

Company Registration No. 16193

**COLART FINE ART & GRAPHICS
LIMITED**

Directors' Report and Financial Statements

Year ended 31 December 2003



COLART FINE ART & GRAPHICS LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS 2003

CONTENTS

	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Independent Auditors' report	5
Profit and loss account	6
Reconciliation of movements in shareholders funds	7
Balance sheet	8
Notes to the accounts	9

COLART FINE ART & GRAPHICS LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS 2003

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C E Wraight
S C Pleune resigned 31 December 2003
M W G Henderson
J R Keightley

SECRETARY

M F Walker

REGISTERED OFFICE

Whitefriars Avenue
Wealdstone
Harrow
Middlesex

BANKERS

Nordea Bank Finland Plc
55 Basinghall Street
London

Barclays Bank Plc
1 Capability Green
Luton

SOLICITORS

Macfarlanes
10 Norwich Street
London

AUDITORS

KPMG LLP
Chartered Accountants
8 Salisbury Square
London

COLART FINE ART & GRAPHICS LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS 2003

OFFICERS AND PROFESSIONAL ADVISERS

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

ACTIVITIES

The principal activity of the company is the manufacture and distribution of art and craft materials. The directors do not foresee any change in this activity during 2004.

BUSINESS REVIEW AND RESULTS

The company's profit for the financial year is £6,502,000 (2002:£7,041,000). Interim dividends totalling £4,750,000 were paid during the year (2002:interim £4,708,000). The directors do not recommend that a final dividend be paid (2002: final £nil).

CHARITABLE AND POLITICAL DONATIONS

Charitable donations of £42 (2002: £1,350) were made during the year. There were no political donations during the year.

DIRECTORS

The following directors held office during the year

C E Wraight

S C Pleune – resigned 31 December 2003

M G W Henderson

J R Keightley

DIRECTORS' INTEREST

The interests of the directors in the ultimate ColArt Group UK holding company, ColArt Investments Limited, are as set out in Note 4 of the accounts.

EMPLOYEES

The company's employment policies are based on equal opportunity for all staff. The selection and advancement of staff is based on ability and suitability for the relevant job and the subsequent training development, promotion and assessment of staff performance are based on competence and not gender, ethnic origin or disability. In the event of an employee becoming disabled while in employment, every effort will be made by the company to find continuing and suitable work, including the offer of retraining.

Staff are kept fully informed of the company's progress both at a company level and at group level through in-house publications, routine briefings and consultations with recognised trade unions. These routine meetings also provide a forum for discussions and consultations on health, safety and welfare matters, which are accompanied by training and codes of working practices designed to protect the health and safety of employees.

COLART FINE ART & GRAPHICS LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS 2003

OFFICERS AND PROFESSIONAL ADVISERS

AUDITORS

During the year Deloitte & Touche resigned as the company's auditors and KPMG LLP were subsequently appointed and have expressed their willingness to continue in office. A resolution to reappoint KPMG LLP as auditors will be put to the Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



M F Walker
Secretary

12 March 2004

COLART FINE ART & GRAPHICS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year 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;
- state whether applicable accounting standards have been followed;
- 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 the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



KPMG LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Report of the independent auditors to the members of ColArt Fine Art & Graphics Limited

We have audited the financial statements on pages 6 to 20.

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 directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit 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 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP

Chartered Accountants

Registered Auditor

17th March 2004

COLART FINE ART & GRAPHICS LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31st December 2003

	Note	2003 £'000	2002 £'000
TURNOVER	2	40,789	40,228
Cost of sales		(23,932)	(23,641)
GROSS PROFIT		16,857	16,587
Distribution costs		(6,031)	(6,009)
Administrative expenses		(4,275)	(3,215)
Other operating income		2,001	1,908
OPERATING PROFIT		8,552	9,271
Interest payable and similar charges	6	(1,030)	(1,139)
Income from Fixed asset investments	7	1,015	1,319
Other interest receivable and similar income	8	350	146
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	8,887	9,597
Tax on profit on ordinary activities	9	(2,385)	(2,556)
PROFIT FOR THE FINANCIAL YEAR		6,502	7,041
Dividends paid	10	(4,750)	(4,708)
RETAINED PROFIT FOR THE YEAR TRANSFERRED TO RESERVES	21	1,752	2,333

The above results all arise from continuing activities.

