

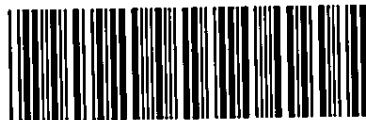
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THE ARTFUL GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2008

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THE ARTFUL GROUP LIMITED

COMPANY INFORMATION

DIRECTORS	ThreeV Directors LLP Mr S Soal Mr C de Vere Shaw
COMPANY SECRETARY	LPE Services Limited
COMPANY NUMBER	06092347
REGISTERED OFFICE	15 Whitcomb Street London WC2H 7HA
AUDITORS	Nexia Smith & Williamson Chartered Accountants & Registered Auditors No 1 Bishops Wharf Walnut Tree Close Guildford GU1 4RA

THE ARTFUL GROUP LIMITED

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THE ARTFUL GROUP LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2008

The directors present their report and the financial statements for the ten month period ended 31 December 2008.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activities of the company are the printing, distribution and wholesaling of fine art posters and prints, greetings cards and related products, primarily in the UK, but also via a small branch in the United States.

BUSINESS REVIEW

In July, 2008 the company commenced trading following the acquisition of the business of The Art Group Holdings Limited from the administrator of that company.

The business successfully re-commenced trading re-establishing strong relationships with over 800 artists to maintain a position as a market leader in contemporary art publishing and further developing the range of imagery and products.

The product portfolio includes limited edition prints, canvas prints, paper prints, a ready-to-hang collection, and greeting cards. Sold in over 30 countries worldwide the company supplies art to the very largest multiple retailers and to the very smallest independent stores.

All of the art is produced in Britain to the highest industry standards using locally sourced materials, thereby guaranteeing customers' high quality product.

RESULTS

The profit for the period, after taxation, amounted to £668,513 (2008 - £NIL).

DIRECTORS

The directors who served during the period were:

Mr G Arkell (appointed 4 July 2008, resigned 12 June 2009)
ThreeV Directors LLP (appointed 4 April 2008)
Three V Corporate Venturing LLP (resigned 4 April 2008)

The following directors were appointed after the period end:

Mr S Soal (appointed 11 June 2009)
Mr C de Vere Shaw (appointed 1 August 2009)

EVENTS SINCE THE END OF THE PERIOD

Since the period end, the company has relocated both of its manufacturing facilities onto one site in Northampton, UK. Significant investment has been made in this production facility enabling it to provide state-of-the art printing and assembly to its worldwide customers.

FUTURE DEVELOPMENTS

The business has strengthened its management team since the acquisition and, following the relocation to its new production facility, is well placed to capitalise on its advanced manufacturing capability and image libraries.

THE ARTFUL GROUP LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2008

EMPLOYEE INVOLVEMENT

The company is committed to involving all employees in the performance and development of the business. Its approach to employee development offers continual challenges in the job, learning opportunities and personal development.

DISABLED EMPLOYEES

It is the company's policy to give full consideration to suitable applications for employment of disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the company who become disabled to continue in their employment or to be retrained for other positions in the Group.

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

AUDITORS

Nexia Smith & Williamson were appointed as auditors subsequent to the period end.

This report was approved by the board on *23rd October 2009* and signed on its behalf.



Mr S Soal
Director

THE ARTFUL GROUP LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE PERIOD ENDED 31 DECEMBER 2008

The directors are responsible for preparing the Annual report and the financial statements and other information included in Annual reports in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements and other information included in Annual reports for each financial year. Under that law the directors have elected to prepare the financial statements and other information included in Annual reports in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements and other information included in Annual reports are required by law to 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 and other information included in Annual reports, 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 other information included in Annual reports;
- prepare the financial statements and other information included in Annual reports 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements and other information included in Annual reports 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.

Nexia Smith & Williamson

Independent auditors' report to the shareholders of The Artful Group Limited

We have audited the accounts of The Artful Group Limited for the ten month period ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 22. These accounts have been prepared under the accounting policies set out therein.

