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**BLAINS LIMITED**

**COMPANY NUMBER: 02725811**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30TH JUNE 1997**

**DE WARRENNE WALLER AND COMPANY  
CHARTERED ACCOUNTANTS  
57 GROSVENOR STREET  
MAYFAIR  
LONDON W1X 9DA**



# BLAINS LIMITED

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## **BLAINS LIMITED**

### **REPORT OF THE DIRECTORS**

The Directors have pleasure in presenting their report and the financial statements for the year ended 30th June 1997.

#### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activities of the Company throughout the year were those of dealers in fine art. The results for the year and the financial position at the year-end were considered satisfactory by the Directors who expect a continuing increase in trade in the forthcoming year.

The Company established a new wholly owned subsidiary undertaking during the year, Blains Fine Art Limited. The Company had not commenced trading by the year end date.

#### **RESULTS AND DIVIDENDS**

The results of the Company for the year are as set out on page 5.

No dividends were declared in the year (1996: £Nil).

It is recommended that the whole of the retained profit be transferred to reserves.

#### **FIXED ASSETS**

The movements in fixed assets are shown in the notes to the financial statements. The most significant movement was the acquisition of leasehold premises and the development of the new art gallery.

#### **DIRECTORS AND THEIR INTERESTS**

The Directors who served the Company throughout the year together with their interests in the shares of the Company, at the beginning and end of the year, were as follows:-

	Ordinary Shares 1997	Ordinary Shares 1996
H.C.P. Blain	502	502
R.B.K. Giles	300	300
C.R.S. Phillips	149	149

**BLAINS LIMITED**

**REPORT OF THE DIRECTORS (Continued)**

**FUTURE DEVELOPMENTS**

The Company has acquired new leasehold premises which are currently being refurbished and which will be opened later in the year.

**AUDITORS**

A resolution will be proposed at the forthcoming Annual General Meeting to appoint auditors for the forthcoming year.

25 Bruton Place,  
Mayfair,  
London W1X 7AB

19th August 1997

Approved by the Board of  
Directors and signed on behalf  
of the Board

  
.....  
C.R.S. Phillips - Secretary

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**TO THE MEMBERS OF**  
**BLAINS LIMITED**

**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 of the Company 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, and prepare the financial statements on a going concern basis unless it is inappropriate to assume 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 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 BLAINS LIMITED

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 7 and 8.

#### Respective Responsibilities of Directors and Auditors

As described on page 3, the Company's Directors are responsible for the preparation of the 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.

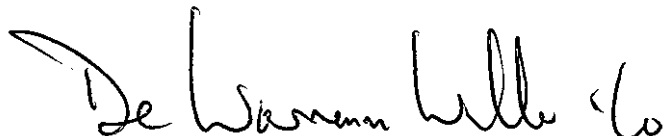
#### Basis of Opinion

We have 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 irregularities 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 30th June 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DE WARRENNE WALLER AND COMPANY

57 Grosvenor Street,  
Mayfair,  
London W1X 9DA

Chartered Accountants  
and Registered Auditor

19th August 1997

# BLAINS LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 1997

	Note	1997 £	1996 £
TURNOVER	2	2,230,799	630,035
Cost of sales		(1,660,585)	(357,126)
GROSS PROFIT		570,214	272,909
Administrative expenses		(501,403)	(256,231)
OPERATING PROFIT	3	68,811	16,678
Interest receivable		9,422	2,791
Interest payable and similar charges	6	(12,600)	(2,692)
		(3,178)	99
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		65,633	16,777
Taxation	7	(21,675)	(7,643)
PROFIT FOR THE FINANCIAL YEAR		43,958	9,134
Dividends	8	-	-
RETAINED PROFIT FOR THE FINANCIAL YEAR	9	43,958	9,134
PROFIT AND LOSS BROUGHT FORWARD		(20,099)	(29,233)
PROFIT AND LOSS CARRIED FORWARD		23,859	(20,099)

All activities are derived from continuing operations.


