

**COLART FINE ART & GRAPHICS
LIMITED**

Directors' Report and Financial Statements

Year ended 31 December 2010



COLART FINE ART & GRAPHICS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2010

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COLART FINE ART & GRAPHICS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2010

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P Aston	resigned 23 4 2010
R J Goodban	resigned 9 3 2010
J R Keightley	
N Robson	
R C Woolard	appointed 9 3 2010
S P Chamberlain	appointed 9 3 2010

SECRETARY

J R Keightley

REGISTERED OFFICE

Whitefriars Avenue
Wealdstone
Harrow
Middlesex

BANKERS

Nordea Bank Finland Plc
55 Basinghall Street
London

SOLICITORS

Macfarlanes
10 Norwich Street
London

AUDITORS

KPMG LLP
Chartered Accountants
15 Canada Square
London

COLART FINE ART & GRAPHICS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2010

ACTIVITIES

The principal activity of the company is the manufacture and distribution of art and craft materials. There are two areas of major structuring taking place during 2010/2011, the details of which are set out below

BUSINESS REVIEW AND RESULTS

The company's profit for the financial year is £4,248,000 (2009 £3,354,000). No interim dividend was paid during the year (2009 £4,000,000). The directors do not recommend that a final dividend be paid (2009 £nil)

TRADING

Turnover for the year showed an increase of £5.6 million or 16% over 2009. This increase was a combination of a bounce back of sales to overseas markets and a much more favourable exchange rate.

Factory costs were controlled very tightly as were capital spend, stock levels and debtors.

Operating profit showed an increase of £6.0 million or 125% most of which arose from the sales increase.

RESTRUCTURING WITHIN EUROPE – POST BALANCE SHEET EVENT

During 2010 the Board of the ColArt Group has decided to consolidate its manufacturing base for the manufacture of Artists Colour in Europe. Manufacture at the site of ColArt Fine Art & Graphics Ltd in Wealdstone will therefore cease during 2011 and be moved to another ColArt Group site in France. The servicing of all overseas customers will also move to France. This decision will result in approximately 190 redundancies. The servicing of all UK customers will move to the previous site of Oasis Art & Craft Products Ltd in Kidderminster. The costs relating to the redundancies are included in the 2010 exceptional costs as set out in the Profit and Loss account.

RESTRUCTURING WITHIN THE UK – POST BALANCE SHEET EVENT

On 1st January 2011 the trade and assets of Oasis Art & Craft Products Ltd, previously a subsidiary of ColArt Fine Art & Graphics Ltd, were transferred to ColArt Fine Art & Graphics Ltd. The purpose of this transfer is to enable the servicing of the Companies customer bases to be more efficient and cost effective.

OUTLOOK

The company owns the brand of Winsor & Newton. In future years the profit of the company will consist of the profit from UK sales plus a brand royalty relating to all Winsor & Newton sales world wide.

PRINCIPAL RISKS

The company continues to take actions to manage its foreign currency exposure, which represents a key financial risk to the company. This includes entering into forward exchange contracts for the currencies for which the exchange risk is greatest.

The company manages its credit risk by making sure all new customers are credit checked, that credit limits are set and that the large majority of international accounts are insured.

Interest rate risk is managed by group since all company financing was taken over in June 2007.

PAYMENTS TO SUPPLIERS

The company is responsible for agreeing the terms and conditions under which business transactions with suppliers are conducted. The majority of the company's suppliers, including group suppliers, have terms between 30 days and 60 days. The average number of days represented by the trade creditors is 49 days (2009 51 days).

COLART FINE ART & GRAPHICS LIMITED

DIRECTORS' REPORT (CONTINUED)

GOING CONCERN

After making enquiries, the directors have formed a judgement at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

FINANCIAL INSTRUMENTS

At the balance sheet date the company had forward currency contracts which had a mark to market value of £59,038 (2009 £570,000)

CHARITABLE AND POLITICAL DONATIONS

Charitable donations of £300 (2009 £100) were made during the year. There were no political donations during the year (2009 nil).

DIRECTORS

The following directors held office during the year,

J R Keightley

R J Goodban (resigned 9/3/2010)

P Aston (resigned 23/4/2010)

N Robson

R C Woolard (appointed 9/3/2010)

S P Chamberlain (appointed 9/3/2010)

The company maintains insurance to provide liability cover for directors and officers of the company.

