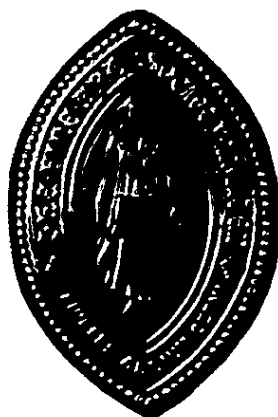


Established 1876

# THE FINE ART SOCIETY PLC

## REPORT AND ACCOUNTS

for the year ended 31st July 2013



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COMPANIES HOUSE

*Registered Office* 148 New Bond Street, London W1S 2JT

*Company Number* 00010262

Established 1876

**THE FINE ART SOCIETY PLC**

Registered Office 148 New Bond Street, London W1S 2JT

Registered Number 00010262

**Notice of Annual General Meeting**

Notice is hereby given that the one hundred and thirty-Eighth Annual General Meeting of The Fine Art Society Plc ("Company") will be held on Wednesday 11th December 2013 at 5 00 p.m. at 148 New Bond Street, London W1S 2JT for the transaction of routine business of the Company

A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote instead of him/her and such proxy need not also be a member of the Company

**David Elliott**  
Secretary

Date

11-11-2013


**NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING****Appointment of proxies**

- 1 As a member of the Company you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
- 2 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form.
- 3 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to one share. To appoint more than one proxy please complete the enclosed proxy form as appropriate.
- 4 Unless otherwise instructed by you, your proxy will vote or abstain from voting at his or her discretion in relation to any matter which is put before the Meeting.

**Appointment of proxy using proxy form**

- 5 To appoint a proxy using the proxy form, the form must be completed and signed, sent or delivered to the Company at 148 New Bond Street, London W1S 2JT and received by the Company no later than 5 00 p.m. Monday 9th December 2013. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form. If you sign and return this proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.

**Appointment of proxy by joint members**

- 6 In the case of joint holders of a share or shares, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

**Changing proxy instructions**

- 7 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions, any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the proxy form and would like to change the instructions using another proxy form, please contact the Company Secretary at 148 New Bond Street, London W1S 2JT. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

**Termination of proxy appointments**

- 8 In order to revoke a proxy instruction you will need to inform the Company using the following method:

By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to 148 New Bond Street, London W1S 2JT. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company no later than 5 00 p.m. on Monday 9th December 2013. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid. Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

**Communication**

- 9 Except as provided above, members who have general queries about the Meeting should write to the Company Secretary at 148 New Bond Street, London W1S 2JT (no other methods of communication will be accepted). You may not use any electronic address provided either:

- in this notice of annual general meeting or
- any related or other documents (including the proxy form)

Established 1876

**THE FINE ART SOCIETY PLC**

148 New Bond Street, London W1S 2JT

**Honorary President**

Lord Macfarlane of Bearsden KT

**Directors**

Sir Angus Grossart Q C CBE DL *Chairman*  
 Andrew Graham McIntosh Patrick *Deputy Chairman*  
 Patrick Stather Bourne *Managing Director*  
 Robert George Holland-Martin  
 Ng Lu Pat (Resigned 31 March 2013)  
 Sir Jack Mervyn Frank Baer  
 Simon Harold John Edsor  
 John Gordon Churchill Cooke  
 Annamane Phelps  
 Emily Clare Walsh  
 Robert Upstone  
 David Elliott  
*Secretary* David Elliott

**Report of the Directors**

To be presented at the one hundred and thirty-eighth Annual General Meeting of The Fine Art Society plc, to be held at 148 New Bond Street, London W1S 2JT on 11th December 2013 at 5 pm

The Directors submit to the Shareholders their one hundred and thirty-eighth report together with the financial statements for the year which ended on 31st July 2013

**Results and Dividend for the Year**

	Year ended 31st July 2013 £	Year ended 31st July 2012 £
The consolidated (loss)/profit for the year	(350,945)	208,995
Taxation credit/(charge)	<u>6,987</u>	<u>(13,387)</u>
(Loss)/profit for the financial period	(343,958)	195,608
Recommended dividend of nil per share (2012 Nil)	<u>-</u>	<u>-</u>
	<u>(343,958)</u>	<u>195,608</u>

**Principal Activity**

The Fine Art Society continued to trade as a dealer in works of art

**Review of Business - Chairman's Statement**

The first half of the year was very difficult with low sales, and we made material losses. In the second half of the year, we made good profits, but insufficient in total size to avoid an aggregate loss for the year. This was disappointing, following our modest recovery to profit in the previous year.

