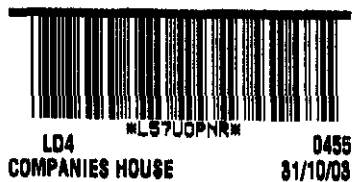


**BONHAMS & BROOKS LIMITED**

**Report and Financial Statements**

**31 December 2002**



**Deloitte & Touche LLP  
London**

**REPORT AND FINANCIAL STATEMENTS 2002**

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**REPORT AND FINANCIAL STATEMENTS 2002**

**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

**BANKERS**

The Royal Bank of Scotland plc  
280 Bishopsgate  
London EC2M 4RB

**SOLICITORS**

Lewis Silkin  
12 Gough Square  
London EC4A 3DW

Jones Day Gouldens  
10 Old Bailey  
London EC4M 7NG

**AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants  
London

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the financial year ended 31 December 2002.

**PRINCIPAL ACTIVITY**

The principal activity of the company is that of auctioneers and valuers.

On 31 January 2002 the business, trade and assets were transferred to Bonhams 1793 Limited, a fellow subsidiary undertaking, and the company ceased trading. The company is not expected to recommence trading in the foreseeable future.

**RESULTS AND DIVIDENDS**

The company made a retained profit for the year of £16,800,875 (2001 £1,547,779 loss). The directors do not recommend the payment of a dividend (2001 – £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 Mr R Brooks, none of the directors held interests in the shares of any other group company at 31 December 2002. Mr 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 during the year were as follows:

R Brooks	
N Bonham	(resigned 29 January 2002)
M Barber	
M Girling	(resigned 29 January 2002)
S Kidston	(resigned 29 January 2002)
J Knight	(resigned 29 January 2002)
E Knowles	(resigned 29 January 2002)
G Lay	(resigned 29 January 2002)
E Louwman	
A Maclean	(resigned 29 January 2002)
C J Oliphant	(resigned 29 January 2002)
D Park	(resigned 29 January 2002)
M Schalken	
R Whitehead	(resigned 29 January 2002)

**DONATIONS**

Donations made by the company for charitable purposes during the year totalled £nil (2001 – £2,216). Auction sales carried out for charities under the auspices of Bonhams raised £nil (2001 – £2,250,000).

## DIRECTORS' REPORT

### AUDITORS

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26 (5) of the Companies Act 1989.

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.

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



C Watson

Secretary

23 . 10 2003

**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; and
- state whether applicable accounting standards have been followed.

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 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 22. 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 2002 and of its profit 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

23/10 2003

**PROFIT AND LOSS ACCOUNT**

Year ended 31 December 2002

	Note	2002 £	2001 £
<b>TURNOVER</b>	2	199,572	9,978,931
Cost of sales		(142,298)	(5,315,112)
<b>GROSS PROFIT</b>		57,274	4,663,819
Administrative expenses		(708,158)	(6,220,816)
Other operating income	3	-	33,168
<b>OPERATING LOSS</b>	5	(650,884)	(1,523,829)
Profit on disposal of business	6	17,444,845	-
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		16,793,961	(1,523,829)
Interest receivable and similar income	7	7,083	87,048
Interest payable and similar charges	8	(169)	(110,998)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		16,800,875	(1,547,779)
Tax on loss on ordinary activities	9	-	-
<b>RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>	16	16,800,875	(1,547,779)
Shareholders' deficit brought forward		(2,943,144)	(1,395,365)
Shareholders' funds/(deficit) carried forward		(1,357,731)	(2,943,144)

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 required.

All transactions in the current year are derived from discontinuing operations.



## BALANCE SHEET

31 December 2002

	Note	2002 £	2001 £
<b>FIXED ASSETS</b>			
Tangible assets	10	-	1,358,677
Intangible assets	11	-	823,815
Investments	12	57,731	57,731
		<u>57,731</u>	<u>2,240,223</u>
<b>CURRENT ASSETS</b>			
Debtors	13	17,500,000	6,169,924
Cash at bank and in hand		-	5,052,228
		<u>17,500,000</u>	<u>11,222,152</u>
<b>CREDITORS: amounts falling due within one year</b>			
Bank overdraft	14	-	(3,483,532)
Trade creditors		-	(4,813,384)
Amounts owed to group undertakings		-	(3,476,596)
Other creditors including taxation and social security		-	(212,667)
Accruals and deferred income		-	(719,340)
		<u>-</u>	<u>(12,705,519)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>17,500,000</u>	<u>(1,483,367)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		17,557,731	756,856
<b>CREDITORS: amounts falling due after more than one year</b>	14	(3,700,000)	(3,700,000)
<b>NET ASSETS/(LIABILITIES)</b>		<u>13,857,731</u>	<u>(2,943,144)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	227,068	227,068
Profit and loss account	16	13,627,136	(3,173,739)
Capital redemption reserve	17	3,527	3,527
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)</b>		<u>13,857,731</u>	<u>(2,943,144)</u>

These financial statements were approved by the Board of Directors on 23/10 2003.

