Arri (GB) Limited

Directors' report and financial statements

Registered number 1688620

31 December 2006

Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2006

Principal activities, review of business and future developments

The group is engaged in the sales, rental and service of camera, lighting and digital equipment to the film, television, theatre and event industries

The group strategy is to increase profitability in all areas of its business through increased market share in its core business, whilst seeking opportunities to explore and expand new local and international markets The aim is to continue operating in the most efficient and cost effective way

Turnover decreased in 2006 by £2 4m (8%) to £29 0m This was mainly due to the ARRI Group corporate re-structuring with the aim of increasing global sales through higher efficiencies Territorial sales were re-allocated to improve customer service This re-structure has now been finalised and has resulted in the UK increasing territorial responsibilities for 2007, which will see an increase in both turnover and profit

Due to increased global rental responsibilities in the UK, camera rental turnover increased by £1 3m (14%) to £10 6m whilst lighting rental turnover remained flat at £5 4m

Despite lower turnover being achieved, a higher operating profit of £2 6m up £515k (20%) on the year was attained largely due to cost savings and efficiencies in all areas

Investment was made in tangible fixed assets with an increase in rental assets of £3 2m Working capital was benefited by lower stocks, increases in hire purchase contracts and accruals The group also benefited from lower trade creditors and amounts due to group undertakings and a reduction in the pensions deficit of £240k (8%) The gearing level of debt as a percentage of shareholders' funds has fallen from 69% in 2005 to 66% in 2006 Interest cover, being the number of time interest payable is covered by profit before tax, improved from 2 2 in 2005 to 2 8 in 2006

Regarding risks and uncertainties, the group is widening its strategic planning to deal with exposure to risk especially on increasing international business The group is further enhancing its management reporting practices and systems to additionally assist, anticipate, measure and monitor risk Risks which the company faces are price competition, sterling exchange rates, tax issues for film production and changes in the regulatory and legal environment

The group faces risks in the following areas, pricing, competition acquisitions, sterling exchange rates, changes in credit taxation for film production and changes in the regulatory and legal environment The directors regularly review the risks and take appropriate steps to mitigate any adverse exposure for the group

International business remains the priority for development in the next 12 months

The group anticipates that the next three years will see a shift towards new technology in both sales and rental business The group is well placed with both current and new product developments to serve the future needs of the industry

Results and dividends

The group profit and loss account is set out on page 8 and shows the profit for the year

The directors do not recommend the payment of a dividend (*2005 Nil*)

Directors' report *(continued)*

Directors and directors' interests

The directors who held office during the year and subsequently were as follows
MSN Leone
R Louka
F Kraus
J Shafer (appointed 13 March 2007)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company or its subsidiaries

Fixed assets

The book value of land is not considered to be significantly different from its market value

Charitable contributions

Donations to UK charities amounted to £21,249 *(2005 £16,540)*

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

MSN Leone
Secretary

2 Highbridge
Oxford Road
Uxbridge
Middlesex
UB8 1LX

4th June 2007

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable 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 group and the parent company will continue in business

The directors are responsible for keeping proper accountancy records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG

KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD
United Kingdom

Independent auditors' report to the members of Arri (GB) Limited

We have audited the group and parent company financial statements (the "financial statements") of Arri (GB) Limited for the year ended 31 December 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Note of Consolidated Historical Cost Profits and Losses, the Reconciliations of Movements in Shareholders' Funds and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 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

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Independent auditors' report to the members of Arri (GB) Limited *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2006 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

12th June 2007

Consolidated Profit and Loss Account

for the year ended 31 December 2006

	Note	**2006**	2005
		£ 000	£ 000
Turnover	*2*	**28,969**	31,362
Cost of sales		**(18,195)**	(20,518)
Gross profit		**10,774**	10,844
Distribution costs		**(5,149)**	(5,923)
Administrative expenses		**(3,075)**	(2,888)
Other operating income		**2**	4
Operating profit	*5*	**2,552**	2,037
Interest receivable and similar income	*6*	**213**	185
Interest payable and similar charges	*7*	**(909)**	(908)
Profit on ordinary activities before taxation		**1,856**	1,314
Tax on profit on ordinary activities	*8*	**(720)**	(355)
Profit on ordinary activities after taxation		**1,136**	959
Minority interest		**-**	(1)
Retained profit for the year	*17*	**1,136**	958

