hr/>	<hr/>
Total tax charge for the year	(193,968)	(489,344)
	<hr/>	<hr/>

The corporation tax rate reduced to 20% on 1 April 2015. The summer budget on 15 July 2015 announced that the rate will reduce to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. During the budget on 16 March 2016 the Chancellor announced that the rate from 1 April 2020 will instead be 17%. This will reduce the company's future current tax accordingly. Deferred tax has been calculated at 17% being the rate substantively enacted at the year end.

Production Resource Group (Europe) Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 *(continued)*

12 Intangible fixed assets

Group	Goodwill £	Brands £	Customer lists £	Total £
<i>Cost</i>				
At 1 January 2017 and 31 December 2017	6,782,493	1,400,000	1,000,000	9,182,493
<i>Amortisation</i>				
At 1 January 2017	2,327,281	443,333	197,917	2,968,531
Provisions for the year	571,374	280,000	125,000	976,374
At 31 December 2017	2,898,655	723,333	322,917	3,944,905
<i>Net book value</i>				
At 31 December 2017	3,883,838	676,667	677,083	5,237,588
At 31 December 2016	4,455,212	956,667	802,083	6,213,962

Goodwill arising on consolidation is being amortised over the directors' estimate of its useful life of 10 years. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed and assumptions that market participants would consider in respect of similar businesses.

Production Resource Group (Europe) Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 *(continued)*

13 Tangible fixed assets

Group	Leasehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Equipment for hire £	Total £
<i>Cost and fair value on acquisition</i>					
At 1 January 2017	2,138,495	1,725,026	3,333,373	67,847,968	75,044,862
Additions	-	-	-	2,690,428	2,690,428
Disposals	-	(63,415)	-	(246,227)	(309,642)
At 31 December 2017	2,138,495	1,661,611	3,333,373	70,292,169	77,425,648
<i>Depreciation</i>					
At 1 January 2017	1,165,487	1,682,676	3,250,703	40,471,864	46,570,730
Provided for the year	125,706	42,350	57,599	7,053,763	7,279,418
Disposals	-	(63,415)	-	(241,341)	(304,756)
At 31 December 2017	1,291,193	1,661,611	3,308,302	47,284,286	53,545,392
<i>Net book value</i>					
At 31 December 2017	847,302	-	25,071	23,007,883	23,880,256
At 31 December 2016	973,008	42,350	82,670	27,376,104	28,474,132

The net book value of tangible fixed assets includes £2,165,890 (2016 - £3,291,776) in respect of assets held under finance leases and hire purchase contracts. The depreciation charge in respect of these assets was £966,844 (2016 - £1,041,926).

Production Resource Group (Europe) Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

14 Fixed asset investments

Company	Investments in subsidiary Companies £	Loans to subsidiaries £	Total £
<i>Cost</i>			
At 1 January 2017 and 31 December 2017	10,394,519	5,181,939	15,576,458

Subsidiary undertakings, associated undertakings and other investments

The undertakings in which the company's interest at the year end are:

Subsidiary undertaking	Location	Proportion of ordinary share capital held	Nature of business
Production Resource Group UK Holdings Limited	England	100%	Intermediate holding company
Production Resource Group UK Limited*	England	100%	Provision of hire of lighting equipment and the provision of ancillary services
Essential Lighting Limited*	England	100%	Non trading
Summit Steel Limited*	England	100%	Non trading
VLPS Lighting Services Limited*	England	100%	Non trading
4 th Phase (London) Limited*	England	100%	Non trading
XL Video Limited	England	100%	Provision of hire of video equipment and the provision of ancillary services

* These undertakings are indirectly held by Production Resource Group (Europe) Limited

The registered office of all above subsidiaries was The Cofton Centre, Groveley Lane, Longbridge, Birmingham, B31 4PT

15 Stocks

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Stock of consumables	779,260	855,388	-	-

There is no material difference between the replacement cost of stocks and the amounts stated above.

The impairment credit recognised in the group profit or loss for the period in respect of stock was £193,000 (2016 – loss of £135,000).

Production Resource Group (Europe) Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

16 Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Due after more than one year				
Amounts owed by group undertakings	4,060,093	3,112,215	21,708,414	21,000,610
	<hr/>	<hr/>	<hr/>	<hr/>
Due within one year				
Trade debtors	3,187,491	3,902,075	-	-
Amounts owed by group undertakings	13,356,638	15,346,928	497,898	288,224
Other debtors	3,089,687	861,877	-	-
Prepayments and accrued income	1,019,478	2,504,989	-	-
Deferred tax (note 22)	811,188	804,120	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	21,464,482	23,419,989	497,898	288,224
	<hr/>	<hr/>	<hr/>	<hr/>

The impairment loss recognised in the group profit or loss for the period in respect of bad and doubtful trade debtors was £Nil (2016 - £33,641).

