

COMPANY REG NO : 1688620
ENGLAND AND WALES

ARRI (GB) LIMITED

ACCOUNTS FOR THE YEAR ENDED

31ST DECEMBER 1996



ARRI (GB) LIMITED

DIRECTORS

R Arnold (Germany)
W Stahl (Germany)
D C Ross
M S N Leone
N C E Shapley
R Louka

SECRETARY

M S N Leone

REGISTERED OFFICE

The Movie House
2 - 3 Airlinks,
Spitfire Way
Heston, Middlesex
Company Reg. No. 1688620

AUDITORS

Maurice Apple
1 Hyde Park Place,
London, W2 2LH

BANKERS

Barclays Bank PLC

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ARRI (GB) LIMITED

NOTICE is given that the ANNUAL GENERAL MEETING of the company will be held at The Movie House, 1-3 Airlinks, Spitfire Way, Heston, Middlesex at 22nd April 1997 for the following purposes:

1. To consider the report of the directors and statement of accounts for the year ended 31st December 1996 together with the report of the auditors.
2. To re-appoint Maurice Apple as auditors and to authorise the directors to fix their remuneration for the ensuing year.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the company.

By order of the Board



M S N Leone

Secretary

Dated: 22nd April 1997

ARRI (GB) LIMITEDREPORT OF THE DIRECTORS

The Directors submit their annual report and the audited accounts of the group for the year ended 31st December 1996.

DIRECTORS

The directors and their interests in the share capital of the company throughout the year were as follows:-

	<u>1996</u>	<u>1995</u>
R Arnold (Germany)	-	-
Dr. W Stahl (Germany)	-	-
D C Ross	100,000	100,000
M S N Leone	-	-
N C E Shapley	-	-
R Louka	-	-

DIRECTORS RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, subject to any material departures disclose and explain in the accounts;
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

REVIEW OF THE BUSINESS

The group's principal activity during the year was the supply of camera and lighting equipment to the film, television and theatre industries.

The directors are of the opinion that future prospects are satisfactory.

RESULTS AND DIVIDENDS

The profit and loss account for the year is set out on page 4.

The directors do not recommend the payment of a dividend.

FIXED ASSETS

Changes in the company's fixed assets appear in the notes to the accounts.

CLOSE COMPANY PROVISIONS

The company is a close company within the meaning of the Income and Corporation Taxes Act 1988.

ARRI (GB) LIMITED

REPORT OF THE DIRECTORS Cont.

AUDITORS

A resolution proposing the reappointment of Maurice Apple as auditors will be put to the annual general meeting.

Signed on behalf of the Board of Directors

A handwritten signature in black ink, appearing to read 'M S N Leone', is written over the printed name.

M S N Leone
Secretary

Approved by the Board of Directors on: 22nd April 1997

ARRI (GB) LIMITEDAUDIT REPORT TO THE SHAREHOLDERS

We have audited the accounts on pages 4 to 19 which have been prepared under historical cost convention and the accounting policies set out on page 9.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

As described on page 1, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

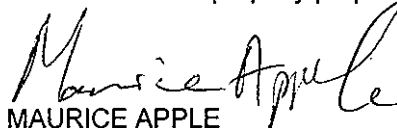
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error.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

GROUP ACCOUNTS

As stated in note 1(b) the accounts of two of its subsidiaries have not been consolidated on the grounds of immateriality.

OPINION

In our opinion the accounts give a true and fair view of the state of the company's and the group's affairs at 31st December 1996 and of the profit of the group for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.


MAURICE APPLE
CHARTERED ACCOUNTANTS
and REGISTERED AUDITORS

22nd April 1997
1 Hyde Park Place,
London, W2 2LH

ARRI (GB) LIMITED
GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31ST DECEMBER, 1996

	<u>NOTE</u>	<u>1996</u>	<u>1995</u>
TURNOVER			
Continuing Operations	2	24,900,761	21,063,279
		<u>24,900,761</u>	<u>21,063,279</u>
Discontinued Operations		<u>0</u>	828,939
		<u>24,900,761</u>	<u>21,892,218</u>
Cost of sales		16,000,007	14,753,731
Gross Profit		<u>8,900,754</u>	<u>7,138,487</u>
Net Operating Expenses (Note 29)		5,286,888	4,725,824
<u>OPERATING PROFIT</u>	4		
Continuing Operations		3,613,866	2,466,747
		<u>3,613,866</u>	<u>2,466,747</u>
Discontinued Operations		<u>0</u>	(54,084)
		<u>3,613,866</u>	<u>2,412,663</u>
Profit (Loss) on Disposal of Fixed Assets		(30,626)	80,859
Investment Income	6	56,961	94,986
Interest Payable and Similar Charges	7	<u>(286,622)</u>	<u>(422,873)</u>
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		3,353,579	2,165,635
Taxation	8	1,141,546	733,127
<u>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</u>		<u>2,212,033</u>	<u>1,432,508</u>
Minority Interest		(2,992)	8,055
<u>PROFIT FOR THE FINANCIAL YEAR</u>		<u>2,209,041</u>	<u>1,440,563</u>

TOTAL RECOGNISED GAINS AND LOSSES

The company has made no recognised gains or losses for the above two financial years, other than as shown above.

