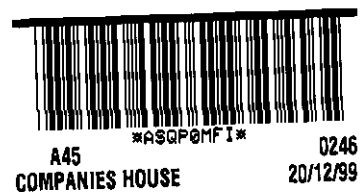


Magnolia Group Limited

Accounts 29 August 1999
together with directors' and auditors' reports

Registered number: 430745



Directors' report

For the year ended 29 August 1999

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 29 August 1999.

Principal activity

The principal activity of the company continues to be that of acting as the holding company for its subsidiaries, which are engaged in the manufacture of picture frame mouldings and the import and distribution of picture frame mouldings, framing equipment and accessories.

Results and dividends

Results for the year are as follows:

	£'000
Accumulated surplus, beginning and end of year	<u>1,546</u>

The directors do not recommend the payment of a dividend (1998 - £Nil).

Directors and their interests

The directors who served during the year and subsequently were as follows:

C A Ponzio (American)
J Ponzio (American)
R B Goodson (American)

None of the directors have any interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of its profit or loss for that period. In preparing those accounts, 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, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' report (continued)

Directors' responsibilities (continued)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts 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.

Year 2000

The company has recognised the century date change issue, and has established comprehensive plans to deal with all of the issues involved. The costs involved are not considered to materially add to general operating and capital expenditure.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Ship Canal House
King Street
Manchester
M2 4WB

By order of the Board



R B Goodson

Director

23 November 1999

Auditors' report

Birmingham

To the Shareholders of Magnolia Group Limited:

We have audited the accounts on pages 4 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on pages 1 and 2, the directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 29 August 1999 and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

1 Victoria Square
Birmingham
B1 1BD

23 November 1999

Balance sheet

29 August 1999

	Notes	1999 £'000	1998 £'000
Fixed assets			
Investments	3	<u>2,785</u>	<u>2,785</u>
Current assets			
Debtors	4	1,272	1,270
Cash at bank and in hand		<u>11</u>	<u>13</u>
		1,283	1,283
Creditors: Amounts falling due within one year	5	<u>(1,910)</u>	<u>(1,910)</u>
Net current liabilities		<u>(627)</u>	<u>(627)</u>
Net assets		<u>2,158</u>	<u>2,158</u>
Capital and reserves			
Called-up share capital	6	574	574
Share premium account		38	38
Profit and loss account		<u>1,546</u>	<u>1,546</u>
Total shareholders' funds, all equity		<u>2,158</u>	<u>2,158</u>

Signed on behalf of the Board

R B Goodson

Director



23 November 1999

The accompanying notes form an integral part of this balance sheet.

Notes to accounts

29 August 1999

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. In accordance with Section 228 of the Companies Act 1985, group accounts have not been prepared as the company is a wholly owned subsidiary of an EU parent which itself publishes consolidated accounts.

b) Going concern

The company has net current liabilities. The directors consider that it is appropriate to prepare the accounts on the going concern basis as the ultimate parent undertaking has undertaken to provide financial support to enable the company to meet its liabilities as they fall due.

c) Cash flow statement

Under the provisions of Financial Reporting Standard No. 1, the company has not prepared a cash flow statement as the ultimate parent undertaking prepares publicly available accounts which include the results of the company.

d) Investments

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

e) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated using the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

f) Pension costs

For defined benefit schemes, the amount charged to the profit and loss account in respect of pension costs is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll.

Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. The assets of the scheme are held separately from those of the company in separate trustee administered funds. Differences between amounts charged to the profit and loss account in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

g) Profit and loss account

As the company did not trade during the year or the preceding year, no profit and loss account has been prepared.

Notes to accounts (continued)

2 Staff costs

The company had no employees and the directors received no remuneration from the company in either year.

3 Investments

a) Principal investments

Subsidiary undertakings

Name	Country of incorporation and operation	Principal activity	Description and proportion of shares held by the company
Larson-Juhl UK Limited	England and Wales	Distributor of picture frame mouldings, framing equipment and accessories	Ordinary shares 100%
Lira a.s.	Czech Republic	Manufacturer and distributor of picture frame mouldings and picture frames. Retail outlets for pictures, frames and accessories	Ordinary shares 91.3%

b) Investments in subsidiary undertakings

	£'000
Cost	
Beginning and end of year	<u>3,285</u>
Amounts written off	
Beginning and end of year	<u>500</u>
Net book value	
Beginning and end of year	<u>2,785</u>

Notes to accounts (continued)

4 Debtors

	1999 £'000	1998 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	<u>1,272</u>	<u>1,270</u>

5 Creditors: Amounts falling due within one year

	1999 £'000	1998 £'000
Amounts owed to group undertakings	<u>1,910</u>	<u>1,910</u>

6 Called-up share capital

	1999 £'000	1998 £'000
<i>Authorised</i>		
6,500,000 ordinary shares of 10p each	<u>650</u>	<u>650</u>
<i>Allotted, called-up and fully-paid</i>		
5,737,207 ordinary shares of 10p each	<u>574</u>	<u>574</u>

7 Guarantees and other financial commitments

a) *Contingent liabilities*

The company is jointly and severally liable for secured loan and overdraft facilities granted to the Magnolia group of companies.

b) *Pension arrangements*

The company is party to a defined benefit pension scheme for the benefit of eligible employees of Magnolia Group Limited and its subsidiary undertakings, the assets of which are held in separate trustee administered funds. The basis of contribution is determined by an independent actuary according to the results of triennial valuations using the projected unit method. The last full valuation was made at 1 April 1996. The main actuarial assumptions used in the valuation were that the average investment yield would be 8% per annum and that pensionable earnings would increase on average by 6% per annum. At 1 April 1996 the market value of the scheme assets was £4,245,000, sufficient to cover 91% of the benefits that had accrued to members at that date.

No pension costs were charged to the profit and loss account in either year.

Notes to accounts (continued)

8 Ultimate parent undertaking and controlling party

The company is a subsidiary undertaking of Northampton Acquisition Limited, registered in England and Wales.

The largest group of which Magnolia Group Limited is a member and for which group accounts are drawn up is that headed by Albecca Inc., the ultimate parent undertaking and controlling party, incorporated in the USA, whose principal place of business is at 3900 Steve Reynolds Boulevard, Norcross, Georgia 30093, USA. These accounts are available to the public.

The smallest group is that headed by Northampton Acquisition Limited, whose principal place of business is at Ship Canal House, King Street, Manchester, M2 4WB.

9 Related party transactions

Related party transactions with other group members are not disclosed as more than 90% of the voting rights are controlled within the group and the consolidated accounts of Albecca Inc. are available to the public.