Grant Thornton

Financial statements
Arri (GB) Limited

For the Year Ended 31 December 2010

Company No. 1688620

Officers and professional advisers

Company registration number	1688620
Directors	TJ Moran DJF Everitt F Kraus M Prillmann
Company Secretary	MSN Leone
Registered office	2 Highbridge Oxford Road Middlesex UB8 1LX
Auditor	Grant Thornton UK LLP Chartered Accountants Statutory Auditor Churchill House Chalvey Road East Slough Berkshire SL1 2LS

Index

Report of the directors

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

Principal activities, business review and future developments

The principal activities of the company and its subsidiary undertakings included in the consolidation are the rental of camera, lighting and digital equipment to the film, television, theatre and event industries

The strategy of the Arri Group 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 into new local and international markets

The Group aims to continue operating in the most efficient and cost effective way

Turnover was lower in 2010 by £7 3m (26%) to £20 6m (2009 £27 9m) The reduction in turnover was due to a change in operations whereby sales of cameras, electrical and lighting accessories are no longer being dealt with by the Group in 2010 Turnover in the main rental companies, Media Film Services and Arri Lighting Rental, increased in the year

The Group monitors Equipment Utilisation, Gross Profit Margin and Earnings Before Tax The utilisation rates were higher in 2010 compared with 2009 The overall gross margin has improved in the year from 31 5% in 2009 to 34 7% 2009 was low due mainly to the high depreciation charges in the year The group achieved an EBT of £1 0m (2009 Loss of £7 4m)

The directors are aware of, and are anticipating launches of major new technology products In light of this and having reviewed the carrying value of assets, it has been decided to take an impairment charge of £0 3m (2009 £9 6m) on the rental equipment

The directors are aware that changes in technology will bring new demands from the group's customer base The group offers new products, such as the Alexa digital camera, and customer focused initiatives to enable it to maintain and expand its business
The group anticipates a shift towards new technology in the rental business The group is well placed with both current and new product developments to serve the future needs of the industry

During the year the group discovered a number of accounting irregularities and as a result, the group engaged Grant Thornton to carry out investigative work There were a number of irregularities noted which include

- an unauthorised investment made by management was returned back to the Group with no return on investment
- irregular cheque payments
- payments made to connected companies which may not have been on an arm's length basis
- unauthorised use of company credit card

This resulted in a material loss to the group for the period from 2005 to 2009 No further investigation is recommended by the Directors as costs in relation to performing further investigative work would outweigh the benefits in terms of recovery of missing funds Further outcomes from the investigative work include a number of changes in senior management and a review of the internal controls and procedures currently in place The Group is now confident that controls and procedures are in place and will prevent a reoccurrence of the above accounting irregularities

Financial Risk Management

The Group manages its foreign exchange risk by billing and requiring payment in sterling to minimise the impact of foreign exchange fluctuations Similarly the Group monitors its exposure to fluctuations in interest rates for the servicing of the loans secured against the premises currently the Group is taking advantage of the low LIBOR rates

In the current or prior year, the Group has not used derivative financial instruments to manage interest rate costs, and as such, no hedge accounting is applied Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board

The Group's finance department implements the policies set by the Board of Directors The department has guidelines agreed by the directors to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these

Principal risks

Price Risk

The Group has little exposure to commodity price risk as a result of its operations The Group has no exposure to equity securities price risk as it holds no listed or other equity investment, other than subsidiary undertakings

Credit Risk

The Group has implemented policies that require appropriate credit checks on potential customers before new accounts are accepted The amount of exposure to any individual client is subject to a limit, which is reassessed annually by management

Liquidity Risk

The Group actively maintains a treasury system, in communication with its German Parent company, which is designed to ensure the Group has sufficient available funds for operations and planned expansions

Results and dividends

The consolidated profit and loss account is set out on page 9 and shows the result for the year

The directors do not recommend the payment of a dividend (2009 Nil)

Directors and directors' interests

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

F Kraus
M Prillmann
TJ Moran was appointed as a director on 25 June 2011
DJF Everitt was appointed as a director on 25 June 2011
MSN Leone resigned as a director on 1 June 2011
R Louka resigned as a director on 28 June 2011

Charitable contributions

Donations to UK charities amounted to £12,219 (2009 £9,197)

Directors' Responsibilities Statement

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) 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 and profit or loss of the company and group 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 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are 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 each of the directors is aware

