

**Company Registration No. 04326560**

**Bonhams 1793 Limited**

**Annual report and financial statements  
for the year ended 31 December 2018**



# **Bonhams 1793 Limited**

## **Annual report and financial statements for the year ended 31 December 2018**

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# **Bonhams 1793 Limited**

## **Annual report and financial statements for the year ended 31 December 2018**

### **Officers and professional advisers**

#### **Executive Directors**

J Fairhurst  
M Girling  
J Knight

#### **Company Secretary**

C Watson

#### **Registered office**

Montpelier Galleries  
Montpelier Street  
London SW7 1HH

#### **Bankers**

HSBC  
70 Pall Mall  
London SW1Y 5EZ

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

#### **Solicitors**

Ropes & Gray  
60 Ludgate Hill  
London EC4M 7HX

#### **Auditor**

Deloitte LLP  
Statutory Auditor  
London

# **Bonhams 1793 Limited**

## **Strategic report**

The Directors of Bonhams 1793 Limited ("the Company") have the pleasure in presenting their annual report and the audited financial statements of the Company for the year ended 31 December 2018.

The Directors, in preparing this strategic report for the year ended 31 December 2018, have complied with s414C of the Companies Act 2006.

### **Principal activity**

The principal activity of the Company continues to be that of auctioneers and valuers.

### **Review of the business and future developments**

On 11 September 2018 the entire share capital of the Company's ultimate parent and its associated undertakings, the Bonhams Group, was acquired by Epiris LLP, a private equity firm based at Forum St Pauls, Gutter Lane, London EC2V 8AS.

The Company's strategic positioning remains a focus for the Board. To that end, the Board is pleased to be able to report an 15% rise in the revenue for the year and improved profitability reflecting the Company's success this year in a competitive market.

The success in the profitability of the Company has been a result of improved revenue generation and a continued focus on the cost base.

The balance sheet remains a key focus for the senior management team – particularly the management of cash and working capital in general. This enabled the Company to deliver year end cash position of £7.3m. (2017: £8.4m). Net assets have also grown by £7.1m to £96.3m at the year end.

The results for the year are set out on page 9. The Directors do not recommend the payment of a dividend (2017: £nil). The Company's retained profit for the year attributable to shareholders of the parent amounted to £7.0m (2017: £4.9m).

The EU referendum result on the 23 June 2016 to leave the European Union does not change any specific financial information within the accounts for the year ended 31 December 2018. Whilst the precise details of the Brexit negotiations are still unknown, the Directors do not anticipate a significant impact upon the Company.

The historical and ongoing investment in Bonhams, its brand, its specialist staff, and its client and customer service, together with a clear strategy, allows the Directors to be confident that the Company will continue to deliver profitable growth and increased free cash flow generation into the future. Ongoing investment in IT platforms will continue, with further development of Bonhams website and online capabilities remaining important strategic priorities.

### **Going concern**

The Company had cash at 31 December 2018 of £7.3 million (2017: £8.4 million). After making appropriate enquiries, the Directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements, for further details refer to note 1.

### **Principal risks and uncertainties**

The market for providing auctioneering services and performing valuations is highly competitive. The key business risk is considered to be competition from other auction houses. The Company seeks to minimise this risk through providing market leading sales and exceptional customer service.

The Company's operations expose it to a variety of financial risks. These risks and how the Company mitigates against these risks is noted below.

# **Bonhams 1793 Limited**

## **Strategic report**

### ***Credit risk***

The Company's principal financial assets are receivables due from other group companies. The Company's credit risk is primarily attributable to these. The amounts presented in the balance sheet are net of any provisions made against these balances.

The Company's credit risk is also attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The Company has no significant concentration of credit risk, with exposure spread over a large number of customers.

### ***Interest rate risk***

The Company is primarily exposed to interest rate risk on its intercompany loans. It is, however, also marginally exposed on its interest receivable on surplus cash holdings and on interest. The Company does not view the interest rate risk as significant.

### ***Cash flow risk***

The Company monitors its liquidity issues by using a real time financial forecasting tool.

### **Key performance indicators (KPIs)**

The Directors monitor the Company performance on a monthly basis using a wide range of financial and non-financial indicators, including the year to date results, EBITDA, cash flow performance and forecasts, margin and sales related ratios and other balance sheet ratio analysis. They also review the detailed results of each and every auction sale. Whilst the details of these KPIs are commercially sensitive to the Company, the Directors confirm that they are satisfied with the Company's performance against these KPIs and that the review of the business described above, alongside these financial statements appropriately describes the performance of the business during the year.

### **Events after the Statement of Financial Position date**

There are no significant post balance sheet events that require disclosure.

### **Approval**

Approved by the Board and signed on its behalf by:



C Watson  
Company Secretary

# Bonhams 1793 Limited

## Directors' report

The Directors of Bonhams 1793 Limited ("the Company") present their annual report and the audited financial statements for the year ended 31 December 2018.

The Strategic Review forming part of this annual report and financial statements includes such matters that are otherwise required under section 416-418 of the Companies Act 2006 to be included in this Directors' report. The Strategic report contains disclosures in relation to, future developments, results and dividends, going concern, financial risk management and events after the balance sheet date.

### Directors

The Directors of the Company throughout the year and up to the date of this report were as follows:

#### Executive Directors

R Brooks	(Resigned 11 September 2018)
J Baddeley	(Resigned 21 March 2019)
R Banner	(Resigned 25 March 2019)
M Barber	(Resigned 3 April 2019)
S Cottle	(Appointed 11 April 2018 and resigned 25 March 2019)
J Fairhurst	
M Girling	
A Hyman	(Resigned 4 April 2019)
J Knight	
P Meade	(Resigned 20 December 2018)
C Oliphant	(Resigned 29 March 2019)
C Sheaf	(Resigned 29 March 2019)
S Virani	(Resigned 4 December 2018)
E Wilkinson	(Resigned 15 April 2019)
L Wright	(Resigned 29 March 2019)

#### Non-executive Directors

M Schalken	(Resigned 11 September 2018)
G Davies	(Resigned 19 October 2018)

### Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### Existence of branches outside the UK

The Company has branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK in Europe and Australia.

