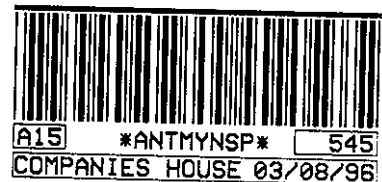


The Fine Art Group Limited

FINANCIAL STATEMENTS

for the year ended

31 December 1995



Company Registration No. 00289529

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 1995.

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 1995:-

G B Jones	
A J Stanley	
R J Bloomfield	(appointed 14 June 1995 : resigned 29 November 1995)
D Wallrock	(resigned 29 November 1995)

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:

	31.12.95	Ordinary shares of 50p each 1.1.95
G B Jones	80,000	-
A J Stanley	10,000	-

AUDITORS

A resolution to 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

8 July 1996

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 12.

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.

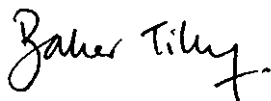
Basis of opinion

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 1995 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

8 July 1996

The Fine Art Group Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1995

	<i>Notes</i>	1995 £	1994 £
TURNOVER	1	180,100	190,100
Other operating expenses (net)	2	140,630	152,727
OPERATING PROFIT		39,470	37,373
Investment income	3	900,770	1,114
		940,240	38,467
Interest payable		-	1,858
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	940,240	36,629
Taxation		14,000	18,044
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		926,240	18,585
Dividends	6	1,309,000	18,000
(TRANSFERRED FROM RESERVES)/RETAINED PROFIT FOR THE YEAR	12	(382,760)	585

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 1995

	Notes	1995 £	1994 £
FIXED ASSETS			
Tangible assets	7	430	15,092
Investments	8	41,064	93,983
		<u>41,494</u>	<u>109,075</u>
CURRENT ASSETS			
Debtors	9	119,462	100,497
Cash at bank and in hand		22,582	-
		<u>142,044</u>	<u>100,497</u>
CREDITORS: Amounts falling due within one year	10	48,086	100,260
NET CURRENT ASSETS		<u>93,958</u>	<u>237</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>135,342</u>	<u>109,312</u>
CAPITAL AND RESERVES			
Called up share capital	11	100,000	100,000
Profit and loss account	12	35,452	9,312
SHAREHOLDERS' FUNDS		<u>135,452</u>	<u>109,312</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 8th July 1996

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 costs of providing pensions for employees were charged in the profit and loss account over the average working life of employees in accordance with the recommendations of qualified actuaries. The funding surplus which existed on termination will be distributed amongst the existing members of the scheme.

The Fine Art Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1995

1	TURNOVER	1995	1994
	Percentage of turnover relating to UK markets	100%	100%
		<u> </u>	<u> </u>
2	OTHER OPERATING EXPENSES (NET)	1995	1994
		£	£
	Administration expenses	156,582	165,689
	Other operating income	(15,952)	(12,962)
		<u> </u>	<u> </u>
		140,630	152,727
		<u> </u>	<u> </u>
3	INVESTMENT INCOME	1995	1994
		£	£
	Bank interest receivable	770	1,114
	Dividends receivable	900,000	-
		<u> </u>	<u> </u>
		900,770	1,114
		<u> </u>	<u> </u>
4	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1995	1994
		£	£
	Profit on ordinary activities before taxation is stated after charging:		
	Depreciation and amounts written off tangible fixed assets:		
	Charge for the year:		
	owned assets	14,447	14,507
	Loss on disposals	215	-
	Auditors' remuneration	600	6,000
		<u> </u>	<u> </u>
5	DIRECTORS' REMUNERATION	1995	1994
		£	£
	Amounts paid to directors	116,458	126,970
		<u> </u>	<u> </u>

