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HOLLAND PARK GALLERIES LIMITED

REPORT AND FINANCIAL STATEMENTS

31ST AUGUST, 1997



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, 1997.

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		165,143
Profit for year after taxation	169,196	
Dividends	(87,500)	
		81,696
Balance carried forward		£246,839

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 31.8.1997 and 1996
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

6th January, 1998

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)

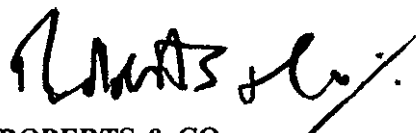
Basis of opinion

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, 1997 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.

6th January, 1998

HOLLAND PARK GALLERIES LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST AUGUST, 1997**

	Note	1997	1996
TURNOVER	1	1,771,479	1,258,753
Cost of sales		(1,199,422)	(819,557)
GROSS PROFIT	1	572,057	439,196
Administrative expenses		(329,826)	(292,419)
OPERATING PROFIT	2	242,231	146,777
Interest receivable	3	6,133	2,629
Interest payable	4	(25,595)	(30,139)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		222,769	119,267
Tax on profit on ordinary activities	6	(53,573)	(32,854)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	14	169,196	86,413
Dividends	7	(87,500)	(49,000)
		81,696	37,413
BALANCE BROUGHT FORWARD		165,143	127,730
BALANCE CARRIED FORWARD		£246,839	£165,143

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, 1997

	Note	1997	1996
FIXED ASSETS			
Tangible assets	8	26,527	40,689
CURRENT ASSETS			
Stocks	9	389,500	415,255
Debtors	10	112,615	108,860
Cash at bank and in hand		225,533	104,545
		727,648	628,660
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(253,836)	(250,706)
NET CURRENT ASSETS		473,812	377,954
TOTAL ASSETS LESS CURRENT LIABILITIES		500,339	418,643
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12	(250,000)	(250,000)
NET ASSETS		£250,339	£168,643
CAPITAL AND RESERVES			
CALLED UP SHARE CAPITAL	13	3,500	3,500
RESERVES		246,839	165,143
SHAREHOLDERS' FUNDS	14	£250,339	£168,643

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 6th January, 1998.

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

HOLLAND PARK GALLERIES LIMITED**ACCOUNTING POLICIES****31ST AUGUST, 1997****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, 1997****1. ANALYSIS OF TURNOVER AND GROSS PROFIT**

The turnover and gross profit are derived from dealing in fine art and antiques. In 1997 46.5% (1996 - 28%) of total turnover was attributable to markets outside the United Kingdom.

2. OPERATING PROFIT

	1997	1996
Operating profit is arrived at after charging:-		
Directors' emoluments	£89,900	£84,840
Auditors' remuneration	£1,500	£1,400
Depreciation	£15,091	£15,862
Leasing charges	-	£543

3. INTEREST RECEIVABLE

	1997	1996
Bank deposit interest	6,107	2,251
Other interest	26	378
	£6,133	£2,629

4. INTEREST PAYABLE

	1997	1996
Bank interest	25,595	28,949
Other interest	-	1,190
	£25,595	£30,139

5. EMPLOYEES

	1997	1996
Average number of people (including directors) employed by the company during the year:-		
	No. of employees	
Sales and administration	4	3

HOLLAND PARK GALLERIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31ST AUGUST, 1997****5. EMPLOYEES (continued)**

	1997	1996
Costs in respect of these employees:-		
Directors' emoluments	45,000	45,000
Salaries	32,905	25,241
Social security costs	8,275	7,565
Pension contributions	44,900	39,840
	£131,080	£117,646

No director received any performance related emoluments (1996 - Nil).

There were no contracts of significance during the year in which a director of the company had a material interest (1996 - Nil).

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997	1996
Corporation tax		
At 21 %	20,740	-
At 24 %	32,844	12,960
At 25 %	-	18,700
Adjustment in respect of prior years	(11)	1,194
	£53,573	£32,854

7. DIVIDENDS

	1997	1996
Dividends on ordinary shares	£87,500	£49,000

HOLLAND PARK GALLERIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31ST AUGUST, 1997

8. TANGIBLE ASSETS

	Improvements to leasehold premises	Motor vehicles	Fixtures and fittings	Total
Cost				
At 31st August, 1996	19,593	41,403	37,997	98,993
Additions	-	-	929	929
At 31st August, 1997	19,593	41,403	38,926	99,922
Depreciation				
At 31st August, 1996	7,535	19,999	30,770	58,304
Charge for year	1,507	10,349	3,235	15,091
At 31st August, 1997	9,042	30,348	34,005	73,395
Net book values				
At 31st August, 1997	£10,551	£11,055	£4,921	£26,527
At 31st August, 1996	£12,058	£21,404	£7,227	£40,689

9. STOCKS

	1997	1996
Pictures	367,170	392,932
Furniture	22,330	21,855
Sculptures	-	468
	£389,500	£415,255

HOLLAND PARK GALLERIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31ST AUGUST, 1997****10. DEBTORS**

	1997	1996
VAT repayable	-	1,540
Trade debtors	98,619	92,961
Prepayments and accrued income	10,581	10,859
Other debtors	3,415	3,500
	£112,615	£108,860

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997	1996
Corporation tax payable	31,709	19,410
Other taxation and social security	22,188	15,234
Bank loan - secured	-	45,000
Trade creditors	160,370	95,597
Accruals and deferred income	29,321	23,965
Other creditors	10,248	51,500
	£253,836	£250,706

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

	1997	1996
Bank loan - secured	£250,000	£250,000

13. CALLED UP SHARE CAPITAL

	1997	1996
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

HOLLAND PARK GALLERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31ST AUGUST, 1997

14. RECONCILIATION OF SHAREHOLDERS' FUNDS

	1997	1996
Profit on ordinary activities after taxation	169,196	86,413
Dividends (note 7)	(87,500)	(49,000)
	81,696	37,413
Opening shareholders' funds	168,643	131,230
Closing shareholders' funds	£250,339	£168,643