

Company Registration No. 2799219 (England and Wales)

ARTEUS (UK) LIMITED
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003



ARTEUS (UK) LIMITED

COMPANY INFORMATION

Director	Buckingham Directors Limited
Secretary	Wigmore Secretaries Limited
Company number	2799219
Registered office	38 Wigmore Street London W1U 2HA
Auditors	P.M. Randall & Co. The Shrubberies George Lane South Woodford London E18 1BG

ARTEUS (UK) LIMITED

CONTENTS

	Page
Director's report	1
Independent auditors' report	2 - 3
Profit and loss account	4
Balance sheet	5
Cash flow statement	6
Notes to the cash flow statement	7
Notes to the financial statements	8 - 15

ARTEUS (UK) LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

The director presents his report and financial statements for the year ended 31 December 2003.

Principal activities and review of the business

The principal activity of the company continued to be that of an investment company and trading in works of art.

Results and dividends

The results for the year are set out on page 4.

Directors

The following directors have held office since 1 January 2003:

Buckingham Directors Limited	(Appointed 21 May 2004)
A Behar	(Resigned 13 August 2003)
Paolo Doria	(Appointed 4 September 2003 and resigned 30 June 2004)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 December 2003	1 January 2003
Paolo Doria	-	-

Auditors

Matthew Edwards & Co resigned as auditors and P.M. Randall & Co. were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

Director's responsibilities

Company law requires the director 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

On behalf of the board


.....
Buckingham Directors Limited
Director
31/01/05

ARTEUS (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARTEUS (UK) LIMITED

We have audited the financial statements of Arteus (UK) Limited on pages 4 to 15 for the year ended 31 December 2003. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to 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 anyone 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 the director and auditors

As described in the statement of director's responsibilities on page 1 the company's director is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. We also report to you if, in our opinion, the director's 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 director's remuneration and transactions with the company is not disclosed.

We read the director's report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 director 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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainty as to the continuation and renewal of the company's bank overdraft facility. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

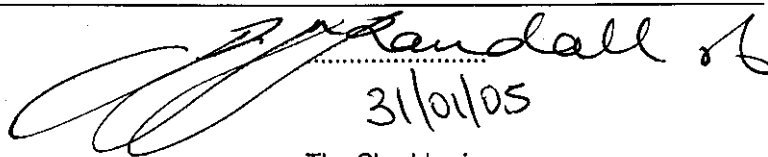
In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

ARTEUS (UK) LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF ARTEUS (UK) LIMITED

P.M. Randall & Co.

Chartered Accountants
Registered Auditor



31/01/05

The Shrubberies
George Lane
South Woodford
London
E18 1BG

ARTEUS (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 CHF	2002 CHF
Turnover	2	3,850,789	4,161,303
Cost of sales		(2,578,112)	(3,139,243)
Gross profit		1,272,677	1,022,060
Administrative expenses		(1,245,986)	(930,057)
Operating profit	3	26,691	92,003
Other interest receivable and similar income		-	174
Amounts written off investments	4	-	(362,730)
Interest payable and similar charges	5	(7,230)	(7,983)
Profit/(loss) on ordinary activities before taxation		19,461	(278,536)
Tax on profit/(loss) on ordinary activities	6	(17,243)	(60,637)
Profit/(loss) on ordinary activities after taxation	14	2,218	(339,173)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

ARTEUS (UK) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2003

	Notes	2003 CHF	CHF	2002 CHF	CHF
Fixed assets					
Tangible assets	7		97,144		98,310
Investments	8		388,577		388,577
			<u>485,721</u>		<u>486,887</u>
Current assets					
Debtors	9	9,577,393		7,752,229	
Cash at bank and in hand		55,681		39,735	
		<u>9,633,074</u>		<u>7,791,964</u>	
Creditors: amounts falling due within one year	10	(9,281,389)		(8,767,114)	
Net current assets/(liabilities)			<u>351,685</u>		<u>(975,150)</u>
Total assets less current liabilities			837,406		(488,263)
Creditors: amounts falling due after more than one year	11		(1,381,727)		(58,276)
			<u>(544,321)</u>		<u>(546,539)</u>
Capital and reserves					
Called up share capital	13		2,198		2,198
Profit and loss account	14		(546,519)		(548,737)
Shareholders' funds - equity interests	15		<u>(544,321)</u>		<u>(546,539)</u>

