Arri (GB) Limited

Directors' report and financial statements

Registered number 1688620

31 December 2008

Contents

Directors' report

The directors present their report and financial statements for the year ended 31 December 2008.

Principal activities, review of business and future developments

The principal activities of the company and its subsidiary undertakings included in the consolidation are the sale, rental and servicing 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 new local and international markets.

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

Turnover decreased in 2008 by £2.7m (8%) to £30.9m *(2007: £33.6m).* 2008 was a tough trading year for the industry as a whole, which started off with a weak dollar, dissuading influx of projects, continued with uncertainties created by threats of industrial action by Script Writers, Directors and the Actors, compounded by the effects of the 'credit crunch' and recession towards the end of the year. The year then ended with Sterling being very weak against the Euro.

Due to these uncertainties in the market, the UK, rental turnover, comprising camera, lighting and digital equipment, decreased by £1.1m (6%) to £18m..

The group achieved an operating profit of £721k *(2007: £2.5m).* The decrease of £1.7m includes net foreign exchanges losses of £213k (strong Euro), and is largely due to lower margins again as a result of a strong Euro. The group is managing the foreign exchange risk in coordination with the German Parent group so as to minimise the impact of actual losses.

The balance sheet showed an overall decrease in net assets of £3.3m (140%), principally due to lower stock levels, lower debtors and stable creditors. The group is taking active steps to reduce its cost base for 2009.

The company and the group face risks in the areas of, 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 these 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 to five 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.

Financial Risk Management

The Group's operations expose it to a limited amount of credit and liquidity risk. There is little financial risk arising from the effects of changes in market prices of commodities based on its current client sectors, and no interest rate risk as it has no significant borrowings.

The Group does not use 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.

Directors' report *(continued)*

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. Credit insurance is also in place to cover selected businesses and circumstances.

Liquidity Risk

The Group actively maintains a treasury system which is designed to ensure the Group has sufficient available funds for operations and planned expansions.

Results and dividends

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

The directors do not recommend the payment of a dividend *(2007: Nil)*.

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 (resigned 14 March 2008)

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. F Kraus is a director in the ultimate parent company and his interests in that company are shown in that company's financial statements.

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 £7,622 *(2007: £15,943)*.

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

Mazars LLP were appointed auditors during the year. In accordance with Section 485 of the Companies Act 2006, a resolution for the re-appointment of Mazars LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

R Louka
Director

13 March 2009

2 Highbridge
Oxford Road
Uxbridge
Middlesex
UB8 1LX

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.

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 2008 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 2008 and of the group's result 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.

Mazars LLP

Mazars LLP
Chartered Accountants
Registered Auditor
Tower Bridge House
St Katharine's Way
London E1W 1DD

13 March 2009

Consolidated Profit and Loss Account
for the year ended 31 December 2008

	Note	2008 £ 000	2007 £ 000
Turnover	2	**30,929**	33,644
Cost of sales		**(20,658)**	(21,356)
Gross profit		**10,271**	12,288
Distribution costs		**(6,078)**	(6,608)
Administrative expenses		**(3,170)**	(2,970)
Operating profit	5	**1,023**	2,710
Interest receivable and similar income	6	**-**	65
Interest payable and similar charges	7	**(1,335)**	(1,033)
(Loss)/profit on ordinary activities before taxation		**(312)**	1,742
Tax on (loss)/profit on ordinary activities	8	**(101)**	(317)
(Loss)/profit on ordinary activities after taxation		**(413)**	1,425
Minority interest		**1**	(2)
(Loss)/profit for the year	17	**(412)**	1,423

All amounts relate to continuing operations.

Consolidated balance sheet
at 31 December 2008

	Note	2008 £ 000	2008 £ 000	2007 £ 000	2007 £ 000
Fixed assets					
Tangible assets	*9*		**41,070**		**40,284**
Current assets					
Stocks	*11*	**3,808**		**4,895**	
Debtors	*12*	**8,365**		**9,869**	
Cash at bank and in hand		**457**		**1,280**	
		12,630		**16,044**	
Creditors: amounts falling due within one year	*13*	**(13,567)**		**(13,670)**	
Net current (liabilities)/assets			**(937)**		**2,374**
Total assets less current liabilities			**40,133**		**42,658**
Creditors: amounts falling due after more than one year	*14*		**(10,222)**		**(12,505)**
Provisions for liabilities and charges	*15*		**(3,257)**		**(2,902)**
Net assets excluding pension liabilities			**26,654**		**27,251**
Pension liabilities	*20*		**(1,310)**		**(2,343)**
Net assets including pension liabilities			**25,344**		**24,908**
Capital and reserves					
Called up share capital	*16*		**2,000**		**2,000**
Capital reserve	*17*		**70**		**70**
Profit and loss account	*17*		**23,265**		**22,827**
Shareholders' funds-equity			**25,335**		**24,897**
Minority interests			**9**		**11**
			25,344		**24,908**