It would be unwise to call the upturn in our market, and fortune, after several years of challenge from the recessionary climate. The improving change in our performance within the year reflected the emergence of some greater customer confidence. This has continued in the first three months of this year and has started to restore the strength of our balance sheet. We remain vigilant, but the general economic and financial climate is better.

We have a strong and highly expert staff and we have two fine galleries, which are in excellent shape. Our operating base and substantial staff costs require us to have available higher value stock, appropriate to our market position and interests. We have the resources available to enable us to do that.

We face the current year with a resilient confidence, founded on much hard work by all our staff after a testing year. I thank them warmly, on behalf of shareholders, for their commitment and hard work which is never taken for granted.

Sir Angus Grossart Q C CBE DL

## Report of the Directors

### *Continued*

#### Review of Business - Managing Director's Statement

The first half of our financial year, from the Olympics until Christmas, were very tough trading months - the worst since I became managing director ten years ago. This was unexpected because it followed a strong period of trading that gave every appearance of being the start of a sustainable recovery in the market. However since the end of August we have experienced considerably better trading which gives me confidence that we ought to be able to make up for last year's losses in the present year.

The contemporary side of our business has continued to grow and we now have in our stable three artists who are gaining international recognition, Rob and Nick Carter, Emily Young and Chris Levine. We anticipate increasing revenue from our association with these artists for many years to come.

The Modern British market continues to be highly competitive. When we succeed we can produce exceptional results. Our single owner collection of the Camden Town artist Robert Bevan and his circle was a complete sell out. We have available significant funds to buy in this and other areas of the market and this is beginning to help us counteract the auction houses. Strong selling exhibitions of older, established British artists during the year such as David Inshaw and John Byrne confirm our belief that this is an area in which it is worth persevering.

We had an uneven year in our print dealings. Whilst The London Original Print Fair provided probably the best return we have yet experienced and the prints in our sale of old stock were strong sellers, exhibitions dedicated to individual artists in the gallery were less successful.

Our gallery in Edinburgh made a modest loss, after many years in profit and on reflection there are improvements to our exhibition programme to be made. It is important that we maintain our position as the leading gallery in Scottish paintings from 18th century to the middle of 20th century.

Bourne Frames made an encouraging profit this year.

Our staff in all three businesses was unchanged from the previous year. This continuity should work to our advantage. We receive a high level of commitment from everyone working for us and I am confident that this will bring rewards. We also need to make good decisions in forming our exhibition schedule and to build our overseas client base.

Patrick Bourne

#### Principal Risks

The Board have considered the main risks and uncertainties facing the business which include the ability of the Company to trade within its bank facility and continue to generate profits on a timely basis from its portfolio of stock. Wherever possible, the Board have implemented policies to mitigate the likelihood of the risks arising and to reduce any impact they might have should they arise.

#### Creditor Payment Policy

It is the Company's policy to pay suppliers' invoices in full in the month following that in which they are received. There are, however, a number of circumstances where different payment terms apply.

On average, trade creditors at the year end represented 110 (2012: 24) days' purchases.

#### Charitable and Political Contributions

The Company made charitable contributions during the year amounting to £432 (2012: £Nil).

No political contributions were made during the year (2012: £Nil).

#### Auditors

The auditors, Kingston Smith LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

**Report of the Directors**  
*Continued*

**Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial period. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the group for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Statement of disclosure of information to auditors**

So far as the Directors are aware, there is no relevant audit information of which the Group's auditors are unaware. Additionally, the Directors have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Group's auditors are aware of that information.

On behalf of the Board



Sir Angus Grossart Q C CBE DL  
Chairman

Date 5 November 2013

### Independent Auditors' Report to the Shareholders of The Fine Art Society plc

We have audited the Group and parent Company financial statements ("The Financial Statements") of The Fine Art Society plc for the year ended 31st July 2013 which comprise the Group Profit and Loss Account, the Statement of Recognised Gains and Losses, the Group and Parent Company Balance Sheet, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken for no other purpose other than to draw to the attention of the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any one other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement (set out on page 4), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the matters and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Director's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### Opinion on Financial Statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31st July 2013 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

