

Company Registration No. 2939493

Bonhams & Brooks Limited

Report and Financial Statements

31 December 2004



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Bonhams & Brooks Limited

Report and financial statements 2004

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Bonhams & Brooks Limited

Report and financial statements 2004

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 2004.

Principal activity and business review

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 made a retained loss for the year of £3,529 (2003: £nil). The directors do not recommend the payment of a dividend (2003 – £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 2004. 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.

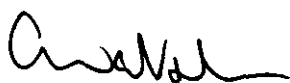
The directors who served throughout the year were as follows:

R Brooks
M Barber
E Louwman
M Schalken

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.

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



C Watson

Secretary

24.5.2005

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 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 11. 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.

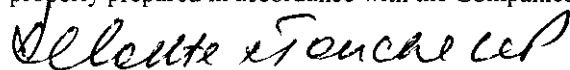
Basis of audit opinion

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 2004 and of its loss 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

10 June 2005

Bonhams & Brooks Limited

Profit and loss account Year ended 31 December 2004

	Note	2004 £	2003 £
Impairment of investments	4	(3,529)	-
Loss on ordinary activities before interest and taxation		<u>(3,529)</u>	<u>-</u>
Interest receivable and similar income		33,917	-
Interest payable and similar charges		(33,917)	-
Loss on ordinary activities before taxation		<u>(3,529)</u>	<u>-</u>
Tax on loss on ordinary activities	3	-	-
Retained loss for the financial year		<u>(3,529)</u>	<u>-</u>
Retained profit brought forward		13,627,136	13,627,136
Retained profit carried forward		<u><u>13,623,607</u></u>	<u><u>13,627,136</u></u>

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 2004

	Note	2004 £	2003 £
Fixed assets			
Investments	4	<u>54,202</u>	<u>57,731</u>
Current assets			
Debtors	5	<u>17,500,000</u>	<u>17,500,000</u>
Total assets less current liabilities		<u>17,554,202</u>	<u>17,557,731</u>
Creditors: amounts falling due after more than one year	6	<u>(3,700,000)</u>	<u>(3,700,000)</u>
Net assets		<u>13,854,202</u>	<u>13,857,731</u>
Capital and reserves			
Called up share capital	7	227,068	227,068
Profit and loss account		13,623,607	13,627,136
Capital redemption reserve	8	<u>3,527</u>	<u>3,527</u>
Total equity shareholders' funds		<u>13,854,202</u>	<u>13,857,731</u>

These financial statements were approved by the Board of Directors on 24.5 2005.

Signed on behalf of the Board of Directors



R Brooks

Director

Bonhams & Brooks Limited

Notes to the accounts Year ended 31 December 2004

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom 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.

Pension costs

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

2. Operating profit

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.

Bonhams & Brooks Limited

Notes to the accounts Year ended 31 December 2004

3. Tax on loss on ordinary activities

	2004 £	2003 £
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% (2003 – 30%). The differences are explained below:

	2004 £	2003 £
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	-	-

4. Investments

	Shares in subsidiary undertakings £	Unlisted investments £	Total £
Cost:			
At 1 January 2004 and 31 December 2004	54,202	3,529	57,731
Provisions for impairment:			
At 1 January 2004	-	-	-
Provided during the year	-	3,529	3,529
At 31 December 2004	-	3,529	3,529
Net book value:			
At 31 December 2004	54,202	-	54,202
At 31 December 2003	54,202	3,529	57,731

The company holds 100% of the issued share capital of Bonhams West Country Limited, a company registered in England and Wales.

The company holds 100% of the issued share capital of Bonhams Limited, a company registered in England and Wales.

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 2004

5. Debtors

	2004 £	2003 £
Amounts owed by fellow group companies	<u>17,500,000</u>	<u>17,500,000</u>

6. Creditors: amounts falling due after more than one year

	2004 £	2003 £
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 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.

7. Called up share capital

	2004 £	2003 £
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	<u>180,000</u>	<u>180,000</u>
	<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	<u>180,000</u>	<u>180,000</u>
	<u>227,068</u>	<u>227,068</u>

Bonhams & Brooks Limited

Notes to the accounts Year ended 31 December 2004

9. Called up share capital (continued)

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.

8. Capital redemption reserve

At 1 January 2004 and at 31 December 2004

£

3,527

9. Pension scheme

On 31 January 2002, notice was given by Bonhams & Brooks Limited ("BBL") to the trustees of the W&FC Bonham & Sons Limited 1998 Retirement Fund ("the Scheme") of its intention to discontinue contributions to the Scheme with effect from 31 January 2002. On 29 May 2002 BBL, as principal employer under the Scheme, resolved to wind up the Scheme. Discussions are ongoing between BBL and the trustees of the Scheme as to how, and at what level the benefits of the members will be secured.

The scheme is a funded defined benefit pension scheme providing benefits based on final pensionable salary to employees of the company and certain subsidiaries. The assets of the Scheme are held in trust funds separately from those of the company.

Contributions to the Scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The charge for the year was £nil (2003 - £nil).