There are no recognised gains and losses in the year other than the profit for the year.

# BLAINS LIMITED

## BALANCE SHEET AT 30TH JUNE 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible assets	10	142,184	33,339
Investments	11	1,090	90
		143,274	33,429
CURRENT ASSETS			
Stocks	12	539,843	1,342,202
Debtors	13	254,469	157,837
Cash at bank and in hand		65,886	315
		860,198	1,500,354
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(389,931)	(955,168)
NET CURRENT ASSETS		470,267	545,186
TOTAL ASSETS LESS CURRENT LIABILITIES		613,541	578,615
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(9,206)	(18,238)
NET ASSETS		604,335	560,377
CAPITAL AND RESERVES			
Called up share capital	9	1,375	1,375
Share premium account		579,101	579,101
Profit and loss account		23,859	(20,099)
		604,335	560,377

These financial statements were approved by the Board on 19th August 1997.

  
 .....  
 H.C.P. Blain - Director



# **BLAINS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1997**

### **1. ACCOUNTING POLICIES**

#### **(a) Accounting basis and standards**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

#### **(b) Depreciation**

Depreciation on fixed assets is provided at rates estimated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:-

Office furniture, fixtures and fittings	15% reducing balance
Computer equipment	33.1/3% reducing balance
Motor vehicles	25% reducing balance
Leasehold premises	Over the 20 year period of the lease, straight line.

#### **(c) Stocks**

Stocks are stated at the lower of cost and net realisable value.

#### **(d) Turnover**

Turnover represents the invoiced value of goods sold and services provided net of value added tax.

#### **(e) Deferred taxation**

Deferred taxation is accounted for under the liability method in respect of the taxation effects of all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

#### **(f) Leasing and hire purchase commitments**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

# BLAINS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1997

### 1. ACCOUNTING POLICIES (continued)

#### (g) Pension scheme arrangements

The pension scheme of the Company is funded by contributions from the Company. Such contributions are held in Trustee-Administered funds completely independently of the Company's finances. The contributions made by the Company are charged against profits on an accruals basis.

#### (h) Basis of Consolidation

The Company has relied on the exemption granted by the Companies Act 1985 for small groups not to prepare consolidated financial statements.

### 2. TURNOVER

Turnover is attributable to the one principal activity of the Company.

### 3. OPERATING PROFIT

	1997 £	1996 £
The operating profit is stated after charging:		
Auditors' remuneration	1,750	1,300
Depreciation:		
Owned tangible fixed assets	15,867	8,942
Assets held under finance leases and hire purchase commitments	3,374	1,856
Equipment rental	-	1,560
Foreign exchange loss	862	3
	<hr/>	<hr/>

### 4. EMPLOYEE INFORMATION

The average number of persons employed by the Company (including Directors) during the year was 6 (1996: 6). Due to the size of the Company there is no formal classification of duties.

Their total remuneration was:-

	£	£
Wages and salaries	116,817	67,516
Social Security costs	10,328	6,322
Other pension costs	3,360	2,520
	<hr/>	<hr/>
	130,505	76,358
	<hr/>	<hr/>

**BLAINS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 1997****5. DIRECTORS' EMOLUMENTS**

	1997	1996
	£	£
Fees	54,289	29,617
Other emoluments	3,360	1,260
	<hr/>	<hr/>
	57,649	30,877
	<hr/>	<hr/>

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	£	£
Hire purchase interest	277	950
Bank interest	12,320	1,439
Other interest	3	303
	<hr/>	<hr/>
	12,600	2,692
	<hr/>	<hr/>

**7. TAXATION**

	£	£
Corporation tax payable based on the results for the year at rates of 21% and 24% (1996: 25% and 24%)	17,176	5,534
Group relief from subsidiary undertaking	4,499	2,109
Deferred Taxation (Note 16)	-	-
	<hr/>	<hr/>
	21,675	7,643
	<hr/>	<hr/>

The taxation charge for the year has been affected by the disallowance of certain expenditure.