- there is no relevant audit information of which the company's auditors are 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 auditors are aware of that information

Auditor

Grant Thornton UK LLP were appointed auditors during the year to fill a casual vacancy in accordance with section 485(3) of the Companies Act 2006 In accordance with section 485(4) of the Companies Act 2006, a resolution to reappoint Grant Thornton LLP as auditors will be proposed at the forthcoming Annual General Meeting

ON BEHALF OF THE BOARD

DJF Everitt
Director
1/9/11

Grant Thornton

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

We have audited the financial statements of ARRI (GB) Limited for the year ended 31 December 2010 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 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 6, 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 Due to the matter described in the Basis for Disclaimer of Opinion on the comparative consolidated profit and loss account and consolidated cash flow statement paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the 2009 consolidated profit and loss account and cash flow statement

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 web-site at www frc org uk/apb/scope/private cfm

Basis for disclaimer of opinion on the comparative profit and loss account and cash flow statement

The audit evidence available to us was limited due to a number of accounting irregularities in prior periods, which have been set out in detail in the Report of the Directors

These transactions have potentially impacted the profit and loss account and cash flow statement for the prior period and as a result we have been unable to obtain sufficient appropriate audit evidence concerning the 2009 profit and loss account, cash flow statement and 2008 opening balances information to conclude that they are free from material misstatement

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

Disclaimer of opinion on the profit and loss account and cash flow statement

Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the prior period consolidated profit and loss account and consolidated cash flow statement paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion Accordingly we do not express an opinion on the consolidated profit and loss account and cash flow statement for the year ended 31 December 2009

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's and group'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 the other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to the consolidated profit and loss account and cash flow statement for the year ended 31 December 2009, described above

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and
- we were unable to determine whether adequate accounting records had been kept

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

Perry Burton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
SLOUGH
Date 1/4/2011

Consolidated Profit and Loss Account

	Note	2010 £ 000	2009 £ 000
Turnover	1	**20,633**	27,896
Cost of sales		**(13,469)**	(19,103)
Gross profit		**7,164**	8,793
Distribution costs		**(3,748)**	(4,402)
Administrative expenses		**(1,657)**	(2,704)
Other operating income	5	**342**	1,421
Operating profit before exceptional item	4	**2,101**	3,108
Exceptional item	9	**(323)**	(9,558)
Operating profit / (loss) after exceptional item		**1,778**	(6,450)
Interest receivable and similar income	6	**12**	-
Interest payable and similar charges	7	**(801)**	(965)
Profit / (Loss) on ordinary activities before taxation		**989**	(7,415)
Tax on profit / (loss) on ordinary activities	8	**(377)**	1,367
Profit / (Loss) on ordinary activities after taxation		**612**	(6,048)
Minority interest		**(2)**	5
Profit / (Loss) for the financial year	19	**610**	(6,043)

All of the activities of the group are classed as continuing

Consolidated balance sheet

	Note	2010 £ 000	2009 £ 000
Fixed assets			
Tangible assets	9	**24,655**	26,180
		24,655	26,180
Current assets			
Stocks	12	**1,137**	2,017
Debtors	13	**6,327**	8,925
Cash at bank and in hand		**4,593**	2,069
		12,057	13,011
Creditors: amounts falling due within one year	15	**(7,022)**	(9,600)
Net current assets		**5,035**	3,411
Total assets less current liabilities		**29,690**	29,591
Creditors: amounts falling due after more than one year	16	**(8,621)**	(8,830)
Provisions for liabilities and charges	17	**(364)**	(354)
Net assets excluding pension liabilities		**20,705**	20,407
Pension liabilities	21	**(2,351)**	(2,830)
Net assets including pension liabilities		**18,354**	17,577
Capital and reserves			
Called-up share capital	18	**2,000**	2,000
Capital reserve	19	**70**	70
Profit and loss account	19	**16,276**	15,501
Shareholders' funds-equity		**18,346**	17,571
Minority interests		**8**	6
		18,354	17,577

These financial statements were approved by the board of directors and authorised for issue on 1/9/11 and were signed on its behalf by

