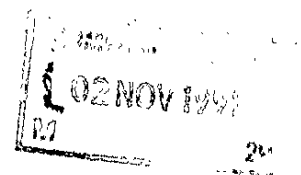


Company registration number 597920

SOTHEBY'S FINANCIAL SERVICES LIMITED  
(FORMERLY CLARK NELSON LIMITED)

REPORT AND FINANCIAL STATEMENTS

31ST DECEMBER 1990



SOTHEBY'S FINANCIAL SERVICES LIMITED  
(FORMERLY CLARK NELSON LIMITED)

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31st December 1990.

PRINCIPAL ACTIVITIES

On 7th February 1990 Clark Nelson Limited changed its name to Sotheby's Financial Services Limited and commenced trading as a financial services company on 1st January 1990. The company's principal activity is the granting of loans and advances secured against works of art.

STATE OF AFFAIRS

The state of the company's affairs at 31st December 1990 is as shown in the financial statements on pages 3 to 8.

Both the level of business and the year end position were satisfactory and the directors expect that the present level of activity will be sustained in the foreseeable future.

RESULTS AND DIVIDENDS

The profit for the year amounted to £1,905,676 (1989-£nil). No dividend is to be paid (1989-£nil)

DIRECTORS AND THEIR INTERESTS

The directors of the company at 31st December 1990, all of whom have been directors for the whole of the year ended on that date, were:

T.P.Tidy  
M.Zuckerman  
J.M.Linell  
M.Auchincloss

None of the directors had any interests in the shares of the company or of any group company other than through options held in Class B Common Stock, par value \$0.10, of Sotheby's Holdings Inc., which at 31st December were as follows:

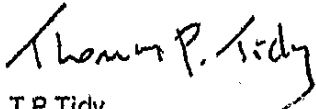
	Options
T.P.Tidy	85,210
M.Zuckerman	105,333
J.M.Linell	79,200
M.Auchincloss	7,000

At 31st December 1990 M. Zuckerman also held 46,667 Class B Common Stock of Sotheby's Holdings Inc.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution proposing the re-appointment of Touche Ross & Co. as auditors to the company will be proposed at the Annual General Meeting.

APPROVED BY THE BOARD OF DIRECTORS  
AND SIGNED ON BEHALF OF THE BOARD



T.P.Tidy  
Secretary  
34/35 New Bond Street,  
London W1A 2AA.

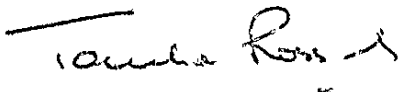
20th October 1991

AUDITORS' REPORT

TO THE MEMBERS OF SOTHEBY'S FINANCIAL SERVICES LIMITED  
(FORMERLY CLARK NELSON LIMITED)

We have audited the financial statements on pages 3 to 8 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31st December 1990 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Touche Ross & Co.  
Chartered Accountants and  
Registered Auditor  
Hill House  
1 Little New Street  
London EC4A 3TR

30th October 1991

**SOTHEBY'S FINANCIAL SERVICES LIMITED**  
(FORMERLY CLARK NELSON LIMITED)

**PROFIT & LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31ST DECEMBER 1990**

	NOTES	1990 £	1989 £
Turnover	2	86,375	-
Administrative expenses		(366,336)	-
Interest receivable	3	3,178,327	-
Profit on ordinary activities before taxation		2,898,366	-
Taxation on profit on ordinary activities	6	(992,690)	-
<b>RETAINED PROFIT FOR THE YEAR</b>		<b>£1,905,676</b>	<b>£ -</b>

**STATEMENT OF RESERVES**

	1990 £	1989 £
Retained losses at 1st January	(19,828)	(19,828)
Retained profit for the year	1,905,676	-
<b>Retained profit / (loss) at 31st December</b>	<b>£1,885,848</b>	<b>(£19,828)</b>

SOOTHEY'S FINANCIAL SERVICES LIMITED  
(FORMERLY CLARK NELSON LIMITED)

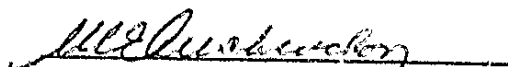
BALANCE SHEET

AT 31ST DECEMBER 1990

	NOTES	1990 £	1989 £
FIXED ASSETS			
Investment in subsidiary	7	179	179
CURRENT ASSETS			
Debtors	8	19,364,094	-
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(17,476,427)	(18,009)
NET CURRENT ASSETS / (LIABILITIES)		1,887,667	(18,009)
TOTAL ASSETS LESS CURRENT LIABILITIES		£1,887,846	(£17,830)
CAPITAL AND RESERVES			
Called up share capital	10	1,000	1,000
Share premium account		998	998
Profit and loss account		1,885,848	(19,828)
		£1,887,846	(£17,830)

These financial statements were approved by the Board of Directors on 30th October 1991.