All amounts relate to continuing operations

Consolidated balance sheet
at 31 December 2006

	Note	2006 £ 000	2006 £ 000	2005 £ 000	2005 £ 000
Fixed assets					
Tangible assets	9		39,412		36,230
Current assets					
Stocks	11	3,989		4,865	
Debtors	12	7,597		7,915	
Cash at bank and in hand		1,461		1,627	
		13,047		14,407	
Creditors: amounts falling due within one year	13	(11,675)		(11,057)	
Net current assets			1,372		3,350
Total assets less current liabilities			40,784		39,580
Creditors: amounts falling due after more than one year	14		(11,757)		(12,124)
Provisions for liabilities and charges	15		(3,118)		(2,745)
Net assets excluding pension liabilities			25,909		24,711
Pension liabilities	20		(2,757)		(2,997)
Net assets including pension liabilities			23,152		21,714
Capital and reserves					
Called up share capital	16		2,000		2,000
Capital reserve	17		70		70
Profit and loss account	17		21,073		19,635
Shareholders' funds-equity			23,143		21,705
Minority interests			9		9
			23,152		21,714

Company balance sheet
at 31 December 2006

	Note	2006 £ 000	2006 £ 000	2005 £ 000	2005 £ 000
Fixed assets					
Tangible assets	9		13,737		13,925
Investments	10		3,156		3,152
			16,893		17,077
Current assets					
Stocks	11	2,967		3,725	
Debtors	12	9,818		8,724	
Cash at bank and in hand		1,300		1,500	
		14,085		13,949	
Creditors: amounts falling due within one year	13	(3,678)		(4,138)	
Net current assets		10,407		9,811	
Amounts falling due within one year		4,418		5,339	
Debts falling due after one year		5,989		4,472	
			10,407		9,811
Total assets less current liabilities			27,300		26,888
Creditors amounts falling due after more than one year	14		(7,418)		(8,170)
Provisions for liabilities and charges	15		(596)		(603)
Net assets excluding pension liabilities			19,286		18,115
Pension liabilities	20		(2,757)		(2,997)
Net assets including pension liabilities			16,529		15,118
Capital and reserves					
Called up share capital	16		2,000		2,000
Profit and loss account	17		14,529		13,118
Equity shareholders' funds			16,529		15,118

These financial statements were approved by the board of directors on 4th June 2007 and were signed on its behalf by

R Louka
Director

Consolidated cash flow statement

for the year ended 31 December 2006

	Note	2006		2005	
		£ 000	**£ 000**	£ 000	£ 000
Reconciliation of operating profit to net cash flow from operating activities					
Operating profit		**2,552**		2,037	
Depreciation charges		**4,765**		3,922	
Profit on sale of fixed assets		**(106)**		(241)	
Decrease in stocks		**876**		500	
Decrease/(increase) in debtors		**457**		(1,034)	
(Decrease)/increase in creditors		**(161)**		1,417	
Net cash inflow from operating activities			**8,383**		6,601
Returns on investments and servicing of finance					
Interest received		**83**		68	
Interest paid		**(485)**		(508)	
Interest element of hire purchase agreements		**(348)**		(308)	
Net cash outflow from returns on investments and servicing of finance			**(750)**		(748)
Taxation			**(423)**		(589)
Capital expenditure					
Purchase of tangible fixed assets		**(8,089)**		(7,073)	
Sale of tangible fixed assets		**246**		614	
Net cash outflow from capital expenditure			**(7,843)**		(6,459)
Financing					
Increase in debt		**5,034**		5,777	
Capital element of hire purchase repayments		**(4,871)**		(4,750)	
Cash inflow from financing			**163**		1,027
Decrease in cash in the year	*21*		**(470)**		(168)

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2006

	2006	2005
	£ 000	£ 000
Group profit for the financial year	**1,136**	958
Actuarial gain/ (loss) recognised on the defined benefit pension scheme	**431**	(930)
Movement on deferred tax relating to actuarial gain/loss on pensions	**(129)**	279
Total recognised gains for the year	**1,438**	307

Note of consolidated historical cost profits and losses
for the year ended 31 December 2006

	2006	2005
	£ 000	£ 000
Reported profit on ordinary activities before taxation	**1,856**	1,314
Difference between actual and historic cost depreciation	-	38
Historical cost profit on ordinary activities before taxation	**1,856**	1,352
Retained historical cost profit for the year after taxation and minority interest	**1,136**	996