*Kingston Smith LLP*

James Cross (Senior Statutory Auditor)  
For and on behalf of Kingston Smith LLP

Chartered Accountants  
Statutory Auditor

Date 15 November 2013

Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

**Consolidated Profit and Loss Account***Year ended 31st July 2013*

	<b>Note</b>	<b>2013 £</b>	<b>2012 £</b>
Turnover	2	9,390,625	12,044,461
Cost of sales		(6,339,639)	(8,649,871)
<b>Gross Profit</b>		<b>3,050,986</b>	<b>3,394,590</b>
Administrative expenses		(3,286,351)	(3,098,980)
<b>Operating (Loss)/Profit</b>	3	<b>(235,365)</b>	<b>295,610</b>
Interest receivable and similar income		80	88
Interest payable and similar charges	5	(115,660)	(86,703)
<b>(Loss)/Profit on Ordinary Activities before Taxation</b>		<b>(350,945)</b>	<b>208,995</b>
Tax credit/(charge) on ordinary activities	6	6,987	(13,387)
<b>(Loss)/Profit for the Financial Year</b>		<b>(343,958)</b>	<b>195,608</b>
All operations relate to continuing activities			

**Statement of Total Recognised Gains and Losses***Year ended 31st July 2013*

	<b>2013 £</b>	<b>2012 £</b>
<b>(Loss)/Profit for the Financial Year</b>	<b>(343,958)</b>	<b>195,608</b>
Actuarial gains/(losses) relating to retirement benefit obligations		
Experience gains and losses arising on the pension scheme liabilities	(53,000)	(36,000)
Actual return expected less expected return on pension scheme assets	147,000	15,000
Changes in assumptions underlying the present value of the pension scheme liabilities	(87,000)	(170,000)
Movement on the deferred tax arising on the actuarial gains/(losses)	(14,280)	22,720
<b>Total Recognised Gains and Losses for the Year</b>	<b>(351,238)</b>	<b>27,328</b>

**Balance Sheets**

Year ended 31st July 2013

	Note	31 July 2013		31 July 2012	
		Group £	Company £	Group £	Company £
<b>Fixed Assets</b>					
Tangible assets	8	1,318,770	224,810	1,346,105	241,051
Investments - shares in group undertakings	9	-	719,040	-	719,040
		<u>1,318,770</u>	<u>943,850</u>	<u>1,346,105</u>	<u>960,091</u>
<b>Current Assets</b>					
Stock		8,415,636	7,088,525	8,420,761	7,155,688
Debtors	10	3,147,358	2,795,956	1,976,737	1,640,922
Cash at bank and in hand		23,806	2,000	5,802	778
		<u>11,586,800</u>	<u>9,886,481</u>	<u>10,403,300</u>	<u>8,797,388</u>
<b>Creditors amounts falling due within one year</b>	11	<u>(6,073,269)</u>	<u>(5,719,890)</u>	<u>(4,542,159)</u>	<u>(4,237,652)</u>
<b>Net Current Assets</b>		<u>5,513,531</u>	<u>4,166,591</u>	<u>5,861,141</u>	<u>4,559,736</u>
<b>Total Assets less Current Liabilities</b>		<u>6,832,301</u>	<u>5,110,441</u>	<u>7,207,246</u>	<u>5,519,827</u>
<b>Provision for Liabilities and Charges</b>	12	<u>(4,765)</u>	<u>-</u>	<u>(11,752)</u>	<u>(7,253)</u>
<b>Net Assets excluding Pension Liability</b>		<u>6,827,536</u>	<u>5,110,441</u>	<u>7,195,494</u>	<u>5,512,574</u>
<b>Pension liability</b>	16	<u>(136,800)</u>	<u>(136,800)</u>	<u>(153,520)</u>	<u>(153,520)</u>
<b>Net Assets</b>		<u><u>6,690,736</u></u>	<u><u>4,973,641</u></u>	<u><u>7,041,974</u></u>	<u><u>5,359,054</u></u>
<b>Capital and Reserves</b>					
<b>Equity Interests</b>					
Called up share capital	15	1,612,340	1,612,340	1,612,340	1,612,340
Share premium account	15	2,381,356	2,381,356	2,381,356	2,381,356
Other reserves	15	427,425	-	427,425	-
Revaluation reserve	15	206,881	-	214,234	-
Profit and loss account	15	2,062,734	979,945	2,406,619	1,365,358
		<u><u>6,690,736</u></u>	<u><u>4,973,641</u></u>	<u><u>7,041,974</u></u>	<u><u>5,359,054</u></u>

