

THE PONTELAND AUCTION MART COMPANY LIMITED

REGISTERED OFFICE : MART OFFICE, PONTELAND

NINETY THIRD ANNUAL REPORT OF THE DIRECTORS TO THE MEMBERS

(1) The Directors submit their Annual report and audited accounts for the year ended 31 December 2005 which show the state of the company's affairs.

(2) ACTIVITIES AND RESULTS

The net profit for the year is £3,051,625 (2004 loss : £22,488). The profit for the year after adjusting for taxation, £908,503 (2004 : £Nil), and dividends paid, £1,328,040 (2004 : £Nil), transferred to the reserves is £815,082 (2004 loss : £22,488).

In February 2005 the company received payment from the sale of land to Bell Homes as listed in the accounts, and two special dividends totaling £120 per share were paid to shareholders.

Until March 2005 the company conducted sales through a management arrangement with Darlington Farmers Auction Mart Company Limited. High costs and difficulties in achieving a higher throughput of stock meant that this system was unsustainable and with effect from 29 March 2005 the company rented out the premises at Ponteland to Darlington Farmers Auction Mart Company Limited and ceased to have any direct involvement in the day to day running of sales at the mart.

(3) BOARD OF DIRECTORS

The Directors during the year and their interests (including family) in the shares of the company were as follows:-

	31 December	
	2005	2004
R Patterson (Chairman)	100	100
R B Charlton	155	155
M P Gilhespy	222	222
B Henderson	205	205
J Ireland	20	20

R Patterson and R B Charlton retire from the board by rotation, and, being eligible, they offer themselves for re-election.

(4) DIVIDENDS

The Directors recommend the payment of a dividend of £20 per share.

Following the sale of land in the year (see note 5 below) the directors authorised the payment of the following special dividends.

Paid on 24 March 2005	£ 1,106,700.00 (£100 per share)
Paid on 16 June 2005	£ 221,340.00 (£20 per share)

(5) POST BALANCE SHEET EVENTS

In March 2006 Darlington Farmers Auction Mart Company Limited gave notice that they intended to terminate the rental agreement stating that their Ponteland operation was unprofitable and not likely to improve. Changing practices of livestock farmers together with increased DEFRA regulations have made it difficult to attract the throughput necessary to run the mart successfully. The board reviewed other options for the mart none of which were considered viable and decided that to safeguard shareholders funds the market should be closed following the primestock sale on the 26 April 2006.

The board recommend that the mart should remain closed and an alternative use be found for the premises.

(6) LAND AND BUILDINGS AND OTHER FIXED ASSETS

In the opinion of the directors the freehold property in the balance sheet at £37,276 has an existing market value in excess of the net book amount, but in the absence of a recent existing use valuation the amount of the excess is not quantified. The changes in fixed assets are set out in note 2 in the accounts.

(7) STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which gives a true and fair view of the state of affairs of the company and of the profit for that period. In preparing those accounts, the directors are required to:

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

The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with Companies Act 1985. They are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

(8) AUDITORS

The Auditors, Messrs. Ryecroft Glenton, Chartered Accountants, offer themselves for re-appointment under Section 384 of the Companies Act 1985.

Approved by the board of directors on 8 May 2006
and signed on their behalf by

R PATTERSON - DIRECTOR




THE PONTELAND AUCTION MART COMPANY LIMITED

COMPANY NUMBER 128165

BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	£	2005	£	£	2004	£
FIXED ASSETS							
Tangible assets	2			66,814			69,703
CURRENT ASSETS							
Stocks			0			1,245	
Trade debtors			0			200,604	
Other debtors			2,607			1,169	
Prepayments			4,542			4,806	
Cash at bank and in hand			925,809			2,069	
			<u>932,958</u>			<u>209,893</u>	
CREDITORS : amounts falling due within one year							
Taxation and social security			1,094			1,450	
Bank overdraft			111			101,700	
Creditors and accruals			34,762			27,729	
			<u>35,967</u>			<u>130,879</u>	
NET CURRENT ASSETS				896,991			79,014
TOTAL ASSETS LESS CURRENT LIABILITIES				<u>963,805</u>			<u>148,717</u>
CAPITAL AND RESERVES							
Called up share capital							
Authorised							
12,000 ordinary shares of £1 each			<u>12,000</u>			<u>12,000</u>	
Issued							
11,067 ordinary shares of £1 each				11,067			11,067
RESERVES							
Unappropriated profits				952,738			137,650
SHAREHOLDERS FUNDS				<u>963,805</u>			<u>148,717</u>

The accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and the Financial Reporting Standard for Smaller Entities (effective April 2005).