The interests of the directors in the ultimate ColArt Group UK holding company, ColArt International Holdings Limited, are as set out in the accounts of that company.

PENSION SCHEME

The company participates in the ColArt Pension Scheme which has both a Defined benefit and a Defined contribution section. The ColArt Pension Scheme is a multi-employer scheme. The company was previously unable to identify its share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis but during the year an exercise has been completed to enable a reasonable split to be made. Accordingly, the company previously accounted for its contributions to the Scheme as if it were a defined contribution scheme but for this year a full FRS17 declaration has been made.

The latest actuarial valuation of the scheme was carried out in April 2009. It has been updated to 31 December 2010 by qualified independent actuaries using revised assumptions that are consistent with FRS 17.

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

DIRECTORS' REPORT (CONTINUED)

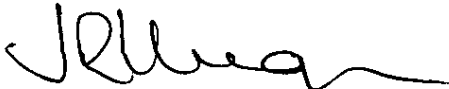
DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

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



Secretary

JANET KEIGHTLEY

13th June 2011

Whitefriars Avenue
Wealdstone
Harrow
Middlesex

COLART FINE ART & GRAPHICS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLART FINE ART & GRAPHICS LIMITED

We have audited the financial statements of ColArt Fine Art & Graphics Limited for the year ended 31 December 2010, comprising the profit and loss account, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Virginia J Stevens (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

London
16th June 2011

COLART FINE ART & GRAPHICS LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2010

	Note	2010 £'000	2009 £'000
TURNOVER	2	41,293	35,719
Cost of sales		(23,496)	(22,210)
GROSS PROFIT		17,797	13,509
Distribution costs		(6,610)	(6,141)
Administrative expenses		(4,687)	(4,801)
Other operating income		4,385	2,274
OPERATING PROFIT		10,885	4,841
Exceptional Items	5	(5,517)	-
Interest payable and similar charges	7	(234)	(209)
Income from Fixed asset investments	8	228	503
Other interest receivable and similar income	9	33	74
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	5,395	5,209
Tax on profit on ordinary activities	10	(1,147)	(1,855)
PROFIT FOR THE FINANCIAL YEAR	23	4,248	3,354

The above results all arise from continuing activities

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Profit for the financial year		4,248	3,354
Actuarial (loss) recognised in the pension scheme	21	(267)	-
Deferred tax asset recognised on actuarial loss	18	75	
Total recognised gains relating to the year		4,056	3,354

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 31 December 2010

		2010 £'000	2009 £'000
Profit for the financial year		4,248	3,354
Dividend paid on equity shares	11	-	(4,000)
Other recognised (losses) relating to the year		(192)	-
Movement on shareholders' funds in year		4,056	(646)
Opening Shareholders' funds		13,292	13,938
Impact of full FRS17 disclosure accounting		(9,156)	-
Closing shareholders' funds		8,192	13,292

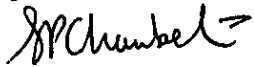
COLART FINE ART & GRAPHICS LIMITED

BALANCE SHEET 31 December 2010


	Note	2010 £'000	2009 £'000
FIXED ASSETS			
Intangible assets	12	-	-
Tangible assets	13	2,924	4,718
Investments	14	8,603	8,787
		<u>11,527</u>	<u>13,505</u>
CURRENT ASSETS			
Stocks	15	5,737	5,402
Debtors amounts falling due within one year	16	19,447	8,682
Debtors amounts falling due after one year	17	1,576	1,719
		<u>26,760</u>	<u>15,803</u>
CREDITORS: amounts falling due within one year	19	<u>(11,499)</u>	<u>(8,094)</u>
NET CURRENT ASSETS		<u>15,261</u>	<u>7,709</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>26,788</u>	<u>21,214</u>
CREDITORS: amounts falling due after more than one year	20	<u>(7,922)</u>	<u>(7,922)</u>
NET ASSETS excluding Pension deficit		<u>18,866</u>	<u>13,292</u>
Pension Deficit	21	<u>(10,674)</u>	<u>-</u>
NET ASSETS including pension deficit		<u>8,192</u>	<u>13,292</u>
CAPITAL AND RESERVES			
Called up share capital	22	1,464	1,464
Profit and loss account	23	6,728	11,828
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>8,192</u>	<u>13,292</u>

These financial statements were approved by the Board of Directors on 13th June 2011

Signed on behalf of the Board of Directors


S Chamberlain

Director


J R Keightley
Director

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

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 is exempt by virtue s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking, AB Wilh Becker, includes the Company in its own published consolidated financial statements. Consequently these financial statements present the results of the company and not the group.