### Employees

Regular meetings are held with all employees to discuss their prospects within the business. Opportunity is given at these meetings for senior executives to be questioned about matters which concern the employees.

The involvement of employees in the performance of the Company is encouraged.

The Company has a policy of providing information about the Company by regular meetings between management and certain employees. Employees are encouraged to present their suggestions and views on the Company's performance.

The Company have continued their policy regarding the employment of disabled persons. Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. In the event of members of staff becoming disabled, reasonable efforts would be made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons shall, as far as is possible, be identical with that of other employees.

# **Bonhams 1793 Limited**

## **Directors' report**

### **Charitable and political donations**

During the course of the year the Company made provision for charitable donations of £21,000 (2017: £16,000). The Company made no political contributions in the year.

### **Auditor**

In the case of each of the persons who are Directors at the time when this report was approved:

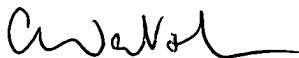
- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps that he/she ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

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

### **Approval**

Approved by the Board of Directors and signed by order of the Board:



C Watson  
Company Secretary

## **Bonhams 1793 Limited**

### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 to 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.



# **Independent auditor's report to the members of Bonhams 1793 Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements of Bonhams 1793 Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement and statement of comprehensive income;
- the statement of changes in equity;
- the statement of financial position;
- the cash flow statement;
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### **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 Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the strategic report and directors' 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 respect of these matters.

### **Responsibilities of directors**

As explained more fully in the statement of directors' responsibilities, 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.

# **Independent auditor's report to the members of Bonhams 1793 Limited**

## **Report on the audit of the financial statements (continued)**

### **Responsibilities of directors (continued)**

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 on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

#### **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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

#### **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.



Jeremy Black ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

29 August 2019

## Bonhams 1793 Limited

### Income statement and statement of comprehensive income for the year ended 31 December 2018

	Notes	2018 £ 000	2017 £ 000
Revenue	3	66,483	57,798
Cost of sales		(19,399)	(15,122)
<b>Gross profit</b>		<b>47,084</b>	<b>42,676</b>
Administrative expenses		(38,099)	(35,899)
<b>Operating profit</b>		<b>8,985</b>	<b>6,777</b>
Finance (expense)/income - net	7	(566)	(540)
<b>Profit before tax</b>	4	<b>8,419</b>	<b>6,237</b>
Taxation	8	(1,553)	(1,438)
<b>Profit for the year</b>		<b>6,866</b>	<b>4,799</b>
Exchange differences on translation of foreign branches		149	80
<b>Total comprehensive income for the year</b>		<b>7,015</b>	<b>4,879</b>

All transactions are derived from continuing operations in the current and prior year.

# Bonhams 1793 Limited

## Statement of changes in equity for the year ended 31 December 2018

	Balance at 1 January 2017 £ 000	Profit for the year £ 000	Exchange difference on translation of foreign branches £ 000	Total compre- hensive income for the year £ 000	Balance at 31 December 2017 £ 000
Share capital	19,024	-	-	-	19,024
Share premium account	29,899	-	-	-	29,899
Foreign exchange reserve	206	-	80	80	286
Retained earnings	35,263	4,799	-	4,799	40,062
<b>Total equity</b>	<b>84,392</b>	<b>4,799</b>	<b>80</b>	<b>4,879</b>	<b>89,271</b>

	Balance at 1 January 2018 £ 000	Profit for the year £ 000	Exchange difference on translation of foreign branches £ 000	Total compre- hensive income for the year £ 000	Balance at 31 December 2018 £ 000
Share capital	19,024	-	-	-	19,024
Share premium account	29,899	-	-	-	29,899
Foreign exchange reserve	286	-	149	149	435
Retained earnings	40,062	6,866	-	6,866	46,928
<b>Total equity</b>	<b>89,271</b>	<b>6,866</b>	<b>149</b>	<b>7,015</b>	<b>96,286</b>

### Foreign exchange reserve

Differences arise on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity.

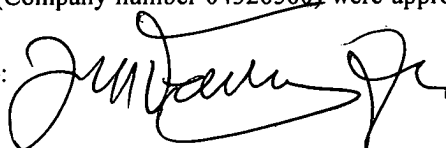
# Bonhams 1793 Limited

## Statement of financial position at 31 December 2018

	Notes	2018 £ 000	2017 £ 000
<b>Non-current assets</b>			
Intangible assets	10	38,257	38,717
Property and equipment	11	20,524	22,950
Investments	12	2,143	2,143
Deferred tax asset	8	-	103
<b>Total non-current assets</b>		<b>60,924</b>	<b>63,913</b>
<b>Current assets</b>			
Trade and other receivables	13	50,232	42,839
Cash and cash equivalents	14	7,309	8,360
<b>Total current assets</b>		<b>57,541</b>	<b>51,199</b>
<b>Total assets</b>		<b>118,465</b>	<b>115,112</b>
<b>Current liabilities</b>			
Trade and other payables	15	(19,637)	(21,167)
Provisions	16	(2,470)	(3,490)
Current tax liabilities		(14)	(1,184)
<b>Total current liabilities</b>		<b>(22,121)</b>	<b>(25,841)</b>
<b>Net current assets</b>		<b>35,470</b>	<b>25,358</b>
<b>Non-current liabilities</b>			
Deferred tax liability	8	(58)	-
<b>Total liabilities</b>		<b>(22,179)</b>	<b>(25,841)</b>
<b>Net assets</b>		<b>96,286</b>	<b>89,271</b>
<b>Equity</b>			
Share capital	17	19,024	19,024
Share premium account		29,899	29,899
Foreign exchange reserve		435	286
Retained earnings		46,928	40,062
<b>Total equity</b>		<b>96,286</b>	<b>89,271</b>

These financial statements of Bonhams 1793 Limited (Company number 04326560) were approved by the Board of Directors and authorised for issue on 29 August 2019.

