

The Fine Art Group Limited

FINANCIAL STATEMENTS

for the year ended

31 December 1996



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 1996.

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 1996:-

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>	
	31.12.96	1.1.96
G B Jones	80,000	80,000
A J Stanley	10,000	10,000

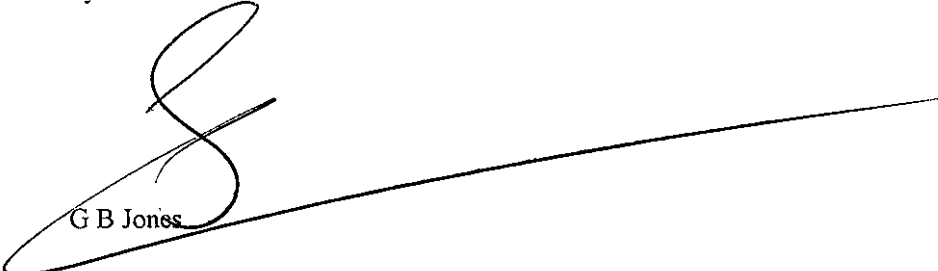
AUDITORS

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

10th July 1997

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 1996 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

10 July 1997

The Fine Art Group Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1996

	<i>Notes</i>	1996 £	1995 £
TURNOVER	1	128,000	180,100
Other operating expenses (net)	2	116,253	140,630
		<hr/>	<hr/>
OPERATING PROFIT		11,747	39,470
Investment income	3	-	900,770
		<hr/>	<hr/>
		11,747	940,240
Interest payable		11,578	-
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	169	940,240
Taxation		(5,230)	14,000
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		5,399	926,240
Dividends	6	-	1,309,000
		<hr/>	<hr/>
RETAINED PROFIT/(LOSS) FOR THE YEAR	12	5,399	(382,760)
		<hr/> <hr/>	<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 1996

	Notes	1996 £	1995 £
FIXED ASSETS			
Tangible assets	7	-	430
Investments	8	36,904	41,064
		<u>36,904</u>	<u>41,494</u>
CURRENT ASSETS			
Debtors	9	127,178	119,462
Cash at bank and in hand		167	22,582
		<u>127,345</u>	<u>142,044</u>
CREDITORS: Amounts falling due within one year	10	23,398	48,086
NET CURRENT ASSETS		<u>103,947</u>	<u>93,958</u>
		<u>140,851</u>	<u>135,452</u>
CAPITAL AND RESERVES			
Called up share capital	11	100,000	100,000
Profit and loss account	12	40,851	35,452
SHAREHOLDERS' FUNDS	14	<u>140,851</u>	<u>135,452</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 directors' opinion, the company is entitled to those exemptions as a small company.

Approved by the board on 10th July 1997

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

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.

The Fine Art Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1996

1	TURNOVER	1996	1995
	Percentage of turnover relating to UK markets	100%	100%
		<u> </u>	<u> </u>
2	OTHER OPERATING EXPENSES (NET)	1996	1995
		£	£
	Administrative expenses	129,145	156,582
	Other operating income	(12,892)	(15,952)
		<u> </u>	<u> </u>
		116,253	140,630
		<u> </u>	<u> </u>
3	INVESTMENT INCOME	1996	1995
		£	£
	Bank interest receivable	-	770
	Dividends receivable	-	900,000
		<u> </u>	<u> </u>
		-	900,770
		<u> </u>	<u> </u>
4	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1996	1995
		£	£
	Profit on ordinary activities before taxation is stated after charging:		
	Depreciation and amounts written off tangible fixed assets:		
	Charge for the year:		
	owned assets	430	14,447
	Loss on disposals	-	215
	Auditors' remuneration	2,700	600
		<u> </u>	<u> </u>
5	DIRECTORS' REMUNERATION	1996	1995
		£	£
	Amounts paid to directors	96,852	116,458
		<u> </u>	<u> </u>