The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons:

The company is dependent for its working capital on funds provided to it by AB Wilh Becker, the company's ultimate parent through a Group cash pool arrangement with its principal bankers. AB Wilh Becker has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing its reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of the approval of these financial statements, they have no reason to believe that it will not do so.

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

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

1. ACCOUNTING POLICIES (CONTINUED)

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 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

Pension arrangements

The company participates in the ColArt Pension Scheme which has both a Defined benefit and a Defined contribution section. The Defined Benefit section of the Scheme was closed to new entrants and the Defined Contribution Section was introduced for new entrants joining from 1st August 2002. Following consultation during 2007 the Defined Benefit section of the scheme was changed to a CARE scheme for future accruals after 1 April 2007. The schemes 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

Under the definitions set out in *Financial Reporting Standard 17 Retirement Benefits*, the ColArt Pension Scheme is a multi-employer pension scheme. Previously, the company had taken advantage of the multi-employer exemption within FRS 17 and accounted for pension costs in line with the employer contributions paid. However, this was only permissible under the FRS whilst the net surplus/deficit could not be split between the individual participating companies. This position changed in the year ended 31 December 2010 as the Group was able to split the fund's assets/liabilities between participating companies with the help of its actuary. This exercise was undertaken for the current year only and as such the company remains unable to reliably estimate its share of the 2009 deficit, an adjustment to reserves has been made, in relation to this, in order to ensure that the yearend position is accurately stated

The latest actuarial valuation of the scheme was carried out in April 2009. It has been updated to 31 December 2010 by qualified independent actuaries using revised assumptions that are consistent with FRS 17

The Defined Contribution charge for the period represents contributions payable by the Company to the scheme and amounted to £182k (2009 £ 142k)

Stock

Stock is stated at the lower of cost and 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

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2010

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging the following

	2010 £'000	2009 £'000
Depreciation	700	761
Operating leases		
- hire of equipment	413	399
Impairment provision on Investments and loans	184	523
Remuneration of auditors		
- audit fees	31	30
	<u>700</u>	<u>761</u>

4. DIRECTORS' EMOLUMENTS AND INTERESTS

Emoluments paid directly by the company to the directors for duties undertaken on behalf of the company during the year were £255,666 (2009 £225,862)

Total remuneration paid for services to the Company was

	2010 £	2009 £
Aggregate emoluments	255,666	225,862
Company contributions to money purchase pension scheme	6,662	5,421

Retirement benefits are accruing to three directors under a defined benefit scheme and one director under a money purchase scheme

	2010 £	2009 £
Highest paid director		
Aggregate emoluments	101,811	92,017

5. EXCEPTIONAL EXPENSES

	2010 £000	2009 £000
Redundancy & Reorganisation Provision	(5,517)	-
Exceptional Expenses	(5,517)	

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2010

6. EMPLOYEE INFORMATION

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

	2010 Number	2009 Number
Sales and administration	104	108
Production	153	160
	<u>257</u>	<u>268</u>

Staff costs for the above persons

	2010 £'000	2009 £'000
Wages and salaries	8,747	8,624
Social security costs	811	760
Other pensions costs	841	1,178
	<u>10,399</u>	<u>10,562</u>

Following the pension scheme valuation as at April 2009 the method of calculating the pension deficit changed as of April 2010. Prior to this date, the employer's contribution towards the deficit was part of the overhead of 19% of the employer's contribution for the active Defined Benefit scheme members. As of April 2010 the employer's contribution on active members relates solely to the cost of providing the pension accrued in that year. The employer's contribution towards the scheme deficit is defined and paid according to a new schedule of contributions.

In the year there was a one-off credit of £1,913k which relates to pension curtailments due to changes in members benefits. The consultations period in relation to which ended on 31 March 2010 and the changes became effective as of 1 April 2010. In line with the requirements of FRS17 this amount has been included in the profit and loss statement for the year (within admin expenses).