They were signed on its behalf by J Fairhurst (Director):



## Bonhams 1793 Limited

### Cash flow statement for the year ended 31 December 2018

	Notes	2018 £ 000	2017 £ 000
Net cash generated from operating activities	20	1,754	6,085
<b>Investing activities</b>			
Interest received		120	162
Proceeds on disposal of property and equipment	11	-	-
Purchases of property and equipment	10, 11	(2,521)	(2,805)
<b>Net cash used in investing activities</b>		<b>(2,401)</b>	<b>(2,643)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(647)</b>	<b>3,442</b>
Cash and cash equivalents at beginning of year		8,360	5,266
Effect of foreign exchange rate changes		(404)	(348)
<b>Cash and cash equivalents at end of year</b>	14	<b>7,309</b>	<b>8,360</b>

# Bonhams 1793 Limited

## Notes to the financial statements for the year ended 31 December 2018

### 1. Significant accounting policies

Bonhams 1793 Limited is a company incorporated in the United Kingdom.

#### General information and basis of accounting

Bonhams 1793 Limited (the Company) is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 1 and the principal activities of the Company and the nature of its operations are set out in the strategic report on pages 2 to 3.

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. That is those International Accounting Standards, International Financial Reporting Standards and related interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations, future standards and related interpretations issued or adopted by the International Accounting Standards Board ("IASB") that have been endorsed by the European Union.

The Financial Statements have been prepared on the historical cost basis and the functional currency is pounds sterling.

The Financial Statements have been prepared on the going concern basis as outlined in the Directors' Report.

#### Basis of consolidation

These financial statements present information about the Company as an individual undertaking and not about its group. Consolidated financial statements have not been prepared as the Company is a wholly owned subsidiary of a company incorporated in the United Kingdom and registered in England and Wales and so is therefore exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare and deliver group financial statements. The only UK group company for which consolidated financial statements are prepared is Vanquish Holdco Limited whose registered address is disclosed in note 22.

#### Going concern

The directors have considered the ability of the Company to continue in operational existence for the foreseeable future as well as the relevant business and financial risks. In doing this, they have considered the Company's business activities, together with the factors likely to affect its future development, performance and position. The financial position of the Company is showing a net current asset position of £35.5m, a net asset position of £96.3m and is in a profit position. After making enquiries, the directors therefore have a reasonable expectation that the Company will have access to adequate resources to continue in operational existence for the foreseeable future and have therefore continued to adopt the going concern basis in preparing these financial statements.

#### Adoption of new and revised standards

In the current year, the following new and revised standards and interpretations have been adopted and where relevant the impact of those changes have been set out below:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Clarifications to IFRS 15 (Apr 2016)	Clarifications to IFRS 15 Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to IFRSs: 2014-16 Cycle (Dec 2016)	Annual Improvements to IFRSs: 2014-16 Cycle - IFRS 1 and IAS 28 Amendments

# Bonhams 1793 Limited

## Notes to the financial statements for the year ended 31 December 2018

### 1. Significant accounting policies (continued)

#### IFRS 9 Financial Instruments

The Company has adopted IFRS 9 retrospectively. There was no material impact on the carrying amounts of financial assets and financial liabilities upon adoption of IFRS 9. The following table notes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets.

Financial assets	Original Measurement under IAS 39	New classification under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortised cost
Trade and other receivables	Loans and receivables	Amortised cost

#### Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through profit and loss and fair value through other comprehensive income.

The Company's financial assets at 31 December 2018 consist primarily of trade receivables, which will continue to be reflected at amortised cost as the Company's business model is to collect contractual cash flows from customers, which are solely payments of principal.

#### Impairment of financial assets

IFRS 9 requires an expected credit loss (ECL) model to be applied to financial assets rather than the incurred credit loss model required under IAS 39. The ECL model requires the Company to account for expected losses as a result of credit risk on initial recognition of financial assets and to recognise changes in those expected credit losses at each reporting date.

The main area of focus to the Company is considered to be the impairment provisioning of trade receivables.

Gross trade receivables at 31 December 2018 were £6.5m with an impairment provision under IAS 39 of £0.6m.

An assessment has been completed regarding the impact of impairment losses recognised for trade receivables under IFRS 9 at 31 December 2018, through estimating the credit loss based on actual credit loss experience over the past three years. Based on this assessment, the impact of credit losses recognised under IFRS 9 is not materially different to the losses recognised under IAS 39. Refer to note 13.

In respect of the classification and measurement of financial liabilities, the accounting has remained largely the same as under IAS 39. Financial liabilities are measured at amortised cost or at fair value through profit and loss. Financial liabilities are classified as at Fair Value Through Profit or Loss (FVTPL) when the liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as FVTPL.

Financial liabilities	Original Measurement under IAS 39	New classification under IFRS 9
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost



# Bonhams 1793 Limited

## Notes to the financial statements for the year ended 31 December 2018

### 1. Significant accounting policies (continued)

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework requiring revenue to be recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer. IFRS 15 replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations.

The Company has adopted IFRS 15 using the full retrospective method, applying the following practical expedients:

- C5 – non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognize that amount as revenue for all reporting periods presented before the date of initial application.
- B16 – revenue is recognized at the amount to which the Company has a right to invoice, which corresponds directly to the value to the customer of the entity's performance completed to date.

The Company acts as an agent under IFRS 15 and as such only recognises fees charged to its clients.

This has not resulted in any significant adjustments to the Company's revenue recognition policy, as set out in note 2.

