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HOLLAND PARK GALLERIES LIMITED

REPORT AND FINANCIAL STATEMENTS

31ST AUGUST, 1996



HOLLAND PARK GALLERIES LIMITED**COMPANY INFORMATION****DIRECTORS**

T.A. Hewlett
J.E. Hewlett

SECRETARY

N.P. Martin

REGISTERED OFFICE

9 Bury Street,
St. James's
London,
SW1Y 6AB.

COMPANY NUMBER

2027334

AUDITORS

Roberts & Co.,
136 Kensington Church Street,
London,
W8 4BH.

BANKERS

National Westminster Bank PLC,
Manchester City Office,
P.O. Box 305,
55 King Street,
Manchester,
M60 2DB.

HOLLAND PARK GALLERIES LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31st August, 1996.

PRINCIPAL ACTIVITY

The company trades as "Portland Gallery" and carries on business as dealers in fine art and antiques.

REVIEW OF THE BUSINESS

The directors consider that both the level of business and the year end financial position were satisfactory.

RESULTS AND DIVIDENDS

The results and dividends as set out in the profit and loss account on page 6 are as follows:-

Balance brought forward		127,730
Profit for year after taxation	86,413	
Dividends paid 31st August, 1996 amounting to £14.00 per share	(49,000)	
		37,413
Balance carried forward		£165,143

FIXED ASSETS

The movements in fixed assets during the year are set out in the notes to these financial statements.

DIRECTORS

The directors of the company who served during the year and their beneficial interests in the shares of the company were as follows:-

	Ordinary shares of £1 each At 31.8.1996 and 1995
T.A. Hewlett	3,499
J.E. Hewlett	1

TAXATION STATUS

In the opinion of the directors, the company is a close company within the meaning of the Income and Corporation Taxes Act 1988.

HOLLAND PARK GALLERIES LIMITED**REPORT OF THE DIRECTORS****AUDITORS**

Messrs Roberts & Co. have expressed their willingness to continue in office. A resolution proposing their re-appointment will be submitted to the Annual General Meeting.

SMALL COMPANY EXEMPTIONS

The directors have taken advantage of the exemptions conferred by Part II of Schedule 8 to the Companies Act 1985.

By Order of the Board



N.P. Martin

Secretary

27th January, 1997

Registered Office

9 Bury Street,
St. James's,
London,
SW1Y 6AB.

HOLLAND PARK GALLERIES LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial period 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 judgments 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' REPORT**TO THE SHAREHOLDERS OF HOLLAND PARK GALLERIES LIMITED**

We have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described above the company's directors are responsible for the preparation of 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.

HOLLAND PARK GALLERIES LIMITED**AUDITORS' REPORT****TO THE SHAREHOLDERS OF HOLLAND PARK GALLERIES LIMITED**

(continued)

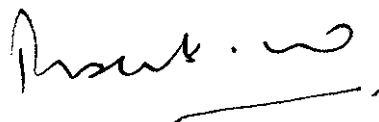
Basis of opinion

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 judgments 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 31st August, 1996 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.

**ROBERTS & CO**

Chartered Accountants and Registered Auditors

136 Kensington Church Street,
London, W8 4BH.

27th January, 1997

HOLLAND PARK GALLERIES LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST AUGUST, 1996**

	Note	1996	1995
TURNOVER	1	1,258,753	838,857
Cost of sales		(819,557)	(471,651)
GROSS PROFIT	1	439,196	367,206
Administrative expenses		(292,419)	(267,093)
OPERATING PROFIT	2	146,777	100,113
Interest receivable	3	2,629	1,382
Interest payable	4	(30,139)	(31,275)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		119,267	70,220
Tax on profit on ordinary activities	6	(32,854)	(19,472)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	15	86,413	50,748
Dividends	7	(49,000)	-
BALANCE BROUGHT FORWARD		37,413	50,748
As previously reported		127,730	112,757
Prior year adjustment	8	-	(35,775)
		127,730	76,982
BALANCE CARRIED FORWARD		£165,143	£127,730

All amounts relate to continuing activities.

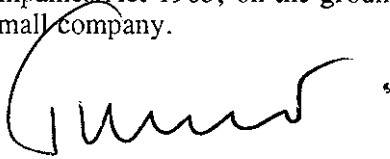
All recognised gains and losses are included in the profit and loss account.

The accompanying notes form an integral part of these financial statements.

HOLLAND PARK GALLERIES LIMITED**BALANCE SHEET - 31ST AUGUST, 1996**

	Note	1996	1995
FIXED ASSETS			
Tangible assets	9	40,689	32,906
CURRENT ASSETS			
Stocks	10	415,255	416,468
Debtors	11	108,860	61,056
Cash at bank and in hand		104,545	21,199
		628,660	498,723
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	(250,706)	(75,869)
NET CURRENT ASSETS			
		377,954	422,854
TOTAL ASSETS LESS CURRENT LIABILITIES			
		418,643	455,760
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	(250,000)	(324,530)
NET ASSETS			
		£168,643	£131,230
CAPITAL AND RESERVES			
CALLED UP SHARE CAPITAL	14	3,500	3,500
RESERVES			
		165,143	127,730
SHAREHOLDERS' FUNDS	15		
		£168,643	£131,230

The directors have taken advantage of the exemptions conferred by Part I of Schedule 8 to the Companies Act 1985, on the grounds that the company is entitled to the benefit of those exemptions as a small company.