ARRI (GB) LIMITED AND ITS SUBSIDIARY COMPANIES
NOTE OF HISTORICAL COST AND PROFITS AND LOSSES
FOR THE YEAR ENDED 31ST DECEMBER, 1996

	<u>1996</u>	<u>1995</u>
Reported profit on ordinary activities before taxation	3,353,579	2,165,635
Realisation of property revaluation gains of previous years	-	-
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	- 27,807	2,010 34,051
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>3,381,386</u>	<u>2,201,696</u>
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	<u>2,239,840</u>	<u>1,468,569</u>

ARRI (GB) LIMITEDGROUP BALANCE SHEET AT 31ST DECEMBER, 1996

	<u>NOTE</u>	<u>1996</u>	<u>1995</u>
<u>FIXED ASSETS</u>			
Tangible Assets	10	9,008,064	7,534,988
Investments	11	9,104	4,150
		<u>9,017,168</u>	<u>7,539,138</u>
<u>CURRENT ASSETS</u>			
Stock	1	3,764,063	3,841,460
Debtors	12	4,215,447	4,037,009
Cash and Bank Balances		656,129	1,121,069
		<u>8,635,639</u>	<u>8,999,538</u>
<u>CREDITORS</u>			
Amounts due within one year	14	<u>6,130,805</u>	<u>7,588,265</u>
<u>NET CURRENT ASSETS</u>		2,504,834	1,411,273
<u>ASSETS LESS CURRENT LIABILITIES</u>		<u>11,522,002</u>	<u>8,950,411</u>
CREDITORS: Amount falling due after more than one year	15	1,253,836	1,180,616
<u>PROVISION FOR LIABILITIES AND CHARGES</u>	17	1,026,921	805,072
		<u>9,241,245</u>	<u>6,964,723</u>
<u>CAPITAL AND RESERVES</u>			
Called Up Share Capital	18	2,000,000	2,000,000
Capital Reserves	19	70,435	66,795
Revaluation Reserve	19	144,483	165,194
Profit and Loss Account	19	7,020,228	4,717,212
Sub Total	20	<u>9,235,146</u>	<u>6,949,201</u>
Minority Interests		6,099	15,522
		<u>9,241,245</u>	<u>6,964,723</u>

Approved by the Board on: 22nd April 1997

Signed on behalf of the Board

D C Ross

Director

M S N Leone

Director

ARRI (GB) LIMITEDBALANCE SHEET AT 31ST DECEMBER, 1996

	<u>NOTE</u>	<u>1996</u>	<u>1995</u>
<u>FIXED ASSETS</u>			
Tangible Assets	10	441,622	575,379
Investments	11	1,999,065	994,111
		<u>2,440,687</u>	<u>1,569,490</u>
<u>CURRENT ASSETS</u>			
Stock	1	3,386,260	3,594,806
Debtors	12	4,774,637	5,431,242
Cash and Bank Balances		651,243	1,055,780
		<u>8,812,140</u>	<u>10,081,828</u>
<u>CREDITORS</u>			
Amounts due within one year	14	<u>3,526,628</u>	<u>5,612,617</u>
<u>NET CURRENT ASSETS</u>			
		<u>5,285,512</u>	<u>4,469,211</u>
<u>ASSETS LESS CURRENT LIABILITIES</u>			
		<u>7,726,199</u>	<u>6,038,701</u>
CREDITORS: Amount falling due after more than one year		26,650	67,159
<u>PROVISION FOR LIABILITIES AND CHARGES</u>			
	17	22,651	11,000
		<u>7,676,898</u>	<u>5,960,542</u>
<u>CAPITAL AND RESERVES</u>			
Called Up Share Capital	18	2,000,000	2,000,000
Profit and Loss Account	19	5,676,898	3,960,542
		<u>7,676,898</u>	<u>5,960,542</u>