#### Standards not affecting the reported results and financial position

At the date of authorisation of these financial statements the Company had not applied the following new and revised IFRSs that have been issued but are not yet effective:

Title	Subject	Effective date
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IFRS 9 (Oct 2017)	Prepayment Features with Negative Compensation	1 January 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle (Dec 2017)	Annual Improvements to IFRSs: 2015-17 Cycle	1 January 2019 per IASB. EU adoption date to be confirmed
Amendments to IAS 19 (Feb 2018)	Plan Amendment, Curtailment or Settlement	1 January 2019 per IASB. EU adoption date to be confirmed
Amendments to References to the Conceptual Framework in IFRS Standards	Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020 per IASB. EU adoption date to be confirmed
Amendments to IFRS 3 (Oct 2018)	Definition of Business	1 January 2020 per IASB. EU adoption date to be confirmed
Amendments to IAS 1 and IAS 8 (Oct 2018)	Definition of Material	1 January 2020 per IASB. EU adoption date to be confirmed

## Bonhams 1793 Limited

### Notes to the financial statements for the year ended 31 December 2018

#### 1. Significant accounting policies (continued)

The directors expect that the adoption of the standards listed above, other than IFRS 16, will not have a material impact on the financial information of the Company in future reporting periods.

##### *IFRS 16 Leases*

The Company has not early adopted IFRS 16. The Company is currently performing a detailed review of the Company's lease arrangements and are deciding on how IFRS 16 will be implemented and are considering which practical expedients might apply and whether or not the standard will be implemented on a full or partial retrospective basis.

On transition to IFRS 16, the Company expects to recognize £11.5m of lease liabilities, which equals to the amount of right of use assets recognised. Lease liabilities have been measured by discounting future lease payments using an estimated weighted average rate of 5%. Rates implicit in the leases were not readily determinable.

	£
Operating lease commitment at 31 December 2018 as disclosed in the financial statements	13,953
Discounted using the incremental borrowing rate at 1 January 2019	(1,100)
	<hr/>
<b>Lease liabilities recognised at 1 January 2019</b>	<b>12,853</b>
	<hr/>

The anticipated impact on the Company's operating profit would be an increase in depreciation of £3.4m and a reduction in operating expenses of £3.6m, the interest expense would increase by £0.2m.

# **Bonhams 1793 Limited**

## **Notes to the financial statements for the year ended 31 December 2018**

### **1. Significant accounting policies (continued)**

#### **Foreign currencies**

The individual financial statements of each branch are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the financial statements, the results and financial position of each branch are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the financial statements.

In preparing the financial statement of the individual branches, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the Statement of Financial Position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in comprehensive income.

For the purpose of presenting financial statements, the assets and liabilities of the Company's foreign operations are translated at exchange rates prevailing on the Statement of Financial Position date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in comprehensive income and transferred to the Company's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

#### **Retirement benefit costs**

Payments to a defined contribution pension scheme are charged as an expense as they fall due.

#### **Rental income**

Rental income from leasehold property is recognised on a straight-line basis over the term of the lease.

#### **Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense.

Current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for accounting purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, carry forward of unused tax credits, and unused tax losses, to the extent that it is probable that taxable profit will be available against which these items can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset and liability in a transaction other than a business combination and, at the time of the transaction, affects neither the tax profit nor the accounting profit.

# **Bonhams 1793 Limited**

## **Notes to the financial statements for the year ended 31 December 2018**

### **1. Significant accounting policies (continued)**

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based upon tax rates and legislation that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also recognised in equity.

The deferred tax amounts shown in the Statement of Financial Position are not discounted.

#### **Dividends**

Dividends receivable are recognised as income in the year when they are declared and dividends payables are recognised as an appropriation of profit in the year in which they are declared.

#### **Goodwill**

Goodwill represents the excess of the cost of acquisition over the Company's interest in the fair value of the identifiable assets and liabilities of a business at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually.

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

#### **Intangible assets**

Intangible assets comprise acquired information systems, software, licences and other identified rights. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period not exceeding four years from the date of acquisition. Amortisation is not provided for trademarks since they have an indefinite life. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount.

#### **Property and equipment**

Tangible fixed assets are stated at cost, net of accumulated depreciation and any provision for impairment. Depreciation is calculated to write down the cost of all tangible fixed assets over their expected useful lives on the following basis:

Leasehold improvements	- over the length of the lease
Fixtures, fittings and office equipment	- 15% straight-line per annum
Computer equipment	- 25% straight-line per annum
Motor vehicles	- 25% straight-line per annum

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales' proceeds and the carrying amount of the asset at the point of disposal or retirement and is recognised in income.

# **Bonhams 1793 Limited**

## **Notes to the financial statements for the year ended 31 December 2018**

### **1. Significant accounting policies (continued)**

#### **Leases**

Rentals payable under operating leases are charged in the income statement on a straight-line basis over the lease term.

#### **Investments**

Investment in subsidiary companies are stated at cost less provision for impairment.

#### **Impairment of tangible and intangible assets excluding goodwill**

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

#### **Trade and other receivables**

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

#### **Trust or client accounting**

All balance sheet assets and liabilities are stated excluding client funds. This predominantly affects trade receivables, cash and cash equivalents, and trade payables. All client funds are held in separate bank accounts that are clearly designated as trust accounts, and, as such, form no part of the net assets of the Company.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash, and are subject to an insignificant risk of changes in value.

#### **Trade and other payables**

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### **Related parties**

For the purpose of these financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by, or affiliated with them, associated companies and other companies within the Bonhams group are considered and referred to as related parties. Transactions with related parties are priced predominantly at market rates.

#### **Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

#### **Offsetting**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

# Bonhams 1793 Limited

## Notes to the financial statements for the year ended 31 December 2018

### 2. Critical accounting estimates and judgements

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.

#### *Key source 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.

#### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value (see note 10).

#### Provisions

The Company's provisions are based on the best information available to management at the balance sheet date. However, the future costs are inevitably only estimates, which may differ from those ultimately incurred.

### 3. Revenue

All revenue is generated in the United Kingdom. An analysis of the Company's revenue is as follows:

	2018 £ 000	2017 £ 000
Services rendered from auctioneering and valuations	66,472	57,776
Property rental income	11	22
	<hr/>	<hr/>
	66,483	57,798
Interest income (note 7)	121	162
	<hr/>	<hr/>
	66,604	57,920
	<hr/>	<hr/>

# Bonhams 1793 Limited

## Notes to the financial statements for the year ended 31 December 2018

### 4. Profit for the year

	2018 £ 000	2017 £ 000
Profit is stated after charging/(crediting):		
Amortisation of intangible assets	1,580	1,711
Depreciation of property and equipment	3,367	3,597
Staff costs	17,831	17,721
Operating lease rentals: - Land and buildings	3,857	3,654
Impairment (profit)/loss recognised on trade receivables	(496)	229
Foreign exchange losses	378	227
Auditor's remuneration:		
- Fees payable for the audit of Company's annual financial statements	70	68

Fees payable to Deloitte LLP by the Company in respect of non-audit tax compliance services were £nil (2017: £2,000).