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 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts. We also report to you if, in our opinion, 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 the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the period then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

Nexia Smith & Williamson

Nexia Smith & Williamson
Chartered Accountants
Registered Auditors

No 1 Bishops Wharf
Walnut Tree Close
Guildford
GU1 4RA

Date

30 October 2009

THE ARTFUL GROUP LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 2008**

	Note	31 December 2008 £	29 February 2008 £
TURNOVER	1,2	12,570,190	-
Cost of sales		<u>(8,236,340)</u>	-
GROSS PROFIT		4,333,850	-
Administrative expenses		<u>(3,483,950)</u>	-
OPERATING PROFIT	3	849,900	-
Interest receivable		10,222	-
Interest payable	6	<u>(191,609)</u>	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		668,513	-
Tax on profit on ordinary activities	7	<u>-</u>	-
PROFIT CARRIED FORWARD		<u>668,513</u>	-

All amounts relate to continuing operations.

There were no recognised gains and losses for the period ended 31 December 2008 or the period ended 29 February 2008 other than those included in the profit and loss account.

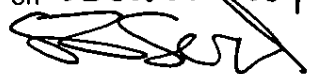
The notes on pages 7 to 16 form part of these financial statements.

THE ARTFUL GROUP LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2008**

		31 December 2008	29 February 2008
	Note	£	£
FIXED ASSETS			
Intangible fixed assets	8	(1,707,822)	-
Tangible fixed assets	9	1,811,979	-
Fixed asset investments	10	<u>2</u>	<u>-</u>
		104,159	-
CURRENT ASSETS			
Stocks	11	2,164,170	-
Debtors	12	4,631,461	-
Cash at bank and in hand		<u>77,640</u>	<u>1</u>
		6,873,271	1
CREDITORS: amounts falling due within one year	13	<u>(4,617,420)</u>	<u>-</u>
NET CURRENT ASSETS		<u>2,255,851</u>	<u>1</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,360,010	1
CREDITORS: amounts falling due after more than one year	14	<u>(1,591,495)</u>	<u>-</u>
NET ASSETS		<u><u>768,515</u></u>	<u><u>1</u></u>
CAPITAL AND RESERVES			
Called up share capital	16	2	1
Share premium account	17	100,000	-
Profit and loss account		<u>668,513</u>	<u>-</u>
SHAREHOLDERS' FUNDS	18	<u><u>768,515</u></u>	<u><u>1</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 October 2009



Mr S Soal
Director

The notes on pages 7 to 16 form part of these financial statements.
Company number 6092347

THE ARTFUL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practices. A summary of the more important accounting policies adopted are described below.

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention.

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts. Turnover is recognised on despatch.

1.3 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and loss account over its estimated economic life.

Negative goodwill is attributed to the non-monetary assets acquired on the business combination and is released to the profit and loss account as the non-monetary assets are written off to the profit and loss account.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

S/Term Leasehold Property	-	100% over the remaining life of the lease
Plant & machinery	-	15-33% straight line
Fixtures & fittings	-	15-33% straight line
Office equipment	-	15-33% straight line

1.5 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.6 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

THE ARTFUL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES (continued)

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.9 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

1.10 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the period.

2. TURNOVER

The whole of the turnover is attributable to the sale of fine art posters and prints, greetings cards and related products.

A geographical analysis of turnover is as follows:

	31 December 2008 £	29 February 2008 £
UK	4,420,385	-
Other EU	4,952,795	-
Rest of world	3,197,010	-
	<u>12,570,190</u>	<u>-</u>

THE ARTFUL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	31 December 2008 £	29 February 2008 £
Amortisation - intangible fixed assets	(1,491,556)	-
Depreciation of tangible fixed assets:		
- owned by the company	387,692	-
- held under finance leases	45,889	-
Auditors' remuneration	23,502	-
Operating lease rentals:		
- plant and machinery	79,401	-
Difference on foreign exchange	<u>(91,051)</u>	-

