

EDMUND PEEL FINE ART (CONSULTING) LIMITED

FINANCIAL STATEMENTS

31 December 2001

Registered number: 3231823

ARBUCKLE FROST
Chartered Accountants
45 Cirencester Road
Charlton Kings
Cheltenham
Gloucestershire GL53 8EX



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EDMUND PEEL FINE ART (CONSULTING) LIMITED

DIRECTORS' REPORT

31 December 2001

The directors present their report and the audited financial statements for the year ended 31 December 2001.

Principal activity

The principal activity of the company continues to be the sale of works of art and the provision of fine art consultancy and advisory services.

Directors

The directors of the company during the year and their beneficial interests in the company's issued share capital were as follows:

	Ordinary shares of 10p each <u>31 December 2001</u>	Ordinary shares of £1 each <u>31 December 2000</u>
E A W Peel	0	16
A Allers-Hankey	0	0
Ms T Forte	0	0

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 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 directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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

Arbuckle Frost will be proposed for reappointment as auditors to the company in accordance with section 385 of the Companies Act 1985.

Small company exemptions

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the board on 17 August 2002 and signed on its behalf by:



E A W PEEL
Director

EDMUND PEEL FINE ART (CONSULTING) LIMITED**INDEPENDENT AUDITORS' REPORT**
to the shareholders of Edmund Peel Fine Art (Consulting) Limited

We have audited the financial statements on pages 3 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 1, the company's directors are 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 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.

We read the Directors' 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 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arbuckle Frost

ARBUCKLE FROST
Registered Auditors and
Chartered Accountants
45 Cirencester Road
Charlton Kings
Cheltenham
Gloucestershire GL53 8EX

17 August 2002

EDMUND PEEL FINE ART (CONSULTING) LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2001

	Notes	<u>2001</u> £	<u>2000</u> £
Turnover	2	4,224,078	5,435,235
Cost of sales		(3,658,287)	(5,016,075)
Gross profit		565,791	419,160
Administrative expenses		(453,459)	(180,468)
Operating profit	3	112,332	238,692
Interest receivable and similar income		1,149	4,754
Interest payable and similar charges		(875)	(14)
Profit on ordinary activities before taxation		112,606	243,432
Taxation	4	(24,683)	(61,496)
Profit on ordinary activities after taxation		87,923	181,936
Dividends		-	(150,000)
Retained profit for the financial year	10	£ 87,923	£ 31,936

The notes on pages 5 to 8 form part of these financial statements.

EDMUND PEEL FINE ART (CONSULTING) LIMITED

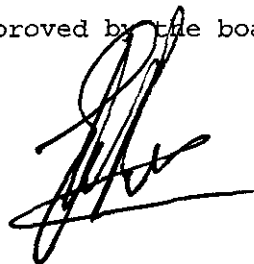
BALANCE SHEET

at 31 December 2001

	Notes	£	<u>2001</u>	£	£	<u>2000</u>	£
Fixed assets							
Tangible assets	5		538			2,571	
Investments	6		137,347			62,396	
			<u>137,885</u>			<u>64,967</u>	
Current assets							
Stocks		141,840		125,432			
Debtors	7	250,886		41,912			
Cash at bank and in hand		23,249		179			
		<u>415,975</u>		<u>167,523</u>			
Creditors: amounts falling due within one year	8	433,375		199,928			
Net current assets			<u>(17,400)</u>			<u>(32,405)</u>	
Total assets less current liabilities			<u>£ 120,485</u>			<u>£ 32,562</u>	
Capital and reserves							
Called up share capital	9		2			2	
Profit and loss account	10		120,483			32,560	
Total shareholders' funds			<u>£ 120,485</u>			<u>£ 32,562</u>	

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and the Financial Reporting Standard for Smaller Entities (effective June 2002).

Approved by the board on 17 August 2002 and signed on its behalf by:



E A W PEEL
Director

The notes on pages 5 to 8 form part of these financial statements.

EDMUND PEEL FINE ART (CONSULTING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2001

1 Accounting policies

Basis of preparation of accounts

The financial statements are prepared under the historical cost convention and incorporate the results of the principal activity which is described in the director's report and which is continuing.

The company and its subsidiary comprise a small group. The company has therefore taken advantage of section 248 of the Companies Act 1985 not to prepare group accounts. As a result, the financial statements present information about the company as an individual undertaking and not about it as a group.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation to date.

Depreciation is provided at rates calculated to write off the cost of fixed assets by equal instalments over their expected useful lives as follows:

Office equipment	4 years
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Stocks

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

Foreign currencies

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date. All differences are taken into account in arriving at the operating profit.