Consolidated reconciliation of movements in shareholders' funds
for the year ended 31 December 2006

	2006	2005
	£ 000	£ 000
Profit for the financial year	**1,136**	958
Other recognised gains and losses relating to the year	**302**	(651)
Net addition to shareholders' funds	**1,438**	307
Opening shareholders' funds	**21,705**	21,398
Closing shareholders' funds	**23,143**	21,705

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules In accordance with section 230 of the Companies Act of 1985 a separate profit and loss account for Arri (GB) Limited is not presented The profit after tax dealt with in the holding company is £1,109,000 (*2005 £556,000*)

As the company is a wholly owned subsidiary of Arri AG, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group The consolidated financial statements of Arri AG, within which this company is included, can be obtained from Turnkenstasse 89, Munchen, Germany D-80799

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets over their estimated useful economic lives as follows

Freehold buildings	2% on straight line basis
Short leasehold improvements	evenly over term of lease or useful economic life
Plant and equipment	20% on reducing balance, and 7 5% to 33% on cost
Fixtures and fittings	15% on reducing balance
Office equipment	20% on reducing balance
Computer equipment	25% to 50% straight line basis
Motor vehicles	15% on straight line basis

No depreciation is provided on freehold land

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Leased assets

Where assets are financed by leasing agreements that give right 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 during the lease term The corresponding leasing commitments are shown as amount payable to the lessor Depreciation on the relevant assets is charged to the profit and loss account

Lease payments are analysed between capital and interest components The interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital payments outstanding The capital part reduces the amounts payable to the lessor

All other leases are treated as operating leases Their annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease

Notes *(continued)*

1 Accounting policies *(continued)*

Post-retirement benefits

The company operates a pension scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the company Pension scheme assets are measured using market values Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full The movement in the scheme surplus/deficit is split between operating charges, finance items and in the statement of total recognised gains and losses, actuarial gains and losses

The company also operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

Stocks

Stocks are stated at the lower of cost and net realisable value

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Turnover

Turnover represents the invoiced amount of camera and lighting equipment sold and rental of camera and lighting equipment to customers, net of value added tax and trade discounts Rental income is recognised in the profit and loss account on a straight-line basis over the term of the rental period

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market

2 Analysis of turnover

	2006	2005
	£ 000	£ 000
By activity		
Photographic, lighting and accessories	**12,124**	16,589
Leasing and rental of equipment	**16,845**	14,773
	28,969	31,362
By geographical location		
UK	**19,048**	18,710
Europe	**7,313**	5,119
Rest of the World	**2,608**	7,533
	28,969	31,362

Notes *(continued)*

3 Staff numbers and costs

The average number of persons employed by the company and its subsidiaries (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2006	2005
Office and management	**34**	33
Sales	**30**	37
Service	**61**	62
Electricians and warehouse	**31**	25
	156	157

The aggregate payroll costs of these persons were as follows

	2006	2005
	£ 000	£ 000
Wages and salaries	**5,554**	5,595
Social security costs	**518**	469
Other pension costs	**682**	670
	6,754	6,734

4 Emoluments of directors

	2006	2005
	£ 000	£ 000
Fees and emoluments for management services	**331**	280
Payments to defined benefit pension scheme	**85**	62
	416	342
Emoluments of the highest paid director		
Emoluments	**228**	185
Accrued pension entitlement	**62**	41

There were 2 *(2005 2)* directors in the company's defined benefit scheme during the year

Notes *(continued)*

5 Operating profit

	2006 £ 000	2005 £ 000
Operating profit has been arrived at after charging/(crediting)		
Depreciation - on owned assets	**2,882**	2,486
- on leased assets	**1,883**	1,436
Lease rentals - plant and equipment	**53**	121
- other	**614**	560
Profit on sale of fixed assets	**(106)**	(241)

Auditors' remuneration

	2006 £000	2005 £000
Audit of these financial statements	**55**	25
Amounts receivable by auditors and their associates in respect of		
Audit of financial statements of subsidiaries pursuant to legislation	**22**	25
Other services relating to taxation	**-**	35

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis

6 Interest receivable and similar income

	2006 £ 000	2005 £ 000
Bank loans and overdrafts	**83**	68
Foreign exchange gain	**130**	117
	213	185