Notes 1 to 16 form part of these financial statements

Approved by the Board of Directors and authorised for issue on 5 November 2013


Sir Angus Grossart Q C CBE DL  
Chairman

Patrick Bourne  
Managing Director

Company Number 00010262



# Consolidated Cash Flow Statement

Year ended 31st July 2013

	2013 £	2012 £
Net cash (outflow) from operating activities	(35,849)	(100,365)
Returns on investment and the servicing of finance		
Interest received	80	88
Interest paid	<u>(115,660)</u>	<u>(86,703)</u>
	(115,580)	(86,615)
Taxation	-	(13,683)
Capital expenditure		
Payments to acquire tangible fixed assets	(46,319)	(41,789)
Receipts from sales of tangible fixed assets	<u>9,000</u>	<u>-</u>
	(37,319)	(41,789)
	(188,748)	(242,452)
Dividends paid	-	-
Decrease in cash (note a)	<u>(188,748)</u>	<u>(242,452)</u>
<b>Reconciliation of operating Profit/(Loss) to net cash flow from operating activities</b>		
Operating (Loss)/Profit	(235,365)	295,610
FRS17 pension adjustment	(24,000)	(81,000)
Depreciation charges	73,507	125,643
(Increase)/decrease in stock	5,125	(703,240)
(Increase)/decrease in debtors	(1,170,621)	482,906
Increase/(decrease) in creditors	1,324,505	(220,325)
(Profit)/Loss on sale on disposal of fixed asset	<u>(9,000)</u>	<u>41</u>
Net cash (outflow) from operating activities	<u>(35,849)</u>	<u>(100,365)</u>

## Note a Analysis of changes in net debt

	31st July 2011 £	Cash flows 2012 £	At 31st July 2012 £	Cash flows 2013 £	At 31st July 2013 £
Cash at bank and in hand	13,675	(7,873)	5,802	18,004	23,806
Bank overdraft	<u>(2,911,861)</u>	<u>(234,579)</u>	<u>(3,146,440)</u>	<u>(206,752)</u>	<u>(3,353,192)</u>
	<u>(2,898,186)</u>	<u>(242,452)</u>	<u>(3,140,638)</u>	<u>(188,748)</u>	<u>(3,329,386)</u>

## Notes to the Accounts

Year ended 31st July 2013

### 1 Accounting Policies

#### a) Accounting convention

The accounts are prepared under the historical cost convention modified for the revaluation of certain fixed assets and in accordance with applicable Accounting Standards

#### b) Going Concern

The company meets its day to day working capital requirements through an overdraft facility which is repayable on demand. The nature of the company's business is such that there can be considerable unpredictable variation in the timing of cash inflows. On the basis of this cash flow information and discussions with the company's bankers, the Directors consider that the company will continue to operate within the facility currently agreed and within that which they expect will be agreed in November 2013 when the company's bankers are due to consider renewing the facility for a further year.

However, the margin of facilities over requirements is not large and, inherently there can be no certainty in relation to these matters. On this basis, the Directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from a withdrawal of the overdraft facility by the company's bankers.

#### c) Basis of Consolidation

Consolidated figures for The Fine Art Society Plc and group companies have been included in these financial statements for the year ended 31st July 2013. Companies acquired by the group are consolidated on an acquisition basis, i.e. fair values are attributed to the Group's share of the net tangible assets and where the cost of acquisition (being the fair value of the purchase consideration and the expenses of the acquisition) is less than the fair values attributable to such net assets, the difference is treated as a consolidation reserve.

#### d) Turnover

Turnover represents the invoiced amount of art sold and services provided, and is net of Value Added Tax.

#### e) Pension costs

The Company currently operates four pension schemes: a defined benefit scheme, two money purchase schemes and a stakeholder scheme.

As more fully described in note 16, the Company has fully adopted the accounting and disclosure requirements of Financial Reporting Standard 17 "Retirement Benefits".

#### f) Tangible fixed assets and depreciation

Tangible fixed assets are included at cost less depreciation. Assets are depreciated on a straight line basis at the following annual rates estimated to write off their cost, less estimated residual value, over their expected useful lives:

Freehold buildings	1%
Leasehold improvements	Over the length of the lease
Furniture and fittings	10% - 20%
Motor vehicles	20%
Computer equipment	33 1/3%

#### g) Assets held under operating leases

Rental payments in respect of leased assets used within the business are charged against operating profit as incurred.

#### h) Stock

Stock, which comprise works of art for resale, have been valued at the lower of cost and estimated net realisable value. The Directors consider the replacement cost of stock to be significantly higher than its cost. However, due to the unique nature of the Company's stock, it is considered that any estimation of replacement cost is inappropriate.

#### i) Deferred taxation

In accordance with Financial Reporting Standard 19, deferred tax is recognised as a liability or asset if transactions or events that give the Group the obligation to pay more tax in the future or a right to pay less tax in the future have occurred by the Balance Sheet date.