Signed on behalf of the Board of Directors



M. Auchincloss (Director).

SOYHEBY'S FINANCIAL SERVICES LIMITED  
(FORMERLY CLARK NELSON LIMITED)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31ST DECEMBER 1990

SOURCE OF FUNDS

	1990 £	1989 £
Profit on ordinary activities before taxation	2,898,366	-
<b>FUNDS GENERATED FROM OPERATIONS</b>	<b>2,898,366</b>	<b>-</b>
	<hr/>	<hr/>
	<b>£2,898,366</b>	<b>£ -</b>
	<hr/>	<hr/>

INCREASE / (DECREASE) IN WORKING CAPITAL

Debtors	19,364,094	-
Creditors	(16,465,728)	-
<b>NET INCREASE IN WORKING CAPITAL</b>	<b>£2,898,366</b>	<b>£ -</b>
	<hr/>	<hr/>

SOTHEBY'S FINANCIAL SERVICES LIMITED  
(FORMERLY CLARK NELSON LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1990

1: ACCOUNTING POLICIES

The financial statements have been prepared in accordance with statements of standard accounting practice issued by UK accountancy bodies. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions, all differences being taken to the profit and loss account.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

2. TURNOVER

The balance shown for revenues comprises costs recovered from clients and income received from the Lloyd's Scheme.

3: INTEREST RECEIVABLE

	1990 £	1989 £
Interest on loans and advances	£3,178,327	£ -

4: EMPLOYEES

	1990 £	1989 £
Wages and salaries	152,889	-
Social security costs	16,057	-
Other pension costs	108	-
	£169,054	£ -

The average number of people employed in the year was 3 (1989 - nil).

SOTHEBY'S FINANCIAL SERVICES LIMITED  
(FORMERLY CLARK NELSON LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1990

5. DIRECTORS' EMOLUMENTS

The emoluments paid to directors by a fellow subsidiary company (including pension contributions) were as follows:

	1990 £	1989 £
The Chairman and highest paid director	£111,692	£ -

No emoluments were paid to the other directors.

3. TAXATION

	1990 £	1989 £
The taxation charge comprises:-		
UK corporation tax at 34.25%	992,690	-
	£992,690	£ -

7. SUBSIDIARY

The company's wholly owned subsidiary is Clark Nelson Inc., a dormant company incorporated in the United States of America.

Group accounts have not been submitted as the company is a wholly owned subsidiary of another body incorporated in Great Britain.

In the opinion of the directors the value of the company's interest in its subsidiary is not less than the amount at which it is stated in the balance sheet.



SOOTHEBY'S FINANCIAL SERVICES LIMITED  
(FORMERLY CLARK NELSON LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1990

8: DEBTORS

	1990 £	1989 £
Amounts falling due within one year:-		
Consignor advances	6,065,495	-
Secured loans	12,779,925	-
Purchaser loans	1,105,402	-
Bad debt provisions	(586,728)	-
	<hr/> £19,364,094 <hr/>	<hr/> £ - <hr/>

9: CREDITORS

	1990 £	1989 £
Amounts falling due within one year:		
Corporation tax payable	992,690	-
Amounts owing to fellow subsidiaries	16,483,737	18,009
	<hr/> £17,476,427 <hr/>	<hr/> £18,009 <hr/>

10: CALLED UP SHARE CAPITAL

Authorised, issued and fully paid share capital:-

	1990 £	1989 £
1,000 ordinary shares of £1 each	<u>£1,000</u>	<u>£1,000</u>

11: ULTIMATE HOLDING COMPANY

As at 31st December 1990 the company's ultimate holding company was Sotheby's Holdings Inc., a company incorporated in the United States of America.