

The Fine Art Group Limited

FINANCIAL STATEMENTS

for the year ended

31 December 1998



Company Registration No. 00289529

The Fine Art Group Limited

DIRECTOR AND OFFICERS

DIRECTOR

G B Jones

SECRETARY

A Birch

COMPANY NUMBER

00289529 (England and Wales)

REGISTERED OFFICE

Lynn Lane
Shenstone
Lichfield
Staffordshire
WS14 ODX

AUDITORS

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

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 1998.

PRINCIPAL ACTIVITY

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

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own year 2000 issues.

The directors have addressed the problem and, where possible, adapted the company's systems in order to minimise any impact on the business. However, given the complexity of the problem, it is not possible for any organisation to guarantee that no year 2000 problems will remain.

The director estimates that the total cost to the group of modifications to our computer hardware and software is estimated at £55,000 most of which is new equipment that will be capitalised and the remainder will be expensed as incurred. Of this total, expenditure of £46,000 has been incurred during the year and the remainder is expected to be incurred during 1999.

INTRODUCTION OF THE EURO

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

DIRECTORS

The following directors have held office since 1 January 1998:-

G B Jones

A J Stanley

(resigned 31 December 1998)

The Fine Art Group Limited

DIRECTOR'S REPORT

DIRECTOR'S INTERESTS IN SHARES AND DEBENTURES

The directors had no interest in the shares of The Fine Art Group Limited.

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

	<i>Ordinary shares of 50p each</i>	
	31.12.98	1.1.98
G B Jones	80,000	80,000
A J Stanley	10,000	10,000

AUDITORS

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


SCHEDULE 8 EXEMPTIONS

Advantage is taken in the preparation of the director's report of the exemptions applicable to small companies conferred by Part II of Schedule 8 to the Companies Act 1985.

By order of the board

A Birch

Secretary


8/6/1999

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.

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

We have audited the financial statements on pages 6 to 14.

Respective responsibilities of directors and auditors

As described on page 4 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 of 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with those provisions of the Companies Act 1985 applicable to small companies.

Baker Tilly

BAKER TILLY

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

8/6/1999

The Fine Art Group Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1998

	<i>Notes</i>	1998 £	1997 £
TURNOVER	1	137,000	142,000
Other operating expenses (net)	2	128,280	107,434
		<hr/>	<hr/>
OPERATING PROFIT		8,720	34,566
Investment income	3	-	16,875
Interest payable		4,287	8,584
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	4,433	42,857
Taxation		-	1,798
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,433	41,059
Dividends	6	-	13,500
		<hr/>	<hr/>
RETAINED PROFIT FOR THE YEAR	13	4,433	27,559
		<hr/>	<hr/>

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 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Tangible assets	7	25,050	31,312
Investments	8	18,057	18,148
		<u>43,107</u>	<u>49,460</u>
CURRENT ASSETS			
Debtors	9	263,158	167,853
Cash at bank and in hand		-	696
		<u>263,158</u>	<u>168,549</u>
CREDITORS: Amounts falling due within one year	10	124,255	30,432
NET CURRENT ASSETS		138,903	138,117
TOTAL ASSETS LESS CURRENT LIABILITIES		182,010	187,577
CREDITORS: Amounts falling due after more than one year	11	9,167	19,167
		<u>172,843</u>	<u>168,410</u>
CAPITAL AND RESERVES			
Called up share capital	12	100,000	100,000
Profit and loss account	13	72,843	68,410
SHAREHOLDERS' FUNDS	14	<u>172,843</u>	<u>168,410</u>

Advantage is taken in the preparation of the financial statements of the exemptions applicable to small companies conferred by Part I of Schedule 8 to the Companies Act 1985. In the director's opinion, the company is entitled to those exemptions as a small company.

Approved by the board on

G B Jones

Director

8/6/1999

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.

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 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 profit and loss on a straight line basis over the lease term.

The Fine Art Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1998

1	TURNOVER	1998	1997
	Percentage of turnover relating to UK markets	100%	100%
		<u> </u>	<u> </u>
2	OTHER OPERATING EXPENSES (NET)	1998	1997
		£	£
	Administrative expenses	132,819	117,754
	Other operating income	(4,539)	(10,320)
		<u> </u>	<u> </u>
		128,280	107,434
		<u> </u>	<u> </u>
3	INVESTMENT INCOME	1998	1997
		£	£
	Income from fixed asset investments	-	16,875
		<u> </u>	<u> </u>
4	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1998	1997
		£	£
	Profit on ordinary activities before taxation is stated after charging/(crediting):		
	Depreciation and amounts written off tangible fixed assets:		
	Charge for the year:		
	leased assets	6,262	10,438
	Profit on disposals	-	(13,750)
	Operating lease rentals:		
	Plant and machinery	8,276	4,137
	Auditors' remuneration	3,000	2,700
		<u> </u>	<u> </u>
5	DIRECTORS' REMUNERATION	1998	1997
		£	£
	Amounts paid to directors	116,124	101,194
		<u> </u>	<u> </u>
6	DIVIDENDS	1998	1997
		£	£
	Ordinary:		
	Interim paid - nil (1997 13.5p)	-	13,500
		<u> </u>	<u> </u>