DJF Everitt
Director

Company Registration Number 1688620

Company balance sheet

	Note	2010 £ 000	2009 £ 000
Fixed assets			
Tangible assets	10	**12,790**	12,988
Investments	11	**3,156**	3,156
		15,946	16,144
Current assets			
Stocks	12	**62**	1,044
Debtors	13	**8,926**	10,461
Cash at bank and in hand		**2,184**	1,725
		11,172	13,230
Creditors: amounts falling due within one year	15	**(892)**	(2,541)
Net current assets		**10,280**	10,689
Total assets less current liabilities		**26,226**	26,833
Creditors: amounts falling due after more than one year	16	**(5,860)**	(6,518)
Provisions for liabilities and charges	17	**(433)**	(396)
Net assets excluding pension liabilities		**19,933**	19,919
Pension liabilities	21	**(2,351)**	(2,830)
Net assets including pension liabilities		**17,582**	17,089
Capital and reserves			
Called-up equity share capital	18	**2,000**	2,000
Profit and loss account	19	**15,582**	15,089
Shareholders' funds	19	**17,582**	17,089

These financial statements were approved by the board of directors and authorised for issue on 1/9/11 and were signed on its behalf by

DJF Everitt
Director

Company Registration Number 1688620

Consolidated cash flow statement

	Note		2010		2009
		£ 000	£ 000	£ 000	£ 000
Reconciliation of operating profit / (loss) to net cash flow from operating activities					
Operating profit / (loss)		**1,778**		(6,450)	
Depreciation charge		**5,898**		5,664	
Impairment charge		**323**		9,558	
(Decrease) in onerous lease provision		**(12)**		(401)	
Gain on disposal of fixed assets		**1,626**		151	
Decrease in stocks		**880**		1,791	
Decrease / (Increase) in debtors		**2,778**		(600)	
(Decrease) in creditors		**(203)**		(3,722)	
Foreign exchange		**(150)**		(377)	
Net cash inflow from operating activities			**12,918**		5,614
Returns on investments and servicing of finance					
Interest received		**12**		-	
Interest paid		**(261)**		(501)	
Interest element of hire purchase agreements		**(488)**		(542)	
Net cash outflow from returns on investments and servicing of finance			**(737)**		(1,043)
Taxation			**(408)**		(918)
Capital expenditure					
Payments to acquire tangible fixed assets		**(6,020)**		-	
Proceeds from sale of tangible fixed assets		**2,949**		3,070	
Net cash (outflow) / inflow from capital expenditure			**(3,071)**		3,070
Financing					
Repayment of borrowings		**(500)**		(318)	
Capital element of finance lease repayments		**(4,604)**		(5,105)	
Cash outflow from financing			**(5,104)**		(5,423)
Increase in cash in the year	23		**3,598**		1,300

Consolidated statement of total recognised gains and losses

	2010 £ 000	2009 £ 000
Group profit/ (loss) for the financial year	**610**	(6,043)
Actuarial gain/(loss) recognised on the defined benefit pension scheme	**231**	(2,383)
Movement on deferred tax relating to actuarial gain / (loss) on pensions	**(64)**	659
Total recognised gains / (losses) for the year	**777**	(7,767)

Consolidated reconciliation of movements in shareholders' funds

	2010 £ 000	2009 £ 000
Profit/(Loss) for the financial year	**610**	(6,043)
Other recognised gains and losses relating to the year	**167**	(1,724)
Net addition/ (depletion) to shareholders' funds	**777**	(7,767)
Opening shareholders' funds	**17,577**	25,344
Closing shareholders' funds	**18,354**	17,577

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention in accordance with applicable UK accounting standards The principal accounting policies for the company are set out below The accounting policies remain unchanged from previous years and the directors consider them to be the most appropriate

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules In accordance with section 408 of the Companies Act of 2006 a separate profit and loss account for Arri (GB) Limited is not presented The profit after tax dealt with in the holding company is £328k (2009 £86k)

As the Group is a wholly owned subsidiary of Arri AG, the Group has taken advantage of the exemption contained in Financial Reporting Standard No 8 'Related party disclosures' and has therefore not disclosed transactions or balances with entities which form part of the Arri AG 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

Short leasehold improvements	-	evenly over term of lease or useful economic life
Freehold buildings	-	2% on straight line basis
Plant and machinery	-	3 to 8 years straight line
Motor vehicles	-	5 years straight line
Furniture and equipment	-	8 years straight line
Office equipment	-	5 year straight line
Computer equipment	-	50% straight line

A change from one method of providing depreciation to another was made during the prior period This was permissible on the grounds that the new method would give a fairer presentation of the results and of the financial position and is in line with the policy utilised by the parent company (See note 9)