The Fine Art Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1995

6	DIVIDENDS	1995 £	1994 £
	Ordinary:		
	Interim paid - 900p (1994 18p)	900,000	18,000
	Dividend in specie - settled by transfer of investment (Note 8)	409,000	-
		<hr/>	<hr/>
		1,309,000	18,000
		<hr/>	<hr/>
7	TANGIBLE FIXED ASSETS		
			<i>Motor vehicles</i> £
	Cost		
	1 January 1995		58,729
	Additions		352
	Disposals		(945)
			<hr/>
	31 December 1995		58,136
			<hr/>
	Depreciation		
	1 January 1995		43,637
	Charged in the year		14,447
	Disposals		(378)
			<hr/>
	31 December 1995		57,706
			<hr/>
	Net book value		
	31 December 1995		430
			<hr/>
	31 December 1994		15,092
			<hr/>

The Fine Art Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1995

8	FIXED ASSETS INVESTMENTS	1995 £	1994 £
	Shares in subsidiary undertakings at cost less amounts written off:		
	1 January 1995	200	200
	Revaluation (Note 13)	408,900	-
	Disposal - dividend in specie (Note 6)	(409,000)	-
		<hr/>	<hr/>
	31 December 1995	100	200
		<hr/>	<hr/>
	Loans to subsidiary undertakings less amounts written off:		
	1 January 1995	93,783	94,862
	Repayments in the year	(57,875)	-
	Provision written back/(off)	5,056	(1,079)
		<hr/>	<hr/>
	31 December 1995	40,964	93,783
		<hr/>	<hr/>
	31 December 1995	41,064	93,983
		<hr/>	<hr/>

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	914,832	(876,124)
The Bournemouth Gallery Limited	England	(154,036)	2,181
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	1995 £	1994 £
	Due within one year		
	Trade debtors	-	6,854
	Other debtors	7,860	3,105
	Amounts owed by group undertakings	111,602	90,538
		<hr/>	<hr/>
		119,462	100,497
		<hr/>	<hr/>

The Fine Art Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1995

10	CREDITORS: Amounts falling due within one year	1995 £	1994 £
	Bank loans and overdrafts	-	1,164
	Trade creditors	3,558	230
	Other creditors	44,528	39,150
	Amounts owed to group undertaking	-	59,716
		<u>48,086</u>	<u>100,260</u>
11	CALLED UP SHARE CAPITAL	1995 £	1994 £
	Equity Share Capital		
	Authorised: 200,000 ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>
	Allotted, issued and fully paid 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
12	PROFIT AND LOSS ACCOUNT	1995 £	1994 £
	1 January 1995	9,312	8,727
	(Loss)/profit for the financial year	(382,760)	585
	Transfer from revaluation reserve (Note 13)	408,900	-
		<u>35,452</u>	<u>9,312</u>
13	REVALUATION RESERVE	1995 £	1994 £
	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 1995	-	-

The Fine Art Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1995

14	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	1995 £	1994 £
	Profit after taxation	926,240	18,585
	Dividends	(1,309,000)	(18,000)
	Revaluation	408,900	-
		<hr/>	<hr/>
	Net addition to shareholders' funds	26,140	585
	Opening shareholders' funds	109,312	108,727
		<hr/>	<hr/>
	Closing shareholders' funds	135,452	109,312
		<hr/>	<hr/>

15	CAPITAL COMMITMENTS	1995 £	1994 £
	Capital expenditure contracted for but not provided in the financial statements	-	-
		<hr/>	<hr/>
	Capital expenditure authorised by the directors but not contracted	-	68,000
		<hr/>	<hr/>

16 ULTIMATE HOLDING COMPANY

The ultimate holding company is Purechance Limited, a company incorporated in England.

17 PENSION COMMITMENTS

Formerly the company operated a defined benefits pension scheme for the benefit of eligible employees of The Fine Art Group Limited and its subsidiary undertakings. This scheme was terminated on 29 November 1995. At the date of termination there was a surplus in the accumulated fund of £112,969.

In future the company will make contributions into the personal pension scheme of eligible employees. The costs of this will be charged to the profit and loss account as incurred.

18 OTHER FINANCIAL COMMITMENTS

There is an unlimited guarantee given to the ultimate parent company and a fellow subsidiary. At 31 December 1995 the extent of this potential liability was £130,000.

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