These financial statements were approved by the board of directors on 13 March 2009 and were signed on its behalf by:

R Louka
Director

Company balance sheet
at 31 December 2008

	Note	2008 £ 000	2008 £ 000	2007 £ 000	2007 £ 000
Fixed assets					
Tangible assets	9		**13,132**		13,307
Investments	10		**3,156**		3,156
			16,288		16,463
Current assets					
Stocks	11	**2,849**		4,043	
Debtors	12	**12,898**		12,407	
Cash at bank and in hand		**345**		465	
		16,092		16,915	
Creditors: amounts falling due within one year	13	**(4,848)**		(5,827)	
Net current assets		**11,244**		11,088	
Amounts falling due within one year		**2,033**		3,269	
Debts falling due after one year		**9,211**		7,819	
			11,244		11,088
Total assets less current liabilities			**27,532**		27,551
Creditors: amounts falling due after more than one year	14		**(6,554)**		(7,103)
Provisions for liabilities and charges	15		**(943)**		(497)
Net assets excluding pension liabilities			**20,035**		19,951
Pension liabilities	20		**(1,310)**		(2,343)
Net assets including pension liabilities			**18,724**		17,608
Capital and reserves					
Called up share capital	16		**2,000**		2,000
Profit and loss account	17		**16,724**		15,608
Equity shareholders' funds			**18,724**		17,608

These financial statements were approved by the board of directors on 13 March 2009 and were signed on its behalf by:

R Louka
Director

Consolidated cash flow statement
for the year ended 31 December 2008

	Note	2008		2007	
		£ 000	£ 000	£ 000	£ 000
Reconciliation of operating profit to net cash flow from operating activities					
Operating profit		721		2,513	
Depreciation charges		5,956		5,783	
Increase/(decrease) in onerous lease provision		430		(75)	
Adjustment to pension payments		(216)		(190)	
(Increase)/decrease in stocks		1,087		(906)	
(Increase)/decrease in debtors		1,499		(2,421)	
(Decrease)/increase in creditors		1,486		(668)	
Net cash inflow from operating activities			10,963		4,046
Returns on investments and servicing of finance					
Interest received		-		65	
Interest paid		(702)		(543)	
Interest element of hire purchase agreements		(547)		(418)	
Net cash outflow from returns on investments and servicing of finance			(1,249)		(896)
Taxation			(436)		(207)
Capital expenditure					
Purchase of tangible fixed assets		(4,405)		(1,470)	
Sale of tangible fixed assets		1,185		833	
Net cash outflow from capital expenditure			(3,220)		(637)
Financing					
Increase in debt		-		-	
Repayment of debt		(534)		(494)	
Capital element of hire purchase repayments		(4,974)		(3,578)	
Cash outflow from financing			(5,508)		(4,072)
Increase/ (decrease) in cash in the year	21		550		(1,766)

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2008

	2008 £ 000	2007 £ 000
Group (loss)/profit for the financial year	**(412)**	1,423
Actuarial gain recognised on the defined benefit pension scheme	**1,230**	567
Movement on deferred tax relating to actuarial gain/loss on pensions	**(380)**	(236)
Total recognised gains for the year	**438**	1,754

Consolidated reconciliation of movements in shareholders' funds
for the year ended 31 December 2008

	2008 £ 000	2007 £ 000
Profit for the financial year	**(412)**	1,423
Other recognised gains and losses relating to the year	**850**	331
Net addition to shareholders' funds	**438**	1,754
Opening shareholders' funds	**24,906**	23,154
Closing shareholders' funds	**25,344**	24,908

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 £267k (*2007:* £749k)

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

	2008	2007
	£ 000	£ 000
By activity		
Photographic, lighting and accessories	**12,809**	14,392
Leasing and rental of equipment	**18,120**	19,252
	30,929	33,644
By geographical location		
UK	**18,957**	22,061
Europe	**7,273**	8,172
Rest of the World	**4,999**	3,411
	30,929	33,644