The financial statements were approved by the Board on ... 31/01/05


Buckingham Directors Limited
Director

ARTEUS (UK) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

	CHF	2003 CHF	CHF	2002 CHF
Net cash outflow from operating activities		(1,192,347)		(10,229)
Returns on investments and servicing of finance				
Interest received	-		174	
Interest paid	-		(561)	
Interest element of finance lease rentals	(6,699)		(3,050)	
Net cash outflow for returns on investments and servicing of finance		(6,699)		(3,437)
Taxation		(55,727)		(26,393)
Capital Expenditure and financial investment				
Payments to acquire tangible assets	(57,132)		(21,426)	
Net cash outflow for capital expenditure		(57,132)		(21,426)
Net cash outflow before management of liquid resources and financing		(1,311,905)		(61,485)
Financing				
Other new long term loans	1,314,447		-	
Capital element of hire purchase contracts	(45,067)		(22,821)	
Net cash inflow/(outflow) from financing		1,269,380		(22,821)
Decrease in cash in the year		(42,525)		(84,306)

ARTEUS (UK) LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

1	Reconciliation of operating profit to net cash outflow from operating activities	2003	2002
		CHF	CHF
	Operating profit	26,691	92,003
	Foreing exchange	-	(4,372)
	Depreciation of tangible assets	58,299	30,194
	Increase in debtors	(1,820,719)	(2,486,008)
	Increase in creditors within one year	543,382	2,357,954
	Net cash outflow from operating activities	(1,192,347)	(10,229)

2	Analysis of net debt	1 January 2003	Cash flow	Other non-cash changes	31 December 2003
		CHF	CHF	CHF	CHF
	Net cash:				
	Cash at bank and in hand	39,735	15,946	-	55,681
	Bank overdrafts	-	(2,198)	-	(2,198)
		<u>39,735</u>	<u>13,748</u>	<u>-</u>	<u>53,483</u>
	Debt:				
	Finance leases	(80,994)	(11,207)	-	(92,201)
	Debts falling due after one year	-	(1,314,447)	-	(1,314,447)
		<u>(80,994)</u>	<u>(1,325,654)</u>	<u>-</u>	<u>(1,406,648)</u>
	Net debt	<u>(41,259)</u>	<u>(1,311,906)</u>	<u>-</u>	<u>(1,353,165)</u>

3	Reconciliation of net cash flow to movement in net debt	2003	2002
		CHF	CHF
	Increase/(decrease) in cash in the year	13,748	(84,306)
	Cash outflow from decrease in debt and lease financing	-	22,821
	Cash inflow from increase in debt and lease financing	(1,325,654)	
	Change in net debt resulting from cash flows	(1,311,906)	(61,485)
	New finance lease	-	(70,800)
	Movement in net debt in the year	(1,311,906)	(132,285)
	Opening net (debt)/funds	(41,259)	91,026
	Closing net debt	<u>(1,353,165)</u>	<u>(41,259)</u>

ARTEUS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The financial statements have been prepared on a going concern basis. The company has obtained undertakings from its shareholders that they will continue to support the company for the foreseeable future and meet all third party liabilities as they fall due. Given this undertaking, the directors consider it appropriate to adopt a going concern basis in preparing the financial statements.

1.2 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	33% straight line basis
Fixtures, fittings & equipment	40% reducing balance basis
Motor vehicles	25% reducing balance basis

1.3 Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.4 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.5 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

1.6 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the director, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.7 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.8 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a medium-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

ARTEUS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

2 Turnover

The total turnover of the company for the year has been derived from its principal activity.