### 5. Directors' emoluments

	2018 £ 000	2017 £ 000
Remuneration in respect of Directors was as follows:		
Emoluments	5,268	3,210
Pension contributions	131	162
	<u>5,399</u>	<u>3,372</u>
Emoluments of the highest paid Director:		
Emoluments	1,125	800
Pension contributions	-	-
	<u>1,125</u>	<u>800</u>

Nine directors were members of the Company's defined contribution pension scheme during the year (2017: nine).

### 6. Staff costs

	2018 £ 000	2017 £ 000
Staff costs during the year (including Directors) were as follows:		
Wages and salaries	15,356	15,102
Social security costs	1,674	1,824
Pension costs	801	795
	<u>17,831</u>	<u>17,721</u>

The monthly average number of employees (including Directors) during the year was as follows:

	No.	No.
Auctioneers, valuers, specialists, porters and administration	<u>339</u>	<u>338</u>

# Bonhams 1793 Limited

## Notes to the financial statements for the year ended 31 December 2018

### 7. Finance (expense)/income - net

	2018 £ 000	2017 £ 000
Interest on bank deposits	-	-
Interest on loans to group undertakings	121	162
	<u>121</u>	<u>162</u>
Interest on bank overdrafts and loans	(49)	(80)
Interest on loans from group undertakings	(229)	(269)
Exchange profit on intragroup loans	(409)	(353)
	<u>(687)</u>	<u>(702)</u>
Total borrowing costs net of exchange profit		
Finance (expense)/income - net	<u>(566)</u>	<u>(540)</u>

### 8. Taxation

#### Tax on profit

	2018 £ 000	2017 £ 000
Current tax:		
- Current tax charge	(1,141)	(1,390)
- Amounts under provided in previous years	(251)	(392)
	<u>(1,392)</u>	<u>(1,782)</u>
Total current tax		
Deferred tax:		
- Change in tax rate	8	(1)
- Origination and reversal of temporary differences	(184)	46
- Amounts over provided in previous years	15	299
	<u>(1,553)</u>	<u>(1,438)</u>
Total tax charge in the income statement		
Tax charge in the income statement is disclosed as follows:		
Tax charge on continuing operations	<u>(1,553)</u>	<u>(1,438)</u>
	<u>(1,553)</u>	<u>(1,438)</u>



# Bonhams 1793 Limited

## Notes to the financial statements for the year ended 31 December 2018

### 8. Taxation (continued)

#### Reconciliation of the total tax charge

The tax assessed for the year is lower than (2017: higher than) that resulting from applying the average rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £ 000	2017 £ 000
Profit before tax	8,419	6,237
Accounting profit multiplied by the UK average rate of corporation tax at 19% (2017: 19.25%)	(1,600)	(1,201)
Expenses not deductible for tax purposes	(211)	(201)
Group relief not paid for	543	95
Higher rates of overseas tax	(57)	(37)
Change in tax rate	8	(1)
Amounts (under)/over provided in previous years:		
- Current tax	(251)	(392)
- Deferred tax	15	299
Total tax charge in the income statement	(1,553)	(1,438)

#### Deferred tax

	Capital allowances £ 000	Other assets £ 000	Total £ 000
At 1 January 2018	(87)	190	103
Amounts under provided in previous years	(4)	19	15
Charge to income statement	(22)	(162)	(184)
Change in tax rate	12	(4)	8
At 31 December 2018	(101)	43	(58)

The Finance Act 2015 reduced the rate of corporation tax from 19% to 18% from 1 April 2020. On 16 March 2016, a further reduction in the UK corporation tax rate to 17% from 1 April 2020 was announced in the Chancellor's Budget. At the balance sheet date, this reduction has been substantively enacted. Therefore, an appropriate tax rate has been used in these financial statements to measure the deferred tax assets and liabilities.

### 9. Dividends paid

The Company did not pay a dividend in the year (2017: nil).

# Bonhams 1793 Limited

## Notes to the financial statements for the year ended 31 December 2018

### 10. Intangible assets

	Goodwill £ 000	Computer software £ 000	Total £ 000
<b>Cost</b>			
At 1 January 2017	41,821	12,297	54,118
Additions	-	1,555	1,555
At 31 December 2017	41,821	13,852	55,673
Additions	-	1,120	1,120
At 31 December 2018	41,821	14,972	56,793
<b>Accumulated amortisation</b>			
At 1 January 2017	6,172	9,073	15,245
Charge for the year	-	1,711	1,711
At 31 December 2017	6,172	10,784	16,956
Charge for the year	-	1,580	1,580
At 31 December 2018	6,172	12,364	18,536
<b>Net book value</b>			
At 31 December 2018	35,649	2,608	38,257
At 31 December 2017	35,649	3,068	38,717

Goodwill acquired in a business combination is allocated, at acquisition to the cash generating unit (CGU) that is expected to benefit from that business combination. The carrying amount of goodwill allocation was:

	2018 £ 000	2017 £ 000
United Kingdom and mainland Europe	35,649	35,649

The recoverable amount of each cash generating unit has been determined based on a value in use calculation using cash flow projections for the next five years from financial budgets approved by senior management. The pre-tax discount rate applied to cash flow projections is 13% (2017: 13%).

#### *Key assumptions used in value-in-use calculations*

The calculation of value-in-use is most sensitive to the following assumptions:

- Discount rate;
- Growth rate including that used to extrapolate cash flows beyond five years; and
- Capital expenditure.

