

The Fine Art Group Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2002



The Fine Art Group Limited

DIRECTOR AND OFFICERS

DIRECTOR

G B Jones

SECRETARY

A E Birch

COMPANY NUMBER

00289529 (England & Wales)

REGISTERED OFFICE

Lynn Lane
Shenstone
Lichfield
Staffordshire
WS14 0DX

AUDITOR

Baker Tilly
Chartered Accountants
City Plaza
Temple Row
Birmingham
B2 5AF

The Fine Art Group Limited

DIRECTOR'S REPORT

The director submits the report and the financial statements of The Fine Art Group Limited for the year ended 31 December 2002. 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 2002:

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:

	31.12.02	<i>Ordinary shares of 50p each</i> 1.1.02
G B Jones	80,000	80,000

AUDITOR

A resolution to reappoint Baker Tilly, Chartered Accountant, as auditor will be put to the members at the annual general meeting.

By order of the board



A E Birch
Secretary

16th May 2003

The Fine Art Group Limited

DIRECTOR'S RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE FINE ART GROUP LIMITED

We have audited the financial statements on pages 5 to 13.

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 DIRECTOR AND AUDITOR

The director's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Director's Report is not consistent with the financial statements, if 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 director's remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Director's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, 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 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.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly
BAKER TILLY

Registered Auditor
Chartered Accountants
City Plaza
Temple Row
Birmingham
B2 5AF

9 June 2003

The Fine Art Group Limited
 PROFIT AND LOSS ACCOUNT
 for the year ended 31 December 2002

	<i>Notes</i>	2002 £	2001 £
TURNOVER		92,000	117,000
Other operating expenses (net)	1	(83,465)	(72,808)
OPERATING PROFIT		8,535	44,192
Interest payable		(26)	(4)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	8,509	44,188
Taxation	4	(3,437)	(7,938)
RETAINED PROFIT FOR THE YEAR	10	5,072	36,250

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 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible assets	5	18,002	27,549
Investments	6	26,501	24,954
		<u>44,503</u>	<u>52,503</u>
CURRENT ASSETS			
Debtors	7	110,688	158,771
Cash at bank and in hand		125,457	82,007
		<u>236,145</u>	<u>240,778</u>
CREDITORS: Amounts falling due within one year	8	24,924	42,629
		<u>211,221</u>	<u>198,149</u>
NET CURRENT ASSETS			
		<u>255,724</u>	<u>250,652</u>
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS			
		<u>255,724</u>	<u>250,652</u>
CAPITAL AND RESERVES			
Called up share capital	9	100,000	100,000
Profit and loss account	10	155,724	150,652
		<u>255,724</u>	<u>250,652</u>
SHAREHOLDERS' FUNDS	11	255,724	250,652
		<u>255,724</u>	<u>250,652</u>

These accounts 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 16th May 2003

G B Jones

Director

The Fine Art Group Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at historical cost less accumulated depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Motor vehicles	over 5 years
----------------	--------------

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.

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 2002

1	OTHER OPERATING EXPENSES (NET)	2002 £	2001 £
	Administration expenses	83,916	75,342
	Other operating income	(451)	(2,534)
		<u>83,465</u>	<u>72,808</u>
2	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2002 £	2001 £
	Profit on ordinary activities before taxation is stated after charging/(crediting):		
	Depreciation and amounts written off tangible fixed assets:		
	Charge for the year		
	owned assets	9,546	7,346
	Amounts written off fixed asset investments:		
	decrease in provision	(1,547)	(5,543)
	Auditor's remuneration	500	500
		<u>500</u>	<u>500</u>
3	DIRECTOR'S REMUNERATION	2002 £	2001 £
	Amounts paid to director	68,782	68,371
		<u>68,782</u>	<u>68,371</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 £8,380 (2001: £8,380) No contributions were outstanding at the year end (2001: £Nil).

