

**The Fine Art Group Limited**  
**UNAUDITED FINANCIAL STATEMENTS**  
for the year ended  
31 December 2005



# The Fine Art Group Limited

## DIRECTOR AND OFFICERS

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### DIRECTOR

G B Jones

### SECRETARY

A E Birch

### COMPANY NUMBER

00289529 (England & Wales)

### REGISTERED OFFICE

Lynn Lane  
Shenstone  
Lichfield  
Staffordshire  
WS14 0DX

# The Fine Art Group Limited

## DIRECTOR'S REPORT

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The director submits the report and the financial statements of The Fine Art Group Limited for the year ended 31 December 2005. These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

### PRINCIPAL ACTIVITY

The principal activity of the company during the year was that of providing management services to subsidiary companies.

### DIRECTOR

The following director has held office since 1 January 2005:

G B Jones

### DIRECTOR'S INTERESTS IN SHARES AND DEBENTURES

The director had no interests in the shares of The Fine Art Group Limited.

The director's interests in the shares of the ultimate holding company, including family interests, were as follows:

	<i>Ordinary shares of 50p each</i>	
	31.12.05	1.1.05
G B Jones	80,000	80,000

By order of the board



A E Birch  
Secretary

26/10

2006

# The Fine Art Group Limited

## DIRECTOR'S RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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Company law requires the director to prepare financial statements 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 financial statements, the director is required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the requirements of the Companies Act 1985. He is 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.

# The Fine Art Group Limited

## PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2005

	<i>Notes</i>	2005 £	2004 £
TURNOVER		72,000	92,000
Other operating expenses (net)	1	(69,708)	(75,248)
OPERATING PROFIT		2,292	16,752
Interest receivable		172	277
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	2,464	17,029
Taxation	4	-	-
RETAINED PROFIT FOR THE YEAR	9	2,464	17,029

The operating profit for the year arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

# The Fine Art Group Limited

## BALANCE SHEET

31 December 2005

	Notes	2005 £	2004 £
<b>FIXED ASSETS</b>			
Investments	5	33,776	33,612
		<u>33,776</u>	<u>33,612</u>
<b>CURRENT ASSETS</b>			
Debtors	6	155,163	126,531
Cash at bank and in hand		132,906	163,390
		<u>288,069</u>	<u>289,921</u>
<b>CREDITORS: Amounts falling due within one year</b>	7	31,225	35,377
		<u>256,844</u>	<u>254,544</u>
<b>NET CURRENT ASSETS</b>			
		<u>290,620</u>	<u>288,156</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS</b>			
		<u>290,620</u>	<u>288,156</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	100,000	100,000
Profit and loss account	9	190,620	188,156
		<u>290,620</u>	<u>288,156</u>
<b>SHAREHOLDERS' FUNDS</b>	10	290,620	288,156
		<u>290,620</u>	<u>288,156</u>

The director is satisfied that the company is entitled to exemption from the provisions of the Companies Act 1985 (the Act) relating to the audit of the accounts for the year by virtue of section 249A(1), and that no member or members have requested an audit pursuant to section 249B(2) of the Act.

The director acknowledges his responsibilities for:

- (i) ensuring that the company keeps proper accounting records which comply with section 221 of the Act, and
- (ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Act relating to financial statements, so far as applicable to the company.

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the board on 26 October 2006

G B Jones

Director

# The Fine Art Group Limited

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention

### INVESTMENTS

Long term investments are described as participating interests and are classified as fixed assets.

Participating interests are stated at cost and provision is made for any permanent diminution in the value of fixed asset investments.

### DEFERRED TAXATION

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

### PENSION CONTRIBUTIONS

The company makes contributions into the personal pension scheme of eligible employees. The costs are charged to the profit and loss account as incurred.

### LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights 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 obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

### TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

### FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

**The Fine Art Group Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2005**

1	OTHER OPERATING EXPENSES (NET)	2005 £	2004 £
	Administration expenses	69,736	76,035
	Other operating income	(28)	(787)
		<u>69,708</u>	<u>75,248</u>
2	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2005 £	2004 £
	Profit on ordinary activities before taxation is stated after charging/(crediting):		
	Amounts written off fixed asset investments:		
	decrease in provision	(164)	(4,900)
		<u>(164)</u>	<u>(4,900)</u>
3	DIRECTOR'S REMUNERATION	2005 £	2004 £
	Amounts paid to director	56,438	66,681
		<u>56,438</u>	<u>66,681</u>

During the year the sole director accrued benefits under a defined contribution pension scheme whose assets are held separately from those of the company in an independently administered fund. The pension cost charge for the period made by the company amounted to £3,079 (2004: £8,380). No contributions were outstanding at the year end (2004: £Nil).