Approved by the board of directors on 8 May 2006 and signed on their behalf by :

R PATTERSON

R Patterson

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)

DIRECTORS

M P GILHESPY

M P Gilhespy

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PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	£	2005	£	£	2004	£
MARKET COMMISSIONS RECEIVABLE				17,894			82,872
OTHER INCOME							
Wash fees			0			306	
Private sales commissions			842			10,208	
Rent received			9,690			0	
Profit on sale of land			3,072,677			50,000	
Interest			<u>48,811</u>			<u>692</u>	
				<u>3,132,020</u>			<u>61,206</u>
				<u>3,149,914</u>			<u>144,078</u>
OVERHEADS							
Staff costs	3		9,980			40,278	
Auctioneers fees			9,264			37,891	
General overheads			37,812			74,706	
Directors remuneration	4		7,819			2,610	
Auditors remuneration			8,561			4,988	
Depreciation			4,529			5,002	
Bad and doubtful debts provision			<u>20,324</u>			<u>1,091</u>	
				<u>98,289</u>			<u>166,566</u>
PROFIT/LOSS ON ORDINARY ACTIVITIES				<u>3,051,625</u>			<u>(22,488)</u>
Tax on ordinary activities				<u>908,503</u>			<u>-</u>
PROFIT/LOSS AFTER TAXATION				<u>2,143,122</u>			<u>(22,488)</u>
Dividends paid	6			<u>1,328,040</u>			<u>0</u>
PROFIT/LOSS RETAINED				<u>815,082</u>			<u>(22,488)</u>
Balance brought forward				<u>137,656</u>			<u>160,138</u>
BALANCE TO BALANCE SHEET				<u>952,738</u>			<u>137,650</u>
Profit/Loss per £1 ordinary share				<u>£73.65</u>			<u>£(2.03)</u>

THE PONTELAND AUCTION MART COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005

(1) ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities, (effective June 2002).

Fixed assets

Freehold property and, plant, fixtures and fittings have been recorded at original cost. Depreciation is provided as follows:

Freehold buildings	2% per annum on cost
Plant, fixtures and fittings	10% per annum on reducing balance

Cash flow statement

The company qualifies as a small company under the Companies Act 1985. The Directors have elected to take advantage of the exemption under FRS1 not to prepare a cash flow statement.

Leasing commitments

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

Pensions

The company has a defined contribution pension scheme. The cost of the contributions made by the company to the scheme are charged to the profit and loss account as incurred.

Deferred taxation

No provision has been made for timing differences between the treatment of certain items for taxation and accounting purposes. Provision is only made where it can be reasonably foreseen that such deferred taxation will be payable in the future. There is no potential liability.

(2) TANGIBLE ASSETS

	Freehold property £	Plant, Fixtures and fittings £	TOTAL £
Cost			
As at 1 January 2005	63,338	60,220	123,558
Additions	0	2,640	2,640
Disposals	(1,000)	0	(1,000)
As at 31 December 2005	<u>62,338</u>	<u>62,860</u>	<u>125,198</u>
Depreciation			
As at 1 January 2005	23,815	30,040	53,855
Charge for year	1,247	3,282	4,529
As at 31 December 2005	<u>25,062</u>	<u>33,322</u>	<u>58,384</u>
Net book value			
As at 31 December 2005	<u>37,276</u>	<u>29,538</u>	<u>66,814</u>
As at 31 December 2004	<u>39,523</u>	<u>30,180</u>	<u>69,703</u>

(3) STAFF COSTS

	2005 £	2004 £
Salaries and wages	8,474	35,932
Social Security	638	2,340
Pension scheme contributions	868	2,006
	<u>9,980</u>	<u>40,278</u>

(4) DIRECTORS REMUNERATION

Expenses	1,819	610
Other remuneration	<u>6,000</u>	<u>2,000</u>
	<u>7,819</u>	<u>2,610</u>

(5) DIVIDEND

The Directors propose payment of a dividend of £20 per share totaling £221,340 on 26 May 2006, based on the results for the year.

(6) PROFIT PER SHARE

The calculation of profit per share is based on the profit of £ 815,082 (2004 loss : £22,488) and 11,067 ordinary shares in issue throughout the year ended 31 December 2005

(7) RELATED PARTY TRANSACTIONS

The company is controlled by its shareholders, a number of whom are customers of the mart in regard to livestock purchases and sales which are transacted at the mart under normal trading conditions.

The pension scheme is a related party and contributions are shown at note (3) to the accounts

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE PONTELAND AUCTION MART COMPANY LIMITED

We have audited the financial statements of The Ponteland Auction Mart Company Limited on pages 2 and 3 for the year ended 31 December 2005. The financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2005), under the historical cost convention and 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 auditor's report and for no other purposes. 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 on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards, (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Accounting 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 Companies Act 1985. We also report to you 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 director's remuneration and transactions with the company is not disclosed.

We read the directors' report and considered the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Standards 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 amounts and disclosures in the financial statements, and of whether the accounting policies are appropriate to the company circumstances, consistently applied and adequately disclosed.

We planned and performed our audit as to obtain all the information and explanations which we consider 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 the forming of 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 company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

RYECROFT GLENTON
Chartered Accountants
Registered Auditors



32 Portland Terrace
Newcastle upon Tyne
NE2 1QP

9 May 2006