



Financial statements ARNO GB Limited

For the Year Ended 31 December 2010



Company No. 1385669

Company information

Company registration number	1385669
Registered office	Victorian House Coronation Road Bristol BS3 1AA
Directors	M J Aspin G T Palmer S B Rothmeier
Secretary	G T Palmer
Bankers	National Westminster Bank 4th Floor Castlegate House Tower Hill Bristol BS2 OJA
Auditor	Grant Thornton UK LLP Chartered Accountants Statutory Auditor Hartwell House 55 - 61 Victoria Street BRISTOL BS1 6FT

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2010

Principal activities and business review

The principal activity of the company during the year was the design and management of retail display and merchandising projects

After experiencing extremely challenging market conditions in 2009, the directors are delighted to report that the company has returned to profitability in 2010

Following a strategy of emphasising the international presence of the ARNO Group, the market place has responded by giving an increase in overseas turnover. When combined with a complete review of all costs in the business, ARNO GB has generated a healthy operating profit. The directors will continue to drive the company forward with this strategy and anticipate a profitable 2011 trading year.

Results and dividends

The profit for the year, after taxation, amounted to £395,768. The directors have not recommended a dividend.

Financial risk management objectives and policies

The company uses financial instruments comprising borrowings, some cash and liquid resources, and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to assist in financing the company's operations.

The company also has a bank facility denominated in euros. The purpose of this facility is to manage the currency risk arising from the company's operations.

The main risks arising from the company's financial instruments are foreign currency risk and interest rate risk.

Currency risk

The company is exposed to transaction foreign exchange risk. The company seeks to hedge its exposure using a bank facility denominated in euros, with the objective of minimising the effects of fluctuations in exchange rates on future transactions and cash flows.

Interest rate risk

The company finances its operations through a mixture of retained profits and bank borrowings. The company's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

Directors

The directors who served the company during the year were as follows

M J Aspin
G T Palmer
S B Rothmeier

In accordance with the company's articles of association the directors retire from the board at the annual general meeting and, being eligible, offer themselves for re-election

Directors' responsibilities

The directors are responsible for preparing 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 financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 those 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,
- 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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to be 'G T Palmer', written in a cursive style.

G T Palmer
Secretary

28 September 2011



Independent auditor's report to the members of ARNO GB Limited

We have audited the financial statements of ARNO GB Limited for the year ended 31 December 2010 which comprise the principal accounting policies, profit and loss account, balance sheet, cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit 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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of ARNO GB Limited (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

MARK L ALDRIDGE (Senior Statutory Auditor)
For and on behalf of
GRANT THORNTON UK LLP
STATUTORY AUDITOR
CHARTERED ACCOUNTANTS

Bristol 28 September 2011

Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention

The principal accounting policies of the company have remained unchanged from the previous year and are set out below

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts

Sales of goods are recognised on delivery to the customer and service sales are recognised on completion of the agreed work

Fixed assets

Tangible fixed assets are stated at cost net of depreciation

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Freehold Property	- 2% straight line
Plant & Machinery	- 25% to 33% straight line
Fixtures, Fittings & Equipment	- 10% to 25% straight line

Investments

Investments are stated at cost less amounts written off

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful economic lives. The interest element of the leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term

Retirement benefits

The company operates a defined contribution pension scheme for the benefit of its employees and directors

The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting period

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Profit and loss account

	Note	2010 £	2009 £
Turnover	1	6,147,992	4,438,863
Cost of sales		(3,534,452)	(2,779,897)
Gross profit		2,613,540	1,658,966
Other operating charges	2	(2,025,691)	(2,553,490)
Operating profit/(loss)	3	587,849	(894,524)
Interest receivable	6	81	918
Interest payable and similar charges	7	(115,599)	(114,210)
Profit/(loss) on ordinary activities before taxation		472,331	(1,007,816)
Tax on profit/(loss) on ordinary activities	8	(76,563)	163,923
Profit/(loss) for the financial year	25	395,768	(843,893)

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

	Note	2010 £	2009 £
Fixed assets			
Tangible assets	9	2,197,123	2,237,876
Investments	10	300	300
		<u>2,197,423</u>	<u>2,238,176</u>
Current assets			
Stocks	11	710,516	374,752
Debtors	12	1,703,560	989,799
Cash at bank and in hand		429,639	392,171
		<u>2,843,715</u>	<u>1,756,722</u>
Creditors amounts falling due within one year	13	<u>1,921,310</u>	<u>1,407,728</u>
Net current assets		<u>922,405</u>	<u>348,994</u>
Total assets less current liabilities		<u>3,119,828</u>	<u>2,587,170</u>
Creditors amounts falling due after more than one year	14	1,832,072	1,717,486
Provisions for liabilities			
Deferred taxation	17	22,304	—
		<u>1,265,452</u>	<u>869,684</u>
Capital and reserves			
Called-up equity share capital	22	80,000	80,000
Share premium account	23	2,506	2,506
Other reserves	24	12,049	12,049
Profit and loss account	25	1,170,897	775,129
Shareholders' funds	26	<u>1,265,452</u>	<u>869,684</u>

