

Falcon Fine Art Limited

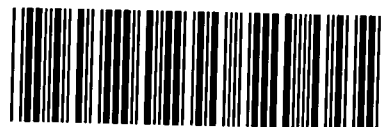
Annual Report and Financial Statements

Year Ended

31 January 2018

Company Number 07873386

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Falcon Fine Art Limited

Report and financial statements for the year ended 31 January 2018

Contents

Page:

1	Directors' report
5	Independent auditor's report
8	Statement of comprehensive income
9	Statement of financial position
10	Statement of changes in equity
11	Notes forming part of the financial statements

Directors

C J P Howarth
W F Nagle (resigned 23rd March 2018)
G Barrett (appointed 23rd March 2018)
M S B Wyatt (appointed 23rd March 2018)

Secretary

P A Stenning (resigned 11th May 2018)
N J Brown (appointed 11th May 2018, resigned 30th June 2018)
D Dave (appointed 30th June 2018)

Registered office

Falcon House, 60-62 Lombard Street, London, EC3V 9EA

Company number

07873386

Statutory auditor

BDO LLP, 55 Baker Street, London, W1U 7EU

Falcon Fine Art Limited

Directors' Report for the year ended 31 January 2018

The directors present their annual report together with the audited financial statements for the year ended 31 January 2018.

Principal activities and trading review

The principal activity of the Company is to provide support services to Falcon Fine Art Financing and its subsidiaries, companies under common control.

On 13 September 2017 the company sold its subsidiary companies to Falcon Group Holdings (Cayman) Limited, a related party, at fair value. The ultimate parent company, Rhone Trustees (Bahamas) Limited, remained unchanged. The company will continue to trade by providing support services to the former subsidiaries at a mark up on cost.

The directors are satisfied with the results for the year.

Results and dividends

The statement of comprehensive income is set out on page 8 and shows a loss of US\$1,371,684 for the year (2017: loss of US\$3,144,693).

On 13 September 2017 the company sold its subsidiary companies to Falcon Group Holdings (Cayman) Limited, a related party, at fair value. The ultimate parent company, Rhone Trustees (Bahamas) Limited, remained unchanged.

The share premium account was transferred to the profit and loss account during the year.

The directors do not recommend the payment of a final dividend for the year ended 31 January 2018 (2017: US\$Nil). An interim dividend totalling US\$10,000,000 was paid on 13 September 2017 in respect of the year ending 31 January 2018 (2017: US\$Nil).

Directors

The directors of the company during the year and at the date of signing were:

C J P Howarth
W F Nagle (resigned 23rd March 2018)
G Barrett (appointed 23rd March 2018)
M S B Wyatt (appointed 23rd March 2018)

Directors' responsibilities

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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.

Falcon Fine Art Limited

Directors' report for the year ended 31 January 2018 (continued)

Directors' responsibilities (continued)

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 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.

Disclosure of information to auditor

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

- so far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Statutory auditor

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

On behalf of the Board



G Barrett
Director

31 October 2018

Falcon Fine Art Limited

Independent auditor's report to the members of Falcon Fine Art Limited for the year ended 31 January 2018

Opinion

We have audited the financial statements of Falcon Fine Art Limited ("the Company") for the year ended 31 January 2018 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Falcon Fine Art Limited

Independent auditor's report to the members of Falcon Fine Art Limited for the year ended 31 January 2018 (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Director's report.

We have nothing to report in respect of the following matters in relation to which 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; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Falcon Fine Art Limited

**Independent auditor's report to the members of Falcon Fine Art Limited
for the year ended 31 January 2018 (continued)**

Use of our report

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 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.

BDO LLP

Vanessa Bradley (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
31 October 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Falcon Fine Art Limited

Statement of comprehensive income for the year ended 31 January 2018

	Note	2018 US\$	2017 US\$
Revenue	3	1,120,895	1,039,177
Administrative expenses	4	(1,607,937)	(4,183,870)
Loss on sale of investment	5	(895,990)	-
Finance income on bank deposits		11,348	-
		<hr/>	<hr/>
Operating loss on ordinary activities before taxation	6	(1,371,684)	(3,144,693)
Taxation	8	-	-
		<hr/>	<hr/>
Loss and total comprehensive loss for the year		<u>(1,371,684)</u>	<u>(3,144,693)</u>

The notes on pages 11 to 17 form part of these financial statements.