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £'000	2009 £'000
Expected return on pension scheme assets	(2,289)	-
Interest on pension scheme liabilities	2,400	-
Interest payable on bank and other borrowings	123	209
	<u>234</u>	<u>209</u>

8. INCOME FROM FIXED ASSET INVESTMENTS

	2010 £'000	2009 £'000
Income from fixed asset investments (excluding group undertakings)	228	503
	<u>228</u>	<u>503</u>

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2010

9. OTHER INTEREST RECEIVABLE & SIMILAR INCOME

	2010 £'000	2009 £'000
Interest receivable	33	74
	<u>33</u>	<u>74</u>

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2010 £'000	2009 £'000
UK Corporation tax		
Current tax on profits for the period	846	1,881
Adjustments in respect of previous periods	-	141
	<u>846</u>	<u>2,022</u>
Double taxation relief	(193)	(104)
	<u>653</u>	<u>1,918</u>
Foreign taxation on income for the period	76	105
Total current tax charge	<u>729</u>	<u>2,023</u>
Deferred taxation (see note 18)		
Origination and reversal of timing differences	(356)	(168)
Movement for year on pension deficit	647	
Effects of decreased tax rate	127	-
	<u>1,147</u>	<u>1,855</u>
Tax on profit on ordinary activities	<u>1,147</u>	<u>1,855</u>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2009 higher) than the standard rate of corporation tax in the UK (28%, 2009 28%) The differences are explained below

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2010

10. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

	2010 £'000	2009 £'000
Current tax reconciliation		
Profit on ordinary activities before taxation	5,395	5,209
Current tax at 28% (2009 28%)	1,511	1,459
Effects of		
Expenses/(income) not deductible for tax purposes	(648)	334
Dividends/Fees relating to foreign subsidiaries	-	(29)
Depreciation for the period in excess of capital allowances	(17)	195
Dividends from UK subsidiaries	-	(112)
Foreign taxes not deductible for UK double taxation relief purposes	76	139
Double taxation relief	(193)	(104)
Adjustment to tax charge in respect of previous periods	-	141
Total current tax charge for the period	729	2,023

The UK corporation tax rate will reduce from 28% to 27% as of the 1 April 2011. This rate change will affect the amount of future tax payments made by ColArt Fine Art & Graphics and has also reduced the size of the deferred tax asset as at 31 December 2010.

11. DIVIDENDS

	2010 £'000	2009 £'000
Dividend on equity shares		
Interim dividend paid	-	4,000

12. INTANGIBLE FIXED ASSETS

	Patents and Trademarks £'000
Cost	
At 1 January 2010 and 31 December 2010	124
Accumulated depreciation	
At 1 January 2010 and 31 December 2010	124
Net book value	
At 1 January 2010 and 31 December 2010	-

The above intangible assets comprise patents and know-how

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2010

13. TANGIBLE FIXED ASSETS

	Freehold Land £'000	Freehold buildings £'000	Plant and Equipment £'000	Total £'000
Cost				
At 1 January 2010	308	6,256	15,249	21,813
Additions	-	-	201	201
Disposals	-	(1,041)	(2,751)	(3,792)
At 31 December 2010	308	5,215	12,699	18,222
Accumulated depreciation				
At 1 January 2010	-	4,341	12,754	17,095
Provided during year	-	69	631	700
Disposals	-	(540)	(1,957)	(2,497)
At 31 December 2010	-	3,870	11,428	15,298
Net book value				
At 31 December 2010	308	1,345	1,271	2,924
At 31 December 2009	308	1,915	2,495	4,718

Future capital expenditure authorised but not contracted for nil (2009 £74,775) Future capital expenditure contracted for but not provided in the accounts £219,267 (2009 £23,317)

14. INVESTMENTS

	2010 £'000	2009 £'000
At 1 January	8,787	8,927
Provision for impairment	(184)	(140)
At 31 December	8,603	8,787

Details of investments in subsidiary undertakings are contained in note 26

In the opinion of the Directors, except as noted, the value of the investment in subsidiaries and joint ventures is not less than the value at which they are included in the balance sheet. The impairment provision in 2010 of £184,000 relates to the investment in Mirum Products Limited. The impairment provision in 2009 of £140,000 relates to the investment in ColArt Camlin Canvas.