2 Turnover

Turnover is the amount derived from ordinary activities and comprises the invoiced value of goods and services supplied by the company, net of value added tax. In the opinion of the directors, 99% (2000 99%) of the turnover is attributable to geographical markets outside the United Kingdom.

3 Operating profit

	<u>2001</u>	<u>2000</u>
	£	£
Operating profit is stated after charging		
Depreciation of tangible fixed assets		
- owned by the company	1,283	1,351
Directors' remuneration	-	19,530
Auditors' remuneration	3,000	3,250
	<u> </u>	<u> </u>

EDMUND PEEL FINE ART (CONSULTING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2001

4 Taxation

	<u>2001</u>	<u>2000</u>
Corporation tax on profit on ordinary activities at 21.58% (2000 24.91%)	£ 24,683	£ 61,496

5 Tangible fixed assets

	<u>Plant and machinery etc</u> £
Cost	
At 1 January 2001	5,407
Disposals	(2,829)
At 31 December 2001	<u>2,578</u>
Depreciation	
At 1 January 2001	2,836
Disposals	(2,079)
Charge for the year	1,283
At 31 December 2001	<u>2,040</u>
Net book value	
At 31 December 2001	£ 538
At 31 December 2000	<u>£ 2,571</u>

6 Investments

	<u>2001</u> £	<u>2000</u> £
Investment in subsidiary undertaking		
Shares, at cost	62,396	62,396
Loan	74,951	-
	<u>£ 137,347</u>	<u>£ 62,396</u>

The company owns 100% of Edmund Peel Fine Art Consulting SL, a company incorporated in Spain whose principal activity is identical to that of the company, as disclosed in the directors' report. The company has made an interest free loan to the subsidiary which is, strictly, repayable on demand. Repayment, however, is not expected to be requested before the subsidiary has sufficient funds to enable repayment to be made.

At 31 December 2001, the aggregate of share capital and reserves of the subsidiary undertaking amounted to £9,915 (2000 £59,277) and the loss after taxation for the year then ended was £48,504 (30 October 2000 to 31 December 2000 profit £816).

The directors consider this diminution in the value of the subsidiary undertaking to be temporary and do not believe that any provision is necessary against the cost of the investment.

EDMUND PEEL FINE ART (CONSULTING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2001

7 Debtors

	<u>2001</u>	<u>2000</u>
	£	£
Amounts falling due within one year		
Trade debtors	199,203	35,100
Other debtors	50,573	6,186
Prepayments and accrued income	1,110	626
	<u>£ 250,886</u>	<u>£ 41,912</u>

8 Creditors: amounts falling due within one year

	<u>2001</u>	<u>2000</u>
	£	£
Bank overdraft	-	688
Trade creditors	216,123	33,381
Corporation tax	24,683	61,496
Other taxation and social security	-	1,236
Other creditors	182,245	95,109
Accruals and deferred income	10,324	8,018
	<u>£ 433,375</u>	<u>£ 199,928</u>

9 Called up share capital

	<u>2001</u>	<u>2000</u>
Authorised		
Ordinary shares of 10p each	£ 100	£ 100
Allotted called up and fully paid		
Ordinary shares of 10p each	£ 2	£ 2

10 Profit and loss account

	<u>2001</u>	<u>2000</u>
	£	£
At 1 January 2001	32,560	624
Retained profit for the financial year	87,923	31,936
At 31 December 2001	<u>£ 120,483</u>	<u>£ 32,560</u>

11 Ultimate parent company

The directors regard Edmund Peel Fine Art Consulting (Isle of Man) Limited, a company registered in the Isle of Man, as the ultimate parent company. According to the register kept by the company, Edmund Peel Fine Art Consulting (Isle of Man) Limited has an 80% interest in the equity capital of Edmund Peel Fine Art (Consulting) Limited.

EDMUND PEEL FINE ART (CONSULTING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2001

12 Control

Throughout the period covered by these financial statements, the company was under the control of one of its directors, Mr E A W Peel.

Other creditors at note 8 above represents the following loans to the company:

	<u>2001</u>	<u>2000</u>
	£	£
Mr E A W Peel, a director	99,164	55,130
A trust of which Mr E A W Peel is the settlor and a potential beneficiary	49,880	20,000
Edmund Peel Fine Art Consulting (Isle of Man) Limited	33,201	-
Mr C E Peel, a former director	-	19,979
	<u>£ 182,245</u>	<u>£ 95,109</u>

No interest is payable on these loans, all of which are, strictly, repayable on demand. Repayment, however, is not expected to be requested before the company has sufficient funds to enable repayment to be made.

Details of a loan to the company's subsidiary undertaking are shown at note 6.

During the year, the company paid commission of £266,804 to Edmund Peel Fine Art Consulting (Isle of Man) Limited in respect of sales arranged by that company.

There were no other transactions or balances between the company and its directors or any other related parties.