These financial statements were approved by the directors and authorised for issue on 28/9/11, and are signed on their behalf by

G T Palmer



Company Registration Number 1385669

The accompanying accounting policies and notes form part of these financial statements.

Cash flow statement

	Note	2010 £	2009 £
Net cash outflow from operating activities	27	(91,945)	(50,419)
Returns on investments and servicing of finance	27	(115,518)	(113,292)
Taxation	27	161,025	(451,117)
Capital expenditure and financial investment	27	(30,680)	(42,245)
Cash outflow before financing		(77,118)	(657,073)
Financing	27	114,586	187,486
Increase/(decrease) in cash	27	<u>37,468</u>	<u>(469,587)</u>

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company
An analysis of turnover is given below

	2010 £	2009 £
United Kingdom	512,368	3,507,673
Europe	3,239,851	773,327
Rest of World	2,395,773	157,863
	<u>6,147,992</u>	<u>4,438,863</u>

2 Other operating charges

	2010 £	2009 £
Administrative expenses	<u>2,025,691</u>	<u>2,553,490</u>

3 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting)

	2010 £	2009 £
Depreciation of owned fixed assets	71,433	95,039
Auditor's remuneration		
Audit fees	13,550	13,550
Accountancy fees	2,250	2,250
Operating lease costs		
- Plant and equipment	10,558	99,542
- Other	33,451	45,813
Net (profit)/loss on foreign currency translation	<u>(5,490)</u>	<u>272,149</u>

4 Directors and employees

The average number of staff employed by the company during the financial year amounted to

	2010 No	2009 No
Client services (production)	14	12
Office administration and sales	10	15
Art studio	8	10
	<u>32</u>	<u>37</u>

The aggregate payroll costs of the above were

	2010 £	2009 £
Wages and salaries	1,162,985	1,278,905
Social security costs	121,535	127,324
Other pension costs	37,645	38,322
	<u>1,322,165</u>	<u>1,444,551</u>

5 Directors

Remuneration in respect of directors was as follows

	2010 £	2009 £
Remuneration	291,717	147,671
Value of company pension contributions to money purchase schemes	14,934	13,291
	<u>306,651</u>	<u>160,962</u>

Remuneration of highest paid director

	2010 £	2009 £
Total remuneration (excluding pension contributions)	151,437	78,935
Value of company pension contributions to money purchase schemes	11,537	10,267
	<u>162,974</u>	<u>89,202</u>

The number of directors who accrued benefits under company pension schemes was as follows

	2010 No	2009 No
Money purchase schemes	<u>2</u>	<u>2</u>

6 Interest receivable

	2010	2009
	£	£
Bank interest receivable	<u>81</u>	<u>918</u>

7 Interest payable and similar charges

	2010	2009
	£	£
Interest payable on bank borrowing	103,843	113,360
Interest on other loans	<u>11,756</u>	<u>850</u>
	<u>115,599</u>	<u>114,210</u>

8 Tax on profit/(loss) from ordinary activities

(a) Analysis of charge in the year

	2010	2009
	£	£
Current tax		
UK Corporation tax based on the results for the year at 28% (2009 - 28%)	54,259	-
Under provision in prior year	<u>-</u>	<u>(160,410)</u>
Total current tax	54,259	(160,410)
Deferred tax		
Origination and reversal of timing differences (note 17)		
Capital allowances	<u>22,304</u>	<u>(3,513)</u>
Tax on profit/(loss) on ordinary activities	<u>76,563</u>	<u>(163,923)</u>

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2009 - 28%)

	2010 £	2009 £
Profit/(loss) on ordinary activities before taxation	<u>472,331</u>	<u>(1,007,816)</u>
Profit/(loss) on ordinary activities by rate of tax	132,252	(282,188)
Expenses not deductible for tax purposes	52,538	14,402
Capital allowances in excess of depreciation	(12,771)	(9,025)
Utilisation of tax losses	(110,700)	-
Loss carried back to earlier years	-	156,872
Unutilised tax losses	-	110,700
Adjustment in respect of prior year	-	(160,410)
Other timing differences	(7,060)	9,239
Total current tax (note 8(a))	<u>54,259</u>	<u>(160,410)</u>