15. STOCKS

	2010 £'000	2009 £'000
Raw materials and consumables	1,794	1,353
Work in progress	1,121	1,425
Finished goods	2,822	2,624
	5,737	5,402

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2010

16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Trade debtors	3,668	4,211
Amounts owed by group undertakings	11,936	3,806
Other debtors	433	473
Deferred tax asset (see note 18)	3,410	192
	<u>19,447</u>	<u>8,682</u>

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

	2010 £'000	2009 £'000
Amounts owed by group undertakings	1,566	1,566
Other debtors	10	153
	<u>1,576</u>	<u>1,719</u>

18. DEFERRED TAX

	2010 £'000	2009 £'000
Net deferred tax asset at beginning of year	192	24
Initial recognition of deferred tax in relation to pension deficit	2,989	-
Charge/(credit) to the profit and loss for the year (Note 10)		
Movement for year relating to fixed assets	356	168
Effect of change in tax rate	(127)	-
	<u>3,410</u>	<u>192</u>

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Trade creditors	1,981	2,332
Amounts owed to group undertakings	2,265	2,300
Taxation and social security	1,109	2,045
Accruals and deferred income	6,144	1,417
	<u>11,499</u>	<u>8,094</u>

The creditor for taxation and social security includes UK corporation tax payable amounting to £ 586,000 (2009 £1,777,000)

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2010

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

	2010 £'000	2009 £'000
Finance provided by Group Facility	7,162	7,162
Amounts owed to group undertakings	760	760
	<u>7,922</u>	<u>7,922</u>

In June 2007 the financing arrangements for the AB Wilh Becker group including ColArt Fine Art & Graphics Ltd were restructured. ColArt Fine Art & Graphics Ltd is now dependent for its working capital on a facility provided by AB Wilh Becker, the company's ultimate parent company.

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

	2010 £'000	2009 £'000
Over five years	<u>7,162</u>	<u>7,162</u>

The amounts owed to group undertakings have no fixed repayment terms and are secured.

21. PENSION SCHEMES

Company UK Retirement Benefit Scheme

This is a defined benefit scheme operated by ColArt group of companies under which contributions were paid by members and the group into a fund. This fund is separate from the Groups finances and is administered by Trustees.

Previously, the company had taken advantage of the multi-employer exemption within FRS 17 and accounted for pension costs in line with the employer contributions paid. However, this was only permissible under the FRS whilst the net surplus/deficit could not be split between the individual participating companies. This position changed in the year ended 31 December 2010 as the Group was able to split the fund's assets/liabilities between participating companies with the help of its actuary. This exercise was undertaken for the current year only and as such the company remains unable to reliably estimate its share of the 2009 deficit, an adjustment to reserves has been made, in relation to this, in order to ensure that the yearend position is accurately stated.

The Group pays a monthly contribution of £78,000 towards the elimination of the deficit on the fund from April 2010.

A full actuarial valuation was carried out on the 1 April 2009 by a qualified independent actuary and was updated to 31 December 2010.

Pension benefits

The amounts recognised in the balance sheet are determined as follows

	2010 £'000
Present value of funded obligations	(45,995)
Fair value of plan assets	35,321
	<u>(10,674)</u>
Net liability in the balance sheet	

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2010

21. PENSION SCHEMES (CONTINUED)

The movement in the defined benefit obligations over the year is as follows

	2010 £'000
Defined benefit obligation at start of the year	43,824
Current service cost	637
Past service cost	(1,913)
Interest cost	2,400
Members contributions	384
Actuarial losses	1,975
Benefits paid	(1,312)
	<hr/>
Defined benefit obligation at end of the year	45,995

The movement in the fair value of plan assets if the year is as follows

	2010 £'000
Plan assets at start of year	31,107
Employer contributions	1,145
Member contributions	384
Benefit paid	(1,312)
Expected return on plan assets	2,289
Actuarial gain on plan assets	1,708
	<hr/>
Plan assets at end of year	35,321

The expense recognised in the income statement is as follows

	2010 £'000
Current service cost	637
Interest on plan obligation	2,400
Expected return on plan assets	(2,289)
Past service cost	(1,913)
	<hr/>
Total expense recognised in the profit and loss account	1,165

The actual return on plan assets was £3,997,000

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2010

21. PENSION SCHEMES (CONTINUED)

	2010 £'000
Statement of total recognised gains and losses (STRGL)	
Actual return less expected return on pension scheme assets	1,708
Experience gains and losses arising on the scheme liabilities	(671)
Changes in assumptions underlying the liabilities present value	(1,304)
	<hr/>
Actuarial gain/(loss) recognised in STRGL	(267)
	<hr/>

	2010 £'000
Movement in deficit during the year	
Deficit in scheme at beginning of the year	12,717
Current service cost	
Contributions	(1,145)
Other finance expenses	(1,165)
Actuarial loss/(gain)	267
	<hr/>
	10,674
	<hr/>