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

Post retirement benefits

The Group operates a pension scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the Group 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 Group also 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 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

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at the date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing difference reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

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 Turnover on sale of camera and lighting equipment is recognised in the profit and loss account on dispatch of goods 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

Notes to the financial statements

1 Turnover

	2010 £ 000	2009 £ 000
By activity		
Sale of photographic, lighting and accessories	**1,019**	10,320
Leasing and rental of equipment	**19,614**	17,576
	20,633	27,896
By geographical location		
UK	**13,788**	17,275
Europe	**4,386**	5,854
Rest of the World	**2,459**	4,767
	20,633	27,896

2 Particulars of employees

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	
	2010	2009
Office and management	**23**	27
Sales	**13**	29
Service	**50**	58
Electricians and warehouse	**33**	25
	119	139

The aggregate payroll costs of these persons were as follows

	2010 £ 000	2009 £ 000
Wages and salaries	**4,158**	5,662
Social security costs	**295**	485
Other pension costs	**237**	936
	4,690	7,083

3 Directors

	2010 £ 000	2009 £ 000
Fees and emoluments for management services	216	480
Payments to defined benefit pension scheme	25	73
	241	553
Emoluments of the highest paid director		
Emoluments	159	163
Accrued pension entitlement	17	22

There were 2 (2009 2) directors in the company's defined benefit scheme during the year

4 Operating profit

Operating profit has been arrived at after charging/(crediting)

	2010 £ 000	2009 £ 000
Depreciation - on owned assets	2,972	3,168
- on leased assets	2,926	2,496
Impairment on fixed assets (Note 9)	323	9,558
Lease rentals - plant and equipment	-	26
- other	652	731
Profit on disposal of fixed assets	(1,626)	(151)
Foreign exchange loss/(gain)	150	(377)

Auditors' remuneration

	2010 £000	2009 £000
Audit of these financial statements	113	28
Amounts receivable by auditors in respect of		
Audit of financial statements of subsidiaries	112	34

5 Other operating income

	2010 £000	2009 £000
Exchange (loss)/gain	**(150)**	377
Group recharges	**492**	1,044
	342	1,421

6 Interest receivable and similar income

	2010 £ 000	2009 £ 000
Bank interest	**12**	-
	12	-

7 Interest payable and similar charges

	2010 £ 000	2009 £ 000
Net return on pensions (note 21)	**52**	78
Bank loans and overdrafts	**261**	345
Hire purchase and finance leases	**488**	542
	801	965

8 Taxation on ordinary activities

	2010 £ 000	2009 £ 000
UK corporation tax		
Current tax on income for the year	422	906
Adjustments in respect of prior periods	(70)	71
Total current tax	352	977
Deferred tax		
Movement in opening balance due to change in rate of tax		
– excluding pension costs	(15)	
– arising on pension costs	39	-
Origination/reversal of timing differences in the year		
– excluding pension costs	(91)	(2,267)
– arising on pension costs	92	(77)
Tax on profit / (loss) on ordinary activities	377	(1,367)

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2009 lower) than the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

	2010 £ 000	2009 £ 000
Profit / (Loss) on ordinary activities before tax	989	(7,415)
Profit / (Loss) on ordinary activities at the standard rate of corporation tax n the UK of 28% (2009 28%)	277	(2,076)
Effects of		
Expenses not deductible for tax purposes	65	106
Capital allowances for year in excess of depreciation	222	2,876
Other timing differences	(142)	-
Adjustments to tax charge in respect of previous periods	(70)	71
Total current tax charge	352	977

9 Tangible fixed assets

Group	Freehold Land and Buildings £ 000	Short Leasehold Premises and Improvements £ 000	Motor Vehicles £ 000	Plant and Equipment £ 000	Fixtures, Fittings, Computer and Office Equipment £ 000	Total £ 000
Cost or valuation						
At 1 January 2010	14,126	329	603	57,857	2,442	75,357
Additions	57	41	1	5,855	66	6,020
Disposals	-	-	-	(6,098)	-	(6,098)
At 31 December 2010	**14,183**	**370**	**604**	**57,614**	**2,508**	**75,279**
Depreciation						
At 1 January 2010	1,277	249	598	44,901	2,152	49,177
Depreciation charge for the year	179	8	5	5,629	77	5,898
Eliminated on disposals	-	-	-	(4,774)	-	(4,774)
Impairment	-	-	-	323	-	323
At 31 December 2010	**1,456**	**257**	**603**	**46,079**	**2,229**	**50,624**
Net book value						
At 31 December 2010	**12,727**	**113**	**1**	**11,535**	**279**	**24,655**
At 31 December 2009	12,849	80	5	12,956	290	26,180