The contributions are determined by a qualified actuary on the basis of valuation using the projected unit method. The last formal actuarial valuation of the Scheme was at 31 January 2002 and was carried out on the Minimum Funding Requirements basis. At the valuation date the market value of the assets was £2.44 million which was sufficient to cover 94% of the benefits that had accrued to members, after allowing for future increases to deferred pensions at statutory and guaranteed levels.

Bonhams & Brooks Limited

Notes to the accounts Year ended 31 December 2004

9. Pension scheme (continued)

The scheme actuary has calculated the assets and liabilities in accordance with the provisions of FRS17. This valuation was based on a formal actuarial valuation of the scheme at 31 December 2004 and was based upon the following assumptions:

	2004 %	2003 %	2002 %
Inflation assumption	2.0	2.0	2.0
Rate of increase in deferred pensions (where guaranteed)	5.0	5.0	5.0
Rate of increase in pension payments			
• Limited price indexation	2.0	2.0	2.0
• Executive (guarantee 3% minimum)	3.0	3.0	3.0
Discount rate	5.5	5.5	5.5

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return as at 31 December 2004 were:

	2004 Expected rate of return	2003 Expected rate of return	2002 Expected rate of return	2004 Value £'000	2003 Value £'000	2002 Value £'000
Equities	7%	7%	8%	2,500	2,200	1,600
Bonds	5%	5%	5%	100	200	300
Cash and other	4%	4%	4%	-	-	100
				<u>2,600</u>	<u>2,400</u>	<u>2,000</u>
				2004 £'000	2003 £'000	2002 £'000
Total fair value of assets				2,600	2,400	2,000
Present value of scheme liabilities				(5,200)	(5,000)	(4,700)
				<u>(2,600)</u>	<u>(2,600)</u>	<u>(2,700)</u>
Deficit in the scheme				780	780	810
Related deferred tax asset				<u>(1,820)</u>	<u>(1,820)</u>	<u>(1,890)</u>
Net pension liability				<u>(1,820)</u>	<u>(1,820)</u>	<u>(1,890)</u>

If FRS 17 had been adopted in these financial statements, the company's net assets and profit and loss account at 31 December 2004 would have been as follows:

	2004 £'000	2003 £'000	2002 £'000
Net assets excluding pension liability	13,854	13,858	13,858
Pension liability	(1,820)	(1,820)	(1,890)
Net assets including pension liability	<u>12,034</u>	<u>12,038</u>	<u>11,968</u>

Bonhams & Brooks Limited

Notes to the accounts Year ended 31 December 2004

9. Pension scheme (continued)

	2004 £'000	2003 £'000	2002 £'000
Profit and loss account excluding pension liability	13,624	13,627	13,627
Pension reserve	(1,820)	(1,820)	(1,890)
Profit and loss account	<u>11,804</u>	<u>11,807</u>	<u>11,737</u>
<i>Analysis of amounts charged to operating profit:</i>			
	2004 £'000	2003 £'000	2002 £'000
Current service costs	-	-	-
Total operating charge	<u>-</u>	<u>-</u>	<u>-</u>
<i>Analysis of amounts credited to interest receivable and similar income:</i>			
	2004 £'000	2003 £'000	2002 £'000
Expected return on pension scheme assets	200	200	200
Interest on pension scheme liabilities	(300)	(300)	(300)
Net return	<u>(100)</u>	<u>(100)</u>	<u>(100)</u>
<i>Analysis of the actual gain in the statement of total recognised gains and losses ("STRGL"):</i>			
	2004 £'000	2003 £'000	2002 £'000
Actual return less expected return on pension scheme assets	100	200	(700)
Experience gains and losses on scheme liabilities	-	-	-
Charges in assumptions underlying the present value of scheme liabilities	-	-	(400)
Actual gain/(loss) recognised in STRGL	<u>100</u>	<u>200</u>	<u>(1,100)</u>
<i>Movement in scheme deficit during the year:</i>			
	2004 £'000	2003 £'000	2002 £'000
Deficit at beginning of year	(2,600)	(2,700)	(1,500)
Movement in year:			
Other finance income	(100)	(100)	(100)
Actual gain/(loss)	100	200	(1,100)
Deficit at end of year	<u>(2,600)</u>	<u>(2,600)</u>	<u>(2,700)</u>

Bonhams & Brooks Limited

Notes to the accounts Year ended 31 December 2004

9. Pension scheme (continued)

History of experience gains and losses:

	2004	2003	2002
Difference between expected and actual return in scheme assets:			
Amount (£'000)	100	200	(700)
Percentage of scheme assets (%)	4%	8%	35%
Experience gains and losses on scheme liabilities:			
Amount (£'000)	-	-	-
Percentage of the present value of scheme liabilities (%)	-	-	-
Total actuarial loss in the statement of total recognised gains and losses:			
Amount (£'000)	100	200	(1,100)
Percentage of the present value of scheme liabilities (%)	2%	4%	23%

10. 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.

11. Related parties

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