

1

Bonhams & Brooks Limited

Report and financial statements 2005

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7

Bonhams & Brooks Limited

Report and financial statements 2005

Officers and professional advisers

Directors

R Brooks
M Barber
E Louwman
M Schalken

Secretary

C Watson

Registered office

Montpelier Galleries
Montpelier Street
Knightsbridge
London SW7 1HH

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Bonhams & Brooks Limited

Directors' report

The directors present their annual report and the audited financial statements for the financial year ended 31 December 2005.

Principal activity, business review and future developments

The principal activity of the company is that of an investment holding company.

The current level of activity is expected to continue for the foreseeable future.

Results and dividends

The company's financial result for the year was £nil. (2004: £3,529 loss). The directors do not recommend the payment of a dividend (2004 – £nil).

Directors and their interests

None of the directors had any interests in the shares of the company requiring disclosure under the Companies Act 1985. With the exception of R Brooks, none of the directors held interests in the shares of any other group company at 31 December 2005. R Brooks is a director of the ultimate parent company, Bonhams & Brooks PS&N Limited, and his interests are disclosed in the financial statements of that company.

The directors who served throughout the year were as follows:

R Brooks
M Barber
E Louwman
M Schalken

Financial and credit risk

The directors have no specific financial or credit risk policies as the company is not subject to credit risk. All costs incurred are recharged to other group companies.

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors of the company and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Other Matters

The company has no employees, and as such has no specific policies in this regard. In addition, the company made no charitable or political donations during the current or preceding financial year.

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



C Watson
Secretary

20th Oct 2006

Bonhams & Brooks Limited

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Bonhams & Brooks Limited

We have audited the financial statements of Bonhams & Brooks Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. These financial statements 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 financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

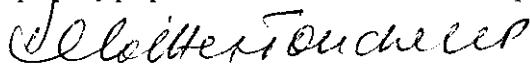
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2005 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

26 October 2006

Bonhams & Brooks Limited

Profit and loss account Year ended 31 December 2005

	Note	2005 £	2004 £
Operating profit		-	-
Impairment of investments	6	-	(3,529)
Loss on ordinary activities before interest and taxation		-	(3,529)
Interest receivable and similar income	4	204,745	33,917
Interest payable and similar charges	5	(204,745)	(33,917)
Loss on ordinary activities before taxation		-	(3,529)
Tax on loss on ordinary activities	3	-	-
Retained profit/(loss) for the financial year		-	(3,529)
Retained profit brought forward		13,623,607	13,627,136
Retained profit carried forward		13,623,607	13,623,607

There are no recognised gains or losses in either the current or previous financial years other than as disclosed in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented.

All transactions are derived from continuing activities.

Bonhams & Brooks Limited

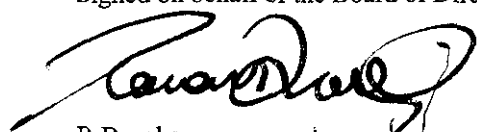
Balance sheet 31 December 2005

	Note	2005 £	2004 £
Fixed assets			
Investments	6	<u>54,202</u>	<u>54,202</u>
Current assets			
Debtors	7	<u>17,500,000</u>	<u>17,500,000</u>
Total assets less current liabilities		<u>17,554,202</u>	<u>17,554,202</u>
Creditors: amounts falling due after more than one year	8	<u>(3,700,000)</u>	<u>(3,700,000)</u>
Net assets		<u><u>13,854,202</u></u>	<u><u>13,854,202</u></u>
Capital and reserves			
Called up share capital	9	227,068	227,068
Profit and loss account		13,623,607	13,623,607
Capital redemption reserve	10	<u>3,527</u>	<u>3,527</u>
Total equity shareholders' funds		<u><u>13,854,202</u></u>	<u><u>13,854,202</u></u>

These financial statements were approved by the Board of Directors on

2006.

Signed on behalf of the Board of Directors


R Brooks
Director 20/10/2006

Bonhams & Brooks Limited

Notes to the accounts Year ended 31 December 2005

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The accounting policies adopted below are consistent across the current and preceding year, except where noted below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Consolidated accounts are not prepared as the company is itself a subsidiary of a larger group preparing consolidated accounts in the E.U. These accounts therefore present information about the company and not about its group.

Investments

Investments held as fixed assets are stated at cost less impairment.

Cash flow statement and related party disclosure

The Company is a wholly owned subsidiary of Bonhams Brooks PS&N Limited and is included in the consolidated financial statements of that company. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1: 'Cash flow statements'. The Company is also exempt under the terms of FRS 8 'Related party transactions', from disclosing related party transactions with entities that are part of the group.

2. Operating result

During the current and preceding year no directors of the company received any remuneration for their services to the company. The company had no employees in either the current or preceding year.

Auditors' remuneration was paid by a fellow subsidiary undertaking in the current and previous year.