The company has no recognised gains and losses other than the profit above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

COLART FINE ART & GRAPHICS LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS **Year ended 31 December 2003.**

	2003 £'000	2002 £'000
Profit for the financial year	6,502	7,041
Dividend paid on equity shares	(4,750)	(4,708)
	<hr/>	<hr/>
Net addition to shareholders' funds	1,752	2,333
Opening shareholders' funds	14,157	11,824
	<hr/>	<hr/>
Closing shareholders' funds	15,909	14,157

COLART FINE ART & GRAPHICS LIMITED

BALANCE SHEET

31 December 2003

	Note	2003 £000	2002 £000
FIXED ASSETS			
Intangible assets	11	-	-
Tangible assets	12	5,877	6,471
Investments	13	6,734	6,421
		<u>12,611</u>	<u>12,892</u>
CURRENT ASSETS			
Stocks	14	7,918	7,901
Debtors: amounts falling due within one year	15	10,089	9,633
Debtors: amounts falling due after one year	16	7,378	7,696
Cash at bank and in hand		6,071	4,216
		<u>31,456</u>	<u>29,446</u>
CREDITORS: amounts falling due Within one year	17	<u>(7,226)</u>	<u>(7,144)</u>
NET CURRENT ASSETS		<u>24,230</u>	<u>22,302</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>36,841</u>	<u>35,194</u>
CREDITORS: amounts falling due after more than one year	18	<u>(20,018)</u>	<u>(20,025)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	19	<u>(914)</u>	<u>(1,012)</u>
TOTAL NET ASSETS		<u>15,909</u>	<u>14,157</u>
CAPITAL AND RESERVES			
Called up share capital	20	1,464	1,464
Profit and loss account	21	14,445	12,693
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>15,909</u>	<u>14,157</u>

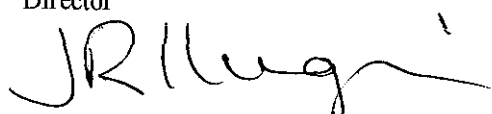
These financial statements were approved by the Board of Directors on 12 March 2004.

Signed on behalf of the Board of Directors



CE Wright

Director



COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31st December 2003

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Basis of accounting

The accounts have been prepared under the historical cost convention. Accounting policies have been consistently applied. The company has taken advantage of the exemption afforded by Section 228 of the Companies Act 1985, as it is an intermediate holding company whose group parent company is Wilhelm Becker AB which prepares consolidated accounts, not to prepare consolidated accounts and under the terms of Financial Reporting Standard No.1 from publishing a cash flow statement. Consequently these financial statements present the results of the company and not the group.

Turnover

Turnover represents the net amount invoiced to external customers and affiliated companies during the year, exclusive of VAT and other sales related taxes.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of those assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets are not discounted.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Tangible and intangible assets

Tangible fixed assets and intangible fixed assets are stated at cost or valuation, net of depreciation or amortisation and any provision for impairment. Except for freehold land, the cost of fixed assets is written off on a straight line basis over the period of the expected useful life of the asset. For this purpose, expected lives are determined within the following limits:

Freehold buildings	not more than fifty years
Product plant and equipment, and office equipment	not more than fifteen years
Motor vehicles	not more than four years
Patents and know-how	not more than ten years

Leases

Operating lease commitments are charged in the financial statements on a straight line basis even if this is not the time the rental liabilities arise.

Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the renew date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the short period is used.

Foreign currency translations

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences are included in the profit and loss account.

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31st December 2003

1. ACCOUNTING POLICIES (continued)

Pension arrangements

The company participates in a UK Group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme.

Pension costs in respect of the company's employees are generally charged against profits on a systematic basis, based on actuarial calculations, over the service lives of the employees. Actuarial valuations are carried out periodically.

Stock

Stock is stated at the lower of cost or net realisable value. Cost comprises materials, direct labour and an appropriate proportion of overhead expenses and is arrived at by the 'first in-first out' method. Provision is made for obsolete, slow-moving stock or defective items where appropriate.

2. TURNOVER

The directors are of the opinion that it would be seriously prejudicial to the interests of the company to disclose an analysis of turnover.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting) the following:

	2003 £'000	2002 £'000
Depreciation	1,009	1,050
Amortisation of intangible asset	-	6
Operating leases		
- hire of equipment	415	379
- other	471	471
Remuneration of auditors		
- audit fees	32	35
Amounts receivable under operating leases	(471)	(471)

4. DIRECTORS' EMOLUMENTS AND INTERESTS

No emoluments were paid directly by the company to the directors for duties undertaken on behalf of the company during the year (2002: £nil). The remuneration of the four directors was borne by other group companies.

Total remuneration paid by group companies for services to the Company was:

	2003 £	2002 £
Aggregate emoluments	329,201	302,401
Company pension scheme contributions	38,402	28,786

Retirement benefits are accruing to one director under a money purchase pension scheme, two directors under a defined benefit scheme and one director under both a money purchase and a defined benefit scheme.