#### j) Foreign currencies

Transactions denominated in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated into Sterling at rates of exchange ruling at the end of the financial period.

#### k) Dividends

Dividends are charged in the financial statements to the extent that they have been approved at the Balance Sheet date.

## Notes to the Accounts

Year ended 31st July 2013

	12 Months to 31 July 2013	12 Months to 31 July 2012
	£	£
<b>2 Turnover</b>		
Analysis of turnover by geographical market		
United Kingdom	6,521,558	6,686,300
Rest of Europe	479,654	609,992
North America	1,038,251	3,312,701
Asia	783,337	923,158
Australasia	231,000	21,850
Africa	825	212,800
Middle East	336,000	277,660
	<u>9,390,625</u>	<u>12,044,461</u>
<b>3 Operating (Loss)/Profit</b>		
This is stated after charging	£	£
Depreciation	73,507	125,643
Profit/(Loss) on sale of fixed assets	9,000	(41)
Auditors' remuneration		
auditing the Group's financial statements	38,350	35,922
accountancy and other services - current year	8,237	10,336
accountancy and other services - under/(over) provision for prior period	1,932	(1,342)
Operating lease rental - buildings	<u>447,610</u>	<u>440,900</u>
<b>4 Staff and Directors</b>	£	£
a) Wages and salaries	1,076,150	1,014,682
Social security costs	126,108	120,015
Other pension costs excluding contributions to the defined benefit scheme	<u>82,840</u>	<u>61,073</u>
	<u>1,285,098</u>	<u>1,195,770</u>
Directors' Remuneration		
Directors' fees	10,000	12,354
Other emoluments (including pension contributions)	<u>717,551</u>	<u>576,395</u>
	<u>727,551</u>	<u>588,749</u>

The emoluments, excluding pension contributions, of the highest paid Director amounted to £147,104 (2012 £136,998) Pension contributions for that Director paid into the Group's Personal Pension Plan were £14,583 (2012 £13,525)

	No	No
	25	23
The average number of employees during the period was (includes all Executive Directors)		

One Director (2012 one) was in the Group's defined benefit pension scheme. No contributions were paid in the year (2012 £nil). In addition the Company paid for death in service benefit and has also made further contributions of £61,400 (2012 £76,800) per annum towards the elimination of the Scheme's deficit.

One Director (2012 one) was in the Group's money purchase pension scheme. During the period contributions amounting to £nil were made by the Group (2012 £nil).

Five Directors (2012 five) were in the Group's Personal Pension Plan. During the year the Group's contributions towards this scheme amounted to £49,948 (2012 £44,058).

## Notes to the Accounts

Year ended 31st July 2013

### 4 Staff and Directors (Continued)

#### b) Related Parties

The Directors are customers of the gallery. In the year ended 31st July 2013, the aggregate of purchases by Directors amounted to £351,841 (2012 £78,970), and the aggregate of items purchased from them amounted to £60,945 (2012 £68,355). All transactions were on an arms length basis.

The aggregate of balances in respect of sales to and purchases from Directors at the year end amounted to £237,192 (2012 £1,440) being owed by the Directors and £Nil (2012 £24,096) being owed to the Directors. There was an aggregate amount of £9,069 (2012 £19,496) due from the Directors at the year end. These are reflected in the Balance Sheet.

### 5 Interest Payable

	2013 £	2012 £
Pension expense (see note 16)	37,000	3,000
Bank overdraft interest	78,660	83,703
	<u>115,660</u>	<u>86,703</u>

### 6 Tax on Profit on Ordinary Activities

#### a) Analysis of charge in the year

	£	£
<b>Current tax</b>		
Total current tax (note 6(b))	-	13,683
<b>Deferred tax</b>		
Timing differences	(6,987)	(296)
Tax (credit)/charge on (loss)/profit on ordinary activities	<u>(6,987)</u>	<u>13,387</u>

#### b) Factors affecting the tax charge for the year

	£	£
(Loss)/Profit on ordinary activities before tax	<u>(350,945)</u>	<u>208,994</u>
(Loss)/Profit on ordinary activities multiplied by the average standard rate of Corporation Tax of 20% (2012 - 20%)	(70,189)	41,799
Effects of		
Expenses not deductible for tax purposes	5,171	4,107
Depreciation in excess of capital allowances	7,122	11,209
Group relief	(10,069)	-
FRS 17 Pension adjustment	(4,802)	(16,200)
Trading losses carried forward/(utilised from previous years)	72,767	(27,232)
Current tax charge for the period (note 6(a))	<u>-</u>	<u>13,683</u>