Approved by the Board on: 22nd April 1997

Signed on behalf of the Board

D C Ross

Director

M S N Leone

Director

ARRI (GB) LIMITED AND IT'S SUBSIDIARIES COMPANIESGROUP CASH FLOW STATEMENTFOR THE YEAR ENDED 31ST DECEMBER 1996

	<u>1996</u>	<u>1995</u>
Net cash flow from operating activities (Note 24)	<u>2,624,814</u>	<u>2,761,930</u>
<u>Return on investment and servicing of finance :</u>		
Interest and similar income	56,947	94,986
Interest paid (Note 7)	(286,622)	(422,873)
Dividends Received	14	0
Net cash outflow from returns on investments and servicing of finance	<u>(229,661)</u>	<u>(327,887)</u>
<u>Taxation :</u>		
Tax refund		25,083
United Kingdom Corporation tax paid	(525,615)	(407,353)
	<u>(525,615)</u>	<u>(382,270)</u>
<u>Investing Activities :</u>		
Purchase of subsidiary undertaking	(4,000)	(4,138)
Purchase of tangible assets	(2,961,238)	(2,348,967)
Sale of fixed assets	58,795	240,881
Net cash outflow from investing activities	<u>(2,906,443)</u>	<u>(2,112,224)</u>
Net cash Inflow/(Outflow) before financing	<u>(1,036,905)</u>	<u>(60,451)</u>
<u>Financing :</u>	(Note 27)	
New lease purchase contracts	2,149,102	1,533,342
Repayment of bank loans	0	(5,579)
Capital repayment of finance lease and lease purchase rental payments	(1,487,259)	(1,101,083)
Net cash Inflow from finance	<u>661,843</u>	<u>426,680</u>
(Decrease)/Increase in cash and cash equivalents (Note 26)	<u>(375,062)</u>	<u>366,229</u>

ARRI (GB) LIMITED* NOTES ON AND FORMING PART OF THE ACCOUNTS TO 31ST DECEMBER 1996**1. ACCOUNTING POLICIES****a. Accounting convention**

These accounts are prepared under the historical cost convention, except that certain fixed assets are included at valuation, and in accordance with applicable Accounts Standards.

b. Basis of Consolidation

The group accounts consolidate the accounts of Arri (GB) Limited and its subsidiaries undertakings made up to 31st December 1996. As permitted by section 230(4) of the Companies Act 1985, the company's Profit and Loss Account has not been included in these accounts.

Subsidiary Undertakings excluded from consolidation:

The company owns the entire share capital of Boltquarry Limited, Imagination Technology Limited, Arri Ireland Limited and Arri (I. O.M) Limited. Both Boltquarry Limited and Imagination Technology Limited did not trade during the year and as they have both remained dormant they have been excluded from the group accounts. Arri Ireland Limited and Arri (I.O.M)Limited have been excluded from the group accounts on the basis that their trading results are not material.

c. Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset over its expected useful life, at the following rates:

<u>Asset</u>	<u>Method</u>
Short Leasehold Improvements	Evenly over term of lease <u>% on written down value</u>
Motor Vehicles	25%
Plant and Machinery	10% - 20%
Furniture and Fittings	15%
Office Equipment	20%
	<u>% on straight line basis</u>
Computer Equipment	25% or 14.25%

d. Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first-in-first-out basis and includes transport and handling costs. Net realisable value is the price at which stocks can be sold in the normal course of business. Provision is made where necessary for obsolescence, slow moving and defective stocks.

e. Research and development

Expenditure on all research and development is written off as incurred.

f. Taxation

Corporation Tax payable is provided on taxable profits at the current rate.

The taxation liabilities of certain group undertakings are reduced wholly or in part by the surrender of losses by fellow group undertakings. The tax benefits arising from group relief are recognised in the accounts of the surrendering and recipient companies.

Deferred taxation is provided under the liability method on all short term timing differences. Provision is also made for long term timing differences, except for those which are not expected to reverse in the future.

g. Foreign Currencies

Assets and liabilities denominated in foreign currency are translated at the rate of exchange ruling at the balance sheet date or the actual rate for assets and liabilities converted after the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken in to the profit and loss.

ARRI (GB) LIMITEDNOTES ON AND FORMING PART OF THE ACCOUNTS TO 31 DECEMBER 19961. ACCOUNTING POLICIES Cont'dh. Goodwill

This is the excess of the cost of a business over the fair value of the net assets on the date of acquisition.
This has been fully written off against reserves in the year of purchase.

i. Leasing and Hire Purchase Commitments

Assets obtained under hire purchase contracts and finance leases are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the Profit and Loss account over the period of the hire purchase contract and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to income as incurred.

j. Lease Rental Income

Rental under operating leases are credited to income as received.