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE ACCOUNTS Year ended 31st December 2003

4. DIRECTOR'S EMOLUMENTS AND INTERESTS (continued)

Highest paid director

	2003 £	2002 £
Aggregate emoluments	172,837	158,567
Company pension contributions	29,718	21,866

The directors acquired the following interests during 1999 in the ultimate ColArt Group UK holding company, ColArt Investment Limited. This also represents their holdings as at 31 December 2003.

C E Wraight	Ordinary Class 'C' Shares	30,000
S C Pleune	Ordinary Class 'C' Shares	18,000
M W G Henderson	Ordinary Class 'C' Shares	45,000
J R Keightley	Ordinary Class 'C' Shares	5,000

5. EMPLOYEE INFORMATION

The average number of persons employed by the company, excluding executive directors, during the year was:

	2003 Number	2002 Number
Sales and administration	125	133
Production	194	194
	319	327

Staff costs for the above persons:

	2003 £'000	2002 £'000
Wages and salaries	7,626	7,578
Social security costs	524	544
Other pensions costs	845	870
	8,995	8,992

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £'000	2002 £'000
Interest payable		
On bank and other borrowings	1,030	1,139
	1,030	1,139

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE ACCOUNTS Year ended 31st December 2003

7. INCOME FROM FIXED ASSET INVESTMENT

	2003 £'000	2002 £'000
Income from fixed asset investments (excluding group undertakings)	1,015	1,319
	<u>1,015</u>	<u>1,319</u>

8. OTHER INTEREST RECEIVABLE & SIMILAR INCOME

	2003 £'000	2002 £'000
Interest receivable	350	146
	<u>350</u>	<u>146</u>

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £'000	2002 £'000
Current tax:		
UK corporation tax on profits of the period	2,572	2,310
Double taxation relief	(59)	-
Adjustments in respect of previous periods	(54)	7
	<u>2,459</u>	<u>2,317</u>
Foreign taxation	24	26
	<u>2,483</u>	<u>2,343</u>
Deferred taxation:		
Origination and reversal of timing differences	(98)	219
Adjustments in respect of previous periods	-	(6)
	<u>(98)</u>	<u>213</u>
Tax on profit on ordinary activities	<u>2,385</u>	<u>2,556</u>

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31st December 2003

9. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

	2003 £'000	2002 £'000
The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
Profit on ordinary activities before taxation	8,887	9,597
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002 – 30%)	2,666	2,879
Effects of:		
Expenses not deductible for tax purposes	41	46
Depreciation for the period in excess of capital allowances	7	(14)
Dividends from UK subsidiaries	(233)	(396)
Increase/(decrease) in SSAP24 and other timing differences	91	(205)
Foreign taxes not deductible for UK double taxation relief purposes	24	26
Double taxation relief	(59)	-
Adjustment to tax charge in respect of previous periods	(54)	7
Current tax charge for the period	2,483	2,343

10. DIVIDENDS

	2003 £'000	2002 £'000
Dividend on equity shares		
Interim dividend paid	4,750	4,708

11. INTANGIBLE FIXED ASSETS

	Patents and Trademarks £'000
Cost	
At 1 January 2003 and 31 December 2003	124
Accumulated depreciation	
At 1 January 2003 and 31 December 2003	124
Net book value	
At 1 January 2003 and 31 December 2003	-

The above intangible assets comprise patents and know-how.

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31st December 2003

12. TANGIBLE FIXED ASSETS

	Freehold land £'000	Freehold buildings £'000	Plant and Equipment £'000	Total £'000
Cost				
At 1 January 2003	308	5,314	11,636	17,258
Additions	-	66	349	415
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	308	5,380	11,985	17,673
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation				
At 1 January 2003	-	3,106	7,681	10,787
Provided during year	-	245	764	1,009
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	-	3,351	8,445	11,796
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2003	308	2,029	3,540	5,877
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	308	2,208	3,955	6,471
	<hr/>	<hr/>	<hr/>	<hr/>

Future capital expenditure authorised but not contracted for £4,000 (2002: £10,000)

Future capital expenditure contracted for but not provided in the accounts £137,000 (2002: £73,000).

13. INVESTMENTS

	2003 £'000	2002 £'000
At 1 January	6,421	6,281
Additions in year	313	140
	<hr/>	<hr/>
At 31 December	6,734	6,421
	<hr/>	<hr/>

During the year the company made an additional subscription to a joint venture in Japan which became active in September 2003. There was also an investment in a further joint venture in China.

