SPINK & SON LIMITED

DIRECTORS' REPORT AND

FINANCIAL STATEMENTS

31 DECEMBER 1999

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)
A R Bennet	(Finance Director)
P M Hoffman	(resigned 9 September 1999)
S J Dix	
M Sinclair	
M C S Rasmussen	
C G Knapton	(resigned 29 February 2000)
L J Libson	
R Watkins	
P J Holmes	
S M W Ray	

COMPANY SECRETARY

A R Bennet

REGISTERED OFFICE

69 Southampton Row
Bloomsbury
London WC1B 4ET

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 1999.

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

BUSINESS REVIEW AND FUTURE DEVELOPMENTS
The results for the year reflect the fact that a decision was taken in early 2000 to close three of the Asian Art departments. As a result of this it was judged necessary to write down the value of the stock by £1,623,000.

Amongst the other Fine Art departments Indian & Islamic Art continued to trade well, but picture dealing was down on the previous year.

Special Commissions had another successful year, with a number of major medal production contracts being completed.

Auctions and other Collectables activity significantly increased on the previous year, although results for this division were affected by closure costs arising from the decision to withdraw from the new issue coin business.

During the year a decision was made to relocate from the King Street site in early 2000, and capital expenditure of £1,200,000 was authorised to fit out the new premises.

RESULTS AND DIVIDENDS
The results for the year are set out in detail in the Profit and Loss Account on page 6. The directors do not recommend the payment of a dividend (1998: nil), therefore the loss for the year of £420,000 (1998: profit £1,104,000) 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 £6,561 (1998: £10,262).

SPINK & SON LIMITED

REPORT OF THE DIRECTORS

YEAR 2000 COMPLIANCE

We have initiated a project to ensure that neither performance nor functionality of our business systems is affected by dates prior to, during or after the Year 2000. The process involves:

- Assessing the risk within different areas of our business of a failure of a system to be Year 2000 compliant.
- Identifying the changes that are required for systems which are not compliant and are due to be retained.
- In cases where systems are due to be replaced, ensuring that the new system is both compliant and is due to be installed by September 1999.

The cost of this work is being absorbed within existing business systems budgets and is not separately quantified. To date the business has not experienced any notable Year 2000 issues. However, no absolute guarantee that the Year 2000 problem has been eliminated can be given.

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. The number of creditor days outstanding in the company accounts was 53 (1998 - 64).

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.

SPINK & SON LIMITED

REPORT OF THE DIRECTORS

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 384 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

Alison Bennet

A R Bennet
Secretary

13 June 2000

REPORT OF THE AUDITORS, KPMG AUDIT PLC, TO THE MEMBERS OF

SPINK & SON LIMITED

We have audited the financial statements on pages 6 to 18.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the directors' report and, as described on pages 3 and 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 1999 and of its loss 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
13 June 2000

SPINK & SON LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1999

	Notes	1999 £'000	1998 £'000
Turnover			
Continuing operations	1	21,688	30,348
Discontinued operations		4,573	2,081
		26,261	32,429
Cost of sales			
Continuing operations		(11,910)	(18,893)
Discontinued operations		(4,641)	(1,989)
		(16,551)	(20,882)
Gross profit			
Continuing operations		9,778	11,455
Discontinued operations		(68)	92
		9,710	11,547
Net operating expenses			
Continuing operations	2	(8,246)	(9,688)
Discontinued operations		(1,987)	(136)
		(10,233)	(9,824)
Operating (loss)/profit			
Continuing operations	3	1,532	1,767
Discontinued operations		(2,055)	(44)
		(523)	1,723
Interest receivable	6	174	453
Interest payable and similar charges	6	(176)	(446)
(Loss)/profit on ordinary activities before taxation		(525)	1,730
Tax on (loss)/profit on ordinary activities	7	105	(626)
(Loss)/profit for the financial year		(420)	1,104

SPINK & SON LIMITED

PROFIT AND LOSS ACCOUNT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 1999