Included in amounts owed by group undertakings due after more than one year is a working capital loan with book value of £3,227,353 (2016 - £3,112,215) repayable in one instalment on 5 June 2020 which bears interest of 6% per annum (2016 - 6%). This loan is deemed to be carried at a market rate of interest.

17 Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	326,438	458,654	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Production Resource Group (Europe) Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

18 Creditors: amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade creditors	5,058,062	5,587,750	-	-
Loans from parent undertaking	-	-	-	-
Amounts owed to group undertakings	13,614,509	17,040,497	5,176,330	2,764,742
Corporation tax	-	-	-	-
Other taxation and social security	2,878,419	1,067,735	-	-
Obligations under finance lease and hire purchase contracts (secured)	171,000	1,314,644	-	-
Other creditors	21,706	-	-	-
Accruals and deferred income	5,213,838	5,595,421	-	-
	<u>26,957,534</u>	<u>30,606,047</u>	<u>5,176,330</u>	<u>2,764,742</u>

Obligations under finance leases and hire purchase contracts are secured on the related fixed asset.

19 Creditors: amounts falling due after more than one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Loans from parent undertaking	19,866,200	20,958,411	19,866,200	20,958,411
Loans from other group undertakings	10,394,731	11,072,937	10,394,731	11,072,937
Obligations under finance lease and hire purchase contracts (secured)	-	165,955	-	-
	<u>30,260,931</u>	<u>32,197,303</u>	<u>30,260,931</u>	<u>32,031,348</u>

Included in loans from parent undertaking are group working capital loans denominated in Sterling with a book value of £17,888,395 (2016 - £17,888,395) repayable in one instalment on 31 December 2020 which bears interest of 6% per annum (2016 - 6% per annum). This is loan is deemed to have a market rate of interest charged and flows through to subsidiaries who are charge a similar rate of interest.

Included in loans from parent undertaking is a further working capital loan denominated in Euros of €635,000 (2016 - €3,635,000) with book value of £2,806,890 (2016 - £3,070,046) repayable in one instalment on 5 June 2020 which bears interest of 6% (2016 - 6%) per annum. This is loan is deemed to have a market rate of interest charged.

Included in amounts owed to group undertakings is an investment loan denominated in US Dollars of \$15,418,000 (2016 - \$15,418,000) with a Sterling value of £11,427,051 (2016 - £12,498,379) repayable in one instalment on 5 June 2020 which bears interest of 6% per annum. At 31 December 2017 the investment loan had a book value of £10,394,731 (2016 - £11,072,707) as a result of being recognised at its discounted cash flow amount based on a market rate of interest of 10%. Interest of £344,835 (2016 - £311,116) has been charged to the profit and loss account in the year in respect of the unwinding of this discount.

Obligations under finance leases and hire purchase contracts are secured over the related fixed assets.

Production Resource Group (Europe) Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

20 Hire purchase and finance leases

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Within one year	171,000	1,314,644	-	-
Between 1 - 2 years	-	165,955	-	-
	<u>171,000</u>	<u>1,480,599</u>	<u>-</u>	<u>-</u>

21 Financial instruments

The carrying amount of the Group's financial instruments at 31 December 2017 were:

	2017 £	2016 £
Financial assets		
Financial assets measured at amortised cost	<u>24,020,347</u>	<u>23,681,749</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>54,340,046</u>	<u>61,735,615</u>

Financial assets measured at amortised cost include cash at bank and in hand, trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost include trade creditors, amounts owed to group undertakings, accruals and deferred income, other creditors and amounts due under finance lease and hire purchase contracts.

22 Deferred taxation

Group	Deferred tax asset		Deferred tax liability	
	2017 £	2016 £	2017 £	2016 £
At 1 January 2017	804,120	501,676	(478,075)	(664,975)
Origination and reversal of timing differences	<u>7,068</u>	<u>302,444</u>	<u>186,900</u>	<u>186,900</u>
At 31 December 2017	<u>811,188</u>	<u>804,120</u>	<u>(291,175)</u>	<u>(478,075)</u>

Production Resource Group (Europe) Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

22 Deferred taxation (*continued*)

The provision for deferred taxation is made up as follows:

Group	Deferred tax asset		Deferred tax liability	
	2017	2016	2017	2016
	£	£	£	£
Accelerated capital allowances	797,743	244,423	-	-
Tax losses carried forward	6,598	552,743	-	-
Other timing differences	6,847	6,954	-	-
Fair value adjustments on acquisition	-	-	(291,175)	(478,075)
	<u>811,188</u>	<u>804,120</u>	<u>(291,175)</u>	<u>(478,075)</u>
At 31 December 2017	811,188	804,120	(291,175)	(478,075)

Company

The company has no provisions for deferred taxation

23 Provisions

	Onerous lease and dilapidation provision £
At 1 January 2017	250,000
Charged to the profit or loss	(250,000)
	<u>-</u>
At 31 December 2017	-

Following the decision to vacate the Hemel Hempstead site, notified to the company prior to the year end by the directors of its fellow subsidiary operating from the premises, the directors of X L Video Limited have estimated the cost of closure of the site and accrued a lease provision for the cost of ending the lease. These costs are expected to be settled within the next 12 months.