Falcon Fine Art Limited

Statement of financial position at 31 January 2018

Company number 07873386	Note	2018 US\$	2018 US\$	2017 US\$	2017 US\$
Fixed assets					
Investments	9		-		1
Current assets					
Debtors	10	617,833		17,583,837	
Cash at bank and in hand		2,664,782		118,760	
		<u>3,282,615</u>		<u>17,702,597</u>	
Creditors: amounts falling due within one year	11	(877,662)		(3,925,961)	
Net current assets			<u>2,404,953</u>		<u>13,776,636</u>
Net assets			<u>2,404,953</u>		<u>13,776,637</u>
Capital and reserves					
Called up share capital	12		1,700		1,700
Share premium	13		-		19,999,980
Profit and loss account	13		2,403,253		(6,225,043)
			<u>2,404,953</u>		<u>13,776,637</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the Board of Directors and authorised for issue on 31 October 2018.


G Barrett
Director

The notes on pages 11 to 17 form part of these financial statements.

Falcon Fine Art Limited

Statement of changes in equity for the year ended 31 January 2017

	Share capital US\$	Share premium US\$	Profit and loss account US\$	Total equity US\$
Balance at 1 February 2016	1,700	19,999,980	(3,080,350)	16,921,330
Loss for the year	-	-	(3,144,693)	(3,144,693)
Balance at 31 January 2017	1,700	19,999,980	(6,225,043)	13,776,637
Balance at 1 February 2017	1,700	19,999,980	(6,225,043)	13,776,637
Transfer of share premium to profit and loss account (note 13)	-	(19,999,980)	19,999,980	-
Dividends paid to owners (note 15)	-	-	(10,000,000)	(10,000,000)
Loss for the year	-	-	(1,371,684)	(1,371,684)
Balance at 31 January 2018	1,700	-	2,403,253	2,404,953

The notes on pages 11 to 17 form part of these financial statements.

Falcon Fine Art Limited

Notes forming part of the financial statements for the year ended 31 January 2018

1 Accounting policies

General information

Falcon Fine Art Limited is a private company, limited by shares, incorporated in England & Wales under the Companies Act 2006. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the Directors' report.

Basis of preparation

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

Functional and presentational currency

These financial statements are presented in US Dollars (US\$), since that is the functional and presentational currency of the Company.

Financial reporting standard 102 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 'The Financial Reporting standard applicable in the UK and Republic of Ireland'.

- The requirements of Section 4 Statement of Financial Position paragraph 4.12 (a)(iv)
- The requirements of section 7 Statement of Cash Flows;
- The requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- The requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- The requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29.

Revenue recognition

Revenue is generated from interest income received on a loan to Falcon Fine Art Financing. Revenue is recognised on an accruals basis.

Other income arises from services recharged to a related party at a mark-up on an accruals basis.

Finance income

Finance income is income from bank deposits and is recognised on an accruals basis.

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Foreign currency translation

Foreign currency transactions are translated into the Company entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of comprehensive income.

Foreign exchange gains and losses are presented in the statement of comprehensive income within 'administrative expenses'.

Falcon Fine Art Limited

Notes forming part of the financial statements for the year ended 31 January 2018 (continued)

1 Accounting policies (continued)

Financial assets

Financial assets, other than investments, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the company can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Falcon Fine Art Limited

Notes forming part of the financial statements for the year ended 31 January 2018 (*continued*)

1 Accounting policies (*continued*)

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Pension costs

Contributions to the Company's defined contribution pension scheme are charged to the statement of financial position in the year in which they become payable.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment of assets: Management is required to assess the recoverability of trade and other receivables and exercises judgment when determining the value of any impairments. Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under terms receivable, the amount of such a provision being the difference between the net carrying amount and present value of the future expected cash flows associated with the impaired receivable.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Taxation: Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Falcon Fine Art Limited

Notes forming part of the financial statements
for the year ended 31 January 2018 (continued)

3 Revenue

	2018 US\$	2017 US\$
Interest received on loan to Falcon Fine Art Financing Limited	713,993	1,039,177
Other income	406,902	-
	<u>1,120,895</u>	<u>1,039,177</u>

All revenue is generated within the United Kingdom.