	Notes	1999 £'000	1998 £'000
STATEMENT OF RETAINED PROFITS			
Retained profits at 1 January		4,849	3,745
(Loss)/profit for the financial year		(420)	1,104
RETAINED PROFITS AT 31 DECEMBER	14	4,429	4,849

There were no acquisitions 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 1999

	Notes	1999 £'000	1998 £'000
Fixed Assets			
Intangible assets	8	42	67
Tangible assets	9	431	439
		473	506
Current Assets			
Stocks	10	21,518	20,760
Debtors	11	8,247	13,825
Cash at bank and in hand		3,533	2,015
		33,298	36,600
Creditors - amounts falling due within one year	12	(21,639)	(24,554)
Net current assets		11,659	12,046
Total assets less current liabilities		12,132	12,552
Capital reserves			
Called up share capital	13	7,703	7,703
Profit and loss account	14	4,429	4,849
Shareholders' funds (equity)		12,132	12,552

The financial statements were approved by the board of directors on 13 June 2000 and were signed on its behalf by

Hirsch

T S Hirsch
Director

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.

The company is exempt from the requirement of Financial Reporting Standard No 1 "Cash Flow Statements" (Revised) to prepare a cash flow statement, as it is a wholly owned subsidiary undertaking of Artémis SA and its cash flows are included within the consolidated cash flow statements of that company.

The company is exempt from the requirement to disclose related party transactions with other Group companies under FRS8, as it is a wholly owned subsidiary as detailed above.

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

Discontinued activities
The results for the year reflect the fact that a decision was taken in early 2000 to close three of the Asian Art departments. As a result of this it was judged necessary to write down the value of the stock by £1,623,000.

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:

Fixtures, fittings and equipment	10 years
Computer equipment	5 years
Motor vehicles	4 years

1. ACCOUNTING POLICIES (Continued)

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 reduce profit before taxation by £4,005 (1998: £3,627 increase).

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.

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:

	1999 £'000	1998 £'000
Administrative expenses	2,945	2,784
Selling costs	7,288	7,040
	10,233	9,824

3. OPERATING PROFIT

	1999 £'000	1998 £'000
This is stated after charging/(crediting):		
Amortisation of publishing rights	25	25
Depreciation of tangible fixed assets	130	119
Auditors' remuneration - audit	25	14
Operating lease rentals in respect of hire of equipment	7	9
Other operating lease rentals	281	21
(Profit)/loss on disposal of fixed assets	(6)	3
Net foreign exchange loss	13	4

4. DIRECTORS' REMUNERATION

	1999 £'000	1998 £'000
Directors emoluments	1,158	987
Compensation for loss of office	-	43
	1,158	1,030

The aggregate emoluments of the highest paid director was £221,768. 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 £4,514.

4. DIRECTORS' REMUNERATION (Continued)

	Number of directors 1999	1998
Retirement benefits are accruing to the following number of directors under defined benefit schemes:	11	12
The number of directors who exercised share options was:	-	8

5. EMPLOYEE INFORMATION

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

	1999 Number	1998 Number
Administration	23	23
Selling	73	77
Production	10	10
	106	110

The aggregate payroll costs of these persons were as follows:

	1999 £'000	1998 £'000
Wages and salaries	2,840	2,977
Social security costs	329	355
Other pension costs	237	257
	3,406	3,589

SPINK & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6. INTEREST

	1999 £'000	1998 £'000
Interest Receivable		
Other sources	151	399
Group items	23	47
	174	446
Interest Payable and Similar Charges		
On bank loans, overdrafts and other loans wholly repayable within five years	20	34
Group items	156	412
	176	446

7. TAXATION

	1999 £'000	1998 £'000
UK corporation tax at 30.25% (1998 31%) on the profit for the year on ordinary activities	(143)	609
Deferred taxation	38	10
Foreign tax	6	14
	(99)	633
Adjustment relating to previous years Corporation tax	(6)	(7)
	(105)	626

SPINK & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. INTANGIBLE FIXED ASSETS