The Fine Art Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

4	TAXATION	2002 £	2001 £
	Current tax:		
	UK corporation tax on profits of period	3,500	9,100
	Adjustments in respect of previous periods	(63)	(462)
		<hr/>	<hr/>
	Total current tax	3,437	8,638
		<hr/>	<hr/>
	Deferred tax:		
	Origination and reversal of timing differences	-	(700)
		<hr/>	<hr/>
	Total deferred tax	-	(700)
		<hr/>	<hr/>
	Tax on profit on ordinary activities	3,437	7,938
		<hr/> <hr/>	<hr/> <hr/>
	Factors affecting tax charge for the period:		
	The tax assessed for the period is higher (2001: lower) than the standard rate of corporation tax for small companies (20%) as explained below:		
		2002 £	2001 £
	Profit on ordinary activities before tax	8,509	44,188
		<hr/>	<hr/>
	Profit on ordinary activities multiplied by standard rate of corporation tax for small companies (20%)	1,702	8,838
	Effects of:		
	Expenses not deductible for tax purposes	407	445
	Capital allowances less than depreciation	1,305	863
	Release of inter-company provision	(309)	(1,109)
	Other	395	63
	Adjustments in respect of previous periods	(63)	(462)
		<hr/>	<hr/>
	Current tax charge for the period	3,437	8,638
		<hr/> <hr/>	<hr/> <hr/>

The Fine Art Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

5 TANGIBLE FIXED ASSETS

	Motor vehicles £
Cost	
1 January 2002 and December 2002	36,731
Depreciation	
1 January 2002	9,183
Charged in the year	9,546
31 December 2002	18,729
Net book value	
31 December 2002	18,002
31 December 2001	27,549

6 FIXED ASSET INVESTMENTS

	<i>Shares</i> £	<i>Other participating interests</i> <i>Loans</i> £	<i>Total</i> £
Cost:			
1 January 2002 and 31 December 2002	200	170,000	170,200
Amounts written off:			
1 January 2002	100	145,146	145,246
Provisions no longer required	-	(1,547)	(1,547)
31 December 2002	100	143,599	143,699
Net book value:			
31 December 2002	100	26,401	26,501
31 December 2001	100	24,854	24,954

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	1,161,155	12,137
Artistick Limited	England and Wales	(143,599)	1,547

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

The Fine Art Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

7	DEBTORS	2002 £	2001 £
	Due within one year:		
	Other debtors	3,009	2,372
	Amounts due from group undertakings	107,679	156,399
		<u>110,688</u>	<u>158,771</u>
8	CREDITORS: Amounts falling due within one year	2002 £	2001 £
	Trade creditors	167	2,673
	Corporation tax	3,437	9,100
	Other creditors	21,320	30,856
		<u>24,924</u>	<u>42,629</u>
9	CALLED UP SHARE CAPITAL	2002 £	2001 £
	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>
10	PROFIT AND LOSS ACCOUNT	2002 £	2001 £
	1 January 2002	150,652	114,402
	Profit for the financial year	5,072	36,250
		<u>155,724</u>	<u>150,652</u>
	31 December 2002	<u>155,724</u>	<u>150,652</u>

The Fine Art Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

11	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2002 £	2001 £
	Profit for the financial year	5,072	36,250
	Opening shareholders' funds	250,652	214,402
	Closing shareholders' funds	255,724	250,652

Shareholders' funds are entirely attributable to equity interests.

12 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 £90,000 (2001: £115,000) from Solomon & Whitehead Limited, and £2,000 (2001: £2,000) from Artistick Limited, being wholly owned subsidiary undertakings of the company (see note 6).

The company is owed £170,000 (2001: £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, £143,599 (2001: £145,146). The net balance of £26,401 (2001: £24,854) is disclosed in note 6 to these financial statements.

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

	2002 £	2001 £
Solomon and Whitehead Limited	40,112	88,817
Fine Art Group Limited	67,566	67,581

13 OTHER FINANCIAL COMMITMENTS

There is an unlimited multilateral guarantee given in respect of group bank borrowings. At 31 December 2002 the extent of this potential net liability was £57,556 (2001: £42,355).

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 2002 of £64,909 (2001: £73,868).

The Fine Art Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

14 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.