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	31 December 2008 £	29 February 2008 £
Wages and salaries	3,069,138	-
Social security costs	294,382	-
Other pension costs	18,832	-
	<u>3,382,352</u>	-

The average monthly number of employees, including the directors, during the period was as follows:

	31 December 2008 No.	29 February 2008 No.
Production and printing	116	-
Design and product development	11	-
Sales	32	-
Administration	18	-
	<u>177</u>	-

5. DIRECTORS' REMUNERATION

	31 December 2008 £	29 February 2008 £
Emoluments	<u>145,353</u>	-

THE ARTFUL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2008**

6. INTEREST PAYABLE

	31 December 2008 £	29 February 2008 £
On bank loans and overdrafts	1,255	-
On other loans	125,028	-
On finance leases and hire purchase contracts	13,773	-
On amounts due to factor	51,553	-
	<u>191,609</u>	<u>-</u>

7. TAXATION

	31 December 2008 £	29 February 2008 £
UK corporation tax charge on profit for the period	<u>-</u>	<u>-</u>

Factors affecting tax charge for the period

The tax assessed for the period is lower than (February 2008 - the same as) the standard rate of corporation tax in the UK (30%). The differences are explained below:

	31 December 2008 £	29 February 2008 £
Profit on ordinary activities before tax	<u>668,513</u>	<u>-</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (February 2008 - 30%)	200,554	-
Effects of:		
Expenses not deductible for tax purposes	10,128	-
Depreciation in excess of capital allowances	64,591	-
Tax losses carried forward	48,892	-
Write back of negative goodwill not taxable	(324,165)	-
	<u>-</u>	<u>-</u>
Current tax charge for the period (see note above)	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

Future tax charges may be affected by the utilisation of tax losses of £162,000 (2008 - nil) or the recognition of associated deferred tax assets.

THE ARTFUL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2008**

8. INTANGIBLE FIXED ASSETS

	Goodwill £
Cost	
At 1 March 2008	-
Additions	<u>(3,199,378)</u>
At 31 December 2008	<u>(3,199,378)</u>
Amortisation	
At 1 March 2008	-
Credit for the period	<u>(1,491,556)</u>
At 31 December 2008	<u>(1,491,556)</u>
Net book value	
At 31 December 2008	<u>(1,707,822)</u>
At 29 February 2008	<u>-</u>

9. TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and machinery £	Furniture, fittings and equipment £	Total £
Cost				
At 1 March 2008	-	-	-	-
Additions	12,038	1,829,865	403,657	2,245,560
At 31 December 2008	<u>12,038</u>	<u>1,829,865</u>	<u>403,657</u>	<u>2,245,560</u>
Depreciation				
At 1 March 2008	-	-	-	-
Charge for the period	12,038	306,973	114,570	433,581
At 31 December 2008	<u>12,038</u>	<u>306,973</u>	<u>114,570</u>	<u>433,581</u>
Net book value				
At 31 December 2008	<u>-</u>	<u>1,522,892</u>	<u>289,087</u>	<u>1,811,979</u>
At 29 February 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

THE ARTFUL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008

9. TANGIBLE FIXED ASSETS - continued

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	31 December 2008 £	29 February 2008 £
Plant and machinery	<u>423,476</u>	-

10. FIXED ASSET INVESTMENTS

The company owns the entire ordinary share capital of TAG P.O.S. Limited and TAG B Limited. Both companies are registered in England and Wales and are dormant.

11. STOCKS

	31 December 2008 £	29 February 2008 £
Raw materials	839,787	-
Finished goods and goods for resale	1,324,383	-
	<u>2,164,170</u>	-

12. DEBTORS

	31 December 2008 £	29 February 2008 £
Trade debtors	3,284,174	-
Other debtors	1,034,559	-
Called up share capital not paid	100,001	-
Prepayments and accrued income	212,727	-
	<u>4,631,461</u>	-

THE ARTFUL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2008**

**13. CREDITORS:
Amounts falling due within one year**

	31 December 2008 £	29 February 2008 £
Debenture loans	700,000	-
Net obligations under finance leases and hire purchase contracts	142,199	-
Trade creditors	780,921	-
Bills of exchange	847,168	-
Amounts owed to group undertakings	2	-
Social security and other taxes	962,347	-
Other creditors	555,687	-
Accruals and deferred income	629,096	-
	<u>4,617,420</u>	<u>-</u>

The proceeds of factored debts are secured on the associated trade debtors, are repayable within three months and bear interest at 1.75% over base rate.