7 Interest payable and similar charges

	2006 £ 000	2005 £ 000
Net return on pensions (note 20)	**76**	92
Bank loans and overdrafts	**485**	508
Hire purchase and finance leases	**348**	308
	909	908

Notes *(continued)*

8 Taxation

	2006	2005
	£ 000	£ 000
UK corporation tax		
Current tax on income for the year	**350**	321
Adjustments in respect of prior periods	**(7)**	-
Total current tax	**343**	321
Deferred tax		
Origination/reversal of timing differences in the year		
– excluding pension costs	**286**	21
– arising on pension costs	**(26)**	-
Adjustments in respect of prior periods	**117**	13
Tax on profit on ordinary activities	**720**	355

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (*2005 lower*) than the standard rate of corporation tax in the UK of 30% (*2005 30%*) The differences are explained below

	2006	2005
	£ 000	£ 000
Profit on ordinary activities before tax	**1,856**	1,314
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% *(2005 30%)*	**557**	394
Effects of		
Expenses not deductible for tax purposes	**25**	28
Depreciation on non-qualifying assets	**35**	53
Capital allowances for year in excess of depreciation	**(286)**	(33)
Other timing differences	**26**	12
Utilisation of losses	**-**	(133)
Adjustments to tax charge in respect of previous periods	**(7)**	-
Total current tax charge	**350**	321

Notes *(continued)*

9 Tangible fixed assets

Group	Freehold Land and Buildings	Short Leasehold Premises and Improvements	Motor Vehicles	Plant and Equipment	Fixtures, Fittings, Computer and Office Equipment	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Cost or valuation						
At 1 January 2006	14,009	221	1,486	44,129	1,992	61,837
Additions	-	82	176	7,694	137	8,089
Disposals	-	-	(563)	(418)	-	(981)
At 31 December 2006	**14,009**	**303**	**1,099**	**51,405**	**2,129**	**68,945**
Depreciation						
At 1 January 2006	547	186	1,089	22,184	1,602	25,608
Depreciation charge for the year	178	3	222	4,220	142	4,765
Disposals	-	-	(472)	(368)	-	(840)
At 31 December 2006	**725**	**189**	**839**	**26,036**	**1,744**	**29,533**
Net book value						
At 31 December 2006	**13,284**	**114**	**260**	**25,369**	**385**	**39,412**
At 31 December 2005	13,462	35	397	21,945	390	36,230

The net book value of tangible fixed assets includes assets held under hire purchase contracts and finance leases as follows

	2006	2005
	£ 000	£ 000
Net book value		
Motor Vehicles	**143**	132
Plant and Equipment	**10,597**	9,866
Net book value	**10,740**	9,998
Depreciation charged on these assets during the year was as follows		
Motor Vehicles	**29**	37
Plant and Equipment	**1,854**	1,744
	1,883	1,781

Notes *(continued)*

9 Tangible fixed assets *(continued)*

Company	Freehold Land and Buildings	Short Leasehold Premises and Improvements	Plant and Equipment	Fixtures, Fittings, Computer and Office Equipment	Total
	£ 000	£ 000	£ 000	£ 000	£ 000
Cost or valuation					
At 1 January 2006	14,009	172	601	885	15,667
Additions	-	-	41	56	97
At 31 December 2006	**14,009**	**172**	**642**	**941**	**15,764**
Depreciation					
At 1 January 2006	547	172	343	679	1,741
Depreciation charge for the year	178	-	17	91	286
At 31 December 2006	**725**	**172**	**360**	**770**	**2,027**
Net book value					
At 31 December 2006	**13,284**	**-**	**282**	**171**	**13,737**
At 31 December 2005	13,462	-	257	206	13,925

Notes *(continued)*

10 Investments

Company	Shares in subsidiary undertakings	Loans to subsidiary undertakings	Total
	£ 000	£ 000	£ 000
Cost			
At 1 January 2006	2,221	931	3,152
Additions	4	-	4
At 31 December 2006	**2,225**	**931**	**3,156**

Subsidiary undertakings

The following were subsidiary undertakings at the end of the year All trading companies together with Cinequip Lighting Company Limited, a dormant subsidiary, have been included in the consolidated financial statements