## Notes to the Accounts

Year ended 31st July 2013

### 7 Profit/(Loss) of the Parent Company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent Company is not presented as part of these financial statements. The parent Company's retained loss for the year ended 31st July 2013 amounted to £378,133 (2012 Profit £151,433) and loss before tax amounted to £385,386 (2012 Profit £151,433)

### 8 Tangible Fixed Assets

Group	Freehold Land & Buildings £	Leasehold Improvements £	Furniture, Fittings & Equipment £	Motor Vehicles £	Computer Equipment £	Total £
<b>Cost</b>						
As at 1st August 2012	1,100,000	1,008,012	458,355	56,146	52,634	2,675,147
Additions	-	-	8,159	19,400	18,760	46,319
Disposals	-	-	(3,652)	(24,705)	-	(28,357)
As at 31st July 2013	1,100,000	1,008,012	462,862	50,841	71,394	2,693,109
<b>Depreciation</b>						
As at 1st August 2012	22,000	852,013	373,739	46,824	34,466	1,329,042
Charge for the period	11,000	21,946	20,445	4,941	15,175	73,507
Disposals	-	-	(3,505)	(24,705)	-	(28,210)
As at 31st July 2013	33,000	873,959	390,679	27,060	49,641	1,374,339
<b>Net Book Value</b>						
As at 31st July 2013	1,067,000	134,053	72,183	23,781	21,753	1,318,770
As at 31st July 2012	1,078,000	155,999	84,616	9,322	18,168	1,346,105

The valuations of land and buildings were made as at 21 August 2010 by Mr Mark Atkinson BA MRICS, Chartered Surveyor, on an open market basis as at 31 July 2010. Depreciation has been calculated on the basis of the revaluation.

On an historical cost basis land and buildings would have been included at an original cost of £364,729, (2012 - £364,729) and aggregate depreciation of £55,443 (2012 - £51,796)

A bond and floating charge is held over the freehold buildings known as 6 Dundas Street Edinburgh, EH3 6HZ, to secure balances due to the Company's bankers

Company	Leasehold Improvements £	Furniture, Fittings & Equipment £	Motor Vehicles £	Computer Equipment £	Total £
<b>Cost</b>					
As at 1st August 2012	1,008,012	359,396	24,705	52,634	1,444,747
Additions	-	1,843	19,400	18,760	40,003
Disposals	-	-	(24,705)	-	(24,705)
As at 31st July 2013	1,008,012	361,239	19,400	71,394	1,460,045
<b>Depreciation</b>					
As at 1st August 2012	852,013	297,453	19,764	34,466	1,203,696
Charge for the period	21,946	14,182	4,941	15,175	56,244
Disposals	-	-	(24,705)	-	(24,705)
As at 31st July 2013	873,959	311,635	-	49,641	1,235,235
<b>Net Book Value</b>					
As at 31st July 2013	134,053	49,604	19,400	21,753	224,810
As at 31st July 2012	155,999	61,943	4,941	18,168	241,051

A fixed charge is held by the Company's bank, The Bank of Scotland, over the leasehold property known as 148 New bond Street, London, W1S 2JT

# Notes to the Accounts

Year ended 31st July 2013

## 9 Investments - Shares in Group Undertakings

£

Cost as at 31st July 2012 & 31st July 2013

719,040

The following details relate to the Company's subsidiary undertakings

Name	Location	Incorporation	Percentage of shares held	Class of shares held
Bourne Fine Art Limited	Edinburgh, Scotland	United Kingdom	100%	Ordinary shares of £1
Bourne Frames & Restoration Limited	Edinburgh, Scotland	United Kingdom	100% (held by Bourne Fine Art Ltd)	Ordinary shares of £1

The above subsidiary undertakings' results are all included in the Consolidated Financial Statements

The subsidiary undertakings have prepared accounts for the year to 31st July 2013

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows

	Principal Activity	Capital and reserves	Profit for the year
Bourne Fine Art Limited	Art gallery	2,230,160	(8,683)
Bourne Frames and Restoration Limited	Framing and restoration of paintings	211,740	42,856

## 10 Debtors

	31 July 2013		31 July 2012	
	Group £	Company £	Group £	Company £
Trade debtors	2,324,500	1,999,675	1,672,128	1,255,466
Amounts owed by group undertakings	-	-	-	105,500
Other debtors	386,240	359,665	31,654	7,001
Prepayments and accrued income	436,618	436,616	272,955	272,955
	<u>3,147,358</u>	<u>2,795,956</u>	<u>1,976,737</u>	<u>1,640,922</u>