3. Tax on loss on ordinary activities

	2005 £	2004 £
Current tax charge on loss on ordinary activities	-	-
The tax assessed for the year is different from that resulting from applying the standard rate of corporation tax in the UK of 30% (2004 – 30%). The differences are explained below:		
	2005 £	2004 £
Loss on ordinary activities before taxation	-	(3,529)
Tax at 30% thereon	-	(1,059)
Effects of:		
Expenses not deductible for tax purposes	-	1,059
Current tax charge for the year	-	-

Bonhams & Brooks Limited

Notes to the accounts Year ended 31 December 2005

4. Interest receivable and similar income

	2005 £	2004 £
Interest on loans made to group undertakings	<u>204,745</u>	<u>33,917</u>

5. Interest payable and similar charges

	2005 £	2004 £
Interest on loans from group undertakings	<u>204,745</u>	<u>33,917</u>

6. Investments

	Shares in subsidiary undertakings £	Unlisted investments £	Total £
Cost:			
At 1 January 2005 and 31 December 2005	<u>54,202</u>	<u>3,529</u>	<u>57,731</u>
Provisions for impairment:			
At 1 January 2005 and 31 December 2005	<u>-</u>	<u>(3,529)</u>	<u>(3,529)</u>
Net book value:			
At 31 December 2005	<u>54,202</u>	<u>-</u>	<u>54,202</u>
At 31 December 2004	<u>54,202</u>	<u>-</u>	<u>54,202</u>

The company holds 100% of the issued share capital of Bonhams West Country Limited, a company registered in England and Wales, whose principal activity is that of a holding company.

The company holds 100% of the issued share capital of Bonhams Limited, a company registered in England and Wales, whose principal activity is that of a holding company.

The company holds 100% of the issued share capital of Bonhams Channel Islands Limited, a company registered in Jersey, whose principal activity is that of a holding company.

Bonhams & Brooks Limited

Notes to the accounts Year ended 31 December 2005

7. Debtors

	2005 £	2004 £
Amounts owed by fellow group companies	<u>17,500,000</u>	<u>17,500,000</u>

8. Creditors - Amounts falling due after more than one year

	2005 £	2004 £
Unsecured senior loan notes – 2007	2,500,000	2,500,000
Junior loan notes – 2007	<u>1,200,000</u>	<u>1,200,000</u>
	<u>3,700,000</u>	<u>3,700,000</u>
Due after more than one year	<u>3,700,000</u>	<u>3,700,000</u>

The senior and junior loan notes are unsecured and interest has accrued from 1 November 2004 at 1.5% above LIBOR. The senior loan notes must be repaid prior to repayment of the junior loan notes.

The loan notes are guaranteed by the ultimate holding company, Bonhams Brooks PS&N Limited, and are repayable before 1 November 2007.

Bonhams & Brooks Limited

Notes to the accounts Year ended 31 December 2005

9. Called up share capital

	2005 £	2004 £
Authorised:		
1,200,000 "A" ordinary shares of 5 pence each	60,000	60,000
3,600,000 "B" ordinary shares of 5 pence each	180,000	180,000
	<u>240,000</u>	<u>240,000</u>
Called up, allotted and fully paid:		
941,373 "A" ordinary shares of 5 pence each	47,068	47,068
3,600,000 "B" ordinary shares of 5 pence each	180,000	180,000
	<u>227,068</u>	<u>227,068</u>

Rights attaching to shares

The "A" ordinary shares entitle the holders to receive notice of, attend and vote at any general meeting. The participation of the "A" ordinary shares in the profits of the company is not limited. On a winding up, the "A" ordinary shares shall rank pari passu with all other classes of ordinary shares for participation in the company's assets available for contributories, and for receiving notice of and for attending and voting at meetings of contributories. According to the Articles of Association, the company is required to buy back "A" ordinary shares from shareholders wishing to dispose of such shares, should the pre-emption procedures be insufficient to enable the disposal of these shares to be completed.

The "B" ordinary shares do not entitle the holders to receive notice of or attend or vote at any general meeting. The participation of the "B" ordinary shares in the profits for the company is limited to 1% of the aggregate amount of dividend declared in respect of all other classes of ordinary shares. On a winding up, the "B" ordinary shares shall rank pari passu with all other classes of ordinary shares for participation in the company's assets available for contributories and for receiving notice of and for attending and voting at meetings of contributories.

10. Capital redemption reserve

	£
At 1 January 2005 and at 31 December 2005	<u>3,527</u>

11. Pension scheme

Bonhams & Brooks Limited ("BBL") have been in discussions with the trustees of the W&FC Bonham & Sons Limited 1998 Retirement Fund ("the Scheme") for a number of years in order to reach full and final settlement of all residual pension liabilities following notification of BBL's intention to discontinue contributions and wind up the scheme with effect from 31 January 2002. Agreement has now been reached with the trustees to settle the remaining liabilities, which have been fully provided in the group accounts of Bonhams Brooks PS&N Limited, and in Bonhams 1793 Limited, who will bear the cost of the pension payment.

Bonhams & Brooks Limited

Notes to the accounts

Year ended 31 December 2005

12. Ultimate parent company

The ultimate parent company and controlling party is Bonhams Brooks PS&N Limited, a company incorporated in Great Britain and registered in England and Wales.

Group financial statements are prepared for Bonhams Brooks PS&N Limited which is the smallest and largest group for which consolidated accounts are prepared of which the company is a member.

Copies of the Bonhams Brooks PS&N Limited accounts are available by writing to Montpelier Galleries, Montpelier Street, London SW7 1HH.

13. Related parties

The company has taken advantage of the exemption permitted by Financial Reporting Standard 8 not to disclose transactions with other group companies.