Signed on behalf of the Board of Directors

R Brooks

Director



**NOTES TO THE ACCOUNTS****Year ended 31 December 2002****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted by the directors are described 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.

**Depreciation**

Depreciation is calculated to write down the cost of all tangible fixed assets over their expected useful lives on the following basis:

Motor vehicles	-	15% straight line
Fixtures, fittings and equipment	-	15% straight line

Leasehold properties are written off by equal annual instalments over the remainder of the lease.

**Investments**

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

**Deferred taxation**

Deferred taxation is provided at the anticipated rate on timing differences arising 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 to the extent that it is probable that a liability or asset will crystallise in the future.

**Pension costs**

The expected cost of providing pensions, as calculated annually by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll. In addition to SSAP24 disclosures, disclosures have been presented in the notes to the accounts in accordance with FRS17 transitional arrangements.

**Leases**

Rental costs under operating leases are charged to profit and loss account in equal amounts over the periods of the leases.

**Goodwill**

Purchased goodwill, representing the excess of purchase price over the fair value of the net assets acquired is amortised over 20 years.

**Foreign exchange**

Assets and liabilities of subsidiaries in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

## 2. TURNOVER

The analysis of turnover, all of which relates to the principal activity of the company, is as follows:

	UK 2002 £	Other 2002 £	Total 2002 £	UK 2001 £	Other 2001 £	Total 2001 £
Commissions and premiums	121,527	-	121,527	7,965,136	272,981	8,238,117
Other business	78,045	-	78,045	1,714,792	26,022	1,740,814
	<u>199,572</u>	<u>-</u>	<u>199,572</u>	<u>9,679,928</u>	<u>299,003</u>	<u>9,978,931</u>

## 3. OTHER OPERATING INCOME

	2002 £	2001 £
Rental and sundry income	<u>-</u>	<u>33,168</u>

## 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002 £	2001 £
<b>Directors' emoluments:</b>		
Salaries and taxable benefits	49,094	641,594
Pension scheme contributions	3,721	32,530
	<u>52,815</u>	<u>674,124</u>

The total emoluments (excluding pension contributions) of the highest paid director were £10,000 (2001 - £82,479). The highest paid director in 2002 was not a member of the defined benefit scheme. The accrued pension benefit at 31 December 2002 of the highest paid director in 2001 was £82,479. The number of directors who were members of the group's defined benefit pension scheme during the year was 6 (2001 - 6).

	No.	No.
<b>Average number of persons employed (including directors)</b>		
Sales and distribution	118	115
Administration	68	67
	<u>186</u>	<u>182</u>
	£	£
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	359,046	4,802,980
Social security costs	24,379	318,020
Pension costs	4,945	246,612
	<u>388,370</u>	<u>5,367,612</u>

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2002**

**5. OPERATING LOSS**

Operating loss is stated after charging:

	2002 £	2001 £
Depreciation	18,254	298,354
Amortisation of goodwill	3,814	45,769
Auditors' remuneration:		
Audit fees:	-	22,850
Exchange loss	100	159
Rentals under operating leases:		
Other:		
Lease of property	38,175	507,780
Hire of vehicles and equipment	24,657	196,770

The audit fee in the current year has been borne by the parent company.

**6. PROFIT ON DISPOSAL OF BUSINESS**

On 31 January 2002 the business, trade and assets were transferred to Bonhams 1793 Limited for £17,500,000. The profit on disposal was £17,444,845.

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2002 £	2001 £
Bank interest	7,083	9,949
Other interest	-	77,099
	<u>7,083</u>	<u>87,048</u>

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

	2002 £	2001 £
Interest on bank loans, overdrafts and other loans	<u>169</u>	<u>110,998</u>

NOTES TO THE ACCOUNTS  
Year ended 31 December 2002

## 9. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

The tax assessed for the period is lower than resulting from applying the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2002 £	2001 £
Profit/(loss) on ordinary activities before tax	16,800,875	(1,547,779)
Tax at 30% thereon	(5,040,263)	464,334
Effects of:		
Group relief surrendered for no consideration	(193,191)	(464,334)
Non taxable income	5,233,454	-
	<u>-</u>	<u>-</u>

## 10. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Motor vehicles £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>				
At 1 January 2002	540,948	48,656	2,413,592	3,003,196
Transfer to group company	(540,948)	(48,656)	(2,413,592)	(3,003,196)
At 31 December 2002	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Accumulated depreciation</b>				
At 1 January 2002	21,775	10,987	1,611,757	1,644,519
Charge for the year	6,762	506	10,986	18,254
Transfer to group company	(28,537)	(11,493)	(1,622,743)	(1,662,773)
At 31 December 2002	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net book value</b>				
At 31 December 2002	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2001	<u>519,173</u>	<u>37,669</u>	<u>801,835</u>	<u>1,358,677</u>