9 Tangible fixed assets

	Freehold Property £	Plant & Machinery £	Fixtures & Fittings £	Total £
Cost				
At 1 January 2010	2,229,314	478,385	320,896	3,028,595
Additions	-	15,050	15,630	30,680
At 31 December 2010	<u>2,229,314</u>	<u>493,435</u>	<u>336,526</u>	<u>3,059,275</u>
Depreciation				
At 1 January 2010	88,907	392,143	309,669	790,719
Charge for the year	44,300	22,372	4,761	71,433
At 31 December 2010	<u>133,207</u>	<u>414,515</u>	<u>314,430</u>	<u>862,152</u>
Net book value				
At 31 December 2010	<u>2,096,107</u>	<u>78,920</u>	<u>22,096</u>	<u>2,197,123</u>
At 31 December 2009	<u>2,140,407</u>	<u>86,242</u>	<u>11,227</u>	<u>2,237,876</u>

Financial statements for the year ended 31 December 2010

10 Investments

£

Cost

At 1 January 2010 and 31 December 2010

300

Net book value

At 31 December 2010 and 31 December 2009

300**11 Stocks**

2010

2009

£

£

Finished goods

710,516374,752**12 Debtors**

2010

2009

£

£

Trade debtors

719,050

514,047

Amounts owed by group undertakings

801,691

229,177

Corporation tax repayable

—

160,410

VAT recoverable

—

15,653

Other debtors

119,317

5,800

Prepayments and accrued income

63,502

64,712

1,703,560989,799**13 Creditors: amounts falling due within one year**

2010

2009

£

£

Bank loans

170,000

170,000

Trade creditors

736,077

477,792

Amounts owed to group undertakings

468,729

424,293

Corporation tax

54,874

—

PAYE and social security

36,150

82,692

VAT

32,855

—

Other creditors

4,684

12,054

Accruals and deferred income

417,941

240,897

1,921,3101,407,728

14 Creditors: amounts falling due after more than one year

	2010 £	2009 £
Bank loans	1,232,500	1,402,500
Amounts owed to group undertakings	599,572	314,986
	<u>1,832,072</u>	<u>1,717,486</u>

15 Creditors - capital instruments

Creditors include finance capital which is due for repayment as follows

	2010 £	2009 £
Amounts repayable		
In one year or less or on demand	170,000	170,000
In more than one year but not more than two years	170,000	170,000
In more than two years but not more than five years	510,000	510,000
In more than five years	552,500	722,500
	<u>1,402,500</u>	<u>1,572,500</u>

The bank loan is repayable in equal quarterly instalments of £42,500. Interest is charged at a fixed rate of 5.9%. The loan is secured by a charge over the company's freehold property.

16 Pensions

The company operates defined contribution pension schemes for the benefit of the directors and employees. The assets of the schemes are administered by trustees in funds independent from those of the company.

17 Deferred taxation

The movement in the deferred taxation provision during the year was

	2010 £	2009 £
Provision brought forward	-	3,513
Profit and loss account movement arising during the year	22,304	(3,513)
Provision carried forward	<u>22,304</u>	<u>-</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2010 £	2009 £
Excess of taxation allowances over depreciation on fixed assets	22,304	-
	<u>22,304</u>	<u>-</u>

18 Leasing commitments

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as set out below

	Assets other than land and buildings	
	2010	2009
	£	£
Operating leases which expire		
Within 1 year	6,188	24,234
Within 2 to 5 years	45,758	28,490
	<u>51,946</u>	<u>52,724</u>

19 Capital commitments

The company had no capital commitments at 31 December 2010 or 31 December 2009

20 Contingent liabilities

There were no contingent liabilities at 31 December 2010 or 31 December 2009

21 Related party transactions

During the year ARNO GB Limited transacted with its wider group

Sales of £1,388 (2009 £12,232) and purchases of £220,986 (2009 £485,790) were made to and from ARNO GmbH during the year. At 31 December 2010 the company owed ARNO GmbH £441,989 (2009 £421,124) and a balance of £639 (2009 £nil) was owing from ARNO GmbH.

Purchases of £17,181 (2009 £nil) were made from ARNO Interactive GmbH during the year. At 31 December the company owed ARNO Interactive GmbH £17,160.

Sales of £1,606,160 (2009 £233,438) were made to ARNO Russia during the year. At 31 December 2010 the company was owed £801,051 by ARNO Russia (2009 £226,008).

