

The Fine Art Group Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2001



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 CDX

AUDITORS

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 2001. 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.

INTRODUCTION OF THE EURO

The director does not expect the introduction of the Euro to have a significant impact on the business.

DIRECTOR

The following director has held office since 1 January 2001:

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>
	31.12.01	1.1.01
G B Jones	80,000	80,000

AUDITORS

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

By order of the board



A E Birch
Secretary

14 October 2002

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 AUDITORS' REPORT TO THE MEMBERS OF THE FINE ART GROUP LIMITED

We have audited the financial statements on pages 5 to 12.

Respective responsibilities of director and auditors

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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

22 October 2002

The Fine Art Group Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2001

	<i>Notes</i>	2001 £	2000 £
TURNOVER		117,000	104,200
Other operating expenses (net)	1	(72,808)	(58,435)
OPERATING PROFIT		44,192	45,765
Interest payable		(4)	(312)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	44,188	45,453
Taxation	4	(7,938)	(5,067)
RETAINED PROFIT FOR THE YEAR	10	36,250	40,386

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 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Tangible assets	5	27,549	34,895
Investments	6	24,954	19,411
		<u>52,503</u>	<u>54,306</u>
CURRENT ASSETS			
Debtors	7	158,771	221,832
Cash at bank and in hand		82,007	-
		<u>240,778</u>	<u>221,832</u>
CREDITORS: Amounts falling due within one year	8	42,629	61,736
		<u>198,149</u>	<u>160,096</u>
NET CURRENT ASSETS			
		<u>250,652</u>	<u>214,402</u>
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS			
		<u>250,652</u>	<u>214,402</u>
CAPITAL AND RESERVES			
Called up share capital	9	100,000	100,000
Profit and loss account	10	150,652	114,402
		<u>250,652</u>	<u>214,402</u>
SHAREHOLDERS' FUNDS	11	250,652	214,402
		<u>250,652</u>	<u>214,402</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 14 OCT 2002

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
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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 2001

1	OTHER OPERATING EXPENSES (NET)	2001 £	2000 £
	Administration expenses	75,342	70,793
	Other operating income	(2,534)	(12,358)
		<u>72,808</u>	<u>58,435</u>
2	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2001 £	2000 £
	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	7,346	1,837
	leased assets	-	4,696
	Loss on disposal of fixed assets	-	1,265
	Amounts written off fixed asset investments:		
	Decrease in provision	(5,543)	(10,129)
	Auditors' remuneration	1,500	2,750
		<u>1,500</u>	<u>2,750</u>
3	DIRECTOR'S REMUNERATION	2001 £	2000 £
	Amounts paid to director	<u>68,371</u>	<u>68,491</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 (2000: £8,380) No contributions were outstanding at the year end (2000: £Nil).

The Fine Art Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2001

4	TAXATION	2001	2000
		£	£
	Current tax:		
	UK corporation tax on profits of period	9,100	5,457
	Adjustments in respect of previous periods	(462)	(390)
		<hr/>	<hr/>
	Total current tax	8,638	5,067
		<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	7,938	5,067
		<hr/>	<hr/>

Factors affecting tax charge for the period:

The tax assessed for the period is higher (2000: lower) than the standard rate of corporation tax for small companies (20%) as explained below:

	2001	2000
	£	£
Profit on ordinary activities before tax	44,188	45,453
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax for small companies (20%)	8,838	9,091
Effects of:		
Expenses not deductible for tax purposes	445	843
Capital allowances less than/(in excess of) depreciation	863	(2,451)
Release of inter-company provision	(1,109)	(2,026)
Other	63	-
Adjustments in respect of previous periods	(462)	(390)
	<hr/>	<hr/>
Current tax charge for the period	8,638	5,067
	<hr/>	<hr/>

The Fine Art Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2001

5 TANGIBLE FIXED ASSETS

	Total £
Cost	
1 January 2001 and December 2001	36,732
Depreciation	
1 January 2001	1,837
Charged in the year	7,346
31 December 2001	9,183
Net book value	
31 December 2001	27,549
31 December 2000	34,895

6 FIXED ASSET INVESTMENTS

	<i>Other participating interests</i>		
	<i>Shares</i>	<i>Loans</i>	<i>Total</i>
	£	£	£
Cost:			
1 January 2001 and 31 December 2001	200	170,000	170,200
Amounts written off:			
1 January 2001	100	150,689	150,789
Provisions no longer required	-	(5,543)	(5,543)
31 December 2001	100	145,146	145,246
Net book value:			
31 December 2001	100	24,854	24,954
31 December 2000	100	19,311	19,411

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	1,169,518	122,203
Artistick Limited	England and Wales	(145,146)	5,543

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 2001

7	DEBTORS	2001 £	2000 £
	Due within one year:		
	Other debtors	2,372	5,720
	Amounts due from group undertakings	156,399	216,112
		<u>158,771</u>	<u>221,832</u>
8	CREDITORS: Amounts falling due within one year	2001 £	2000 £
	Bank overdraft	-	31,698
	Trade creditors	2,673	4,093
	Corporation tax	9,100	5,500
	Other creditors	30,856	20,445
		<u>42,629</u>	<u>61,736</u>
9	CALLED UP SHARE CAPITAL	2001 £	2000 £
	Authorised: 100,000 ordinary shares of £1 each	100,000	100,000
	Allotted, issued and fully paid: 100,000 ordinary shares of £1 each	100,000	100,000
10	PROFIT AND LOSS ACCOUNT	2001 £	2000 £
	1 January 2001	114,402	74,016
	Profit for the financial year	36,250	40,386
	31 December 2001	<u>150,652</u>	<u>114,402</u>

The Fine Art Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

11	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2001 £	2000 £
	Profit for the financial year	36,250	40,386
	Opening shareholders' funds	214,402	174,016
		<hr/>	<hr/>
	Closing shareholders' funds	250,652	214,402
		<hr/>	<hr/>

Shareholders' funds are entirely attributable to equity interests.

12 RELATED PARTY DISCLOSURES

The ultimate holding company is Purcchance 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 £115,000 (2000: £102,200) from Solomon & Whitehead Limited, and £2,000 (2000: £2,000) from Artistick Limited, being wholly owned subsidiary undertakings of the company (see note 6).

The company is owed £170,000 (2000: £170,000) by Artistick Limited, a direct subsidiary undertaking. This debt has been provided against to the extent of the deficit of funds in its balance sheet, £145,146 (2000: £150,689). The net balance of £24,854 (2000: £19,311) is disclosed in note 6 to these financial statements.

13 OTHER FINANCIAL COMMITMENTS

There is an unlimited multilateral guarantee given in respect of group bank borrowings. At 31 December 2001 the extent of this potential liability was £124,362 (2000: £49,893).

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 2001 of £73,868 (2000: £76,131).

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.