	Country of incorporation	Holding	Proportion held	Nature of Business
Arri Rental Limited	England	Ordinary shares	100%	Dormant
Arri Media Services Limited	England	Ordinary shares	100%	Hire of equipment
Arri Lighting Rental Limited	England	Ordinary shares	99 55%	Hire of equipment
Media Film Service Limited	England	Ordinary shares	100%	Hire of equipment
Cinequip Lighting Company	England	Ordinary shares	99 55%	Dormant
Arri Ireland Limited	Ireland	Ordinary shares	100%	Hire of Equipment
Arri (I O M) Limited	Isle of Man	Ordinary shares	100%	Hire of Equipment
Arri (NI) Limited	Northern Ireland	Ordinary shares	100%	Hire of Equipment

The accounting periods of the subsidiary companies are coterminous with the accounting period of Arri GB Limited

11 Stocks

	Group 2006 £ 000	Group 2005 £ 000	Company 2006 £ 000	Company 2005 £ 000
Finished goods and goods for resale	**3,989**	4,865	**2,967**	3,725

Notes *(continued)*

12 Debtors

	Group 2006 £ 000	Group 2005 £ 000	Company 2006 £ 000	Company 2005 £ 000
Amounts falling due within one year				
Trade debtors	6,746	7,041	2,381	2,758
Amounts due from group undertakings	237	153	1,248	1,102
Corporation tax recoverable	191	52	-	31
Other debtors	145	332	20	123
Prepayments and accrued income	278	337	180	238
	7,597	7,915	3,829	4,252
Amounts falling due after one year				
Amounts due from group undertakings	-	-	5,989	4,472
Total debtors	7,597	7,915	9,818	8,724

13 Creditors. amounts falling due within one year

	Group 2006 £ 000	Group 2005 £ 000	Company 2006 £ 000	Company 2005 £ 000
Obligations under finance leases and hire purchase contracts	3,656	3,053	-	-
Bank loans and overdrafts	1,346	1,115	836	790
Trade creditors	1,924	1,850	449	523
Amounts due to group undertakings	2,063	3,195	1,592	2,423
Other taxes and social security	622	601	96	79
Corporation tax	158	-	19	-
Other creditors	465	479	-	-
Accruals	1,441	764	686	323
	11,675	11,057	3,678	4,138

Bank overdrafts are secured by a floating charge over the assets of the company and its subsidiaries

Notes *(continued)*

14 Creditors: amounts falling due after more than one year

	Group 2006 £ 000	Group 2005 £ 000	Company 2006 £ 000	Company 2005 £ 000
Obligations under finance leases and hire purchase contracts	**4,339**	3,954	**-**	-
Bank loans	**7,418**	8,170	**7,418**	8,170
	11,757	12,124	**7,418**	8,170

The bank loan is secured on the Group's land and buildings and is repayable, in instalments, by 2022 Interest is charged at 0 75% over LIBOR Bank overdrafts are secured by guarantees provided by group undertakings

The maturity of obligations under finance leases and hire purchase contracts and bank loans is as follows

Group	Hire purchase and finance leases 2006 £ 000	Hire purchase and finance leases 2005 £ 000	Bank loans and overdrafts 2006 £ 000	Bank loans and overdrafts 2005 £ 000
Within one year	**3,656**	3,053	**1,346**	1,115
Between one and two years	**2,419**	1,909	**773**	555
More than two years but less than five years	**1,920**	2,045	**1,222**	1,665
More than five years	**-**	-	**5,423**	5,950
	7,995	7,007	**8,764**	9,285

Company	Bank loans and overdrafts 2006 £,000	Bank loans and overdrafts 2005 £ 000
Within one year	**836**	790
Between one and two years	**773**	555
More than two years but less than five years	**1,222**	1,665
More than five years	**5,423**	5,950
	8,254	8,960

Notes *(continued)*

15 Provisions for liabilities and charges

Group	Deferred taxation £ 000	Onerous lease provisions £ 000	Total £ 000
At beginning of year	2,412	333	2,745
Charge to profit and loss for the year	404	-	404
Utilised in the year	-	(31)	(31)
At end of year	**2,816**	**302**	**3,118**

The elements of deferred taxation are as follows

	2006 £ 000	2005 £ 000
Difference between accumulated depreciation and capital allowances	**2,816**	2,412