The principal actuarial assumptions used at the yearend were as follows

	2010 %
Discount rate	5.50%
Expected rate of return on plan assets	7.38%
Expected return on plan assets at beginning of the period	6.80%
Future salary increases	n/a
Inflation assumption	2.80%

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each territory

The mortality assumptions adopted at 31 December 2010 imply the following life expectancies

	2010
Male retiring at age 65 in 2010	23 1
Female retiring at age 65 in 2010	25 6
Male retiring at age 65 in 2030	25 1
Female retiring at age 65 in 2030	27 5

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2010

21. PENSION SCHEMES (CONTINUED)

The assets in the Scheme and the expected rate of return for 31 December 2010 were

	2010 Long term rate of return expected	Value £000
Equities	8.25%	27,424
Government Bonds	4.50%	5,651
Cash	4.50%	507
Corporate bonds	5.50%	1,739
	7.38%	35,321

The Group expects to contribute approximately £1,733,000 to its defined benefit scheme in the next financial year

	2010 £'000
Present value of defined benefit obligations	(45,995)
Fair value of plan assets	35,321
Net scheme (deficit)	(10,674)
Experience adjustment on plans liabilities	(671)
Experience adjustment on plan assets	1,708

22. CALLED UP SHARE CAPITAL

	2010 £'000	2009 £'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	1,464	1,464

23. PROFIT AND LOSS ACCOUNT

	2010 £'000	2009 £'000
At 1 January	11,828	12,474
Profit for the financial year	4,248	3,354
Dividend paid	-	(4,000)
Other recognised (losses) for the financial year	(192)	-
Impact of full FRS17 accounting in the year	(9,156)	-
At 31 December	6,728	11,828

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2010

24. CONTINGENT LIABILITIES

The company acts as guarantor on the lease for land and buildings of two of its subsidiary companies, Oasis Art & Craft Products Limited and Mirum Products Limited. It also guarantees one of the supplier balances of Oasis Art & Craft Products Limited to the amount of £60,000.

25. OPERATING LEASE COMMITMENTS

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

	2010 £'000	2009 £'000
Plant and machinery		
Expiry date - between two and five years	187	253
Expiry date - within one year	123	79
	<u>310</u>	<u>332</u>

26. 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 2010

	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	90%	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	60%	Canvas manufacture
Colart Camlin Canvas Private Limited	India	Ordinary	60%	Canvas manufacture
Snazaroo Holdings Limited	England	Ordinary	100%	Face paint manufacture

All of the above investments are held directly by the company

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2010

27. 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. At the year end there were outstanding creditor amounts of £2,015k (2009 £1,407k) and debtor amounts of £4,725k (2009 £4,429k).

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

	2010 £'000	2009 £'000
Sales	21,792	17,015
Purchases	8,120	5,908
Management and technical expertise provided	3,109	1,861
Management charges paid	-	89
Royalties received	829	738
Other payments made	2,243	1,842

28. HOLDING COMPANIES

The immediate holding company is ColArt Contract Manufacturing 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 AB Wilh Becker, a company incorporated and registered in Sweden.

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

29. SIGNIFICANT EVENTS AFTER THE YEAR END

On 1st January 2011 the trade and assets of Oasis Art & Craft Products Ltd, previously a subsidiary of ColArt Fine Art & Graphics Ltd, were transferred to ColArt Fine Art & Graphics Ltd. The purpose of this transfer was to enable the servicing of the Companies customer base to be more efficient and cost effective.

The Board of the ColArt Group has decided to consolidate its manufacturing base for the manufacture of Artists Colour in Europe. Manufacture at the site of ColArt Fine Art & Graphics Ltd in Wealdstone will therefore cease during 2011 and be moved to another ColArt Group site in France. The servicing of all overseas customers will also move to France. This decision will result in approximately 190 redundancies. The servicing of all UK customers will move to the previous site of Oasis Art & Craft Products Ltd in Kidderminster. The costs relating to the redundancies are included in the 2010 exceptional costs as set out in the Profit and Loss account.

A number of changes to the UK corporation tax system were announced in the March 2011 UK Budget Statement. A resolution passed by Parliament on 29 March 2011 has reduced the main rate of corporation tax to 26% from 1 April 2011. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is expected to be included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these

COLART FINE ART & GRAPHICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **Year ended 31 December 2010**

financial statements They are not anticipated to have a material impact on the financial statements of the Company