The finance charge element of finance lease income is allocated to accounting periods over the lease term using the sum of the year digit method. The total net investment in finance leases included in the balance sheet represents total lease payments receivable net of finance charges relating to future accounting periods.

k. Pension CostsDefined Contribution Scheme:

The contributions payable by the group are charged to the profit and loss account as they arise.

Defined Benefits Scheme:

Contributions are made to the pension scheme in accordance with actuarial advice where appropriate, and are charged to the Profit and Loss Account so as to spread the pension cost over the anticipated period of service of the pension scheme members (Note 23).

2. TURNOVER AND PROFIT

Turnover represents the invoiced amount of goods sold and services provided stated net of Value Added Tax.

	<u>PHOTOGRAPHIC LIGHTING AND ACCESSORIES</u>		<u>LEASING AND RENTAL OF EQUIPMENT</u>		<u>TOTAL</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
a) <u>Group Turnover</u>	<u>17,661,900</u>	<u>16,212,817</u>	<u>7,238,861</u>	<u>5,679,402</u>	<u>24,900,761</u>	<u>21,892,219</u>
b) <u>Group Profit before tax</u>	<u>2,599,437</u>	<u>1,896,961</u>	<u>754,142</u>	<u>268,674</u>	<u>3,353,579</u>	<u>2,165,635</u>

3. HOLDING COMPANY

The ultimate holding company of the group is A & R Beteiligungsgesellschaft MbH, a company incorporated in Germany.

ARRI (GB) LIMITEDNOTES ON AND FORMING PART OF THE ACCOUNTS TO 31 DECEMBER 19964. OPERATING PROFIT

a) This is stated after charging:

	<u>31.12.96</u>	<u>31.12.95</u>
	£	£
Directors' Remuneration	425,965	292,928
Directors' Pension Contributions	58,086	16,860
Auditors Remuneration	41,700	41,700
Depreciation - owned assets	883,131	648,017
Depreciation - under hire purchase	579,147	610,045
Research and Development	9,327	832
Lease Rentals - Plant and Equipment	2,652	2,652
- Other	462,492	393,179

b) Directors Remuneration:

The remuneration of the chairman and the highest paid Director, excluding pension contributions, was £247,392 (1995 - £183,557). Other Directors' emoluments, excluding pension contributions, fell within the following ranges:

	<u>1996</u>	<u>1995</u>
	No.	No.
Nil - 5,000	2	2
10,001 - 15,000	-	1
45,001 - 50,000	-	2
55,001 - 60,000	3	-

5. STAFF COSTS

	<u>31.12.96</u>	<u>31.12.95</u>
	£	£
Wages and Salaries	3,159,573	3,095,552
Social security costs	301,883	274,922
Other pension costs	182,267	154,821
	<u>3,643,723</u>	<u>3,525,295</u>

The average weekly number of employees during the period was made up as follows:

	<u>NO.</u>	<u>NO.</u>
Office and management	38	38
Sales	18	20
Service	25	26
Electricians and Warehouse	24	25
	<u>105</u>	<u>109</u>

6. INVESTMENT INCOME

Income from listed Investments	14	0
Income from current asset investment	53,078	71,287
Other Interest receivable and similar income	3,869	23,699
	<u>56,961</u>	<u>94,986</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

Bank Overdraft	1,675	1,383
Lease Purchase Arrangements	187,873	161,468
Holding Company	85,723	242,236
Other	11,351	17,786
	<u>286,622</u>	<u>422,873</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

Based on the profit for the year:

Corporation tax at 33%	919,697	525,615
Over provision in previous years		(25,083)
Transfer (from) to deferred Taxation (Note 17)	221,849	232,595
	<u>1,141,546</u>	<u>733,127</u>

ARRI (GB) LIMITED

NOTES ON AND FORMING PART OF THE ACCOUNTS TO 31 DECEMBER 1996

9. PROFIT ATTRIBUTION TO THE MEMBERS OF THE HOLDING COMPANY

Profit after tax of £1,716,355 (1995 - £1,255,218) has been dealt with in the accounts of Arri (GB) Limited.