Company	Deferred taxation £ 000	Onerous lease provision £ 000	Total £ 000
At beginning of year	270	333	603
Charge to profit and loss for the year	24	-	24
Utilised in the year	-	(31)	(31)
At end of year	**294**	**302**	**596**

The onerous lease provision for the company and the group consists of amounts provided in respect of vacant leasehold property Provision has been made for lease payments due up to the point at which the property is expected to be let on a full market rent

The elements of deferred taxation are as follows

	2006 £ 000	2005 £ 000
Difference between accumulated depreciation and capital allowances	**294**	270

Notes *(continued)*

16 Called up share capital

	2006	2005
	£ 000	£ 000
Authorised		
Equity 5,000,000 Ordinary shares of £1 each	**5,000**	5,000
Allotted, called up and fully paid		
Equity 2,000,000 Ordinary shares of £1 each	**2,000**	2,000

17 Reserves

Group	Capital reserves	Profit and loss account	Total
	£ 000	£ 000	£ 000
At beginning of year	70	19,635	19,705
Retained profit for the year	-	1,136	1,136
Actuarial gain on defined benefit pension scheme (net of deferred tax)	-	302	302
At end of year	**70**	**21,073**	**21,143**

Company	Profit and loss account
	£ 000
At beginning of year	13,118
Retained profit for the year	1,109
Actuarial gain on defined benefit scheme (net of deferred tax)	302
At end of year	**14,529**

18 Contingent liabilities

Company

The company has provided guarantees to third parties to secure lease and hire purchase loans taken out by customers purchasing camera and lighting equipment from Arri (GB) Limited

In the event of the customer defaulting on the loan, the company is required to settle any outstanding finance lease or hire purchase obligations while ownership of the camera and lighting equipment reverts back to Arri (GB) Limited

At 31 December 2006, there was a maximum contingent liability of £1,918,000 (*2005 £2,214,000*) which would arise on the settlement of all such guarantees The directors consider that the net realisable value of the equipment which would revert back to Arri (GB) Limited in such circumstances would not be less than the amount of the outstanding finance lease obligations

Notes *(continued)*

19 Commitments

Annual commitments under non-cancellable operating leases are as follows

	Group			
	2006		2005	
	Land and buildings	**Other**	Land and buildings	Other
	£ 000	**£ 000**	£ 000	£ 000
Operating leases which expire				
Within one year	**-**	**27**	-	46
In the second to fifth years inclusive	**517**	**72**	517	62
Over five years	**43**	**-**	43	-
	560	**99**	560	108

20 Pension scheme

The group operates both a defined benefit scheme and a defined contribution scheme A defined contribution scheme is operated on behalf of certain employees The assets are held separately from those of the company in an independently administered fund The pension charge represents contributions payable by the company to the fund and amounted to £42,000 (*2005 £51,000)* No contributions were payable to the fund at the year end

The major scheme is a defined benefit one which provides benefits based upon final pensionable pay and was established under an irrevocable Deed of Trust by Arri (GB) Limited for its employees and those of subsidiary undertakings The scheme is managed by a corporate trustee accountable to the pension scheme members

The pensions cost relating to this scheme is assessed every three years in accordance with the advice of a qualified actuary using the projected unit method The most recent valuation, at 1 January 2006, indicated that, on the basis of service to date and current salaries, the scheme's assets were sufficient to only meet 68% of its liabilities It was assumed that the investment return would be 6 4% per annum, that salary increase would average 4 5% per annum and that present and future pensions would increase at the rate of 2 75% per annum

The valuation was updated by the actuary on an FRS 17 basis as at 31 December 2006

The major assumptions used in this valuation were

	2006	2005	2004
Rate of increase in salaries	**4 4%**	**4 4%**	4 4%
Rate of increase in pensions in payment and deferred pensions	**3.1%**	**3 0%**	3 0%
Discount rate applied to scheme liabilities	**5.1%**	**4.7%**	5 2%
Inflation assumption	**3.1%**	**3.0%**	3 0%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice

Notes *(continued)*

20 Pension scheme *(continued)*

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were

		Value at 2006 £ 000	Value at 2005 £ 000	Value at 2004 £ 000
Equities		**5,349**	4,262	3,366
Bonds		**1,746**	1,423	728
Other	- Annuities	**232**	217	199
	- Cash	**2**	2	4
Total market value of assets		**7,329**	5,904	4,297
Present value of scheme liabilities		**(11,268)**	(10,185)	(7,691)
Deficit in the scheme		**(3,939)**	(4,281)	(3,394)
Related deferred tax asset		**1,182**	1,284	1,018
Net pension liability		**(2,757)**	(2,997)	(2,376)