**8. DIVIDENDS**

There are no proposed dividends in the year (1996: £Nil).

# BLAINS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1997

### 9. SHAREHOLDERS FUNDS

	Share premium account £	Called up share capital £	Profit and loss account £	Total £
Balance at 1st July 1996	579,101	1,375	(20,099)	560,377
Transfer from profit and loss account	-	-	43,958	43,958
Balance at 30th June 1997	<u>579,101</u>	<u>1,375</u>	<u>23,859</u>	<u>604,335</u>

The authorised share capital comprises:

	1997 £	1996 £
Authorised:		
Ordinary Shares of £1 each	<u>100,100</u>	<u>100,100</u>
Called up, allotted and fully paid:		
Ordinary Shares of £1 each	<u>1,375</u>	<u>1,375</u>

**BLAINS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 1997****10. TANGIBLE ASSETS**

	Office furniture and fittings £	Computer equipment £	Motor vehicles £	Leasehold Premises £	TOTAL £
<b>COST</b>					
At 1st July 1996	17,055	17,275	21,450	-	55,780
Additions	1,700	15,739	-	110,646	128,085
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June 1997	18,755	33,014	21,450	110,646	183,865
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>DEPRECIATION</b>					
At 1st July 1996	4,960	7,787	9,694	-	22,441
Charge for the year	2,069	11,005	2,939	3,227	19,240
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June 1997	7,029	18,792	12,633	3,227	41,681
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>NET BOOK VALUE</b>					
At 30th June 1997	11,726	14,222	8,817	107,419	142,184
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June 1996	12,095	9,488	11,756	-	33,339
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of fixed assets of £142,184 (1996: £33,339) includes an amount of £6,747 (1996: £5,569) in respect of assets held under hire purchase contracts.

**11. INVESTMENTS**

	1997 £	1996 £
Shares in Group undertakings	1,090	90
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The Company held 1,000 ordinary shares in a wholly owned non-trading subsidiary, Blains Fine Art Limited, a company registered in England and Wales.

The Company also held a shareholding in a trading subsidiary undertaking as follows:-

Name: Art House Editions Limited  
Business: Print Publishers  
Holding: 90%

The subsidiary is registered in England and Wales.

# BLAINS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1997

### 11. INVESTMENTS (continued)

The results and net liabilities of the trading subsidiary undertaking for the year ended 30th June 1997, attributable to the Parent Undertaking, are as follows:-

	Year ended 30th June 1997 £	Period ended 30th June 1996 £
Share of loss before taxation	17,483	21,702
Share of taxation	(4,049)	(1,898)
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Share of loss after taxation	13,434	19,804
	<hr/>	<hr/>
Share of subsidiary's net liabilities	33,148	19,714
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The subsidiary commenced trade on 22nd March 1996. An unqualified audit opinion was given on the financial statements of the subsidiary in respect of both the above periods.

### 12. STOCKS

	1997 £	1996 £
Goods for resale	539,843	1,342,202
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### 13. DEBTORS

	£	£
Trade debtors	96,766	104,624
Prepayments	-	1,042
Rent deposit and other debtors	46,417	13,892
Due from Group Undertaking	94,678	17,786
Taxation recoverable	12,608	16,493
Corporation tax recoverable	4,000	4,000
	<hr/>	<hr/>
	254,469	157,837
	<hr/>	<hr/>

# BLAINS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1997

### 14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997	1996
	£	£
Bank loan and overdraft	12,825	118,803
Trade creditors	183,829	69,500
Corporation tax	17,176	5,534
Advance corporation tax on dividends	4,000	4,000
Accruals and deferred income	71,134	10,938
Amount due to subsidiary undertaking	1,000	-
Obligations under finance leases and hire purchase contracts (Note 17)	3,297	880
Other creditors	91,058	740,178
Social Security and other taxes	5,612	5,335
	<hr/>	<hr/>
	389,931	955,168
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The bank loan and overdraft are secured by a fixed and floating charge debenture over the assets of the Company.