During the year ended 31 December 2010, due to a perceivable increase in the rate of change in technology in the industry, the Group performed an impairment review on certain assets The results of this review was to decrease profit by £323,000 (2009 £nil)

In the prior year, a change from one method of providing depreciation to another was made which resulted in an impairment of £9,558,000 This was permissible on the grounds that the new method would give a fairer presentation of the results and of the financial position and was in line with the policy utilised by the Parent company

Included within the net book value of plant and machinery of £11,535,000 is £7,711,000 (2009 - £9,667,000) relating to assets held under hire purchase agreements The depreciation charged to the financial statements in the year in respect of such assets amounted to £2,926,000 (2009 - £2,496,000)

10 Tangible fixed assets (continued)

Company	Freehold Land and Buildings £ 000	Short Leasehold Premises and Improvements £ 000	Plant and Equipment £ 000	Fixtures, Fittings, Computer and Office Equipment £ 000	Total £ 000
Cost or valuation					
At 1 January 2010	14,126	172	451	1,026	15,775
Additions	10	-	-	9	19
At 31 December 2010	**14,136**	**172**	**451**	**1,035**	**15,794**
Depreciation					
At 1 January 2010	1,277	172	407	931	2,787
Depreciation charge for the year	179	-	10	28	217
At 31 December 2010	**1,456**	**172**	**417**	**959**	**3,004**
Net book value					
At 31 December 2010	**12,680**	**-**	**34**	**76**	**12,790**
At 31 December 2009	**12,849**	**-**	**44**	**95**	**12,988**

11 Investments

Company	Shares in subsidiary undertakings	Loans to subsidiary undertakings	Total
	£ 000	£ 000	£ 000
Cost			
At 1 January 2010	2,225	931	3,156
At 31 December 2010	**2,225**	**931**	**3,156**

Subsidiary undertakings

The following were subsidiary undertakings at the end of the financial year All trading companies, together with Cinequip Lighting Company Limited and Arri Rental Limited (dormant subsidiaries), 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 Limited	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

12 Stocks

	Group 2010 £ 000	Group 2009 £ 000	Company 2010 £ 000	Company 2009 £ 000
Finished goods and goods for resale	**1,137**	2,017	**62**	1,044

There is no material difference between replacement cost of stock and the amount stated above

13 Debtors: amounts falling due within one year

	Group 2010 £ 000	Group 2009 £ 000	Company 2010 £ 000	Company 2009 £ 000
Trade debtors	**3,604**	8,128	**591**	3,732
Amounts due from group undertakings	**1,941**	156	**1,146**	1,084
Social security and other taxes recoverable	**43**	87	**42**	135
Corporation tax recoverable	**217**	37	**37**	37
Other debtors	**-**	78	**-**	-
Prepayments and accrued income	**522**	439	**163**	153
	6,327	8,925	**1,979**	5,141

14 Debtors: amounts falling due after one year

	Group 2010 £ 000	Group 2009 £ 000	Company 2010 £ 000	Company 2009 £ 000
Amounts due from group undertakings	**-**	-	**6,947**	5,320

15 Creditors: amounts falling due within one year

	Group 2010 £ 000	Group 2009 £ 000	Company 2010 £ 000	Company 2009 £ 000
Obligations under finance leases and hire purchase contracts	**2,876**	4,315	**-**	-
Bank loans and overdrafts	**507**	1,425	**507**	944
Trade creditors	**1,477**	1,123	**93**	153
Amounts due to group undertakings	**276**	928	**27**	890
Other taxes and social security	**519**	324	**-**	49
Corporation tax	**301**	294	**-**	-
Other creditors	**78**	194	**-**	-
Accruals	**988**	997	**265**	505
	7,022	9,600	**892**	2,541

Bank overdrafts are secured by cross guarantees and a debenture given by the parent company and group undertakings

16 Creditors: amounts falling due after more than one year

	Group 2010 £ 000	Group 2009 £ 000	**Company 2010 £ 000**	Company 2009 £ 000
Obligations under finance leases and hire purchase contracts	**2,760**	2,313	**-**	-
Bank loans	**5,861**	6,517	**5,860**	6,518
	8,621	8,830	**5,860**	6,518