4 Administrative expenses

	2018 US\$	2017 US\$
Staff costs (note 7)	801,431	955,401
Recharge of costs by fellow subsidiary	410,203	551,785
Professional fees	145,736	848,306
Irrecoverable VAT	97,224	197,431
Insurance	58,459	1,494,126
Foreign exchange revaluation	44,068	(8,226)
Other costs	50,816	145,047
	<u>1,607,937</u>	<u>4,183,870</u>

5 Loss on sale of investment

On 13 September 2017 the Company sold its investment in Falcon Fine Art Financing Limited and subsidiary entities to Falcon Group Holdings (Cayman) Limited. Falcon Fine Art Limited disposed of the share capital with carrying value US\$1 and made a capital contribution to Falcon Fine Art Financing of US\$17,895,989 in exchange for proceeds of US\$17,000,000 paid partly in cash and partly by writing off a balance due to Falcon Group Holdings (Cayman) Limited from Falcon Fine Art Limited. The result is a loss of US\$895,990.

6 Operating loss on ordinary activities before taxation

	2018 US\$	2017 US\$
This is arrived at after charging/(crediting):		
Exchange differences	44,068	(8,226)
Auditors' remuneration:		
- audit services	13,306	15,823
- tax compliance	22,639	7,711
- other	18,696	-
	<u></u>	<u></u>

Falcon Fine Art Limited

Notes forming part of the financial statements
for the year ended 31 January 2018 (continued)

7 Employees

	2018 US\$	2017 US\$
Staff costs consist of:		
Wages and salaries	677,064	808,105
Social security costs	83,655	111,296
Pension costs	40,712	36,000
	<u>801,431</u>	<u>955,401</u>

The average number of employees during the year was 5 (2017 - 6).

Pension costs relate to Company contributions to employee's defined contribution pension scheme.

8 Taxation on loss on ordinary activities

	2018 US\$	2017 US\$
<i>Current tax</i>		
UK corporation tax on loss	-	-
	<u>-</u>	<u>-</u>

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to loss before tax. The differences are explained below:

	2018 US\$	2017 US\$
Loss on ordinary activities before tax	(1,371,684)	(3,144,694)
	<u>(1,371,684)</u>	<u>(3,144,694)</u>
Tax on loss on ordinary activities at standard corporation tax rate of 19.16% (2017: 20.00%)	(262,837)	(628,939)
Effects of:		
Expenses not deductible for tax purposes	187,313	3,576
Group relief surrendered	11,700	202,743
Adjust closing deferred tax to average rate	91,637	137,718
Adjust opening deferred tax to average rate	(84,437)	(49,550)
Deferred tax not recognised	56,624	334,452
	<u>56,624</u>	<u>334,452</u>
Tax charge for the year	-	-
	<u>-</u>	<u>-</u>

Provisions for liabilities and charges - deferred taxation

The group has a potential deferred tax asset of US\$720,669 (2017: US\$780,404) in respect of tax losses of US\$4,239,227 (2017: US\$3,906,143). Deferred tax asset has not been recognised in the financial statements due to the uncertainty of future profits to enable this asset to crystallise.

Falcon Fine Art Limited

Notes forming part of the financial statements
for the year ended 31 January 2018 (continued)

9 Investments

	Group undertakings US\$
Cost	
At 1 February 2017	1
Disposed of during the year	(1)
At 31 January 2018	-

Subsidiary	Country of incorporation	Interest	Voting power held	Principal activity
Falcon Fine Art Financing Limited	UK	0%	0%	Financing company
FFA 94 Limited*	UK	0%	0%	Trading company
FFA 95 Limited*	UK	0%	0%	Trading company
FFA 96 Limited*	UK	0%	0%	Trading company
FFA 97 Limited*	UK	0%	0%	Dormant company
FFA 98 Limited*	UK	0%	0%	Trading company
FFA 99 Limited*	UK	0%	0%	Trading company
FFA 100 Limited*	UK	0%	0%	Dormant company
FFA 101 Limited*	UK	0%	0%	Dormant company
FFA 102 Limited*	UK	0%	0%	Dormant company
FFA 103 Limited*	UK	0%	0%	Dormant company
FFA 104 Limited*	UK	0%	0%	Dormant company
FFA 105 Limited*	UK	0%	0%	Dormant company
FFA 106 Limited*	UK	0%	0%	Dormant company
FFA 107 Limited*	UK	0%	0%	Dormant company
FFA 108 Limited*	UK	0%	0%	Dormant company

* - indirectly held as entity is 100% subsidiary of Falcon Fine Art Financing Limited

All entities have 1 (2017: 1) allotted, called up and fully paid share of US\$1 (2017: US\$1)

On 13 September 2017 the Company sold its investment in Falcon Fine Art Financing Limited and subsidiary entities to Falcon Group Holdings (Cayman) Limited. See note 5 for further details.