## 11 Creditors amounts falling due within one year

	31 July 2013		31 July 2012	
	Group £	Company £	Group £	Company £
Bank overdraft	3,353,192	3,109,356	3,146,440	3,001,178
Trade creditors	2,375,105	2,261,224	751,356	666,015
Amounts owed to group undertakings	-	69,375	-	-
Other creditors	42,392	16,651	24,223	837
Social security and other taxes	213,658	174,362	101,417	50,900
Accruals and deferred income	88,922	88,922	518,723	518,722
	<u>6,073,269</u>	<u>5,719,890</u>	<u>4,542,159</u>	<u>4,237,652</u>

A fixed and floating charge is held by the Company's bank, The Bank of Scotland, over all assets

In addition Bourne Fine Art Limited has an unlimited cross guarantee with Bourne Frames & Restoration Limited in respect of liabilities due to the company's bankers, Adam & Company plc, which also holds a bond and a floating charge over all assets of Bourne Fine Art Limited and a fixed charge over the freehold buildings of Bourne Fine Art Limited to secure balances due to Adam & Company plc

## Notes to the Accounts

Year ended 31st July 2013

### 12 Provision for Liabilities and Charges

	31 July 2013		31 July 2012	
	Group £	Company £	Group £	Company £
Deferred tax - arising on accelerated capital allowances				
As at 1 August 2012	11,752	7,253	12,048	8,213
Released to the profit and loss account	(6,987)	(7,253)	(296)	(960)
Balance Carried Forward	<u>4,765</u>	<u>-</u>	<u>11,752</u>	<u>7,253</u>

No provision has been made in these financial statements for Corporation Tax estimated to be in the order of £213,000 which would arise were a subsidiary's freehold property to be sold at the value of £1,067,000 at which it is included in these accounts. Nor has an asset of £96,143 been recognised for trading losses carried forward (2012 £23,000)

### 13 Capital Commitments

No capital expenditure had been authorised or committed by the Board at 31st July 2013 (2012 - £nil)

### 14 Operating Lease Commitments

At 31st July 2013 the Company had the following annual commitments under non-cancellable operating leases

	2013 Buildings	2012 Buildings
Expiring in		
2-5 years	<u>461,800</u>	<u>461,800</u>
	<u>461,800</u>	<u>461,800</u>

### 15 Share Capital, Movement on Reserves and Reconciliation of Movements in Shareholders' Funds

Group	Called Up Share Capital £	Share Premium Account £	Consolidation Reserve £	Revaluation Reserve £	Profit and Loss Account £	Total £
Balance at 1st August 2012	1,612,340	2,381,356	427,425	214,234	2,406,619	7,041,974
Loss attributable to the Members of the Group	-	-	-	-	(343,958)	(343,958)
Actuarial loss on pension scheme	-	-	-	-	(7,280)	(7,280)
Transfer from revaluation reserve to profit and loss account	-	-	-	(7,353)	7,353	-
Balance at 31st July 2013	<u>1,612,340</u>	<u>2,381,356</u>	<u>427,425</u>	<u>206,881</u>	<u>2,062,734</u>	<u>6,690,736</u>

## Notes to the Accounts

Year ended 31st July 2013

### 15 Share Capital, Movement on Reserves and Reconciliation of Movements in Shareholders' Funds (Continued)

Company	Called Up Share Capital £	Share Premium Account £	Profit and Loss Account £	Total £
At 1st August 2012	1,612,340	2,381,356	1,365,358	5,359,054
Loss attributable to the Members of the Company	-	-	(378,133)	(378,133)
Increase in pension liability under FRS 17	-	-	(7,280)	(7,280)
Balance at 31st July 2013	<u>1,612,340</u>	<u>2,381,356</u>	<u>979,945</u>	<u>4,973,641</u>

The authorised share capital comprises 2,000,000 ordinary shares of £1 each (2012 2,000,000)

At 31st July 2013, 1,612,340 ordinary shares had been called-up, allotted and were fully paid (2012 1,612,340)

### 16 Pension Schemes

Details of the defined benefit pension scheme is as follows

#### Defined benefit scheme

The Company operates a pension scheme in the UK to provide benefits based on final pensionable salary. The assets of the scheme are held separately from those of the Company, being invested with an insurance company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the current projected unit method.