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	
	2008	2007
Office and management	**35**	36
Sales	**31**	30
Service	**73**	74
Electricians and warehouse	**26**	25
	165	165

The aggregate payroll costs of these persons were as follows:

	2008	2007
	£ 000	£ 000
Wages and salaries	**6,262**	6,647
Social security costs	**546**	566
Other pension costs	**600**	855
	7,408	8,068

4 Emoluments of directors

	2008	2007
	£ 000	£ 000
Fees and emoluments for management services	**228**	477
Payments to defined benefit pension scheme	**50**	69
	278	546
Emoluments of the highest paid director		
Emoluments	**156**	348
Accrued pension entitlement	**34**	46

There were 2 *(2007: 2)* directors in the company's defined benefit scheme during the year.

Notes *(continued)*

5 Operating profit

	2008 £ 000	2007 £ 000
Operating profit has been arrived at after charging/(crediting):		
Depreciation - on owned assets	**4,668**	2,964
- on leased assets	**1,288**	2,819
Lease rentals - plant and equipment	**24**	27
- other	**64**	566
Profit on disposal of fixed assets	**(302)**	(197)

Auditors' remuneration:

	2008 £000	2007 £000
Audit of these financial statements	**28**	30
Amounts receivable by auditors in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**34**	27
Other services relating to taxation	-	-

6 Interest receivable and similar income

	2008	2007 £ 000
Bank loans and overdrafts	-	65
Foreign exchange gain	-	-
	-	65

7 Interest payable and similar charges

	2008 £ 000	2007 £ 000
Net return on pensions (note 20)	**86**	72
Bank loans and overdrafts	**702**	543
Hire purchase and finance leases	**547**	418
	1,335	1,033

Notes *(continued)*

8 Taxation

	2008 £ 000	2007 £ 000
UK corporation tax		
Current tax on income for the year	**3**	421
Adjustments in respect of prior periods	**173**	12
Total current tax	**176**	433
Deferred tax		
Origination/reversal of timing differences in the year		
– excluding pension costs	**(129)**	(141)
– arising on pension costs	**54**	35
- arising on tax rate differences	**-**	(10)
Adjustments in respect of prior periods	**-**	-
Tax on profit on ordinary activities	**101**	317

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (*2007: lower*) than the standard rate of corporation tax in the UK of 28% (*2007: 30%*). The differences are explained below.

	2008 £ 000	2007 £ 000
(Loss) /profit on ordinary activities before tax	**(312)**	1,742
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 28% *(2007: 30%)*	**(87)**	523
Effects of:		
Expenses not deductible for tax purposes	**89**	69
Capital allowances for year in excess of depreciation	**-**	(136)
Other timing differences	**1**	(35)
Adjustments to tax charge in respect of previous periods	**173**	12
Total current tax charge	**176**	433

Notes *(continued)*

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 2008	14,047	308	1,143	56,674	2,260	74,432
Additions	15	16	63	7,614	108	7,625
Disposals	-	-	(601)	(3,933)	-	(4,447)
At 31 December 2008	**14,062**	**324**	**605**	**60,250**	**2,368**	**77,610**
Depreciation						
At 1 January 2008	903	204	969	30,173	1,899	34,148
Depreciation charge for the year	185	16	39	5,608	108	5,956
Disposals	-	-	(476)	(3,088)	-	(3,564)
At 31 December 2008	**1,088**	**220**	**532**	**32,692**	**2,007**	**36,540**
Net book value						
At 31 December 2008	**12,974**	**104**	**73**	**27,558**	**361**	**41,070**
At 31 December 2007	13,144	104	174	26,501	361	40,284

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

	2008 **£ 000**	2007 £ 000
Net book value:		
Motor Vehicles	-	-
Plant and Equipment	**11,844**	**11,422**
Net book value	**11,844**	**11,422**
Depreciation charged on these assets during the year was as follows:		
Motor Vehicles	-	-
Plant and Equipment	**1,288**	**2,819**
	1,288	**2,819**

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 2008	14,047	172	428	973	15,620
Additions	15	-	23	29	67
Disposals	-	-	-	-	-
At 31 December 2008	**14,062**	**172**	**451**	**1,002**	**15,687**
Depreciation					
At 1 January 2008	903	172	375	863	2,313
Depreciation charge for the year	185	-	21	36	242
Eliminated on disposal	-	-	-	-	-
At 31 December 2008	**1,088**	**172**	**396**	**899**	**2,555**
Net book value					
At 31 December 2008	**12,974**	**-**	**55**	**103**	**13,132**
At 31 December 2007	13,144	-	53	110	13,307