The Fine Art Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1996

6	DIVIDENDS	1996 £	1995 £
	Ordinary:		
	Interim paid - £Nil (1995 £9.00)	-	900,000
	Dividend in specie - settled by transfer of investment (Note 8)	-	409,000
		<hr/>	<hr/>
		-	1,309,000
		<hr/>	<hr/>
7	TANGIBLE FIXED ASSETS		
			<i>Motor vehicles</i>
			£
	Cost		
	1 January 1996		58,136
	Additions		-
			<hr/>
	31 December 1996		58,136
			<hr/>
	Depreciation		
	1 January 1996		57,706
	Charged in the year		430
			<hr/>
	31 December 1996		58,136
			<hr/>
	Net book value		
	31 December 1996		-
			<hr/>
	31 December 1995		430
			<hr/>

The Fine Art Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1996

8	FIXED ASSETS INVESTMENTS	1996	1995
		£	£
	Shares in subsidiary undertakings at cost less amounts written off:		
	1 January 1996	100	200
	Revaluation (Note 14)	-	408,900
	Disposal - dividend in specie (Note 6)	-	(409,000)
	31 December 1996	100	100
	Loans to subsidiary undertakings less amounts written off:		
	1 January 1996	40,964	93,783
	Repayments in the year	(5,000)	(57,875)
	Provision written back	840	5,056
	31 December 1996	36,804	40,964
	31 December 1996	36,904	41,064

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	950,514	35,682
The Bournemouth Gallery Limited	England	(153,196)	840
Shipqueens Limited	England	(30,811)	-
Russell Greetings Limited	England	-	-

Solomon & Whitehead Limited and The Bournemouth Gallery Limited are involved in fine art print publishing, distribution and retailing.

Shipqueens Limited and Russell Greetings Limited are dormant.

9	DEBTORS	1996	1995
		£	£
	Due within one year		
	Other debtors	5,492	7,860
	Amounts owed by group undertakings	121,686	111,602
		127,178	119,462

The Fine Art Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1996

10	CREDITORS: Amounts falling due within one year	1996 £	1995 £
	Trade creditors	4,165	3,558
	Other creditors	19,233	44,528
		<u>23,398</u>	<u>48,086</u>
11	CALLED UP SHARE CAPITAL	1996 £	1995 £
	Authorised: 200,000 ordinary shares of £1 each	200,000	200,000
	Allotted, issued and fully paid: 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
	Share capital consists entirely of equity interests.		
12	PROFIT AND LOSS ACCOUNT	1996 £	1995 £
	1 January 1996	35,452	9,312
	Profit/(loss) for the financial year	5,399	(382,760)
	Transfer from revaluation reserve (Note 13)	-	408,900
		<u>40,851</u>	<u>35,452</u>
	31 December 1996		
13	REVALUATION RESERVE	1996 £	1995 £
	Revaluation of investment (Note 8)	-	408,900
	Transfer to profit and loss account on realisation (Note 12)	-	(408,900)
		<u>-</u>	<u>-</u>
	31 December 1996	-	-

The Fine Art Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1996

14	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	1996 £	1995 £
	Profit after taxation	5,399	926,240
	Dividends	-	(1,309,000)
	Revaluation of investment	-	408,900
	Net addition to shareholders' funds	5,399	26,140
	Opening shareholders' funds	135,452	109,312
	Closing shareholders' funds	140,851	135,452

Shareholders' funds are entirely attributable to equity interests.

15	CAPITAL COMMITMENTS	1996 £	1995 £
	Capital expenditure contracted for but not provided in the financial statements	-	-

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 1996 the company made capital payments of £19,260 on a bank loan taken out by Purechance Limited, it also incurred interest and charges of £18,321 in respect of this loan.

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

The company is owed £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, £153,196. The net balance of £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 1996 the extent of this potential liability was £111,505 (1995: £130,000).

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 1996

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.