NOTES TO THE ACCOUNTS  
Year ended 31 December 2002

## 11. INTANGIBLE FIXED ASSETS

	Goodwill £
<b>Cost</b>	
At 1 January 2002	1,053,556
Transfer to group company	<u>(1,053,556)</u>
At 31 December 2002	<u>-</u>
<b>Accumulated amortisation</b>	
At 1 January 2002	229,741
Charge for the year	3,814
Transfer to group company	<u>(233,555)</u>
At 31 December 2002	<u>-</u>
<b>Net book value</b>	
At 31 December 2002	<u>-</u>
At 31 December 2001	<u><u>823,815</u></u>

## 12. INVESTMENTS

	Shares in subsidiary undertakings £	Unlisted investments £	Total £
At 1 January 2002 and 31 December 2002	<u>54,202</u>	<u>3,529</u>	<u><u>57,731</u></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 auctioneers and valuers.

The company holds 100% of the issued share capital of Bonhams (North of England) Limited, a company registered in England and Wales, whose principal activity was that of auctioneers and valuers. During the year, this company was closed and all business activities were transferred to Bonhams & Brooks Limited.

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 auctioneers and valuers.

The company holds (via Bonhams Channel Islands Limited) 60% of the issued B share capital and 50% of the issued A share capital of Bonhams & Langlois Limited, a company registered in Jersey, whose principal activity is that of auctioneers and valuers.

NOTES TO THE ACCOUNTS  
Year ended 31 December 2002

## 13. DEBTORS

	2002 £	2001 £
Trade debtors	-	2,953,176
Amounts owed by group undertakings		
- subsidiaries	-	1,424,975
- joint venture	-	4,720
- fellow group companies	17,500,000	1,331,277
- due from shareholders of ultimate parent company	-	207,990
- due from immediate parent company	-	10,313
Prepayments and accrued income	-	138,393
Other debtors	-	99,080
	<u>17,500,000</u>	<u>6,169,924</u>

## 14. BORROWINGS

	2002 £	2001 £
Unsecured senior loan notes – 2007	2,500,000	2,500,000
Junior loan notes – 2007	1,200,000	1,200,000
Bank overdraft	-	3,483,532
	<u>3,700,000</u>	<u>7,183,532</u>
Due within one year	-	3,483,532
Due after more than one year	3,700,000	3,700,000
	<u>3,700,000</u>	<u>7,183,532</u>

The overdraft is unsecured. The senior and junior loan notes are unsecured and interest will accrue 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.

NOTES TO THE ACCOUNTS  
Year ended 31 December 2002

## 15. CALLED UP SHARE CAPITAL

	2002 £	2001 £
<b>Authorised:</b>		
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>
<b>Called up, allotted and fully paid:</b>		
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.

## 16. PROFIT AND LOSS ACCOUNT

	£
At 1 January 2002	(3,173,739)
Retained profit for the year	<u>16,800,875</u>
At 31 December 2002	<u>13,627,136</u>

The cumulative amount of goodwill charged to reserves is £60,399 (2001 - £60,399).

## 17. CAPITAL REDEMPTION RESERVE

	£
At 1 January 2002 and at 31 December 2002	<u>3,527</u>



## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

## 18. OPERATING LEASE COMMITMENTS

At 31 December 2002 the company was committed to making the following payments during the next year in respect of operating leases:

	2002		2001	
	Land and buildings £	Other £	Land and buildings £	Other £
Leases which expire:				
Within one year	-	-	-	99,206
Within two to five years	-	-	23,650	109,216
After five years	-	-	470,500	2,015

## 19. PENSION SCHEME

The company was a member of W&FC Bonham & Sons Limited 1998 Retirement Fund, which was a contracted out salary related scheme with a money purchase section. On 31 January 2002 notice was given by the company to the trustees of the Bonhams Scheme of its intention to discontinue contributions to the W&FC Bonham & Sons Limited 1998 Retirement Fund with effect from 31 January 2002.

The pension costs relating to the group plan are assessed in accordance with the advice of an independent qualified actuary.

A full actuarial valuation was carried out at 31 December 2002 by an independent qualified actuary. At that date there was an excess of liabilities over assets of £1,890,000. The group's UK pension cost and profit and loss charge is £22,269 (2001: £246,612).

The company is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in W&FC Bonham & Sons Limited 1998 Retirement Fund. The scheme has therefore been treated as a defined contribution scheme.

The existence of this deficit does not affect the rate at which the company pays contributions as this is determined by the normal trustee funding valuation. Full FRS 17 disclosures are given in the accounts of Bonhams Brooks PS&N Limited, the ultimate parent company.

## 20. 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.

## 21. RELATED PARTIES

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

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**22. TRANSACTIONS WITH DIRECTORS**

During the prior year N Bonham purchased, in the ordinary course of business, items from company auctions totalling £2,031 and £nil was outstanding at the year end. The maximum amount outstanding during the year was £1,317. No interest is chargeable on outstanding amounts.

There were no such transactions with directors in the current year.