Notes *(continued)*

10 Investments

Company	Shares in subsidiary undertakings	Loans to subsidiary undertakings	Total
	£ 000	£ 000	£ 000
Cost			
At 1 January 2008	2,225	931	3,156
Additions	-	-	-
At 31 December 2008	**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 2008	Group 2007	**Company 2008**	Company 2007
	£ 000	£ 000	**£ 000**	£ 000
Finished goods and goods for resale	**3,808**	4,895	**2,849**	4,043

Notes *(continued)*

12 Debtors

	Group 2008 £ 000	Group 2007 £ 000	Company 2008 £ 000	Company 2007 £ 000
Amounts falling due within one year:				
Trade debtors	7,306	9,096	2,314	3,390
Amounts due from group undertakings	296	377	965	883
Social security and other taxes recoverable	283		182	38
Corporation tax recoverable	37	42	37	0
Other debtors	13	16	15	2
Prepayments and accrued income	430	338	174	206
	8,365	9,869	3,687	4,481
Amounts falling due after one year:				
Amounts due from group undertakings	-	-	9,211	7,926
Total debtors	8,365	9,869	12,898	12,407

13 Creditors: amounts falling due within one year

	Group 2008 £ 000	Group 2007 £ 000	Company 2008 £ 000	Company 2007 £ 000
Obligations under finance leases and hire purchase contracts	4,814	4,834	-	96
Bank loans and overdrafts	1,394	2,752	914	2,682
Trade creditors	2,062	1,820	859	489
Amounts due to group undertakings	3,643	2,563	2,569	1,986
Other taxes and social security	334	290	-	44
Corporation tax	-	211	-	-
Other creditors	304	295	-	-
Accruals	1,016	881	506	530
	13,567	13,670	4,848	5,827

Bank overdrafts and loans 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 2008 £ 000	Group 2007 £ 000	Company 2008 £ 000	Company 2007 £ 000
Obligations under finance leases and hire purchase contracts	3,668	5,402	-	-
Bank loans	6,554	7,103	6,554	7,103
	10,222	12,505	6,554	7,103

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. 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:

	Hire purchase and finance leases		Bank loans and overdrafts	
Group	**2008**	2007	**2008**	2007
	£ 000	£ 000	**£ 000**	£ 000
Within one year	4,814	4,834	1,394	2,752
Between one and two years	3,256	3,540	345	612
More than two years but less than five years	412	1,862	1,035	1,153
More than five years	-	-	5,174	5,338
	8,482	10,236	7,948	9,855

	Hire purchase and finance leases		Bank loans and overdrafts	
Company	**2008**	2007	**2008**	2007
	£ 000	£ 000	**£ 000**	£ 000
	-			
Within one year	-	96	632	2,682
Between one and two years	-	-	345	612
More than two years but less than five years	-	-	1,035	1,153
More than five years	-	-	5,174	5,338
	-	96	7,186	9,785

Notes *(continued)*

15 Provisions for liabilities and charges

Group	Deferred taxation £ 000	Onerous lease provisions £ 000	Total £ 000
At beginning of year	2,675	227	2,902
Released/charged to profit and loss for the year	(75)	430	355
Utilised in the year	-	-	-
At end of year	**2,600**	**657**	**3,257**

The elements of deferred taxation are as follows:

	2008 £ 000	2007 £ 000
Difference between accumulated depreciation and capital allowances	**2,600**	2,675

Company	Deferred taxation £ 000	Onerous lease provision £ 000	Total £ 000
At beginning of year	270	227	497
Charge to profit and loss for the year	-	430	430
Increased in the year	16	-	16
At end of year	**276**	**657**	**943**

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:

	2008 £ 000	2007 £ 000
Difference between accumulated depreciation and capital allowances	**286**	270

Notes *(continued)*

16 Called up share capital

	2008	2007
	£ 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	22,827	22,897
Retained loss for the year	-	(412)	(412)
Actuarial gain on defined benefit pension scheme (net of deferred tax)	-	850	850
At end of year	**70**	**23,265**	**23,335**

Company	**Profit and loss account**
	£ 000
At beginning of year	15,608
Retained profit for the year	267
Actuarial gain on defined benefit scheme (net of deferred tax)	850
At end of year	**16,725**

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 2008, there was a maximum contingent liability of £296,880 (*2007: £725,963*) 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			
	2008		2007	
	Land and buildings	**Other**	Land and buildings	Other
	£ 000	**£ 000**	£ 000	£ 000
Operating leases which expire:				
Within one year	**325**	**12**	409	15
In the second to fifth years inclusive	**26**	**474**	26	49
Over five years	**-**		44	-
	351	**486**	479	64

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 £44,035 *(2007:£46,014)*. 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 2008.