14. STOCKS

	2003 £'000	2002 £'000
Raw materials and consumables	2,209	2,265
Work in progress	1,646	1,822
Finished goods	4,063	3,814
	<hr/>	<hr/>
	7,918	7,901
	<hr/>	<hr/>

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31st December 2003

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £'000	2002 £'000
Trade debtors	4,952	4,310
Amounts owed by group undertakings	3,003	3,103
Other debtors	2,134	2,220
	<u>10,089</u>	<u>9,633</u>

16. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003 £'000	2002 £'000
Amounts owed by group undertakings	6,982	7,336
Other debtors	396	360
	<u>7,378</u>	<u>7,696</u>

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £'000	2002 £'000
Trade creditors	2,935	2,717
Amounts owed to group undertakings	1,199	746
Taxation and social security	1,972	2,501
Accruals and deferred income	1,120	1,180
	<u>7,226</u>	<u>7,144</u>

The creditor for taxation and social security includes UK corporation tax payable amounting to £1,483,000 (2002: £2,055,000).

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

	2003 £'000	2002 £'000
Bank loans	12,681	12,688
Amounts owed to group undertakings	7,337	7,337
	<u>20,018</u>	<u>20,025</u>

On 11 August 1999, the company was a participant in a refinancing exercise for the ColArt Group, resulting in its existing bank loan being refinanced as part of a new credit arrangement. Part of this loan was restructured in 2002.

Interest on the bank loan has been fixed until 2008 at a variety of rates not greater than 8%.

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31st December 2003

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

The banking facilities are supported by the following:

- charge in the shares in the main subsidiary undertakings of ColArt Investments Limited.
- charge on the brands in the main subsidiary undertakings of ColArt Investments Limited.
- fixed and floating charge over the assets of ColArt group companies registered in the United Kingdom; and
- charge over some of the assets of overseas subsidiaries of the ColArt group.

In the opinion of the directors, repayment of the loan will be as follows:

	2003 £'000	2002 £'000
Between two and five years	12,681	11,288
In five years or more	-	1,400
	<u>12,681</u>	<u>12,688</u>

The amounts owed to subsidiary and fellow subsidiary undertakings have no fixed repayment terms, are secured and are non-interest bearing.

19. PROVISIONS FOR LIABILITIES AND CHARGES

	2003 £'000	2002 £'000
Accelerated capital allowances	557	564
Short term timing differences	357	448
Provision for deferred taxation	<u>914</u>	<u>1,012</u>
Deferred tax		
At 1 January	1,012	799
Charge to profit and loss account for year	(98)	213
At 31 December	<u>914</u>	<u>1,012</u>

Deferred tax has not been provided in respect of gains realised that have been rolled over into the acquisition cost of replacement assets. This tax will become payable if the replacement assets are sold and further roll over relief is not obtained. The estimated amount of tax which would become payable in these circumstances is £86,000. At present it is not envisaged that any tax will become payable in the foreseeable future.

20. CALLED UP SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised:		
8,000,000 ordinary shares of 25p each	2,000	2,000
Called up, allotted and fully paid		
5,856,000 ordinary shares of 25p each	<u>1,464</u>	<u>1,464</u>

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31st December 2003

21. PROFIT AND LOSS ACCOUNT

	2003 £'000	2002 £'000
At 1 January	12,693	10,360
Profit for the year	1,752	2,333
At 31 December	14,445	12,693

22. CONTINGENT LIABILITIES

As described in note 16, the banking facilities of the ColArt Investments Limited group are supported by the following:

- charge on the shares in the main subsidiary undertakings of ColArt Investment Limited.
- charge on the brands in the main subsidiary undertakings of ColArt Investments Limited.
- fixed and floating charge over the assets of ColArt group companies registered in the United Kingdom; and
- charge over some of the assets of overseas subsidiaries of the ColArt group.

23. OPERATING LEASE COMMITMENTS

The company is committed to making the following payments in respect of operating leases during the forthcoming year.

	2003 £'000	2002 £'000
Land and buildings:		
Expiry date - in over five years	306	471
Expiry date - between two and five years	165	-
Plant and machinery		
Expiry date - between two and five years	367	396
Expiry date - within one year	147	83
	985	950

NOTES TO THE ACCOUNTS
Year ended 31st December 2003

24. PENSION ARRANGEMENTS

The company participates in the ColArt Pension Scheme which provides members with defined benefits related to salary and service. During 2002, the Defined Benefit section of the Scheme was closed to new entrants and a Defined Contribution Section was introduced for new entrants joining from 1st August 2002. The Scheme's assets are held in a separate trustee administered pension fund.

