

The Fine Art Group Limited

## FINANCIAL STATEMENTS

for the year ended

31 December 2000



# 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

### AUDITORS

Baker Tilly  
Chartered Accountants  
Scottish Life House  
154 Great Charles Street  
Birmingham  
B3 3HN

# 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 2000. 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 2000:

G B Jones

### DIRECTOR'S INTERESTS IN SHARES AND DEBENTURES

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

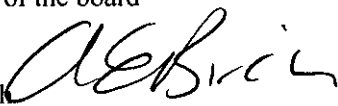
The director's interests in the shares of the ultimate holding company, including family interests, were as follows:

|           |          | <i>Ordinary shares<br/>of 50p each</i> |
|-----------|----------|--|
|           | 31.12.00 | 1.1.00                                 |
| 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

1st August 2001

# 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.

## 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 directors and auditors**

As described on page 3 the company's director is responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BAKER TILLY

Registered Auditor  
Chartered Accountants  
Scottish Life House  
154 Great Charles Street  
Birmingham  
B3 3HN

6 August 2001

# The Fine Art Group Limited

## PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2000

|   | <i>Notes</i> | 2000<br>£ | 1999<br>£ |
|---|--------------|-----------|-----------|
| TURNOVER                                      |              | 104,200   | 80,000    |
| Other operating expenses (net)                | 1            | (58,435)  | (78,462)  |
| OPERATING PROFIT                              |              | 45,765    | 1,538     |
| Interest payable                              |              | (312)     | (1,130)   |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 2            | 45,453    | 408       |
| Taxation                                      | 4            | (5,067)   | 765       |
| RETAINED PROFIT FOR THE YEAR                  | 10           | 40,386    | 1,173     |

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 2000

|   | Notes | 2000<br>£      | 1999<br>£      |
|---|-------|----------------|----------------|
| <b>FIXED ASSETS</b>   |       |                |                |
| Tangible assets   | 5     | 34,895         | 22,962         |
| Investments   | 6     | 19,411         | 9,282          |
|   |       | <u>54,306</u>  | <u>32,244</u>  |
| <b>CURRENT ASSETS</b>                                       |       |                |                |
| Debtors   | 7     | 221,832        | 168,831        |
| Cash at bank and in hand                                    |       | -              | 4,755          |
|   |       | <u>221,832</u> | <u>173,586</u> |
| <b>CREDITORS: Amounts falling due within one year</b>       | 8     | 61,736         | 31,814         |
|   |       | <u>160,096</u> | <u>141,772</u> |
| <b>NET CURRENT ASSETS</b>                                   |       |                |                |
|   |       | <u>214,402</u> | <u>174,016</u> |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS</b> |       |                |                |
|   |       | <u>214,402</u> | <u>174,016</u> |
| <b>CAPITAL AND RESERVES</b>                                 |       |                |                |
| Called up share capital                                     | 9     | 100,000        | 100,000        |
| Profit and loss account                                     | 10    | 114,402        | 74,016         |
|   |       | <u>214,402</u> | <u>174,016</u> |
| <b>SHAREHOLDERS' FUNDS</b>                                  | 11    | 214,402        | 174,016        |
|   |       | <u>214,402</u> | <u>174,016</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 1st August 2001

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

### 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

Provision is made for taxation deferred or accelerated by the effect of timing differences, to the extent that it is probable that a liability will crystallise, at the rate expected to be ruling at that date.

### 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 lesser.

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 2000**

|   |  |               |               |
|---|--|---------------|---------------|
| 1 | OTHER OPERATING EXPENSES (NET)   | 2000<br>£     | 1999<br>£     |
|   | Administration expenses  | 70,793        | 81,468        |
|   | Other operating income   | (12,358)      | (3,006)       |
|   |  | <u>58,435</u> | <u>78,462</u> |
| 2 | PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION  | 2000<br>£     | 1999<br>£     |
|   | 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   | 1,837         | -             |
|   | leased assets  | 4,696         | 2,088         |
|   | Loss on disposal of fixed assets   | 1,265         | -             |
|   | Amounts written off fixed asset investments:   |               |               |
|   | (Decrease)/increase in provision   | (10,129)      | 8,775         |
|   | Auditors' remuneration   | 2,750         | 1,640         |
|   |  | <u></u>       | <u></u>       |
| 3 | DIRECTOR'S REMUNERATION  | 2000<br>£     | 1999<br>£     |
|   | Amounts paid to director   | 68,491        | 64,965        |
|   |  | <u></u>       | <u></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 (1999: £8,440). No contributions were outstanding at the year end (1999: £Nil). |               |               |
| 4 | TAXATION   | 2000<br>£     | 1999<br>£     |
|   | Based on the profit for the year:  |               |               |
|   | UK corporation tax at 20% (1999 20%)   | 5,500         | 750           |
|   | (Over)/under provided in earlier years   | (433)         | 1,515         |
|   |  | <u>5,067</u>  | <u>(765)</u>  |