**Discount rate:** the discount rate is estimated using rates that reflect current market assessment of the time value of money and the risks specific to each cash generating unit.

**Growth rate:** the growth rates used do not exceed the average long-term growth rates for the relevant markets.

**Capital expenditure:** assumptions are based on the Company's strategic objectives in improving its computer hardware and software to help maximise user efficiencies.

# Bonhams 1793 Limited

## Notes to the financial statements for the year ended 31 December 2018

### 10. Intangible assets (continued)

#### *Sensitivity to changes in key assumptions*

A change in a key assumption on which management has based its calculation of the unit's recoverable amount would cause the unit's carrying amount to equal its recoverable amount if the pre-tax discount rate was higher than 18%.

### 11. Property and equipment

	Leasehold improvements £ 000	Fixtures, fittings and office equipment £ 000	Computer equipment £ 000	Motor vehicles £ 000	Total £ 000
<b>Cost</b>					
At 1 January 2017	34,260	2,512	3,811	194	40,777
Exchange differences	-	(1)	(1)	-	(2)
Additions	300	43	907	-	1,250
Disposals	-	-	-	-	-
At 31 December 2017	34,560	2,554	4,717	194	42,025
Exchange differences	-	(1)	(3)	-	(4)
Additions	100	148	1,153	-	1,401
Disposals	(590)	(17)	-	(38)	(645)
At 31 December 2018	34,070	2,684	5,867	156	42,777
<b>Depreciation</b>					
At 1 January 2017	10,706	1,602	2,993	179	15,480
Exchange differences	-	(1)	(1)	-	(2)
Charge for the year	2,754	273	555	15	3,597
On disposals	-	-	-	-	-
At 31 December 2017	13,460	1,874	3,547	194	19,075
Exchange differences	-	(1)	(2)	-	(3)
Charge for the year	2,526	257	584	-	3,367
On disposals	(131)	(17)	-	(38)	(186)
At 31 December 2018	15,855	2,113	4,129	156	22,253
<b>Net book value</b>					
At 31 December 2018	18,215	571	1,738	-	20,524
At 31 December 2017	21,100	680	1,170	-	22,950
At 1 January 2017	23,554	910	818	15	25,297

There are no assets held under finance leases or under hire purchase contracts.

# Bonhams 1793 Limited

## Notes to the financial statements for the year ended 31 December 2018

### 12. Investments

	Shares in subsidiary undertakings £ 000
<b>Cost</b>	
At 31 December 2018 and 31 December 2017	2,143
<b>Accumulated impairment losses</b>	
At 31 December 2018 and 31 December 2017	-
<b>Net book value</b>	
At 31 December 2018 and 31 December 2017	2,143

The subsidiary undertakings of the Company are listed below:

Registered address	Subsidiary undertakings	Activity	Portion of ordinary shares held %
	<b>Direct subsidiary</b>		
United Kingdom	Bonhams Credit Limited	Financing	100
Montpelier Street, London, SW7 1HH	Bonhams UK Limited	Dormant	100
France	Bonhams France SAS	Auctioneers & valuers	100
4 Rue de la Paix, 75002 Paris			
Hong Kong	Bonhams (Hong Kong) Limited	Auctioneers & valuers	100
Suite 2001, One Pacific Place, 88 Queensway, Admiralty			
Ireland	Bonhams Auctions Limited	Dormant	100
31 Molesworth St, Dublin, D2			
	<b>Indirect subsidiary</b>		
United Kingdom	Bonhams Scotland Limited	Dormant	100
Montpelier Street, London, SW7 1HH			

# Bonhams 1793 Limited

## Notes to the financial statements for the year ended 31 December 2018

### 13. Trade and other receivables

	2018 £ 000	2017 £ 000
Trade receivables	5,902	3,466
Amounts owed by parent undertakings	40,502	30,614
Amounts owed by fellow subsidiary undertakings	1,556	6,752
Other receivables	755	167
Prepayments and other debtors	1,517	1,840
	<u>50,232</u>	<u>42,839</u>

Inter-company Group balances are unsecured, are repayable on demand and accrue interest at a rate of 2% per annum above the appropriate central bank's base rate for each foreign currency balance.

#### Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained. The Company's credit risk is significantly influenced by the level of its trade credit receivables. All such amounts presented in the Statement of Financial Position are net of allowances for expected credit losses.

The Company has no significant concentration of trade receivable credit risk, with exposure spread over a large number of customers.

#### Past due but not impaired receivables

The Company's payment terms are two days from the date of sale, and therefore, the Directors fully expect a large amount of past due receivables. This effect is significantly increased at year end, due to the Christmas holidays following so soon after the Company's peak trading season.

The amount of past due not impaired receivables at the year end is £5,762,000 (2017: £2,790,000). Over 93% of this balance has been received. The Directors fully expect the remainder to be paid in the near future. The average age of these receivables is 40 days (2017: 24 days).

Before accepting any new credit customer, the Company uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. There are no customers who represent more than 5% of the total balance of trade receivables.

Ageing of past due but not impaired receivables:

	2018 £ 000	2017 £ 000
0-30 days	2,048	2,036
30-60 days	1,403	575
Over 60 days	2,311	179
	<u>5,762</u>	<u>2,790</u>

# Bonhams 1793 Limited

## Notes to the financial statements for the year ended 31 December 2018

### 13. Trade and other receivables (continued)

#### Impaired receivables

In determining the expected credit loss of trade receivables the Group considers any change in the credit quality of the debtor from the date credit was initially granted, taking into account their payment history and economic conditions. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further provision required in excess of the expected credit loss.

### 14. Cash and cash equivalents

	2018 £ 000	2017 £ 000
Cash and cash equivalents	7,309	8,360
<b>Denominated as</b>		
Cash and cash equivalents:		
Sterling	1,952	6,618
US Dollars	8	45
Euros	724	77
Australian Dollars	576	671
Hong Kong Dollars	3,968	928
Swiss Francs	81	21
	7,309	8,360

Cash within pooling arrangements is offset due to a contractual right. All bank facilities are secured by floating charges over the assets of this Company. The carrying value of cash and cash equivalents approximates to their fair value.

