

The Fine Art Group Limited

FINANCIAL STATEMENTS

for the year ended

31 December 1997



The Fine Art Group Limited

DIRECTORS AND OFFICERS

DIRECTORS

G B Jones
A J Stanley

SECRETARY

G B Jones

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

DIRECTORS' REPORT

The directors submit their report and the financial statements of The Fine Art Group Limited for the year ended 31 December 1997.

PRINCIPAL ACTIVITY

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

DIRECTORS

The following directors have held office since 1 January 1997:-

G B Jones
A J Stanley

DIRECTORS' 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>	
	31.12.97	1.1.97
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 directors' 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

G B Jones

Secretary

10 July 1998

The Fine Art Group Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires directors 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, directors are 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 directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are 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 13.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are 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 directors 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 1997 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

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

11 July 1998

The Fine Art Group Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1997

	<i>Notes</i>	1997 £	1996 £
TURNOVER	1	142,000	128,000
Other operating expenses (net)	2	107,434	116,253
		<hr/>	<hr/>
OPERATING PROFIT		34,566	11,747
Investment income	3	16,875	-
Interest payable		8,584	11,578
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	42,857	169
Taxation		1,798	(5,230)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		41,059	5,399
Dividends	6	13,500	-
		<hr/>	<hr/>
RETAINED PROFIT FOR THE YEAR	13	27,559	5,399
		<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 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Tangible assets	7	31,312	-
Investments	8	18,148	36,904
		<hr/>	<hr/>
		49,460	36,904
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	9	167,853	127,178
Cash at bank and in hand		696	167
		<hr/>	<hr/>
		168,549	127,345
		<hr/>	<hr/>
CREDITORS: Amounts falling due within one year	10	30,432	23,398
		<hr/>	<hr/>
NET CURRENT ASSETS		138,117	103,947
TOTAL ASSETS LESS CURRENT LIABILITIES		187,577	140,851
		<hr/>	<hr/>
CREDITORS: Amounts falling due after more than one year	11	19,167	-
		<hr/>	<hr/>
		168,410	140,851
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	12	100,000	100,000
Profit and loss account	13	68,410	40,851
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS	14	168,410	140,851
		<hr/>	<hr/>

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 directors' opinion, the company is entitled to those exemptions as a small company.

Approved by the board on 10th July 1998

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 4 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 1997

1	TURNOVER	1997	1996
	Percentage of turnover relating to UK markets	100%	100%
		<u> </u>	<u> </u>
2	OTHER OPERATING EXPENSES (NET)	1997	1996
		£	£
	Administrative expenses	117,754	129,145
	Other operating income	(10,320)	(12,892)
		<u> </u>	<u> </u>
		107,434	116,253
		<u> </u>	<u> </u>
3	INVESTMENT INCOME	1997	1996
		£	£
	Income from fixed asset investments	16,875	-
		<u> </u>	<u> </u>
4	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1997	1996
		£	£
	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	10,438	430
	Profit on disposals	(13,750)	-
	Operating lease rentals:		
	Plant and machinery	4,137	-
	Auditors' remuneration	2,700	2,700
		<u> </u>	<u> </u>
5	DIRECTORS' REMUNERATION	1997	1996
		£	£
	Amounts paid to directors	101,194	96,852
		<u> </u>	<u> </u>
6	DIVIDENDS	1997	1996
		£	£
	Ordinary:		
	Interim paid - 13.5p	13,500	-
		<u> </u>	<u> </u>

The Fine Art Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1997

7 TANGIBLE FIXED ASSETS

	<i>Motor vehicles £</i>
Cost	
1 January 1997	58,136
Additions	41,750
Disposals	(57,784)
	<hr/>
31 December 1997	42,102
	<hr/>
Depreciation	
1 January 1997	58,136
Charged in the year	10,438
Disposals	(57,784)
	<hr/>
31 December 1997	10,790
	<hr/>
Net book value	
31 December 1997	31,312
	<hr/> <hr/>
31 December 1996	-
	<hr/> <hr/>

The net book value of motor vehicles includes £31,312 (1996 £Nil) in respect of assets held under finance leases.

The Fine Art Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1997

8	FIXED ASSETS INVESTMENTS	1997	1996
		£	£
	Shares in subsidiary undertakings at cost less amounts written off: 1 January 1997 and 31 December 1997	100	100
	Loans to subsidiary undertakings less amounts written off: 1 January 1997	36,804	40,964
	Repayments in the year	(20,000)	(5,000)
	Provision written back	1,244	840
	31 December 1997	18,048	36,804
	31 December 1997	18,148	36,904

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	922,129	(28,385)
The Bournemouth Gallery Limited	England	(151,952)	1,244

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

9	DEBTORS	1997	1996
		£	£
	Due within one year		
	Other debtors	6,903	5,492
	Amounts owed by group undertakings	123,547	121,686
	Due in more than one year	130,450	127,178
	Amounts owed by group undertakings	37,403	-
		167,853	127,178

The Fine Art Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1997

10	CREDITORS: Amounts falling due within one year	1997 £	1996 £
	Trade creditors	1,726	4,165
	Other creditors	27,706	19,233
	Amounts owed to group undertakings	1,000	-
		<u>30,432</u>	<u>23,398</u>
11	CREDITORS: Amounts falling due in more than one year		
	Other creditors	19,167	-
		<u>19,167</u>	<u>-</u>
	Repayable by instalments: between 2 and 5 years	19,167	-
		<u>19,167</u>	<u>-</u>
12	CALLED UP SHARE CAPITAL	1997 £	1996 £
	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
		<u>100,000</u>	<u>100,000</u>
	Share capital consists entirely of equity interests.		
13	PROFIT AND LOSS ACCOUNT	1997 £	1996 £
	1 January 1997	40,851	35,452
	Profit for the financial year	27,559	5,399
		<u>68,410</u>	<u>40,851</u>
	31 December 1997	68,410	40,851
		<u>68,410</u>	<u>40,851</u>

The Fine Art Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1997

14	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	1997 £	1996 £
	Profit after taxation	41,059	5,399
	Dividends	13,500	-
		<hr/>	<hr/>
	Net addition to shareholders' funds	27,559	5,399
	Opening shareholders' funds	140,851	135,452
		<hr/>	<hr/>
	Closing shareholders' funds	168,410	140,851
		<hr/>	<hr/>

Shareholders' funds are entirely attributable to equity interests.

15	COMMITMENTS UNDER OPERATING LEASES	1997 £	1996 £
	At 31 December 1997 the company had annual commitments under non-cancellable operating leases as follows:		
	Plant and machinery		
	expiring within one year	7,088	-
		<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 1997 the company incurred interest and charges of £8,523 (1996 £18,321) in respect of a bank loan taken out by Purechance Limited.

During the year the company received management charges of £140,000 (1996 £125,000) from Solomon & Whitehead Limited, and £2,000 (1996 £3,000) from The Bournemouth Gallery Limited, direct subsidiary undertakings of the company (see note 8).

The company is owed £170,000 (1996 £190,000) 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, £151,952 (1996 £153,196). The net balance of £18,048 (1996 £36,804) is disclosed in note 8 to these financial statements.

17 OTHER FINANCIAL COMMITMENTS

There is an unlimited guarantee given to the ultimate parent company and a fellow subsidiary. At 31 December 1997 the extent of this potential liability was £56,852 (1996 £111,505).

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

The Fine Art Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1997

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.