Sales of £12,910 (2009 £nil) and purchases of £nil (2009 £106,062) were made to and from Arno Guangzhou Trading Co Ltd. No trading balance was outstanding at the year end. Intercompany charges of £9,579 were outstanding at 31 December 2010.

During the year, the company repaid the outstanding loan of £314,986 and was given a new loan by Arno International Holding GmbH to the value of £599,572 (2009 £314,986). At the year end the full amount was outstanding and is classified as due in more than one year. Interest is charged at 2% over base rate and a total of £11,756 was payable in respect of the year ended 31 December 2010 (2009 £850).

22 Share capital

Authorised share capital

	2010	2009
	£	£
80,000 Ordinary shares of £1 each	<u>80,000</u>	<u>80,000</u>

Allotted, called up and fully paid

	2010 No	£	2009 No	£
80,000 Ordinary shares of £1 each	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>

23 Share premium account

There was no movement on the share premium account during the financial year

24 Other reserves

	2010	2009
	£	£
Capital redemption reserve	<u>12,049</u>	<u>12,049</u>

25 Profit and loss account

	2010	2009
	£	£
Balance brought forward	775,129	1,619,022
Profit/(loss) for the financial year	<u>395,768</u>	<u>(843,893)</u>
Balance carried forward	<u>1,170,897</u>	<u>775,129</u>

26 Reconciliation of movements in shareholders' funds

	2010	2009
	£	£
Profit/(Loss) for the financial year	395,768	(843,893)
Opening shareholders' funds	<u>869,684</u>	<u>1,713,577</u>
Closing shareholders' funds	<u>1,265,452</u>	<u>869,684</u>

27 Notes to the cash flow statement

Reconciliation of operating profit/(loss) to net cash outflow from operating activities

	2010 £	2009 £
Operating profit/(loss)	587,849	(894,524)
Depreciation	71,433	95,039
(Increase)/decrease in stocks	(335,764)	298,922
(Increase)/decrease in debtors	(874,171)	819,850
Increase/(decrease) in creditors	458,708	(369,706)
Net cash outflow from operating activities	<u>(91,945)</u>	<u>(50,419)</u>

Returns on investments and servicing of finance

	2010 £	2009 £
Interest received	81	918
Interest paid	(115,599)	(114,210)
Net cash outflow from returns on investments and servicing of finance	<u>(115,518)</u>	<u>(113,292)</u>

Taxation

	2010 £	2009 £
Taxation	<u>161,025</u>	<u>(451,117)</u>

Capital expenditure and financial investment

	2010 £	2009 £
Payments to acquire tangible fixed assets	<u>(30,680)</u>	<u>(42,245)</u>
Net cash outflow for capital expenditure and financial investment	<u>(30,680)</u>	<u>(42,245)</u>

Financing

	2010 £	2009 £
Repayment of bank loans	(170,000)	(127,500)
Repayment of long-term amounts owed to group undertakings	(314,986)	-
New loans issues by group undertakings	599,572	314,986
Net cash inflow from financing	<u>114,586</u>	<u>187,486</u>

27 Notes to the cash flow statement (continued)

Reconciliation of net cash flow to movement in net debt

	2010 £	2009 £
Increase/(decrease) in cash in the period	37,468	(469,587)
Net cash outflow from bank loans	170,000	127,500
Net cash inflow from long-term amounts owed to group undertakings	(284,586)	(314,986)
	<u>(77,118)</u>	<u>(657,073)</u>
Change in net debt	(77,118)	(657,073)
Net debt at 1 January 2010	(1,495,315)	(838,242)
Net debt at 31 December 2010	<u>(1,572,433)</u>	<u>(1,495,315)</u>

Analysis of changes in net debt

	At 1 Jan 2010 £	Cash flows £	At 31 Dec 2010 £
Net cash			
Cash in hand and at bank	392,171	37,468	429,639
Debt			
Debt due within 1 year	(170,000)	–	(170,000)
Debt due after 1 year	(1,717,486)	(114,586)	(1,832,072)
	<u>(1,887,486)</u>	<u>(114,586)</u>	<u>(2,002,072)</u>
Net debt	<u>(1,495,315)</u>	<u>(77,118)</u>	<u>(1,572,433)</u>

28 Ultimate parent company

The ultimate parent undertaking of this company, and the largest and smallest group of undertakings for which group accounts are drawn up, is ARNO GmbH (incorporated in Germany). F Arnholdt is the controlling related party by virtue of his shareholding in ARNO GmbH.