10. TANGIBLE FIXED ASSETS

GROUP	Short Lease Premises & Improvements	Motor Vehicles	Plant & Equipment	Fixtures & Fittings, computer and office Equipment	Total
a) Cost/Valuation	£	£	£	£	£
At 1.1.96	458,211	292,723	10,743,477	1,187,718	12,682,129
Additions	130,249	218,318	2,456,955	154,762	2,960,284
Disposals	0	(24,500)	(54,414)	(66,759)	(145,673)
At 31.12.96	588,460	486,541	13,146,018	1,275,721	15,496,740
<u>Depreciation</u>					
At 1.1.96	93,293	126,106	4,139,653	786,964	5,146,016
For the year	28,231	58,599	1,202,528	108,430	1,397,788
Disposals	0	(22,146)	(24,025)	(8,957)	(55,128)
At 31.12.96	121,524	162,559	5,318,156	886,437	6,488,676

NET BOOK VALUES

At 31.12.96	466,936	323,982	7,827,862	389,284	9,008,064
At 31.12.95	364,918	166,617	6,603,824	400,754	7,536,113

Assets acquired under finance leases and lease purchase contracts included above are as follows:

Cost	Office Equipment	Motor Vehicles	Plant And Equipment
At 31.12.95	47,290	165,539	3,696,557
At 31.12.96	47,290	347,988	4,727,183
<u>Depreciation</u>			
At 31.12.95	3,898	60,200	401,991
At 31.12.96	15,150	98,546	1,060,355
Provided during the year	11,252	43,865	524,031

b) Revalued Assets

On the 31st December 1990 certain plant and equipment was revalued at £ 883,738.

If the plant and equipment had not been revalued it would have been included at the following amounts :

	31.12.96	31.12.95
Cost	629,791	642,684
Aggregate Depreciation	473,895	456,585

ARRI (GB) LIMITED

NOTES ON AND FORMING PART OF THE ACCOUNTS TO 31 DECEMBER 1996

10. TANGIBLE FIXED ASSETS Continued

<u>COMPANY</u>	<u>Short Lease Premises & Improvements</u>	<u>Motor Vehicles</u>	<u>Plant & Equipment</u>	<u>Fixtures & Fittings, computer and office Equipment</u>	<u>Total</u>
<u>c)Cost/Valuation</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
At 1.1.96	198,076	110,153	307,505	831,976	1,447,710
Additions	(58,574)	0	5,119	96,336	42,881
Disposals	-	-	-	(65,975)	(65,975)
At 31.12.96	139,502	110,153	312,624	862,337	1,424,616
<u>Depreciation</u>					
At 1.1.96	29,618	24,993	240,357	577,363	872,331
For the year	6,527	21,290	14,032	77,391	119,240
Disposals	-	-	-	(8,577)	(8,577)
At 31.12.96	36,145	46,283	254,389	646,177	982,994
<u>NET BOOK VALUES</u>					
At 31.12.96	103,357	63,870	58,235	216,160	441,622
At 31.12.95	168,458	85,160	67,148	254,613	575,379

Assets acquired under finance leases and lease purchase contracts included above are as follows:

<u>Cost</u>	<u>Office Equipment</u>	<u>Motor Vehicles</u>
At 31.12.95	41,180	81,012
At 31.12.96	41,180	81,012
<u>Depreciation</u>		
At 31.12.95	2,574	6,060
At 31.12.96	12,869	24,799
Provided during the year	10,295	18,739

11. INVESTMENTS

<u>GROUP</u>	<u>Subsidiary Undertakings</u>	<u>Total</u>
<u>Cost</u>	<u>£</u>	<u>£</u>
At 1.1.96	4,150	4,150
Additions	4,954	4,954
At 31.12.96	9,104	9,104
<u>Amount Written-Off</u>		
At 1.1.96	0	0
At 31.12.96	0	0
<u>Net Book Value</u>		
At 1.1.96	4,150	4,150
At 31.12.96	9,104	9,104

ARRI (GB) LIMITEDNOTES ON AND FORMING PART OF THE ACCOUNTS TO 31 DECEMBER 199611. INVESTMENTS Cont'd
COMPANY

	<u>Shares in Subsidiary Undertakings</u>	<u>Loans to Subsidiary Undertakings</u> £	<u>Other Investments</u> £	<u>Total</u> £
<u>Cost</u>				
At 1.1.96	63,378	930,733	0	994,111
At 31.12.96	1,067,378	930,733	954	1,999,065
<u>Amounts Written-Off</u>				
At 1.1.96	0	0	0	0
At 31.12.96	0	0	0	0
<u>Net Book Values</u>				
At 1.1.96	63,378	930,733	0	994,111
At 31.12.96	1,067,378	930,733	954	1,999,065

SUBSIDIARY UNDERTAKINGS

<u>Subsidiary Undertakings</u>	<u>Country of Incorporation</u>	<u>Holding</u>	<u>Proportion Held</u>	<u>Nature of Business</u>
Boltquarry Limited	England	Ordinary Share	100%	Dormant
Imagination Technology Limited	England	Ordinary Share	100%	Dormant
Arri Lighting Rental Limited	England	Ordinary Share	99.55%	Leasing of Equipment
Media Film Service Limited	England	Ordinary Share	100%	Hire of Equipment
Cinequip Lighting Company Limited	England	Ordinary Share	99.55%	Leasing of Equipment
Arri Ireland Limited	Ireland	Ordinary Share	100%	Hire of Equipment
Arri (I.O.M) Limited	Isle of Man	Ordinary Share	100%	Hire of Equipment