### 15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	£	£
Directors' loan accounts	-	14,155
Bank loan	3,436	4,083
Obligations under finance leases	5,770	-
	<hr/>	<hr/>
	9,206	18,238
	<hr/>	<hr/>

The bank loan is secured by a fixed and floating charge debenture over the assets of the Company.

# BLAINS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1997

### 16. PROVISION FOR LIABILITIES AND CHARGES

#### Deferred taxation

No provision for deferred taxation has been made in these financial statements. The amounts provided and the full potential liability are as follows:-

	1997		1996	
	Amount provided £	Potential liability £	Amount provided £	Potential liability £
Accelerated Capital Allowances	-	-	-	307
Less: losses	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	307
	<hr/>	<hr/>	<hr/>	<hr/>

### 17. FUTURE FINANCIAL COMMITMENTS

#### (a) Operating leases

At 30th June 1997 the Company had annual commitments under operating leases as set out below:-

	Land and buildings 1997 £	Other 1997 £	Land and buildings 1996 £	Other 1996 £
Operating leases which expire:-				
Within one year	16,800	260	-	260
In the second to fifth year	-	-	16,800	-
Greater than five years	30,000	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	46,800	260	16,800	260
	<hr/>	<hr/>	<hr/>	<hr/>

The lease of the premises is subject to rent reviews. The Company's total future financial commitments under operating leases are £923,060 (1996: £35,960).



# BLAINS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1997

### 17. FUTURE FINANCIAL COMMITMENTS (continued)

#### (b) Finance leases and hire purchase obligations

At 30th June 1997 the Company had obligations under finance leases and hire purchase contracts which are set out below:-

	1997 £	1996 £
Gross amount payable:		
Within one year	4,212	1,118
In the second to fifth year	7,370	-
	<hr/>	<hr/>
	11,582	1,118
Deduct: Finance charges allocated to future period	(2,515)	(238)
	<hr/>	<hr/>
	9,067	880
	<hr/>	<hr/>

Finance leases and hire purchase contracts are analysed as follows:-

	1997 £	1996 £
Due within one year (Note 14)	3,297	880
Due in more than one year (Note 15)	5,770	-
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	9,067	880
	<hr/>	<hr/>

#### (c) Pension commitments

The Company makes contributions to the Blains Limited Directors Pension Plan, a defined contribution scheme, the assets of the scheme being held separately from the assets of the Company. The pension cost charge represents contributions payable to the scheme and amounted to £3,360 (1996: £2,520). There were no outstanding contributions at the year end date (1996: £Nil).

## BLAINS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1997

#### 18. CASH FLOW STATEMENT

The Directors have relied upon the exemptions conferred by Financial Reporting Standard number 1 (FRS 1) from preparing a cash flow statement.

#### 19. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions during the year with companies of which the Director, H. Blain Esq is also a Director.

COMPANY	TRANSACTION	VALUE £
Neswick Fine Art Limited	Purchase	9,000
Neswick Fine Art Limited	Sale	1,527,500
Mag Frames Limited	Purchase	24,335

The Company also entered into the following transaction during the year with a company with which the Director, R.B.K. Giles Esq. is connected;

COMPANY	TRANSACTION	VALUE £
Barmic E & M Limited	Purchase of Consulting Services	12,000

#### 20. CAPITAL COMMITMENTS

The Company had the following capital commitments at the year end:

	1997 £	1996 £
Authorised and Contracted for:		
Improvements to new leasehold premises	306,473	-
Authorised but not contracted for	-	-

#### 21. OTHER MATTERS

There were no contingent liabilities that are required to be disclosed in these financial statements.