The major assumptions used in this valuation were:

	2008	2007	2006
Rate of increase in salaries	**4.0%**	4.6%	4.4%
Rate of increase in pensions in payment and deferred pensions	**2.75%**	3.3%	3.1%
Discount rate applied to scheme liabilities	**6.5%**	5.7%	5.1%
Inflation assumption	**2.75%**	3.3%	3.1%

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 2008 £ 000	Value at 2007 £ 000	Value at 2006 £ 000
Equities		**4,921**	6,118	5,349
Bonds		**2,213**	2,121	1,746
Other	- Annuities	**452**	219	232
	- Cash	**4**	1	2
Total market value of assets		**7,590**	8,459	7,329
Present value of scheme liabilities		**(9,410)**	(11,713)	(11,268)
Deficit in the scheme		**(1,820)**	(3,254)	(3,939)
Related deferred tax asset		**510**	911	1,182
Net pension liability		**(1,310)**	(2,343)	(2,757)

		Long term rate of return 2008 %	Long term rate of return 2007 %	Long term rate of return 2006 %
Equities		**7.5%**	7.5%	7.6%
Bonds		**5.7%**	5.7%	5.1%
Other	- Annuities	**5.7%**	5.7%	5.1%
	- Cash	**5.5%**	5.5%	5.3%

Notes *(continued)*

20 Pension scheme *(continued)*

Analysis of other pension costs charged in arriving at operating profit:

	2008 £ 000	2007 £ 000
Current service cost	**363**	440
Total operating charge	**363**	440

Analysis of amounts included in other finance income/costs

	2008 £ 000	2007 £ 000
Expected return on pension scheme assets	**619**	533
Interest on pension scheme liabilities	**(704)**	(605)
Net return	**(85)**	(72)

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

	2008 £ 000	2007 £ 000
Actual return less expected return on scheme assets	**(2,476)**	(150)
Experience gains and losses arising on scheme liabilities	**1,024**	(888)
Changes in assumptions underlying the present value of scheme liabilities	**2,682**	1,605
Actuarial gain recognised in statement of total recognised gains and losses	**1,230**	567

Notes *(continued)*

20 Pension scheme *(continued)*

Movement in deficit during the year

	2008	2007
	£ 000	£ 000
Deficit at 1 January	**(3,254)**	(3,939)
Operating charge	**(363)**	(440)
Contributions	**652**	630
Other finance charge	**(85)**	(72)
Actuarial gain	**1,230**	567
Deficit at 31 December	**(1,820)**	(3,254)

History of experience gains and losses

	2005	2006	2007	2008
	£000	£000	£000	£000
Difference between expected and actual return on scheme assets	216	308	(150)	(2,476)
Percentage of scheme assets	9.4%	4.2%	(1.8%)	(32.6%)
Experience gains and losses on scheme liabilities	129	(20)	(888)	1,024
Percentage of scheme liabilities	2.9%	(0.2%)	(7.6%)	10.9%
Total amount recognised in statement of total recognised gains and losses	(930)	431	567	1,230
Percentage of scheme liabilities	(9.1%)	3.9%	4.8%	13.1%

21 Reconciliation of net cash flow to movement in net debt

	2008	2007
	£ 000	£ 000
Increase/(Decrease) in cash in the year	**550**	(1,766)
Cash inflow from increase in debt and hire purchase financing	**5,508**	4,072
Change in net debt resulting from cashflows	**6,058**	2,306
Net hire purchase and finance lease	**(3,220)**	(5,819)
Movement in net debt in the year	**2,838**	(3,513)
Opening net debt	**(18,811)**	(15,298)
Closing net debt	**(15,973)**	(18,811)

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	1,280	(823)	-	**457**
Overdrafts	(2,135)	1,373	-	**(762)**
	(855)	550		**(305)**
Debt due after one year	(7,103)	549	-	**(6,554)**
Debt due within one year	(617)	(15)	-	**(632)**
Finance leases and hire purchase contracts	(10,236)	4,974	(3,220)	**(8,482)**
Total	(18,811)	6,058	(3,220)	**(15,973)**

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 £3,220,741.

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 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.