The Fine Art Group Limited
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 December 1998

7	TANGIBLE FIXED ASSETS	Motor vehicles £
	Cost	42,102
	1 January 1998	-
	Additions	-
	Disposals	-
		<hr/>
	31 December 1998	42,102
		<hr/>
	Depreciation	10,790
	1 January 1998	6,262
	Charged in the year	-
	Disposals	-
		<hr/>
	31 December 1998	17,052
		<hr/>
	Net book value	25,050
	31 December 1998	<hr/>
		<hr/>
	31 December 1997	31,312
		<hr/>

The net book value of motor vehicles includes £25,050 (1997 £31,312) in respect of assets held under finance leases.

The Fine Art Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1998

8	FIXED ASSETS INVESTMENTS	1998 £	1997 £
	Shares in subsidiary undertakings at cost less amounts written off: 1 January 1998 and 31 December 1998	100	100
	Loans to subsidiary undertakings less amounts written off: 1 January 1998	18,048	36,804
	Repayments in the year	-	(20,000)
	Provision written (off)/back	(91)	1,244
	Net loans at 31 December 1998	17,957	18,048
	Net investment at 31 December 1998	18,057	18,148

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	915,038	(7,091)
The Bournemouth Gallery Limited	England	(152,043)	(91)

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

9	DEBTORS	1998 £	1997 £
	Due within one year	4,369	6,903
	Other debtors	221,208	123,547
	Amounts owed by group undertakings	225,577	130,450
	Due in more than one year	37,581	37,403
	Amounts owed by group undertakings	263,158	167,853

The Fine Art Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1998

10	CREDITORS: Amounts falling due within one year	1998 £	1997 £
	Bank overdraft	89,840	-
	Trade creditors	2,795	1,726
	Other creditors	31,620	27,706
	Amounts owed to group undertakings	-	1,000
		<u>124,255</u>	<u>30,432</u>
11	CREDITORS: Amounts falling due in more than one year		
	Other creditors	9,167	19,167
	Repayable by instalments: between 2 and 5 years	9,167	19,167
12	CALLED UP SHARE CAPITAL	1998 £	1997 £
	Authorised: 200,000 ordinary shares of £1 each	200,000	200,000
	Allotted, issued and fully paid: 100,000 ordinary shares of £1 each	100,000	100,000
13	PROFIT AND LOSS ACCOUNT	1998 £	1997 £
	1 January 1998	68,410	40,851
	Profit for the financial year	4,433	27,559
	31 December 1998	<u>72,843</u>	<u>68,410</u>

The Fine Art Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1998

14	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	1998 £	1997 £
	Profit after taxation	4,433	41,059
	Dividends	-	13,500
		<hr/>	<hr/>
	Net addition to shareholders' funds	4,433	27,559
	Opening shareholders' funds	168,410	140,851
		<hr/>	<hr/>
	Closing shareholders' funds	172,843	168,410
		<hr/>	<hr/>

Shareholders' funds are entirely attributable to equity interests.

15	COMMITMENTS UNDER OPERATING LEASES	1998 £	1997 £
	At 31 December 1998 the company had annual commitments under non-cancellable operating leases as follows:		
	Plant and machinery	-	7,088
	expiring within one year	<hr/>	<hr/>

16 RELATED PARTIES

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 ended 31 December 1998 the company incurred interest and charges of £1,923 (1997 £8,523) in respect of a bank loan taken out by Purechance Limited.

During the year the company received management charges of £135,000 (1997 £140,000) from Solomon & Whitehead Limited, and £2,000 (1997 £2,000) from The Bournemouth Gallery Limited, direct subsidiary undertakings of the company (see note 8).

The company is owed £170,000 (1997 £170,000) by The Bournemouth Gallery Limited, a direct subsidiary undertaking. This debt has been provided against to the extent of the deficit of funds in its balance sheet, £152,043 (1997 £151,952). The net balance of £17,957 (1997 £18,048) is disclosed in note 8 to these financial statements.

17 OTHER FINANCIAL COMMITMENTS

There is an unlimited multilateral guarantee given in respect of group bank borrowings. At 31 December 1998 the extent of this potential liability was £nil (1997 £56,852).

There is a fixed and floating charge over all assets of The Fine Art Group Limited in favour of Midland Bank Plc.

The Fine Art Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1998

18 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 group.