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 the Bank of England base rate

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

Group	**Hire purchase and finance leases**		**Bank loans and overdrafts**	
	2010 £ 000	2009 £ 000	**2010 £ 000**	2009 £ 000
Within one year	**2,875**	4,315	**507**	1,425
Between one and two years	**1,842**	1,855	**578**	365
More than two years but less than five years	**919**	458	**1,735**	1,042
More than five years	**-**	-	**3,548**	5,110
	5,636	6,628	**6,368**	7,942

Company	**Hire purchase and finance leases**		**Bank loans and overdrafts**	
	2010 £ 000	2009 £ 000	**2010 £ 000**	2009 £ 000
	-	-		
Within one year	**-**	-	**-**	343
Between one and two years	**-**	-	**500**	1,407
More than two years but less than five years	**-**	-	**1,500**	
More than five years	**-**	-	**3,860**	5,110
	-	-	**5,860**	6,860

The obligations under finance lease and hire purchases contracts are secured on the related assets

17 Provisions for liabilities and charges

Group	Deferred taxation £ 000	Onerous lease provisions £ 000	Total £ 000
At beginning of year	256	98	354
(Released) to profit and loss for the year	22	(12)	10
At end of year	**278**	**86**	**364**

The elements of deferred taxation are as follows

	2010 £ 000	2009 £ 000
Difference between accumulated depreciation and capital allowances	**278**	256

Company	Deferred taxation £ 000	Onerous lease Provision £ 000	Total £ 000
At beginning of year	298	98	396
Charge/ (released) to profit and loss for the year	49	(12)	37
At end of year	**347**	**86**	**433**

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

	2010 £ 000	2009 £ 000
Difference between accumulated depreciation and capital allowances	**347**	298

18 Called up share capital

	2010 £ 000	2009 £ 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

19 Reserves

Group	Capital reserves £ 000	Profit and loss account £ 000	Total £ 000
At beginning of year	70	15,501	15,571
Retained profit for the year	-	610	610
Actuarial gain on defined benefit pension scheme (net of deferred tax)	-	165	165
At end of year	**70**	**16,276**	**16,346**

Company	Profit and loss account £ 000
At beginning of year	15,089
Retained profit for the year	328
Actuarial gain on defined benefit scheme (net of deferred tax)	165
At end of year	**15,582**

20 Commitments

Annual commitments under non-cancellable operating leases are as follows

	Group			
	2010		2009	
	Land and buildings	**Other**	Land and buildings	Other
	£ 000	**£ 000**	£ 000	£ 000
Operating leases which expire				
Within one year	**28**	**61**	26	41
In the second to fifth years inclusive	**-**	**562**	-	689
Over five years	**-**	**-**	-	-
	28	**623**	26	730

21 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 Group in an independently administered fund The pension charge represents contributions paid by the Group to the fund and amounted to £108,517 (2009 £ 49,523) No contributions were payable to the fund at the year end

The major scheme is a defined benefit scheme 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 actuarial valuation, at 1 January 2009, indicated that, on the basis of service to date and current salaries, the scheme's assets were sufficient to only meet 50% of its liabilities Since the valuation date, the Group has agreed to make annual payments over eight years starting at £540,000 for the first year and increasing by £35,0000 for each of six years thereafter and then the remaining £750,00 in the eighth year to fund the shortfall All Scheme expenses will be met by the Group directly The scheme was closed to future accruals on 10 December 2009

The valuation was updated by the Barnett Waddingham LLP as at 31 December 2010

The major assumptions used by the actuary in this valuation were

	2010	2009	2008
Rate of increase in salaries	**n/a**	n/a	4 0%
Rate of increase in pensions in payment and deferred pensions	**3.4%**	3 4%	2 75%
Discount rate applied to scheme liabilities	**5.5%**	5 7%	6 5%
Inflation assumption	**3.4%**	3 4%	2 75%

21 Pension scheme (continued)

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

Under the adopted mortality tables, the future life expectancy at age 65 is as follows

	2010	2009
Life expectancy at age 65		
Male currently aged 65	**22.5**	22 3
Women currently aged 65	**24.9**	24 7