#### Interest rate risk management

The Company is exposed to interest rate risk on interest receivable on balances with subsidiary undertakings and surplus cash holdings. It is also exposed to interest rate risk on interest payable on balances with subsidiary undertakings.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Company's:

- profit for the year ended 31 December 2018 would increase/decrease by £14,000 (2017: decrease/increase £15,000). This is mainly attributable to the Company's exposure to interest receivable at a variable rate on its intercompany balances and on its cash holdings; and
- other equity reserves would not be affected.

# Bonhams 1793 Limited

## Notes to the financial statements for the year ended 31 December 2018

### 15. Trade and other payables

	2018 £ 000	2017 £ 000
Trade payables	2,358	2,974
Amounts owed to parent undertakings	7,742	10,948
Amounts owed to fellow subsidiary undertakings	4,540	1,975
Other payables	3,289	2,806
Accruals and deferred income	1,708	2,464
	<u>19,637</u>	<u>21,167</u>

The average credit period taken for trade purchases is 36 days (2017: 35). The Directors consider that the carrying amount of trade payables approximates to their fair value.

Inter-company Group balances are unsecured, are repayable on demand and accrue interest at a rate of 2% per annum above the appropriate central bank's base rate for each foreign currency balance.

### 16. Provisions

	Other provisions £ 000	Property provisions £ 000	Total £ 000
At 31 December 2017	1,048	2,442	3,490
New	705	164	869
Released	(500)	(441)	(941)
Paid or used	(175)	(773)	(948)
At 31 December 2018	<u>1,078</u>	<u>1,392</u>	<u>2,470</u>

Other provisions relate to probable settlements in relation to claims against the Company. Property provisions relate to an onerous lease and dilapidation provisions which will crystallise on the cessation of the leases to which they relate.

### 17. Share capital

	2018 £ 000	2017 £ 000
<b>Authorised, allotted, called up and fully paid:</b>		
18,572,800 Ordinary shares of £1 each	18,573	18,573
450,936 'P' Ordinary shares of £1 each	451	451
	<u>19,024</u>	<u>19,024</u>

The company carries 2 classes of ordinary shares – Ordinary shares and 'P' Ordinary shares. Both classes of ordinary shares entitle the holders to voting rights and no rights to fixed income. They also have no restrictions on dividend distributions or repayment of capital.

# Bonhams 1793 Limited

## Notes to the financial statements for the year ended 31 December 2018

### 18. Pension scheme

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the income statement in the year was £801,000 (2017: £795,000). The amount of outstanding contributions at 31 December 2018 was £nil (2017: £nil).

### 19. Operating lease arrangements

	2018 £ 000	2017 £ 000
Minimum lease payments under operating leases recognised as an expense in the year	3,367	3,597

At the Statement of Financial Position date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £ 000	2017 £ 000
Within one year	3,608	3,142
In the second to fifth years inclusive	9,471	9,638
After five years	874	2,921
	13,953	15,701

Operating lease payments represent rentals payable by the Company for certain of its office properties. Leases are negotiated for an average term of 6.2 years and rentals are fixed for an average of 5.2 years.

### 20. Notes to the cash flow statement

	2018 £ 000	2017 £ 000
Operating profit	8,985	6,777
Adjustments for:		
Amortisation of intangible assets	1,580	1,711
Depreciation of property and equipment	3,367	3,597
Loss on disposal of property and equipment	459	-
Decrease in provisions	(1,020)	(524)
<b>Operating cash flows before movements in working capital</b>	<b>13,371</b>	<b>11,561</b>
(Increase)/decrease in receivables	(2,703)	1,741
(Decrease)/increase in payables	(899)	700
Movement in intercompany balances	(5,187)	(7,475)
<b>Cash generated from operations</b>	<b>4,582</b>	<b>6,527</b>
Income taxes paid	(2,557)	(93)
Interest paid	(271)	(349)
<b>Net cash generated from operating activities</b>	<b>1,754</b>	<b>6,085</b>



## **Bonhams 1793 Limited**

### **Notes to the financial statements for the year ended 31 December 2018**

#### **21. Contingent liabilities**

The Company has given a bank guarantee in respect of Value Added Tax liabilities on goods imported for auction up to a maximum value of £2 million (2017: £2 million). The Directors do not expect any material loss in respect of the guarantee.

#### **22. Parent undertaking**

On 11 September 2018 the entire share capital of the Company's ultimate parent Bonhams Brooks PS&N Limited was acquired by Epiris LLP, a private equity firm based at Forum St Pauls, Gutter Lane, London EC2V 8AS.

At 31 December 2018, the immediate parent company is Bonhams Holdings Limited. The ultimate parent company and controlling party is Valkyrie Topco Limited, a company incorporated and registered in Jersey.

Valkyrie Topco Limited is the largest group for which consolidated financial statements are prepared of which the Company is a member, their registered address is Aztec Group House, PO Box 730, 11-15 Seaton Place, St Helier, Jersey JE4 0QH. Vanquish Holdco Limited is the smallest group for which consolidated financial statements are prepared of which the Company is a member, their registered address is Montpelier Galleries, Montpelier Street, London SW7 1HH.

## Bonhams 1793 Limited

### Notes to the financial statements for the year ended 31 December 2018

#### 23. Related parties

During the year there were the following transactions with group companies:

	2018 £ 000	2017 £ 000
<b>Amounts paid</b>		
Rent	2,208	1,705
<b>Amounts received</b>		
Management charges	1,927	1,356

Amounts outstanding between group companies are detailed in notes 13 and 15.