3 Operating profit	2003 CHF	2002 CHF
Operating profit is stated after charging:		
Depreciation of tangible assets	58,299	30,194
Loss on foreign exchange transactions	50,310	-
Auditors' remuneration	800	10,371

4 Amounts written off investments	2003 CHF	2002 CHF
Amounts written off fixed asset investments:		
- partial loan written off	-	362,730

5 Interest payable	2003 CHF	2002 CHF
On bank loans and overdrafts	-	561
Lease finance charges	6,699	3,050
Other interest	531	4,372
	7,230	7,983

ARTEUS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

6	Taxation	2003 CHF	2002 CHF
	Domestic current year tax		
	U.K. corporation tax	17,243	34,244
	Foreign corporation tax		
	Foreign corporation tax	-	26,393
	Current tax charge	17,243	60,637
		17,243	60,637
	Factors affecting the tax charge for the year		
	Profit/(loss) on ordinary activities before taxation	19,461	(278,536)
	Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2002: 30.00%)	5,838	(83,561)
	Effects of:		
	Non deductible expenses	22,472	-
	Depreciation add back	22,635	9,058
	Capital allowances	(19,812)	(8,785)
	Loans written off	-	108,819
	Foreign tax adjustments	-	26,393
	Other tax adjustments	12,721	8,713
		38,016	144,198
	Current tax charge	17,243	60,637

ARTEUS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

7 Tangible fixed assets

	Computer equipment	Fixtures, fittings & equipment	Motor vehicles	Total
	CHF	CHF	CHF	CHF
Cost				
At 1 January 2003	61,044	28,473	70,800	160,317
Additions	47,023	10,110	-	57,133
At 31 December 2003	108,067	38,583	70,800	217,450
Depreciation				
At 1 January 2003	33,554	22,553	5,900	62,007
Charge for the year	35,662	6,412	16,225	58,299
At 31 December 2003	69,216	28,965	22,125	120,306
Net book value				
At 31 December 2003	38,851	9,618	48,675	97,144
At 31 December 2002	27,490	5,920	64,900	98,310

Included above are assets held under finance leases or hire purchase contracts as follows:

	Computer equipment	Motor vehicles	Total
	CHF	CHF	CHF
Net book values			
At 31 December 2003	26,706	48,675	75,381
At 31 December 2002	13,206	64,900	78,106
Depreciation charge for the year			
31 December 2003	26,163	22,125	48,288
31 December 2002	13,206	5,900	19,106

ARTEUS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

8 Fixed asset investments

	Shares in group undertakings CHF	Loans to group undertakings CHF	Total CHF
Cost			
At 1 January 2003 & at 31 December 2003	<u>105,919</u>	<u>282,658</u>	<u>388,577</u>

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
Artis Srl	Italy	Ordinary	99
County Hall Gallery Limited	England	Ordinary	100

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 2003 CHF	Profit for the year 2003 CHF
Artis Srl	123,243	(70,898)
County Hall Gallery Limited	<u>(2,950,363)</u>	<u>302,953</u>

9 Debtors

	2003 CHF	2002 CHF
Trade debtors	8,947,066	7,734,084
Corporation tax	4,445	-
Other debtors	623,565	3,145
Prepayments and accrued income	<u>2,317</u>	<u>15,000</u>
	<u>9,577,393</u>	<u>7,752,229</u>

ARTEUS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

10 Creditors: amounts falling due within one year	2003 CHF	2002 CHF
Bank loans and overdrafts	2,198	-
Net obligations under finance leases	24,921	22,718
Trade creditors	9,132,729	7,355,235
Corporation tax	17,243	51,282
Other taxes and social security costs	-	53,210
Amounts owed to shareholders	-	1,218,191
Other creditors	-	18,392
Accruals and deferred income	104,298	48,086
	<u>9,281,389</u>	<u>8,767,114</u>
11 Creditors: amounts falling due after more than one year	2003 CHF	2002 CHF
Other loans	1,314,447	-
Net obligations under finance leases	67,280	58,276
	<u>1,381,727</u>	<u>58,276</u>
Analysis of loans		
Not wholly repayable within five years other than by instalments:		
Shareholders' loan	1,314,447	-
	<u>1,314,447</u>	<u>-</u>
Loan maturity analysis		
In more than two years but not more than five years	1,314,447	-
	<u>1,314,447</u>	<u>-</u>
Net obligations under finance leases		
Repayable within one year	37,993	27,710
Repayable between one and five years	67,280	67,294
	<u>105,273</u>	<u>95,004</u>
Finance charges and interest allocated to future accounting periods	(13,072)	(14,010)
	<u>92,201</u>	<u>80,994</u>
Included in liabilities falling due within one year	(24,921)	(22,718)
	<u>67,280</u>	<u>58,276</u>