**The Fine Art Group Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2005

4	TAXATION	2005 £	2004 £
	Current tax:		
	UK corporation tax on profits of period	-	-
	Adjustments in respect of previous periods	-	-
		<u>-</u>	<u>-</u>
	Total current tax	<u>-</u>	<u>-</u>
	Deferred tax:		
	Origination and reversal of timing differences	-	-
		<u>-</u>	<u>-</u>
	Total deferred tax	<u>-</u>	<u>-</u>
	Tax on profit on ordinary activities	<u>-</u>	<u>-</u>
	Factors affecting tax charge for the period:		
	The tax assessed for the period is lower (2004: lower) than the standard rate of corporation tax for small companies 19% (2004: 19%) as explained below:		
		2005 £	2004 £
	Profit on ordinary activities before tax	2,464	17,029
		<u>2,464</u>	<u>17,029</u>
	Profit on ordinary activities multiplied by standard rate of corporation tax for small companies 19% (2004: 19%)	468	3,236
	Effects of:		
	Expenses not deductible for tax purposes	133	(559)
	Capital allowances in excess of depreciation	(2)	(2)
	Release of inter-company provision	(31)	2,665
	Other	-	(10)
	Nil rate band relief	(568)	-
		<u>-</u>	<u>-</u>
	Current tax charge for the period	<u>-</u>	<u>-</u>

**The Fine Art Group Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2005**

5	FIXED ASSET INVESTMENTS	<i>Other participating interests</i>		
		<i>Shares in subsidiary undertakings</i>	<i>Loans</i>	<i>Total</i>
		£	£	£
	Cost:			
	1 January 2005 and 31 December 2005	200	170,000	170,200
	Amounts written off:			
	1 January 2005	100	136,488	136,588
	Provisions no longer required	-	(164)	(164)
	31 December 2005	100	136,324	136,424
	Net book value:			
	31 December 2005	100	33,676	33,776
	31 December 2004	100	33,512	33,612

The company holds 100% of the ordinary share capital of the following companies:

<i>Name</i>	<i>Country of registration</i>	<i>Aggregate capital and reserves</i>	<i>Results for the year</i>
		£	£
Solomon & Whitehead Limited	England and Wales	775,606	(182,248)
Artistic Limited	England and Wales	(136,324)	164

These companies are both involved in fine art publishing, distribution and retailing.

6	DEBTORS	2005	2004
		£	£
	Due within one year:		
	Other debtors	3,849	3,394
	Amounts due from group undertakings	151,314	123,137
		155,163	126,531

**The Fine Art Group Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2005**

7	CREDITORS: Amounts falling due within one year	2005 £	2004 £
	Trade creditors	16,092	21,813
	Other creditors	13,233	13,564
	Amount due to group undertakings	1,900	-
		<u>31,225</u>	<u>35,377</u>
8	CALLED UP SHARE CAPITAL	2005 £	2004 £
	Authorised: 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
	Allotted, issued and fully paid: 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
9	PROFIT AND LOSS ACCOUNT	2005 £	2004 £
	1 January 2005	188,156	171,127
	Profit for the financial year	2,464	17,029
		<u>190,620</u>	<u>188,156</u>
10	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2005 £	2004 £
	Profit for the financial year	2,464	17,029
	Opening shareholders' funds	<u>288,156</u>	<u>271,127</u>
	Closing shareholders' funds	<u>290,620</u>	<u>288,156</u>

Shareholders' funds are entirely attributable to equity interests.

# The Fine Art Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2005

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#### 11 RELATED PARTY DISCLOSURES

The ultimate holding company is Purechance Limited, a company incorporated in England and Wales. The ultimate controlling party is the majority shareholder of that company, Mr G B Jones.

During the year the company received management charges of £72,000 (2004: £90,000) from Solomon & Whitehead Limited, and £Nil (2004: £2,000) from Artistick Limited, being wholly owned subsidiary undertakings of the company (see note 5).

The company is owed £170,000 (2004: £170,000) by Artistick Limited, a subsidiary undertaking. This debt has been provided against to the extent of the deficit of funds in its balance sheet, £136,424 (2004: £136,588). The net balance of £33,776 (2004: £33,612) is disclosed in note 5 to these financial statements.

At the year end, the company was owed the following amounts by group undertakings:

	2005 £	2004 £
Solomon & Whitehead Limited	83,748	55,571
	<hr/>	<hr/>
Purechance Limited	67,566	67,566
	<hr/>	<hr/>

At the year end, the company owed the following amounts to group undertakings:

	2005 £	2004 £
Artistick Limited	1,900	-
	<hr/>	<hr/>

#### 12 OTHER FINANCIAL COMMITMENTS

There is an unlimited multilateral guarantee given in respect of group bank borrowings. At 31 December 2005 the extent of this potential net liability was £5,057 (2004: £21,413).

The bank overdraft is secured by a debenture giving fixed or floating charges over all assets of all group companies.

The company has a liability under a group VAT registration as at 31 December 2005 of £37,383 (2004: £44,178).

#### 13 FINANCIAL STATEMENTS

The financial statements contain information about The Fine Art Group Limited as an individual company and do not contain consolidated financial information as the parent of the group. The company is exempt under section 248 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as the group it heads qualifies as a small company group.