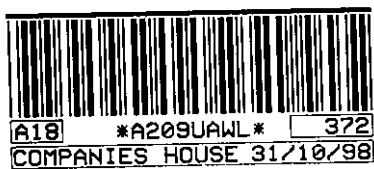


SPINK & SON LIMITED  
DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS

31 DECEMBER 1997

REGISTERED NUMBER 1133459



## SPINK & SON LIMITED

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**SPINK & SON LIMITED**

**COMPANY INFORMATION**

**DIRECTORS**

A F Spink (Chairman)

T S Hirsch (Managing Director)

P M Hoffman

S J Dix

M C Spink (resigned 29 May 1998)

M Sinclair

M C S Rasmussen

C G Knapton

S J Lamb (resigned 29 May 1998)

L J Libson

R Watkins

A R Bennet (appointed 10 February 1998)

P J Holmes (appointed 10 February 1998)

S M W Ray (appointed 10 February 1998)

**COMPANY SECRETARY**

A R Bennet

**REGISTERED OFFICE**

5 King Street  
St James's  
London SW1Y 6QS

**REGISTERED NUMBER**

1133459

**SPINK & SON LIMITED**  
**REPORT OF THE DIRECTORS**

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

**PRINCIPAL ACTIVITIES**

The company has acted principally as fine art and antique dealers, numismatists, medallists, philatelists and bullion dealers.

**BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

During the year the company undertook a significant transaction for the purchase and sale of an important collection in conjunction with other members of the Christie's Group.

Two other significant factors affecting the result for the year were that, following a thorough review of older stock, it was judged necessary to write down the value of that stock by £1,828,000, principally in the field of Asian art. The second factor was that in 1997, unlike 1996, few major medal production contracts were completed in the period.

On 1 January 1997 the company took over Christie's stamp department to create a consolidated Collectables Division.

On 6 March 1998 the company entered into an agreement to sell the assets of its jewellery business to Spink Jewellery Limited.

**RESULTS AND DIVIDENDS**

The results for the year are set out in detail in the Profit and Loss Account on page 5. The directors do not recommend the payment of a dividend (1996: nil), therefore the profit for the year of £1,840,000 (1996: profit £1,010,000) has been transferred to reserves.

**DIRECTORS AND DIRECTORS' INTERESTS**

The directors who held office during the year are set out on page 1.

The interests of the directors are disclosed in the directors' report of Spink Holdings Limited.

**POLITICAL AND CHARITABLE CONTRIBUTIONS**

The company made no political contributions during the year. Donations to UK charities amounted to £10,862 (1996: £8,955).

**CREDITOR PAYMENT POLICY**

It is the Company's policy to settle terms of payment with its creditors when agreeing the terms of business. The Company ensures that its vendors and suppliers are aware of those terms, and abides by agreed terms of payment.

**SPINK & SON LIMITED**  
**REPORT OF THE DIRECTORS**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the 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 for that period. In preparing those financial statements, the directors are required to:

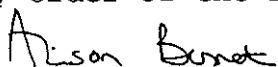
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**AUDITORS**

In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

  
A R Bennet  
Secretary

30 JUNE 1998

**AUDITORS' REPORT TO THE MEMBERS OF**

**SPINK & SON LIMITED**

We have audited the financial statements on pages 5 to 15.

**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 of 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 in 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 as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

*KPMG Audit Plc*

8 Salisbury Square  
London  
EC4Y 8BB

30 June 1998

SPINK & SON LIMITED  
 PROFIT AND LOSS ACCOUNT  
 FOR THE YEAR ENDED 31 DECEMBER 1997

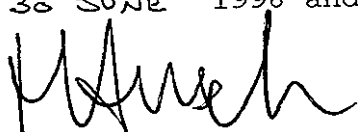
	Notes	1997 £'000	1996 £'000
Turnover	1	144,232	27,452
Cost of sales		(131,640)	(17,482)
Gross profit		12,592	9,970
Net operating expenses	2	(9,803)	(7,693)
Operating profit	3	2,789	2,277
Interest receivable		510	108
Interest payable and similar charges	6	(538)	(769)
Profit on ordinary activities before taxation		2,761	1,616
Taxation	7	(921)	(606)
Profit for the financial year		1,840	1,010
STATEMENT OF RETAINED PROFITS			
Retained profits at 1 January		1,905	895
Profit for the financial year		1,840	1,010
RETAINED PROFITS AT 31 DECEMBER	14	3,745	1,905