On 11 September 2018 the company's ultimate parent was acquired by Epiris LLP, a private equity firm based at Forum St Pauls, Gutter Lane, London EC2V 8AS. Up to the date of acquisition, management have identified a number of related party transactions requiring disclosure under IAS 24 – Related Party Disclosures:

- Quru Limited, 50% of the share capital of which is held by R Brooks, Clamator Beheer BV, R&H Trust Company (Jersey) Limited and Pasquale Investments II Limited, all of whom were part owners of the Company's ultimate holding company. Quru Limited provides IT infrastructure, website, and development services to the Company. The Company has an ongoing contract with Quru which is terminable by giving not less than six months written notice, subject to there not having been any breach of contract by either party.
- 101 New Bond Street Limited is a wholly owned subsidiary of PS&N (Holdings) Limited (PSNH) which is wholly owned by R Brooks, Clamator Beheer BV, R&H Trust Company (Jersey) Limited, and Pasquale Investments II Limited.

101 New Bond Street Limited holds the freehold interest in 101 New Bond Street, London. The property is let to BBPS&N Property Investments Limited at an annual rent of £1,800,000. The lease expires on 13 December 2022 but 101 New Bond Street Limited has granted reversionary leases of the property from 14 December 2022 to 31 December 2028 (except for one part of the property where the lease expires on 20 March 2028 but has an option to renew until 31 December 2028). The rent is subject to index-linked reviews in 2022 and 2027. The index is the IPD Rental Value Growth Monthly Index Mid Town and West End. The reversionary leases contain an automatic rent increase of £200,000 in addition to the IPD index.

BBPS&N Property Investments Limited, a fellow subsidiary undertaking, has sublet 101 New Bond Street to the Company. The combined annual rent of the subleases is £2,170,000. The subleases run through to 21 December 2028 and are excluded from the security of tenure provisions of the Landlord and Tenant Act 1954. The rent review arrangements follow the superior leases with IPD index-linked reviews in 2022 and 2027 but no automatic uplift in 2022.

Bonhams Brooks PS&N Limited, a fellow subsidiary undertaking, has guaranteed (to 101 New Bond Street Limited) the performance of BBPS&N Property Investments Limited and the Company under all leases held.

# Bonhams 1793 Limited

## Notes to the financial statements for the year ended 31 December 2018

### 23. Related parties (continued)

PS&N (Properties), a wholly-owned subsidiary of PSNH, holds a 15 year lease with the Company of a freehold property for an annual rental of £38,000.

The transactions during the period to 10 September 2018 are summarised as follows:

	Purchase of services		Rental of property		Amounts owed by/(to) related parties	
	2018	2017	2018	2017	2018	2017
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Quru Limited	(1,458)	(1,667)	-	-	-	(242)
PS&N (Properties)	-	-	(25)	(35)	-	-
BBPS&N Property Investments Limited	-	-	(2,170)	(1,670)	-	-

### Amounts owed by and to group undertakings

The Company has a number of intercompany balances with both United Kingdom and overseas entities. Hence, exposures to exchange rate fluctuations arise. Foreign exchange risk is borne by the Company, rather than its overseas subsidiaries.

At the reporting date the carrying amounts of the intercompany assets and liabilities held by the Company were denominated as follows:

	Assets		Liabilities	
	2018	2017	2018	2017
	£ 000	£ 000	£ 000	£ 000
Sterling	41,556	32,343	(3,830)	(3,461)
US Dollars	-	-	(2,556)	(3,923)
Euros	-	-	(4,239)	(3,672)
Canadian Dollars	-	-	(163)	(155)
Hong Kong Dollars	502	5,023	-	-
Swiss Francs	-	-	(1,006)	(1,165)
Other	-	-	(488)	(547)
	42,058	37,366	(12,282)	(12,923)

### 24. Financial Risk Management

The Directors note that the financial risks relating to the operations of the Company are limited, but managed through regular analysis of exposures by degree and magnitude of risk. These risks identified include currency risk, interest rate risk and credit risk.

Further detail on credit risk are provided in note 13 and on interest rate risk in note 14.

#### Foreign currency risk management

The Company undertakes certain transactions denominated in different currencies. Hence, exposure to exchange rate fluctuations arises: this is predominantly US Dollar and Euro currency risk. However, these are considered by the Directors to be insignificant as all inter-country transactions are effected in the same currency.

# Bonhams 1793 Limited

## Notes to the financial statements for the year ended 31 December 2018

### 24. Financial Risk Management (continued)

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2018 £ 000	2017 £ 000	2018 £ 000	2017 £ 000
US Dollar	8	45	(2,556)	(3,923)
Euro	746	97	(4,566)	(3,894)
Australian Dollar	873	690	(109)	(61)
Canadian Dollar	-	-	(163)	(156)
Hong Kong Dollar	4,471	5,952	-	-
Swiss Franc	81	21	(1,006)	(1,165)
Taiwanese Dollar	-	-	(487)	(547)
	<u>6,179</u>	<u>6,805</u>	<u>(8,887)</u>	<u>(9,746)</u>

### Foreign currency sensitivity analysis

The Company is predominantly exposed to currency risk on the US Dollar, Euro, Hong Kong Dollar and the Swiss Franc.

The following table details the Company's sensitivity to a 10% increase and decrease in Sterling against those currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. This represents management's assessment of what might constitute an appropriate sensitivity. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the Sterling strengthens 10%. For a 10% weakening of Sterling, there would be an equal and opposite impact on profit and other equity, and the balances below would be negative.

	Currency impact	
	2018 £ 000	2017 £ 000
Profit or loss	271	294
Other equity	-	-

### Capital management risk

Capital is the equity attributable to the equity holders of the Company less the net unrealised gains reserve.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company might adjust the dividend payment to shareholders, issue new shares, or capitalise loans outstanding.

No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017.

## Bonhams 1793 Limited

### Notes to the financial statements for the year ended 31 December 2018

#### 24. Financial Risk Management (continued)

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio at an appropriate level. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Company.

	2018 £ 000	2017 £ 000
Trade and other payables (note 15)	19,637	21,167
Provisions (note 16)	2,470	3,490
Less cash and short-term deposits (note 14)	(7,309)	(8,360)
<b>Net debt</b>	<b>14,798</b>	<b>16,297</b>
Equity (including share premium)	96,286	89,271
<b>Total capital</b>	<b>96,286</b>	<b>89,271</b>
Capital and net debt	111,084	105,568
Gearing ratio	13%	15%