**The Fine Art Group Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2000**

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**5 TANGIBLE FIXED ASSETS**

|                     | Total<br>£  |
|---------------------|-------------|
| Cost                |             |
| At 1 January 2000   | 42,102      |
| Additions           | 36,732      |
| Disposals           | (42,102)    |
|                     | <hr/>       |
| 31 December 2000    | 36,732      |
|                     | <hr/>       |
| Depreciation        |             |
| 1 January 2000      | 19,140      |
| Charged in the year | 6,533       |
| On disposals        | (23,836)    |
|                     | <hr/>       |
| 31 December 2000    | 1,837       |
|                     | <hr/>       |
| Net book value      |             |
| 31 December 1999    | 34,895      |
|                     | <hr/> <hr/> |
| 31 December 1999    | 22,962      |
|                     | <hr/> <hr/> |

The net book value of motor vehicles includes £Nil (1999: £22,962) in respect of assets held under finance leases.

**The Fine Art Group Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2000**

**6 FIXED ASSET INVESTMENTS**

|                                     | <i>Other participating interests</i> |              |              |
|-------------------------------------|--------------------------------------|--------------|--------------|
|                                     | <i>Shares</i>                        | <i>Loans</i> | <i>Total</i> |
|                                     | £                                    | £            | £            |
| Cost:                               |                                      |              |              |
| 1 January 2000 and 31 December 2000 | 200                                  | 170,000      | 170,200      |
| Amounts written off:                |                                      |              |              |
| 1 January 2000                      | 100                                  | 160,818      | 160,918      |
| Provisions no longer required       | -                                    | (10,129)     | (10,129)     |
| 31 December 2000                    | 100                                  | 150,689      | 150,789      |
| Net book value:                     |                                      |              |              |
| 31 December 2000                    | 100                                  | 19,311       | 19,411       |
| 31 December 1999                    | 100                                  | 9,182        | 9,282        |

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> |
|-----------------------------|--------------------------------|---------------------------------------|-----------------------------|
|                             |                                | £                                     | £                           |
| Soloman & Whitehead Limited | England and Wales              | 1,047,315                             | 133,083                     |
| Artistick Limited           | England and Wales              | (150,689)                             | 10,129                      |

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

**7 DEBTORS**

|                                    | 2000    | 1999    |
|------------------------------------|---------|---------|
|                                    | £       | £       |
| Due within one year:               |         |         |
| Other debtors                      | 5,720   | 5,867   |
| Amounts owed by group undertakings | 216,112 | 162,964 |
|                                    | 221,832 | 168,831 |

**The Fine Art Group Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2000**

|    |  |                |                |
|----|--|----------------|----------------|
| 8  | CREDITORS: Amounts falling due within one year                         | 2000<br>£      | 1999<br>£      |
|    | Bank overdraft   | 31,698         | -              |
|    | Trade creditors  | 4,093          | 3,434          |
|    | Corporation tax  | 5,500          | 750            |
|    | Other creditors  | 20,445         | 27,630         |
|    |  | <u>61,736</u>  | <u>31,814</u>  |
| 9  | CALLED UP SHARE CAPITAL  | 2000<br>£      | 1999<br>£      |
|    | Authorised:<br>100,000 ordinary shares of £1 each                      | <u>100,000</u> | <u>100,000</u> |
|    | Allotted, issued and fully paid:<br>100,000 ordinary shares of £1 each | <u>100,000</u> | <u>100,000</u> |
| 10 | PROFIT AND LOSS ACCOUNT  | 2000<br>£      | 1999<br>£      |
|    | 1 January 2000   | 74,016         | 72,843         |
|    | Profit for the financial year  | <u>40,386</u>  | <u>1,173</u>   |
|    | 31 December 2000   | <u>114,402</u> | <u>74,016</u>  |
| 11 | RECONCILIATION OF MOVMENT IN SHAREHOLDERS' FUNDS                       | 2000<br>£      | 1999<br>£      |
|    | Net addition to shareholders' funds                                    | 40,386         | 1,173          |
|    | Opening shareholders' funds  | <u>174,016</u> | <u>172,843</u> |
|    | Closing shareholders' funds  | <u>214,402</u> | <u>174,016</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 2000

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### 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 £102,200 (1999: £78,000) from Solomon & Whitehead Limited, and £2,000 (1999: £2,000) from Artistick Limited, being wholly owned subsidiary undertakings of the company (see note 5).

The company is owed £170,000 (1999: £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, £150,689 (1999: £160,818). The net balance of £19,311 (1999: £9,182) is disclosed in note 5 to these financial statements.

### 13 OTHER FINANCIAL COMMITMENTS

There is an unlimited multilateral guarantee given in respect of group bank borrowings. At 31 December 2000 the extent of this potential liability was £49,893 (1999: £30,921).

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 2000 of £76,131 (1999: £37,709).

### 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 if heads qualifies as a small company group.