All profit relates to continuing activities and there were no significant acquisitions or discontinued activities during the current year. There are no gains and losses for the year other than those on the profit and loss account. There is no difference between reported cost profit and historic cost profit.

**SPINK & SON LIMITED**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 1997**

	Notes	1997 £'000	1996 £'000
<b>Fixed Assets</b>			
Intangible assets	8	92	117
Tangible assets	9	441	429
		<hr/>	<hr/>
		533	546
<b>Current Assets</b>			
Stocks	10	21,013	20,722
Debtors - amounts receivable within one year	11	21,102	11,571
- amounts receivable after more than one year	11	142	258
Cash at bank and in hand		669	2,228
		<hr/>	<hr/>
		42,926	34,779
<b>Creditors - amounts falling due within one year</b>	12	(32,011)	(25,717)
		<hr/>	<hr/>
<b>Net current assets</b>		10,915	9,062
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		11,448	9,608
		<hr/>	<hr/>
<b>Capital reserves</b>			
Called up share capital	13	7,703	7,703
Profit and loss account	14	3,745	1,905
		<hr/>	<hr/>
<b>Shareholders' funds (equity)</b>		11,448	9,608
		<hr/>	<hr/>

The financial statements were approved by the board of directors on  
30 JUNE 1998 and were signed on its behalf by



T S Hirsch  
Director

## SPINK & SON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

##### **Basis of preparation**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. Group accounts have not been prepared as the company is a wholly owned subsidiary of another undertaking established in the European Community.

##### **Turnover**

Turnover, which excludes value added and similar taxes, is defined as sales invoices less returns plus commission earned.

##### **Intangible fixed assets**

Publishing rights are included at cost and are amortised over their estimated useful economic life of 10 years.

##### **Tangible fixed assets and depreciation**

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	10 years
Fixtures and fittings	10 years
Computer equipment	5 years
Motor vehicles	4 years

##### **Stocks**

Stocks other than bullion are stated at the lower of cost and net realisable value. In the case of coins, medals and fine art stocks, net realisable value is estimated by the directors on the basis that stock is realised in the normal course of business, which may be in excess of one year.

Bullion stocks are stated at market value and profits and losses arising from this valuation are taken to the profit and loss account together with the profits and losses on gold loans taken out as a hedge against these stocks. This is not in accordance with Schedule 4 to the Companies Act 1985 which requires that such assets be stated at the lower of cost and net realisable value, or that if revalued any revaluation differences be taken to a revaluation reserve. The directors consider that these requirements would fail to give a true and fair view of the profit for the year for a company that holds bullion as current dealing assets since there is an organised and liquid market at fixed prices with minimal selling costs for this stock. The effect of these departures on the financial statements is to increase profit before taxation by £46,220 (1996: £2,029).

## SPINK & SON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. ACCOUNTING POLICIES (Continued)

##### **Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Deferred tax assets are recognised only where they are expected to be recoverable without replacement by equivalent debit balances.

##### **Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

##### **Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

##### **Cash flow**

The company is a wholly owned subsidiary of Christie's International plc and the cash flows of the company are included in the consolidated group cash flow statement of Christie's International plc. Consequently the company is exempt under the terms of Financial Reporting Standard no 1 from publishing a cash flow statement.

##### **Pension costs**

The employees of the company may be members of the group's UK pension scheme. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' service lives with the group.