**14. CREDITORS:
Amounts falling due after more than one year**

	31 December 2008 £	29 February 2008 £
Debenture loans	1,450,000	-
Net obligations under finance leases and hire purchase contracts	141,495	-
	<u>1,591,495</u>	<u>-</u>

The debenture loan, which was re-scheduled following the period end, is repayable between June, 2009 and June, 2010. The debenture is secured by a fixed and floating charge over the assets of the company and bears interest at the higher of 10% or Barclays Bank plc base rate plus 6%, rising to the higher of 15% or Barclays Bank plc base rate plus 6% with effect from June, 2009.

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	31 December 2008 £	29 February 2008 £
Between one and five years	<u>141,495</u>	<u>-</u>

THE ARTFUL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2008**

15. DEFERRED TAXATION

	31 December 2008 £	29 February 2008 £
At beginning and end of period	<u>-</u>	<u>-</u>

The unrecognised deferred tax asset is made up as follows:

	31 December 2008 £	29 February 2008 £
Tax losses carried forward	<u>48,892</u>	<u>-</u>
	48,892	-
Amounts not recognised	<u>(48,892)</u>	<u>-</u>
	-	-
Discounted provision for deferred tax	<u>-</u>	<u>-</u>

The deferred tax asset has not been recognised as its future recover is uncertain.

16. SHARE CAPITAL

	31 December 2008 £	29 February 2008 £
Authorised		
160,000- A Ordinary shares of 1p each	1,600	-
40,000- B Ordinary shares of 1p each	400	-
200,000- Ordinary shares of 1p each	-	2,000
	<u>2,000</u>	<u>2,000</u>
Allotted, called up and fully paid		
50- A Ordinary shares of 1p each	1	-
50- B Ordinary shares of 1p each	1	-
100- Ordinary shares of 1p each	-	1
	<u>2</u>	<u>1</u>

THE ARTFUL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008

16. SHARE CAPITAL - continued

During the period, the company issued 50 A ordinary shares of 1 p each at no premium and 50 B Ordinary shares of £1 each at a premium of £2,000 per share. Under the terms of the subscription agreement the 50 "B" Ordinary Shares issued to Mr G Arkell have been forfeited. On 19th August, 2009 the company approved a special resolution to reduce its share capital by the cancellation of these 50 "B" Ordinary shares.

The holders of the A Ordinary shares have the right to appoint and remove directors, and no business can be transacted unless one of the directors so appointed is present at any meeting of the directors.

The holders of the A Ordinary shares have preemption rights over the B Ordinary shares; any shares so transferred are redesignated as A Ordinary shares and any A ordinary shares transferred to holders of B Ordinary shares are redesignated as B Ordinary shares. In other respects the A and B shares rank pari pasu.

17. RESERVES

	Share premium account £
Premium on shares issued during the period	100,000
	<hr/>
At 31 December 2008	<u>100,000</u>

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	31 December 2008 £	29 February 2008 £
Opening shareholders' funds	1	1
Profit for the period	668,513	-
Shares issued during the period	1	-
Share premium on shares issued (net of expenses)	<u>100,000</u>	<u>-</u>
Closing shareholders' funds	<u>768,515</u>	<u>1</u>

19. OPERATING LEASE COMMITMENTS

At 31 December 2008 the company had annual commitments under non-cancellable operating leases as follows:

	31 December 2008 £	29 February 2008 £
Expiry date:		
Within one year	49,000	-
Between two and five years	<u>80,000</u>	<u>-</u>