	Publishing Rights £'000
Cost	
At 1 January 1999 and 31 December 1999	126
Amortisation	
At 1 January 1999	59
Charge for the year	25
At 31 December 1999	84
Net book value	
At 31 December 1999	42
At 31 December 1998	67

9. TANGIBLE FIXED ASSETS

	Motor Vehicles £'000	Fixtures, Fittings & Equipment £'000	Total £'000
Cost			
At 1 January 1999	210	655	865
Additions	-	295	295
Disposals	(50)	-	(50)
Transfers to group undertakings	-	(387)	(387)
At 31 December 1999	160	563	723
Depreciation			
At 1 January 1999	96	330	426
Charge for the year	35	95	130
Disposals	(43)	-	(43)
Transfers to group undertakings	-	(221)	(221)
At 31 December 1999	88	204	292
Net book value			
At 31 December 1999	72	359	431
At 31 December 1998	114	325	439

SPINK & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10. STOCKS

	1999 £'000	1998 £'000
Raw materials and consumables	-	582
Work in progress	114	32
Coins, medals and fine arts for resale	21,404	20,146
	21,518	20,760

11. DEBTORS

	1999 £'000	1998 £'000
Amounts falling due within one year		
Trade debtors	6,680	8,428
Amounts owed by parent and fellow subsidiary undertakings	522	4,703
Other debtors	521	359
Prepayments and accrued income	430	203
	8,153	13,693
Amounts falling due after more than one year		
Deferred taxation - fully provided (see below)		
Excess capital allowances	94	(4)
Other timing differences	-	136
	94	132
Deferred taxation movements are as follows		
At 1 January	132	142
Transferred to profit and loss account	(38)	(10)
At 31 December	94	132

SPINK & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12. CREDITORS

	1999 £'000	1998 £'000
Amounts falling due within one year:		
Bank loans and overdrafts	957	815
Trade creditors	4,185	4,482
Amounts owed to parent and fellow subsidiary undertakings	15,150	17,030
Other creditors including taxation, and social security:		
Corporation tax	-	596
Social security	99	115
Other creditors	308	371
Accruals and deferred income	940	1,145
	21,639	24,554

13. CALLED UP SHARE CAPITAL

	Ordinary shares of £1 each	1999 £'000	1998 £'000
Authorised			
At 1 January	10,000,000	10,000	10,000
At 31 December	10,000,000	10,000	10,000
Allotted and called up			
At 1 January	7,703,003	7,703	7,703
At 31 December	7,703,003	7,703	7,703

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Profit and loss account £'000	Share Capital £'000	Total Shareholders' Funds £'000
At 1 January 1999	4,849	7,703	12,552
Retained loss for the year	(420)	-	(420)
At 31 December 1999	4,429	7,703	12,132

15. CAPITAL COMMITMENTS

	1999 £'000	1998 £'000
Capital expenditure:		
Contracted	912	-
Authorised but not contracted	288	-
	1,200	-

16. LEASE COMMITMENTS

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

Equipment:	1999 £'000	1998 £'000
Leases expiring within one year	7	9

Land & Buildings:	1999 £'000	1998 £'000
Leases expiring between one and two years	14	-
Leases expiring after more than 5 years	583	27
	597	27

17. CONTINGENT LIABILITIES

These are contingent liabilities totalling £7,511,826 (1998: £3,446,257) in respect of bank and other guarantees.

18. 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 1998, showed that the market value of the scheme's investments was £62.2 million and that the actuarial value of these assets represented 104% of the value of the benefits which had 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 8% per annum compounded, after investment expenditure.

b) Salary increases will be 5.5% per annum compounded.

c) Present and future pensions will increase at 4% per annum compounded.

19. ULTIMATE PARENT UNDERTAKING

The smallest and largest group in which results of the Christie's International plc Group are consolidated is Artémis SA, and those financial statements are filed with the Tribunal de Commerce de Paris, 1, Quai de Corse, 75004, Paris. The ultimate parent company is Financière Pinault, also incorporated in France.