**SPINK & SON LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**2. NET OPERATING EXPENSES**

Operating expenses are made up as follows:

	1997 £'000	1996 £'000
Administrative expenses	2,926	2,142
Selling costs	6,877	5,551
	<u>9,803</u>	<u>7,693</u>

**3. OPERATING PROFIT**

1997 £'000	1996 £'000
---------------	---------------

**This is stated after charging:**

Amortisation of publishing rights	25	9
Depreciation of tangible fixed assets	134	117
Auditors' remuneration - audit	30	18
Operating lease rentals in respect of hire of equipment	12	11
Other operating lease rentals	21	21
	<u>222</u>	<u>276</u>

**4. DIRECTORS' REMUNERATION**

1997 £'000
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Directors emoluments	892
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The aggregate emoluments of the highest paid director was £123,000. He is a member of a defined benefit scheme, under which the accrued pension to which he would be entitled from normal retirement date if he were to retire at the year end was £11,320. During the year the highest paid director exercised share options.

SPINK & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. DIRECTORS' REMUNERATION (Continued)

Number of directors  
1997

Retirement benefits are accruing  
to the following number of directors  
under defined benefit schemes: 10

The number of directors who exercised  
share options was: 3

5. EMPLOYEE INFORMATION

The average number of people employed (including directors)  
during the year, analysed by category was as follows:

	1997 Number	1996 Number
Administration	24	23
Selling	89	65
Production	10	11
	<hr/>	<hr/>
	123	99
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	1997 £'000	1996 £'000
Wages and salaries	3,177	2,390
Social security costs	301	233
Other pension costs	278	152
	<hr/>	<hr/>
	3,756	2,775
	<hr/>	<hr/>

SPINK & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6.	<b>INTEREST PAYABLE AND SIMILAR CHARGES</b>	<b>1997</b> <b>£' 000</b>	<b>1996</b> <b>£' 000</b>
	On bank loans, overdrafts and other loans wholly repayable within five years	538	769
7.	<b>TAXATION</b>	<b>1997</b> <b>£' 000</b>	<b>1996</b> <b>£' 000</b>
	UK corporation tax at 31.5% (1996 33%) on the profit for the year on ordinary activities	993	558
	Deferred taxation	116	32
	Foreign tax	-	16
		1,109	606
	Adjustment relating to previous years Corporation tax	(188)	-
		921	606
8.	<b>INTANGIBLE FIXED ASSETS</b>	<b>Publishing Rights</b> <b>£' 000</b>	
	<u>Cost</u>		
	At 1 January 1997 and 31 December 1997		126
	<u>Amortisation</u>		
	At 1 January 1997		9
	Charge for the year		25
	At 31 December 1997		34
	<u>Net book value</u>		
	At 31 December 1997		92
	At 31 December 1996		117

SPINK & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9. TANGIBLE FIXED ASSETS

	Motor Vehicles £'000	Fixtures, Fittings & Equipment £'000	Total £'000
<u>Cost or valuation</u>			
At 1 January 1997	198	489	687
Additions	60	100	160
Disposals	(32)	(4)	(36)
	<hr/>	<hr/>	<hr/>
At 31 December 1997	226	585	811
	<hr/>	<hr/>	<hr/>
<u>Depreciation</u>			
At 1 January 1997	89	169	258
Charge for the year	52	82	134
Disposals	(18)	(4)	(22)
	<hr/>	<hr/>	<hr/>
At 31 December 1997	123	247	370
	<hr/>	<hr/>	<hr/>
<u>Net book value</u>			
At 31 December 1997	103	338	441
	<hr/>	<hr/>	<hr/>
At 31 December 1996	109	320	429
	<hr/>	<hr/>	<hr/>

10. STOCKS

	1997 £'000	1996 £'000
Raw materials and consumables	570	766
Work in progress	-	25
Coins, medals and fine arts for resale	20,443	19,931
	<hr/>	<hr/>
	21,013	20,722
	<hr/>	<hr/>