ARRI (GB) LIMITED

NOTES ON AND FORMING PART OF THE ACCOUNTS TO 31 DECEMBER 1996

	Group 31.12.96	Company 31.12.96	Group 31.12.95	Company 31.12.95
12. DEBTORS				
<u>Amounts falling due within one year</u>				
	£	£	£	£
Trade debtors	3,681,594	2,230,610	3,432,142	2,434,387
Subsidiary undertaking	0	133,487	0	131,078
Parent undertaking and fellow subsidiary undertaking	39,187	39,187	168,364	139,957
Other debtors	7,783	600	36,499	5,769
Net Investments in Finance Leases	129,790	129,790	69,377	69,377
Prepayments	238,310	74,295	306,588	71,321
	<u>4,096,664</u>	<u>2,607,969</u>	<u>4,012,970</u>	<u>2,851,889</u>
 <u>Amounts falling due after one year</u>				
Subsidiary undertaking	0	2,047,885	0	2,555,314
Net Investments in Finance Leases	118,783	118,783	24,039	24,039
	<u>4,215,447</u>	<u>4,774,637</u>	<u>4,037,009</u>	<u>5,431,242</u>
 13. NET INVESTMENTS UNDER FINANCE LEASES				
Total Lease Payment Receivable	358,149	358,149	122,025	122,025
Less Finance Charges allocated to future period	(109,577)	(109,577)	(28,609)	(28,609)
	<u>248,572</u>	<u>248,572</u>	<u>93,416</u>	<u>93,416</u>
 14. CREDITORS				
<u>Amounts falling due within one year</u>				
Obligations under finance leases and lease purchase contracts(Note 16)	1,318,471	40,510	985,262	40,510
Bank Overdrafts	83,639	64,198	173,517	79,922
Trade creditors	1,127,717	553,459	1,370,907	995,014
Subsidiary undertaking	0	17,892	0	71,559
Parent undertaking and fellow subsidiary undertaking	1,192,999	1,154,449	3,236,434	3,196,992
Corporation Tax	919,697	871,431	525,615	494,035
Other taxes and social security costs	511,028	277,496	406,767	287,659
Other Creditors	127,537	126,665	183,115	124,043
Accruals	588,375	420,528	420,040	322,883
Other Loans	261,342	0	286,608	0
	<u>6,130,805</u>	<u>3,526,628</u>	<u>7,588,265</u>	<u>5,612,617</u>

ARRI (GB) LIMITED

NOTES ON AND FORMING PART OF THE ACCOUNTS TO 31 DECEMBER 1996

<u>15. CREDITORS</u>	<u>Group</u> <u>31.12.96</u>	<u>Company</u> <u>31.12.96</u>	<u>Group</u> <u>31.12.95</u>	<u>Company</u> <u>31.12.95</u>
<u>Amounts falling due after more than one year</u>				
Obligations under finance leases and lease purchase contracts (Note 16)	1,253,836	26,650	925,201	67,159
Other Creditors	0	0	255,415	0
	<u>1,253,836</u>	<u>26,650</u>	<u>1,180,616</u>	<u>67,159</u>
<u>16. FINANCE LEASE AND LEASE PURCHASE CREDITORS</u>				
<u>Amounts maturing as follows:</u>				
Within one year	1,501,211	46,500	1,131,754	46,500
In second to fifth year	1,416,910	30,635	1,065,260	77,135
	<u>2,918,121</u>	<u>77,135</u>	<u>2,197,014</u>	<u>123,635</u>
Less finance charges	345,814	9,976	286,551	15,966
	<u>2,572,307</u>	<u>67,159</u>	<u>1,910,463</u>	<u>107,669</u>
<u>Hire purchase contracts shown as:</u>				
Current obligations	1,318,471	40,510	985,262	40,510
Non-current obligations	1,253,836	26,649	925,201	67,159
	<u>2,572,307</u>	<u>67,159</u>	<u>1,910,463</u>	<u>107,669</u>
<u>17. PROVISIONS FOR LIABILITIES AND CHARGES</u>				
<u>Deferred Taxation:</u>				
The Provision has been made at the rate of 33% and the main components of the provision are as follows:				
Accelerated capital allowances	960,746	19,626	786,049	11,000
Tax effect of losses c/fwd	0	3,025	(54,952)	0
On revaluation reserve	47,897	0	57,383	0
Other timing differences	18,278	0	16,592	0
	<u>1,026,921</u>	<u>22,651</u>	<u>805,072</u>	<u>11,000</u>