The following additional information is provided in accordance with Financial Reporting Standard 17 (Retirement Benefits)

A full actuarial valuation was carried out with an effective date of valuation of 6th April 2011, and an updated valuation has been made as at 31st July 2013 by a qualified independent actuary. The major assumptions used by the actuary were:

Reconciliation to the balance sheet	At 31st July £	At 31st July £
Opening net pension liability	(153,520)	(66,240)
Disclosed pension income/(expense) for the year	(37,000)	(3,000)
Employer contributions	61,000	84,000
(Loss)/Gain recognised via the STRGL	<u>(7,280)</u>	<u>(168,280)</u>
Closing net pension liability	<u>(136,800)</u>	<u>(153,520)</u>

Reconciliation of defined benefit obligation	At 31st July 2013 £	At 31st July 2012 £
Scheme liabilities brought forward	2,873,000	2,657,000
Interest cost	129,000	137,000
Actuarial losses	140,000	206,000
Estimated benefits paid	<u>(134,000)</u>	<u>(127,000)</u>
Closing defined benefit obligation	<u>3,008,000</u>	<u>2,873,000</u>



**Notes to the Accounts**  
Year ended 31st July 2013

**16 Pension Scheme (Continued)**

	At 31st July 2013 £	At 31st July 2012 £
<b>Reconciliation of fair value of employer assets</b>		
Opening fair value of employer assets	2,671,000	2,565,000
Expected return on assets	92,000	134,000
Contributions by the employer	61,000	84,000
Actuarial gains	147,000	15,000
Benefits paid	<u>(134,000)</u>	<u>(127,000)</u>
Closing fair value of employer assets	<u>2,837,000</u>	<u>2,671,000</u>
Net Pension obligation	171,000	202,000
Less Deferred tax on pension scheme liability	<u>(34,200)</u>	<u>(48,480)</u>
	<u>136,800</u>	<u>153,520</u>
<b>Reconciliation of amounts charged to the profit and loss account</b>	At 31st July 2013 £	At 31st July 2012 £
Interest cost	129,000	137,000
Expected return on employer assets	<u>(92,000)</u>	<u>(134,000)</u>
	<u>37,000</u>	<u>3,000</u>
Split between		
Charged to operating loss - operating expenses	-	-
Charged to other finance costs	<u>37,000</u>	<u>3,000</u>
	<u>37,000</u>	<u>3,000</u>
<b>Reconciliation of amounts charged to STRGL</b>	At 31st July 2013 £	At 31st July 2012 £
Actuarial (loss)/gain arising during the year	7,000	(191,000)
Total (loss)/gain recognised in the STRGL for the year	7,000	(191,000)
Cumulative loss recognised in the STRGL at the year end	<u>(34,000)</u>	<u>(41,000)</u>
<b>Principal actuarial assumptions used by the actuary</b>	At 31st July 2013	At 31st July 2012
Rate of increase in salaries	n/a	n/a
Rate of increase in pension payments	3.0%	3.0%
- earned before 6 April 1997	3.0%	3.0%
- earned after 6 April 1997	4.4%	4.6%
Discount rate	2.9%	2.2%
Consumer Price Inflation	2.2%	1.5%
Revaluation of early leavers' benefits	2.2%	1.5%

The mortality assumptions are based on the S1PMA and S1PFA tables. Based on these assumptions, the average future life expectancy at age 65 is 22.2 years and 24.4 years for male and female members respectively for current pensioners and 23.5 years and 25.9 years for male and female members respectively for future pensioners.

# Notes to the Accounts

Year ended 31st July 2013

## 16 Pension Scheme (Continued)

### Five year history of assets, liabilities and surplus or deficit in the scheme

	At 31st July 2013 £	At 31st July 2012 £	At 31st July 2011 £	At 31st July 2010 £	At 31st July 2009 £
Defined benefit obligation	(3,008,000)	(2,873,000)	(2,657,000)	(2,593,000)	(2,521,000)
Plan assets	<u>2,837,000</u>	<u>2,671,000</u>	<u>2,565,000</u>	<u>2,393,000</u>	<u>2,070,000</u>
Surplus/(Deficit)	<u>(171,000)</u>	<u>(202,000)</u>	<u>(92,000)</u>	<u>(200,000)</u>	<u>(451,000)</u>
Experience adjustments on plan liabilities	(53,000)	(36,000)	(40,000)	135,000	(9,000)
Experience adjustments on plan assets	<u>147,000</u>	<u>15,000</u>	<u>85,000</u>	<u>223,000</u>	<u>(118,000)</u>