**SPINK & SON LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**11. DEBTORS**

	1997 £'000	1996 £'000
<b>Amounts falling due within one year</b>		
Trade debtors	8,988	4,671
Prepayments and accrued income	321	221
Amounts owed by group undertakings	11,196	6,282
Other debtors	597	397
	<u>21,102</u>	<u>11,571</u>
 <b>Amounts falling due after more than one year</b>		
Deferred taxation (see below)		
Excess capital allowances	4	(4)
Other timing differences	138	112
Corporation tax losses	-	150
	<u>142</u>	<u>258</u>
 <b>Deferred taxation movements are as follows</b>		
At 1 January	258	323
Transferred from/(to) holding company	-	(33)
Transferred to profit and loss account	(116)	(32)
	<u>142</u>	<u>258</u>
 At 31 December		

**12. CREDITORS**

	1997 £'000	1996 £'000
<b>Amounts falling due within one year:</b>		
Bank loans and overdrafts	807	976
Trade creditors	4,108	4,313
Amounts owed to group undertakings	24,157	18,801
Other creditors including taxation, and social security:		
Corporation tax	987	395
Social security	100	82
Other creditors	571	209
Accruals and deferred income	1,281	941
	<u>32,011</u>	<u>25,717</u>

SPINK & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13. CALLED UP SHARE CAPITAL

	Ordinary shares of £1 each	1997 £'000	1996 £'000
<b>Authorised</b>			
At 1 January	10,000,000	10,000	10,000
	<hr/>	<hr/>	<hr/>
At 31 December	10,000,000	10,000	10,000
	<hr/>	<hr/>	<hr/>
<b>Allotted and called up</b>			
At 1 January	7,703,003	7,703	7,703
	<hr/>	<hr/>	<hr/>
At 31 December	7,703,003	7,703	7,703
	<hr/>	<hr/>	<hr/>

14. RESERVES

	Profit and loss account £'000
At 1 January 1997	1,905
Retained profit for the year	1,840
	<hr/>
At 31 December 1997	3,745
	<hr/>

15. LEASE COMMITMENTS

The company has financial commitments in respect of non-cancellable operating leases of equipment. The rentals payable under these leases in the next year are as follows:

	Equipment £'000
Leases expiring in 1998	12
Leases expiring between 1999 and 2002	-
Leases expiring thereafter	21
	<hr/>
	33
	<hr/>

## SPINK & SON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 16. CONTINGENT LIABILITIES

These are contingent liabilities totalling £6,330,865 (1996: £5,212,110) in respect of bank and other guarantees.

#### 17. PENSION SCHEME

The company is a member of the Christie, Manson & Woods UK Pension and Life Assurance Scheme, a defined benefit scheme. Contributions by the company to the fund are made at the rate of 11% of pensionable salaries. The assets of the scheme are held under trust separately from those of the group and are invested by external professional investment managers.

The funding of the scheme is based on regular independent actuarial valuations which are normally carried out every three years. The most recent actuarial valuation, as at 1 October 1995, using the projected unit method showed that the market value of the scheme's investments was £42.5 million and that the actuarial value of these assets represented 105% of the value of the benefits which have accrued to members, after allowing for projected future salary increases and for general improvements in the benefits available. In this respect the following assumptions were made:

- a) Investment returns will be 10% per annum compounded, after investment expenditure.
- b) Salary increases will be 8% per annum compounded.
- c) Present and future pensions will increase at 5% per annum compounded.

Following the removal during the year of the ability of pension schemes to reclaim tax credits on dividend income, an informal actuarial review was commissioned of the impact of this change on the pension scheme. The impact is not expected to be material and the change will be taken into account in the next triennial valuation.

#### 18. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking, in whose consolidated accounts the company is included is Christies International plc, a company registered in England and Wales for which accounts are available from the following address: 8 King Street, St. James's, London SW1Y 6QT.

As from 26 June 1998 the company's ultimate holding company is Financiere Pinault SCA, a company registered in France and controlled by François Pinault and his family.