ARRI (GB) LIMITEDNOTES ON AND FORMING PART OF THE ACCOUNTS TO 31 DECEMBER 199618. CALLED UP SHARE CAPITAL

Ordinary Shares of £1 each:

	<u>1996</u>	<u>1995</u>
Authorised	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, called up and fully paid	<u>2,000,000</u>	<u>2,000,000</u>

19. RESERVES

<u>Group</u>	<u>Capital Reserve</u>	<u>Revaluation Reserve</u>	<u>Profit & Loss Account</u>
Balances As At 1.1.96	66,795	165,194	4,717,212
Change in Minority Interest	3,640	0	0
Realised Gain on Transfer of Assets	0	8,034	65,230
Transfer relating to revalued assets	0	(28,745)	28,745
Retained Profit for the financial year	0	0	2,209,041
Balances As At 31.12.96	<u>70,435</u>	<u>144,483</u>	<u>7,020,228</u>
<u>Company</u>			<u>Profit & Loss Account</u>
Balances As At 1.1.96			3,960,542
Retained Profit for the financial year			1,716,356
Balances As At 31.12.96			<u>5,676,898</u>

20. RECONCILIATION OF MOVEMENT ON SHAREHOLDERS FUNDSGROUP

PROFIT FOR THE FINANCIAL YEAR	2,209,041	1,440,563
Movement in Reserves	76,904	0
NET ADDITIONS TO SHAREHOLDERS' FUNDS	<u>2,285,945</u>	<u>1,440,563</u>
Opening Shareholders' Funds	6,949,201	5,508,638
CLOSING SHAREHOLDERS' FUNDS	<u>9,235,146</u>	<u>6,949,201</u>

21. CONTINGENT LIABILITIES

There are contingent liabilities in respect of cross guarantees given to the bank for facilities granted to the group. There is a contingent liability in respect of guarantees given by the company's bankers to third parties, amounting to 1996 £47,400 (1995 - £48,870).

ARRI (GB) LIMITEDNOTES ON AND FORMING PART OF THE ACCOUNTS TO 31 DECEMBER 199622. OPERATING LEASE COMMITMENTS

The group has entered into non-cancellable leases in respect of plant and equipment, the payments for which extend over a period of up to four years. The total annual rentals for 1996 was £465,144, (1995 - £395,831), of which £192,502 (1995 - £164,889) was applicable to the company.

The minimum annual rentals under the foregoing leases are as follows:

	<u>1996</u>		<u>1995</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	£	£	£	£
Operating leases which expire:				
- within 1 year	7,653	1,954	25,037	15,474
- within 2-5 years	56,898	30,241	32,337	14,922
- over 5 years	382,795	151,593	384,203	151,593
	<u>447,346</u>	<u>183,788</u>	<u>441,577</u>	<u>181,989</u>

23. PENSION COSTS

The group operates a mix of both defined contribution schemes and a defined scheme. The assets of the schemes, which are held separately from those of the group, are invested with insurance companies.

The scheme provides benefits based on final pensionable pay and the pension contributions are determined by a qualified actuary on the basis of triennial valuations using the Projected Unit Method. The most recent valuation was at 1st January 1995. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increasing salaries. It was assumed that the investment return would be 9% per annum, that salary increases would average 7% per annum and the Retail Price Index increases at 5% per annum.

The most recent actuarial valuation showed that the market value of the Scheme's assets was £741,000 and that the actuarial value of those assets represented 108% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

24. RECONCILIATION OF OPERATING PROFIT TO NET CASH IN FLOW FROM OPERATING ACTIVITIES:

	<u>1996</u>	<u>1995</u>
Operating profit	3,613,866	2,412,663
Depreciation	1,462,277	1,258,062
(Increase)/Decrease in stocks	77,397	(323,463)
(Increase)/Decrease in debtors	(178,438)	89,820
Increase/(Decrease) in creditors	(2,350,288)	(675,152)
Net cash in flow from operating activities	<u>2,624,814</u>	<u>2,761,930</u>

ARRI (GB) LIMITED

NOTES ON AND FORMING PART OF THE ACCOUNTS TO 31 DECEMBER 1995

25. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	1996	1995
At 31st December 1995	947,552	581,323
Net cash Inflow	(375,062)	366,229
At 31st December 1996	<u>572,490</u>	<u>947,552</u>

26. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	1996	1995	Change In Year
Cash in hand at bank	656,129	1,121,069	(464,940)
Bank Overdraft	(83,639)	(173,517)	89,878
	<u>572,490</u>	<u>947,552</u>	<u>(375,062)</u>