Falcon Fine Art Limited is exempt from the requirement to prepare group accounts under the Companies Act 2006 section 399. The exemption applies because the group is small.

All subsidiary undertakings are registered at Falcon House, 60-62 Lombard Street, London, EC3V 9EA.

10 Debtors

	2018 US\$	2017 US\$
Other Debtors	10,146	-
Loan to subsidiaries (note 17)	-	17,524,370
Loan to related party (note 17)	607,687	59,467
	617,833	17,583,837

All amounts shown under debtors fall due for payment within one year.

Falcon Fine Art Limited

Notes forming part of the financial statements for the year ended 31 January 2018 (continued)

11 Creditors: amounts falling due within one year

	2018 US\$	2017 US\$
Taxation and social security	24,074	25,583
Other creditors	-	9,492
Amounts owed to related parties (note 17)	699,046	3,633,794
Accruals	154,542	257,092
	<u>877,662</u>	<u>3,925,961</u>

12 Share capital

	2018 Number	Allotted, called up and fully paid 2017 Number	2018 US\$	2017 US\$
Ordinary shares of £1 each	<u>1,700</u>	<u>1,700</u>	<u>1,700</u>	<u>1,700</u>

13 Reserves

Share premium

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Transfer of share premium to profit and loss account

On 14th September 2017, the share premium account was reduced by US\$10,000,000 by written resolution. On 31st October 2017, the share premium account was further reduced by US\$9,999,980 to US\$ nil by written resolution. Share premium was transferred to the profit and loss account in both instances.

14 Financial instruments

	2018 US\$	2017 US\$
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>3,272,471</u>	<u>17,702,597</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(853,588)</u>	<u>(3,900,378)</u>

Financial assets measured at amortised cost comprise cash and debtors (excluding prepayments and taxation).

Financial liabilities measured at amortised cost comprise creditors (excluding taxation).

Falcon Fine Art Limited

Notes forming part of the financial statements for the year ended 31 January 2018 (continued)

15 Dividends

On 14th September 2017, an interim dividend totalling US\$10,000,000 was paid to shareholders (2017: US\$ nil).

16 Key management personnel compensation

Key Management Personnel include the Directors who together have authority and responsibility for planning, directing and controlling the activities of the Company.

The total compensation paid to Key Management Personnel for services provided to the Company was US\$ Nil (2017 - US\$ Nil).

17 Related party disclosures

Receivables and payables with undertakings arise in the normal course of business due to the way in which cash resources and working capital are managed within the Company and entities under common control. Transactions are settled into and out of various group companies which are under common control of the shareholder. The year end balances are reconciled to consolidate the balance at the year end. These balances are unsecured, interest free and are repayable on demand. During the year, the company entered into the following transactions with related parties:

	Amounts (payable) / receivable at 1 February 2017 US\$	Repayments to/ (from) related party US\$	Payments made (on behalf of) / by the Company US\$	Recharged costs US\$	Amounts payable at 31 January 2018 US\$
Falcon Group Administrative Services (UK) Limited	(3,578,439)	4,464,749	(1,122,417)	(410,203)	(646,310)
Falcon Fine Art Holdings (Cayman)	(55,355)	2,619	-	-	(52,736)
Falcon Fine Art Financing Limited	17,524,370	(18,128,534)	90,957	1,120,894	607,687
	<u>13,890,576</u>	<u>(13,661,166)</u>	<u>(1,031,460)</u>	<u>710,691</u>	<u>(91,359)</u>

Falcon Fine Art Limited

Notes forming part of the financial statements for the year ended 31 January 2018 (continued)

17 Related party disclosures (continued)

The company pays Falcon Group Administrative Services (UK) Limited, a related party, for operational, legal and accounting support services, and is paid by Falcon Fine Art Finance Limited for support it provides. The amounts are included within the transactions above and the cost (incurred)/recharged during the year is shown below:

Amounts recharged to/(by) related party undertaking during the year ended 31 January 2018:

	2018 US\$	2017 US\$
Falcon Group Administrative Services (UK) Limited	(410,203)	(512,074)
Falcon Asset Finance (Cayman)	-	(39,710)
Falcon Fine Art Finance Limited	406,132	-

18 Ultimate parent company

At 31 January 2018 the company's immediate parent company was Falcon Fine Art Holdings (Cayman) Limited which is incorporated in the Cayman Islands. The company's ultimate parent company was Rhone Trustees (Bahamas) Limited, which is incorporated in the Bahamas. The sole ultimate controlling party is Kamel Alzarka.