The Scheme was formed on 1 April 2000, and is valued every three years by professionally qualified independent consulting actuaries. A formal valuation of the Scheme as at 1 April 2003 is currently in progress.

The company continues to account for pensions in accordance with SSAP 24 'Accounting for Pension Costs' and the disclosures given in (a) below relate to those required by that standard. The transitional disclosures required under FRS 17 'Retirement benefits' to the extent not given in (a) are set out in (b).

- (a) The preliminary results of the formal valuation of the scheme showed that as at 1 April 2003 the Scheme's assets were £18,881,000 in respect of liabilities accrued to 31 March 2003. The actuarial value of these assets represented 75% of the benefits that had accrued to the members based on service to that date allowing for assumed future salary increases. The Company paid contributions during the year at the full ongoing rate revealed by the previous valuation as at 1 April 2000.

The pension cost for the year to 31 December 2003 has been assessed in accordance with the advice of the consulting actuaries based on the results of the valuation carried out as at 1 April 2003. The calculations were performed using the projected unit method for pension benefits and the current cost method for lump sums on death in service and expenses of administration. The accounting deficit has been spread using the percentage of pay method. The actuarial assumptions adopted for determining pension costs and contribution rates were based on yields on government bonds as at 1 April 2003. The most important of these assumptions are as follows:

Rate of return on investments pre-retirement:	6.6% pa
Rate of return on investments post-retirement:	5.6% pa
Rate of increase in earnings:	3.6% pa
Rate of increase in the Lower Earnings Limit:	2.6% pa
Rate of pension increases:	2.5% pa

The total pension cost for the company for 2003 was £1,292,000. At the end of the year, the prepayment in the accounts amounts to £1,189,000.

(b) FRS17 Retirement benefits

Under the definitions set out in Financial Reporting Standard 17 Retirement Benefits, the ColArt pension scheme is a multi-employer pension scheme. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis. Accordingly, the company has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

The company's contribution rate depends on the surplus or deficit in the scheme and the rate is set for the scheme as a whole. The company is contributing 15.8% of pensionable earnings to the ColArt Pension Scheme, which is higher than the current service cost. The latest actuarial valuations of the scheme was carried out in April 2003. It has been updated to 31 December 2003 by qualified independent actuaries using revised assumptions that are consistent with FRS 17.

The deficit in the scheme at 31 December 2003 was £10,062,000 (2002; £7,033,000).

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31st December 2003

25. INTEREST IN SUBSIDIARY UNDERTAKINGS

In the opinion of the directors, the aggregate value of the company's interests in its subsidiary undertakings and joint venture undertakings are not less than the aggregate of the amount at which the shares in and the amount owing from the company's subsidiary undertakings are included in the company's balance sheet.

The company held the following significant interests at 31 December 2003:

	Country of incorporation	Class of share	Percentage held	Nature of business
Crown Artist Brush Limited	England	Ordinary	100%	Brush manufacture
ColArt Hong Kong Limited	Hong Kong	Ordinary	100%	Selling and Distribution
Mirum Products Limited	England	Ordinary	100%	Tube manufacture
Oasis Art & Craft Products Limited	England	Ordinary	100%	Assembly and distribution of children's creative products
ColArt Tianjin Art Materials Company Limited	Peoples Republic of China	Registered capital	60%	Colour manufacture
Bonny ColArt Company Limited	Japan	Registered capital	50%	Packaging and distribution of artists materials
Jinhua Universal Canvas Manufacturing Company Limited	Peoples Republic of China	Registered capital	30%	Canvas manufacture

26. RELATED PARTY TRANSACTIONS

During the year the company undertook business transactions with other Becker group companies as listed in the published accounts of Wilhelm Becker AB.

Due to the similar nature of these transactions the amounts for all companies have been aggregated as follows:

	2003 £'000	2002 £'000
Purchases	7,010	6,408
Sales	18,965	19,212
Stock transfers	-	54
Management and technical expertise provided	1,115	1,035
Management charges paid	78	70
Royalties received	412	399
Other payments made	75	63

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31st December 2003

27. HOLDING COMPANIES

The immediate holding company is ColArt International Holdings Limited incorporated in Great Britain and registered in England and Wales.

The ultimate UK holding company is Wilhelm Becker Limited incorporated in Great Britain and registered in England and Wales.

The ultimate holding company is Lindengruppen AB, a company incorporated and registered in Sweden. The parent company of the largest and smallest group of which the company is a member and for which group financial statements are drawn up is Wilhelm Becker AB, a company incorporated and registered in Sweden.

Copies of the consolidated financial statements of Wilhelm Becker AB can be obtained from Bruksgården, SE-268 83, Hoganas, Sweden.