

DANIELLA LUXEMBOURG ART LIMITED

REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 2006

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DANIELLA LUXEMBOURG ART LIMITED

I N D E X

Year ended 31 December 2006

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DANIELLA LUXEMBOURG ART LIMITED

GENERAL INFORMATION

Year ended 31 December 2006

Director	D Luxembourg
Secretary	J A Talbot (appointed 30 April 2007)
Registered office	(PO Box 900) Rotherwick House 3 Thomas More Street London EIW 1YX
Company number	5063197
Auditors	Dixon Wilson (PO Box 900) Rotherwick House 3 Thomas More Street London EIW 1YX
Bankers	Union Bancaire Privee 26 St James's Square London SW1Y 4JH

DANIELLA LUXEMBOURG ART LIMITED

REPORT OF THE DIRECTOR

Year ended 31 December 2006

The director submits her report and accounts for the year ended 31 December 2006

Principal activity

The company deals in works of art, and act as advisers for the purchase and sale of art works

Director

The director who held office during the year was as shown on page 2

Director's responsibilities

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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 directors are 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 them to ensure that the financial statements comply with the Companies Act 1985. She 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

Statement as to disclosure of information to auditors

So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and she has taken all steps that she ought to have taken as director in order to make herself aware of any relevant audit information and have established that the company's auditors are aware of that information

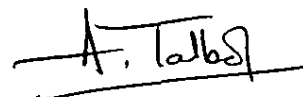
Auditors

A resolution to re-appoint Dixon Wilson as auditors in accordance with Section 385 of the Companies Act 1985 will be proposed at the forthcoming annual general meeting

Special provisions

The director has prepared this report in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

By order of the board


J A TALBOT
Secretary

London
14 February 2008

DANIELLA LUXEMBOURG ART LIMITED

AUDITORS' REPORT

Year ended 31 December 2006

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DANIELLA LUXEMBOURG ART LIMITED

We have audited the financial statements of Daniella Luxembourg Art Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Accounting Policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of director and auditors

As described in the Statement of Director's Responsibilities the company's director is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Auditing Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 and whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

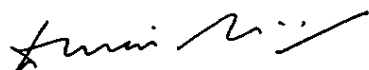
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the company as at 31 December 2006 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985
- the information given in the Director's Report is consistent with the financial statements



DIXON WILSON
Chartered Accountants and Registered Auditors
Rotherwick House
3 Thomas More Street
London E1W 1YX

15 February 2008

DANIELLA LUXEMBOURG ART LIMITED**PROFIT AND LOSS ACCOUNT****Year ended 31 December 2006**

	Note	2006 £	2005 £
Turnover	1	1,411,322	8,652,053
Cost of sales		(1,043,924)	(8,437,605)
Gross profit		<u>367,398</u>	<u>214,448</u>
Administrative expenses		(327,400)	(153,067)
Operating profit	2	<u>39,998</u>	<u>61,381</u>
Interest receivable		1,882	4,871
Interest payable		(1,007)	(37)
Profit on ordinary activities before taxation		<u>40,873</u>	<u>66,215</u>
Tax on profit on ordinary activities	4	(11,056)	(13,932)
Profit on ordinary activities after taxation		<u>29,817</u>	<u>52,283</u>

DANIELLA LUXEMBOURG ART LIMITED**B A L A N C E S H E E T****At 31 December 2006**

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	5	<u>15,321</u>	<u>13,476</u>
Current assets			
Debtors	6	2,307,053	1,124,109
Cash at bank and in hand		<u>20,096</u>	<u>1,606,477</u>
		2,327,149	2,730,586
Creditors: amounts falling due within one year	7	<u>(1,971,857)</u>	<u>(2,403,266)</u>
Net current assets		<u>355,292</u>	<u>327,320</u>
Total assets less current liabilities		<u>370,613</u>	<u>340,796</u>
Capital and reserves			
Called up share capital	8	2	2
Profit and loss account	9	<u>370,611</u>	<u>340,794</u>
Equity shareholders' funds		<u>370,613</u>	<u>340,796</u>