Production Resource Group (Europe) Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

24 Reserves

Share capital

Called up share capital reserve represents the nominal value of the shares issued.

Share premium

Includes all current and prior period premiums on shares issued.

Capital redemption reserve

A reserve equivalent to the nominal value of shares redeemed which was transferred to capital redemption reserve from profit and loss account on the redemption of share capital.

Other reserves

The other reserves represent a merger reserve on consolidation which is the difference between the investment in subsidiaries subject to merger accounting and its net assets.

Profit and loss account

All other net gains and losses and transactions with owners not recognised elsewhere less dividends paid.

25 Share capital

	2017 £	2016 £
<i>Allotted, called up and fully paid</i>		
11,188,889 A ordinary shares of £0.10 each	<u>1,118,889</u>	<u>1,118,889</u>

26 Contingent liabilities

Under an agreement entered into by the company's immediate parent undertaking, Production Resource Group Inc., that company obtained a secured revolving line of credit of \$380 million from its principal bankers. As part of this agreement at the year-end a cross guarantee supported by a fixed and floating charge over the assets of the group has been given by the company, and subsidiaries in the United Kingdom. At 31 December 2017 and 31 December 2016 the company had a potential liability under this arrangement of £Nil.

27 Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge amounted to £448,068 (2016 - £453,623). Contributions amounting to £Nil (2016 - £Nil) were payable to the fund and are included in creditors.

Production Resource Group (Europe) Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

28 Commitments under operating leases

At 31 December 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

Group	2017 £	2016 £
Not later than 1 year	1,079,265	1,265,515
Later than 1 year but not later than 5 years	4,342,190	4,774,757
Later than 5 years	4,247,134	5,355,082
Total	9,668,589	11,395,354

29 Related party disclosures

Controlling parties

The company's immediate parent company undertaking is Production Resource Group LLC, a company registered in the USA.

The company's ultimate parent undertaking and controlling party is PRG Holdings LLC, which is incorporated in the USA.

Related party transactions and balances

During the year, the group traded with a number of fellow subsidiaries of Production Resource Group Holdings LLC. The aggregate of the transactions with these fellow subsidiaries is set out below:

Group	2017 £	2016 £
Aggregate sales and recharges	9,486,535	7,186,446
Aggregate purchases and recharges	4,717,190	7,398,613
Amount due from group undertakings	13,356,638	15,346,928
Loans due from group undertakings	3,227,353	3,112,215
Amount due to group undertakings	13,614,509	17,040,497
Loans due to group undertakings	30,260,931	32,031,348

The company has entered into a loan agreement with its parent undertaking Production Resource Group LLC. The outstanding principal and interest of the loan is payable on 31 December 2020. The loan accrues interest at a rate of 6% p.a. At 31 December 2017, the loan outstanding amounted to £17,888,395 (2016 - £17,888,395) including accrued interest.

The company received an investment funding loan agreement from its parent undertaking Production Resource Group LLC. The outstanding principal and interest of the loan is payable on 31 December 2020. The loan accrues interest at a rate of 6% p.a. At 31 December 2017, the loan outstanding amounted to £2,806,890 (2016 - £3,070,046). Interest payable of £209,869 (2016 - £193,409) was accrued during the year.

Production Resource Group (Europe) Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 *(continued)*

29 Related party disclosures *(continued)*

Related party transactions and balances (continued)

Entertainment Property Limited is a company under the control of J A Harris, a director of a subsidiary company and Chairman and CEO of Production Resource Group Inc., an intermediate parent company.

During 2017 rent, including service charges, of £1,134,552 (2016 - £1,048,853) was charged to the company in respect of leased premises owned by Entertainment Property Limited. At the year end the amount due by Production Resource Group UK Limited was £373,618 (2016 - £206,719). Production Resource Group UK Limited also made advances to Entertainment Property Limited, which are used periodically to clear amounts owed by the company.

Key management remuneration

Key management personnel include all directors who together have authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provided to the group is disclosed in note 8.

30 Post balance sheet events

On 23 August 2018 Production Resource Group LLC completed a merger with Video Equipment Rental LLC, this will see the UK business merge. The merger will help to grow the combined business both within the US and within the UK.