27. ANALYSIS OF CHANGES IN FINANCING ON BANK LOANS, FINANCE LEASES AND LEASE PURCHASE OBLIGATIONS:

At 1st January 1996	1,910,463	1,483,783
Cash outflow from financing	(1,487,259)	(1,106,662)
New lease purchase contracts	2,149,102	1,533,342
At 31st December 1996	<u>2,572,306</u>	<u>1,910,463</u>

28. DISTRIBUTION AND ADMINISTRATION COSTS FOR CONTINUING AND DISCONTINUING OPERATIONS

	1996 Discontinued	1996 Continued	TOTAL	1995 Discontinued	1995 Continued	TOTAL
Cost of Sales	-	16,000,007	16,000,007	621,489	14,132,242	14,753,731
Net Operating Expenses						
Distribution Costs	-	2,227,285	2,227,285	8,251	2,278,362	2,286,613
Administration Costs	-	3,141,966	3,141,966	253,283	2,314,543	2,567,826
Other Operating Income	-	(82,363)	(82,363)	-	(128,615)	(128,615)
	<u>0</u>	<u>5,286,888</u>	<u>5,286,888</u>	<u>261,534</u>	<u>4,464,290</u>	<u>4,725,824</u>

ARRI (GB) LIMITEDTRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1996

	<u>1996</u>	<u>1995</u>
<u>SALES</u>	17,257,018	15,959,632
<u>COST OF SALES</u>	<u>12,378,194</u>	<u>11,684,572</u>
	4,878,824	4,275,060
 <u>OTHER INCOME</u>		
Lease and Hire Rentals	2,250	10,250
Dividends Received	14	0
Interest Receivable	3,869	23,699
Bank Interest Receivable on All Accounts	53,078	71,286
Income from Finance Leases	<u>72,666</u>	<u>117,610</u>
	131,877	222,845
	<u>5,010,701</u>	<u>4,497,905</u>
 <u>ESTABLISHMENT OVERHEADS</u>		
Rent, Rates and Building Insurance	200,490	224,472
Light and Heat	15,736	15,489
Telephone	33,529	31,514
Insurance	86,598	83,852
Repairs and Renewals - Premises	55,987	26,353
Repairs and Renewals - Equipment	46,837	54,500
Hire of Equipment	320	2,143
Cleaning	17,822	18,873
Site Security	9,695	16,357
Depreciation (except Motor Vehicles)	<u>97,950</u>	<u>102,008</u>
	<u>564,964</u>	<u>575,561</u>
 <u>SELLING OVERHEADS</u>		
Salaries, Commissions & Staff Costs	789,696	897,011
Social Security Costs	74,767	75,390
Pension Scheme	55,316	77,176
Staff Medical Scheme	2,680	3,305
Motor Expenses	19,268	24,267
Travel and Subsistence	99,962	77,708
Entertainment	16,839	16,774
Advertising	76,931	68,871
Exhibition Expenses	72,326	120,539
Service and Warehouse Consumable	18,820	20,561
Periodicals & Trade Publications	7,935	7,370
Translations	1,104	446
Bad & Doubtful Debts	(12,838)	29,542
Vehicle Leasing	31,918	38,046
Research & Development	9,327	832
Depreciation (motor vehicles)	21,290	10,542
(Profit) Loss On Sales of Fixed Assets	<u>54,727</u>	<u>1,918</u>
	<u>1,340,068</u>	<u>1,470,298</u>
 <u>ADMINISTRATION OVERHEADS</u>		
Directors' Remuneration	425,965	292,928
Directors' Social Security	43,933	30,072
Directors' Pension Scheme	58,086	16,860
Directors' Medical Scheme	7,183	3,845
Printing, Postage and Stationery	31,933	33,741
Audit and Accountancy	26,528	27,420
Legal Professional Fees	9,671	52,155
Management Charges	(269,661)	(288,158)
General Expenses	384	926
Donations	<u>5,774</u>	<u>4,472</u>
	<u>339,796</u>	<u>174,261</u>

ARRI (GB) LIMITEDTRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1996

	<u>1996</u>	<u>1995</u>
<u>FINANCIAL OVERHEADS</u>		
Hire Purchase Charges	7,595	2,180
Net Discount Allowed	27,381	90,675
Bank Charges	40,565	37,737
Bank Interest	788	1,113
Interest Payable	90,106	249,119
	<u>166,435</u>	<u>380,824</u>
	2,411,263	2,600,944
NET PROFIT FOR THE YEAR	<u><u>2,599,438</u></u>	<u><u>1,896,961</u></u>