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 2010 £ 000	Value at 2009 £ 000	Value at 2008 £ 000
Equities	**8,099**	7,338	4,921
Bonds	**1,313**	2,301	2,213
Gilts	**876**	-	-
Other - Annuities	**547**	528	452
- Cash	**109**	3	4
Total market value of assets	**10,944**	10,170	7,590
Present value of scheme liabilities	**(14,209)**	(14,100)	(9,410)
Deficit in the scheme	**(3,265)**	(3,930)	(1,820)
Related deferred tax liability	**914**	1,100	510
Net pension liability	**(2,351)**	(2,830)	(1,310)

	Long term rate of return 2010 %	Long term rate of return 2009 %	Long term rate of return 2008 %
Equities	**8 0%**	8 0%	7 5%
Bonds	**5.0%**	5 0%	5 7%
Other - Annuities	**5.7%**	5 7%	5 7%
- Cash	**3.0%**	5 5%	5 5%

21 Pension scheme (continued)

Reconciliation of present value of scheme liabilities

	2010 £ 000	2009 £ 000
1 January	14,100	9,411
Current service cost	-	337
Contributions by scheme participants	-	156
Interest cost	774	621
Benefits paid	(1,040)	(126)
Actuarial gain / (loss) on liabilities	375	3,656
Change due to settlement or curtailments	-	45
31 December	14,209	14,100

Reconciliation of fair value of scheme assets

	2010 £ 000	2009 £ 000
1 January	10,170	7,590
Expected return on scheme assets	722	588
Company contributions	486	689
Contributions by scheme participants	-	156
Benefits paid	(1,040)	(126)
Actuarial gain / (loss) on assets	606	1,273
31 December	10,944	10,170

The actual return on scheme assets (net of expenses) in the year was £1,328,000

The assets do not include any investment in shares of the Group

The expected return on assets is a weighted average of the assumed long term returns for the various asset classes Equity and property returns are developed based on the selection of an appropriate risk premium above the risk free rate which is measured in accordance with the yield on government bonds Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the Scheme's holdings of these instruments

The amounts recognised in the profit and loss account are as follows

	2010 £ 000	2009 £ 000
Current service cost	-	337
Interest cost	774	621
Expected return on assets	(722)	(588)
Losses on settlement or curtailments	-	45
Total charge	52	415

21 Pension scheme (continued)

Amounts for current period and previous periods

	2010 £ 000	2009 £ 000	2008
Present value of defined benefit obligation	**(14,209)**	(14,100)	(9,411)
Scheme assets	**10,944**	10,170	7,590
(Deficit)	**(3,265)**	(3,930)	(1,821)
Experience gains and (losses) on scheme liabilities	**342**	(363)	(803)
Changes in assumptions used to value scheme liabilities	**(717)**	(3,293)	2,682
Experience adjustments on scheme assets	**606**	1,273	(2,255)

22 Reconciliation of net cash flow to movement in net debt

	2010 £ 000	2009 £ 000
Increase in cash in the year	**3,598**	1,300
Cash inflow from increase in debt and hire purchase financing	**5,104**	5,423
Change in net debt resulting from cash flows	**8,702**	6,723
Net hire purchase and finance lease	**(3,612)**	(3,251)
Movement in net funds in the year	**5,090**	3,472
Opening net debt	**(12,501)**	(15,973)
Closing net debt	**(7,411)**	(12,501)

23 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	2,069	2,524	-	**4,593**
Overdrafts	(1,074)	1,074	-	-
	995	3,598	-	**4,593**
Debt due after one year	(6,517)	656	-	**(5,861)**
Debt due within one year	(351)	(156)	-	**(507)**
Finance leases and hire purchase contracts	(6,628)	4,604	(3,612)	**(5,636)**
Total	(12,501)	8,702	(3,612)	**(7,411)**

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 £3,612,000 (2009 £3,252,000)

24 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

25 Ultimate parent company

Arri AG, incorporated in the 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 Germany The accounts may be obtained from the address within the company information page of these accounts

26 Contingent liabilities

The Group has a cross guarantee arrangement in respect of bank borrowings of group companies with its principal bankers and at the balance sheet date, there was a maximum liability to which the Group is exposed of £nil (2009 £1,174,865)

27 Post balance sheet events

Subsequent to the year end, Arri (GB) Limited agreed to purchase the 0 45% minority interest in Arri Lighting Rental Limited for £250,000 This is to be paid in four tranches with the first payment of £100,000 being made on 1 January 2011