ARTEUS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

12 Pension costs

Defined contribution

	2003 CHF	2002 CHF
Contributions payable by the company for the year	56,644	53,146

13 Share capital

Authorised

	2003 CHF	2002 CHF
10,000 Ordinary Shares of £1 each	10,000	10,000

Allotted, called up and fully paid

	2003 CHF	2002 CHF
1,000 Ordinary Shares of £1 each	2,198	2,198

14 Statement of movements on profit and loss account

	Profit and loss account CHF
Balance at 1 January 2003	(548,737)
Retained profit for the year	2,218
Balance at 31 December 2003	(546,519)

15 Reconciliation of movements in shareholders' funds

	2003 CHF	2002 CHF
Profit/(Loss) for the financial year	2,218	(339,173)
Opening shareholders' funds	(546,539)	(207,366)
Closing shareholders' funds	(544,321)	(546,539)

ARTEUS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

16 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2003 Number	2002 Number
Administration	7	9

Employment costs

	CHF	CHF
Wages and salaries	687,235	638,892
Social security costs	63,127	45,498
Other pension costs	56,644	53,146
	807,006	737,536

17 Related party transactions

The ultimate controlling party is not known to the director. The following transactions existed with related parties at 31 December 2003:

- a) Loan from shareholders - CHF 1,314,447 (2002: CHF 1,218,191);
- b) Sales to "Artis Srl" - CHF 1,265,398 (2002: 1,199,409);
- c) Sales to "County Hall Gallery Limited" - CHF 413,439 (2002: 870,546);
- d) Amount owed by "Artis Srl" included in trade debtors - CHF 4,682,100 (2002: 3,416,702);
- e) Amount owed by "County Hall Gallery Limited" included in trade debtors- CHF 1,784,064 (2002: 2,659,764);
- f) Loan to "Artis Srl" included in Other debtors - CHF 228,454 (2002: Nil).

ARTEUS (UK) LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	CHF	2003 CHF	CHF	2002 CHF
Turnover				
Sales		3,850,789		4,161,303
Cost of sales				
Purchases	2,578,112		3,139,243	
		(2,578,112)		(3,139,243)
Gross profit		1,272,677		1,022,060
Administrative expenses		(1,245,986)		(930,057)
Operating profit		26,691		92,003
Other interest receivable and similar income				
Bank interest received		-		174
Amounts written off investments				
Partial loan written off		-		(362,730)
Interest payable				
Bank interest paid	-		561	
Lease finance charges paid	6,699		3,050	
Loss on foreign exchange	-		4,372	
Other interest payable	531		-	
		(7,230)		(7,983)
Profit/(loss) before taxation		19,461		(278,536)

ARTEUS (UK) LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2003

	2003 CHF	2002 CHF
Administrative expenses		
Wages and salaries (excl. N.I.)	687,235	638,892
Employer's N.I. contributions	63,127	45,498
Staff pension costs	56,644	53,146
Staff training	-	32,280
Rent	10,000	10,000
Insurance	2,732	3,512
Light and heat	1,225	-
Cleaning	5,200	4,446
Repairs and maintenance	33,745	10,659
Printing, postage and stationery	5,311	8,599
Advertising	67,060	-
Telephone	36,512	28,507
Hire of equipment	1,177	-
Motor running expenses	1,877	-
Travelling expenses	87,060	33,866
Legal and professional fees	-	11,926
Accountancy	2,500	-
Audit fees	800	10,371
Bank charges	2,336	2,781
(Profit)/loss on foreign currency translation	50,310	-
Inadmissible foreign taxes	20,507	-
Other administration expenses	50,364	5,380
Sundry expenses - non allowable	1,965	-
Depreciation on computers	35,662	20,348
Depreciation on FF & E	6,412	3,946
Depreciation on motor vehicles	16,225	5,900
	<u>1,245,986</u>	<u>930,057</u>