Special provisions

These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

The financial statements on pages 5 to 10 were approved by the director on **28 01.** 2008


D LUXEMBOURG
Director

DANIELLA LUXEMBOURG ART LIMITED

ACCOUNTING POLICIES

Year ended 31 December 2006

The particular accounting policies adopted are described below

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities

Accounting period

The financial statements cover the year ended 31 December 2006. The comparative amounts cover the period 1 April to 31 December 2005

Income recognition

Income is recognised when paintings are sold or commission is invoiced

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset over its expected useful life as follows

- Plant and machinery - 25% reducing balance basis
- Fixtures, fittings and equipment - 25% reducing balance basis

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the time of transaction. Monetary assets held and liabilities outstanding at the year end are translated at the rates ruling at the balance sheet date. All differences are taken to the profit and loss account.

Deferred taxation

Full provision without discounting is made for deferred taxation to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes

DANIELLA LUXEMBOURG ART LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2006**

1. Turnover

Turnover represents the commissions invoiced in respect of fine art transactions stated and management services provided

2. Operating profit	2006	2005
	£	£
This is stated after charging/(crediting)		
Operating lease rentals	32,812	26,263
Depreciation of tangible fixed assets (note 6)	<u>5,107</u>	<u>3,110</u>

3. Director's remuneration

Emoluments	<u>40,000</u>	<u>39,586</u>
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4. Tax on profit on ordinary activities

Current tax		
UK corporation tax on profit for the year	11,056	13,932
Deferred tax		
Origination and reversal of timing differences	-	-
Tax on profit on ordinary activities	<u>11,056</u>	<u>13,932</u>

DANIELLA LUXEMBOURG ART LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2006****5. Tangible fixed assets**

	Plant and machinery £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 January 2006	5,320	16,795	22,115
Additions	4,856	2,096	6,952
At 31 December 2006	<u>10,176</u>	<u>18,891</u>	<u>29,067</u>
Depreciation			
At 1 January 2006	2,078	6,561	8,639
Charge for year	2,024	3,083	5,107
At 31 December 2006	<u>4,102</u>	<u>9,644</u>	<u>13,746</u>
Net book value			
At 31 December 2006	<u>6,074</u>	<u>9,247</u>	<u>15,321</u>
At 31 December 2005	<u>3,242</u>	<u>10,234</u>	<u>13,476</u>

6. Debtors

	2006 £	2005 £
Trade debtors	2,224,749	1,058,154
Other debtors	25,500	10,974
Prepayments and accrued income	56,804	54,981
	<u>2,307,053</u>	<u>1,124,109</u>

7. Creditors: amounts falling due within one year

Bank overdraft	30,716	1,121
Trade creditors	1,861,189	2,320,911
Corporation tax	24,964	13,907
Other creditors	4,007	23,637
Accruals and deferred income	37,520	5,645
Social security and other taxes	13,461	38,045
	<u>1,971,857</u>	<u>2,403,266</u>

8. Share capital

Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

DANIELLA LUXEMBOURG ART LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

9. Reconciliation of movements on the profit and loss account	2006 £	2005 £
Profit for the financial year after taxation	29,817	52,283
Opening profit and loss account at 1 January 2006	340,794	288,511
Closing profit and loss account at 31 December 2006	<u>370,611</u>	<u>340,794</u>

10. Control

The company was throughout the year under the control Luxembourg Art Limited, a company incorporated in Jersey

11. Related party transactions

During the year a loan was made by Luxembourg Art Limited for \$60,000 (£30,634) to the company. The whole amount was repaid during the year.

During the year the company charged £100,000 (2005 - £40,000) of management fees to Luxembourg Art Limited.

The company incurred £69,953 (2005 - £nil) of expenses on behalf of Luxembourg Art Limited. These have been recharged to Luxembourg Art Limited. The whole amount was outstanding at the year end.

At the end of the year the company owed \$504,000 (£257,511) (2005 - £nil) to Luxembourg Art Limited in respect of commission relating to the sale of a painting.