		Long term rate of return 2006 %	Long term rate of return 2005 %	Long term rate of return 2004 %
Equities		**7 6%**	**8.0%**	8 0%
Bonds		**5 1%**	**4.6%**	4 6%
Other	- Annuities	**5 1%**	**5.2%**	5 2%
	- Cash	**5 3%**	**4.0%**	4 0%

Notes *(continued)*

20 Pension scheme *(continued)*

Analysis of other pension costs charged in arriving at operating profit

	2006 £ 000	2005 £ 000
Current service cost	**571**	437
Total operating charge	**571**	437

Analysis of amounts included in other finance income/costs

	2006 £ 000	2005 £ 000
Expected return on pension scheme assets	**435**	338
Interest on pension scheme liabilities	**(511)**	(430)
Net return	**(76)**	(92)

Analysis of amount recognised in statement of total recognised gains and losses

	2006 £ 000	2005 £ 000
Actual return less expected return on scheme assets	**308**	554
Experience gains and losses arising on scheme liabilities	**(20)**	129
Changes in assumptions underlying the present value of scheme liabilities	**143**	(1,613)
Actuarial profit/(loss) recognised in statement of total recognised gains and losses	**431**	(930)

Notes *(continued)*

20 Pension scheme *(continued)*

Movement in deficit during the year

	2006 £ 000	2005 £ 000
Deficit at 1 January	**(4,281)**	(3,394)
Operating charge	**(560)**	(437)
Contributions	**547**	572
Other finance income	**(76)**	(92)
Actuarial gain/(loss)	**431**	(930)
Deficit at 31 December	**(3,939)**	(4,281)

History of experience gains and losses

	2003 £ 000	2004 £000	2005 £000	2006 £000
Difference between expected and actual return on scheme assets	(286)	(126)	216	**308**
Percentage of scheme assets	(8 7%)	(2 9%)	9 4%	**4.2%**
Experience gains and losses on scheme liabilities	(450)	(491)	129	**(20)**
Percentage of scheme liabilities	(7 5%)	(6 4%)	2 9%	**(0.2%)**
Total amount recognised in statement of total recognised gains and losses	(142)	(746)	(930)	**431**
Percentage of scheme liabilities	(2 3%)	(9 6%)	(9 1%)	**3 9%**

21 Reconciliation of net cash flow to movement in net debt

	2006 £ 000	2005 £ 000
Decrease in cash in the year	**(470)**	(168)
Cash inflow from increase in debt and hire purchase financing	**4,708**	4,961
Change in net debt resulting from cashflows	**4,238**	4,793
Net hire purchase and finance lease	**(4,871)**	(5,988)
Movement in net debt in the year	**(633)**	(1,195)
Opening net debt	**(14,665)**	(13,470)
Closing net debt	**(15,298)**	(14,665)

Notes *(continued)*

22 Analysis of net debt

	At beginning of year £000	Cash flow £000	Other non cash changes £000	At end of year £000
Cash in hand, at bank	1,627	(165)		**1,462**
Overdrafts	(246)	(305)		**(551)**
		(470)		
Debt due after one year	(8,170)	752		**(7,418)**
Debt due within one year	(869)	73		**(796)**
Finance leases	(7,007)	3,883	(4,871)	**(7,995)**
Total	(14,665)	4,238	(4,871)	**(15,298)**

During the year the group entered into hire purchase agreements and lease agreements in respect of assets with a total capital value at the inception of the agreement of £5,988,000

23 Related party disclosures

The Company is controlled by Arri AG, the immediate parent company The ultimate controlling party is Arri AG There have been no transactions with Arri AG, or with any other related parties, with the exception of normal trading transactions Trading transactions with companies that are within the Arri (GB) Limited group have been reversed out in the consolidated accounts

24 Ultimate parent company

Arri AG, incorporated in the Federal Republic of Germany, is the immediate parent company and in the opinion of the directors, the ultimate controlling party

The largest and smallest group in which the results of the company are consolidated is that headed by Arri AG, incorporated in the Federal Republic of Germany