T.A. Hewlett

- Director

These financial statements
were approved by the Board
on 27th January, 1997.

The accompanying notes form an integral part of these financial statements.

HOLLAND PARK GALLERIES LIMITED**ACCOUNTING POLICIES****31ST AUGUST, 1996****a. BASIS OF ACCOUNTING**

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

b. TURNOVER

Turnover is the amount derived from the provision of goods and services falling within the company's ordinary activities after deducting VAT.

c. TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are shown at cost which comprises the direct purchase cost with any incidental expenses of acquisition.

Depreciation is provided to write down the cost of tangible fixed assets to their estimated residual values over the period of their expected useful economic lives which are considered to be:-

Improvements to leasehold premises	Over the period of the lease
Motor vehicles	4 years
Fixtures and fittings	7 years

d. STOCKS

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

HOLLAND PARK GALLERIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31ST AUGUST, 1996****1. ANALYSIS OF TURNOVER AND GROSS PROFIT**

The turnover and gross profit are derived from dealing in fine art and antiques. During the year 28% of total turnover was attributable to markets outside the United Kingdom.

2. OPERATING PROFIT

	1996	1995
Operating profit is arrived at after charging:-		
Directors' emoluments	£80,000	£77,000
Auditors' remuneration	£1,400	£1,250
Depreciation	£15,862	£10,562
Leasing charges	£543	£543

3. INTEREST RECEIVABLE

	1996	1995
Bank deposit interest	2,251	1,382
Other interest	378	-
	£2,629	£1,382

4. INTEREST PAYABLE

	1996	1995
Bank interest	28,949	29,444
Other interest	1,190	1,831
	£30,139	£31,275

5. EMPLOYEES

	1996	1995
Average number of people (including directors) employed by the company during the year:-		
	No. of employees	
Sales and administration	<u>3</u>	<u>3</u>

HOLLAND PARK GALLERIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31ST AUGUST, 1996****5. EMPLOYEES (continued)**

	1996	1995
Costs in respect of these employees:-		
Directors' emoluments	45,000	57,000
Salaries	25,241	19,500
Social security costs	7,565	8,042
Pension contributions	39,840	20,000
	£117,646	£104,542

No director received any performance related emoluments (1995 - Nil).

There were no contracts of significance during the year in which a director of the company had a material interest (1995 - Nil).

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996	1995
Corporation tax		
At 24%	12,960	-
At 25%	18,700	19,485
Adjustment in respect of prior years	1,194	(13)
	£32,854	£19,472

7. DIVIDENDS

	1996	1995
Dividends on ordinary shares	£49,000	-

8. PRIOR YEAR ADJUSTMENT

	1996	1995
Adjustment in respect of understated purchases	-	47,700
Corporation tax credit relating thereto	-	(11,925)
	-	£35,775

HOLLAND PARK GALLERIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31ST AUGUST, 1996

9. TANGIBLE ASSETS

	Improvements to leasehold premises	Motor vehicles	Fixtures and fittings	Total
Cost				
At 31st August, 1995	19,593	19,295	36,460	75,348
Additions	-	22,108	1,537	23,645
At 31st August, 1996	19,593	41,403	37,997	98,993
Depreciation				
At 31st August, 1995	6,028	9,648	26,766	42,442
Charge for year	1,507	10,351	4,004	15,862
At 31st August, 1996	7,535	19,999	30,770	58,304
Net book values				
At 31st August, 1996	£12,058	£21,404	£7,227	£40,689
At 31st August, 1995	£13,565	£9,647	£9,694	£32,906

10. STOCKS

	1996	1995
Pictures	392,932	394,145
Furniture	21,855	21,855
Sculptures	468	468
	£415,255	£416,468

HOLLAND PARK GALLERIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31ST AUGUST, 1996****11. DEBTORS**

	1996	1995
Corporation tax recoverable	-	11,925
VAT repayable	1,540	6,090
Trade debtors	92,961	22,095
Prepayments and accrued income	10,859	9,686
Other debtors	3,500	11,260
	£108,860	£61,056

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996	1995
Corporation tax payable	19,410	19,485
Other taxation and social security	15,234	7,778
Bank overdraft	-	3,018
Bank loan - secured	45,000	-
Trade creditors	95,597	10,471
Accruals and deferred income	23,965	24,617
Other creditors	51,500	10,500
	£250,706	£75,869

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1996	1995
Bank loans - secured	250,000	295,000
Loan from directors with no formal specification as to interest or repayment requirements	-	29,530
	£250,000	£324,530

HOLLAND PARK GALLERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31ST AUGUST, 1996

14. CALLED UP SHARE CAPITAL

	1996	1995
Authorised		
20,000 ordinary shares of £1 each	£20,000	£20,000
Allotted, called up and fully paid		
3,500 ordinary shares of £1 each	£3,500	£3,500

15. RECONCILIATION OF SHAREHOLDERS' FUNDS

	1996	1995
Profit on ordinary activities after taxation	86,413	50,748
Dividends (note 7)	(49,000)	-
Prior year adjustment (note 8)	-	(35,775)
	37,413	14,973
Opening shareholders' funds	131,230	116,257
Closing shareholders' funds	£168,643	£131,230