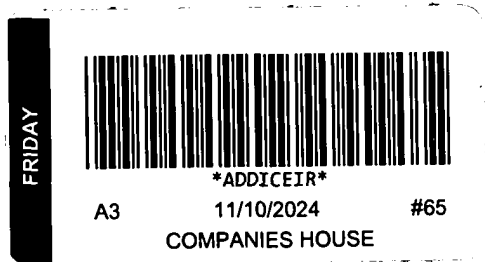


Company Registration No. 04326560

Bonhams 1793 Limited

**Annual report and financial statements
for the year ended 31 December 2023**



Bonhams 1793 Limited

Annual report and financial statements for the year ended 31 December 2023

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Bonhams 1793 Limited

Annual report and financial statements for the year ended 31 December 2023

Officers and professional advisers

Executive Directors

J Buckley
A Lejeune

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 2023.

The Directors, in preparing this strategic report for the year ended 31 December 2023, 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

The Board is pleased to be able to report positive result, however, based on a review of forecasts, an impairment charge of £48.5 million was provided for on intangible assets, investments and amounts owed by fellow subsidiary undertakings. The increased level of digitally based customer activity is particularly satisfying given the focus the business has placed on this channel.

The gross profit margin for the Company is 82% (2022: 79%), this increase is driven by the mix of sales categories and price points during the year.

The results for the period are set out on page 12. The Company’s operating loss for the period amounted to £46.6 million (2022: profit £4.2 million). The Company’s retained loss for the year attributable to shareholders of the parent amounted to £45.4 million (2022: profit £9.3 million). The Directors do not recommend the payment of a dividend (2022: £nil).

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 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 the Company’s wider digital capabilities remaining important strategic priorities.

Going concern

The Company had cash at 31 December 2023 of £11.3 million (2022: £17.9 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.

The Company has prepared forecasts through to September 2025 (the forecast period) which show that the Company has sufficient facilities to provide liquidity through the forecast period. After making enquiries, including reviewing the forecasts and considering downward sensitivities in respect of forecast revenue and operating profit, the Directors have concluded that they have a reasonable expectation that the Company has adequate resources available to them, to continue in operational existence for the foreseeable future being at least 12 months from the date of approval of these financial statements. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.

SECR energy use and carbon emissions disclosure

The Company is a subsidiary undertaking that is included in the consolidated environmental performance disclosures including disclosures required under Streamlined Energy and Carbon Reporting (“SECR”) of the ultimate parent entity Valkyrie Topco Limited. As such, it has taken the exemption from preparing a Company specific SECR disclosure.

Bonhams 1793 Limited

Strategic report

s172 statement - Engaging with stakeholders

The success of our business depends on the support of all our stakeholders – buyers, vendors, shareholders, employees and communities.

The Company operates through its international network and brings a global perspective to meeting local requirements. The leadership teams of each office take decisions with a view to the long term and follow the highest standards of conduct in line with Company policies. Reports are regularly made to the Company Board by the business units about strategy, key decisions taken and performance. This provides the Board with assurance that stakeholder interests are being properly considered when it comes to decision-making.

Details of the Company's key stakeholders and how we engage with them are set out below.

Vendors / Buyers – the Company aims to create the very best market environment to help our clients achieve their objectives, whether they are selling or buying. We lay particular emphasis on building strong lasting relationships with our clients, devoting time and resources to work with them on understanding their needs and how we can continually improve the services we offer.

Shareholders – the Shareholder Agreement sets out not only the shareholders' rights of ownership but also their rights to be involved in discussions with the Board on matters including financial performance, strategy, outlook, governance and ethical practices. We appreciate and welcome this involvement.

Employees - Bonhams employees are at the core of Bonhams success. We want them to develop, build careers and help our people perform at the highest level across our network. Creating an inclusive culture for everyone is a very important part of our success and continued success. Managers engage and communicate with their teams regularly face to face and through our internal communications platform. Our HR platform facilitates open and transparent communication on recruitment, performance management and compensation management. We also run initiatives including a Mentoring Program to provide alternative avenues for employees and management to interact and share experiences. We run a global employee engagement survey annually to assess levels of engagement across the organisation. This gives invaluable insights into improvements that we can make to help improve engagement and we will continually evolve and improve on these results.

Our commitment to Well-being and Diversity and Inclusion continues to encourage a progressive culture of transparency and openness. Bonhams is an equal opportunities employer and we value diversity and aim to set up and maintain a working environment, terms and conditions for services and employment practices which ensure that all employees, job applicants and potential applicants, agency and self-employed workers receive equal treatment. This approach extends beyond the hiring period to ensure that reasonable adjustments are made for any employees that have a disability. Our training and development program is open to all employees and any specific requests can be raised as part of our performance review process. We also offer a competitive reward proposition to attract, retain and drive our people to the desired outcomes.

Communities – Bonhams had a full Charitable Programme in 2023. One of the most substantial fund-raisers was the fourth edition of Cure3, a selling exhibition which achieved £700,000 in aid of this groundbreaking charity that is committed to raising awareness and funds for curative Parkinson's research. The annual Bonhams Staff Art Show also donated proceeds from the sales of works by members of staff to Cure Parkinson's.

In September, Bonhams was delighted to partner with the gallery, Hauser and Wirth, to raise funds for Hospital Rooms. The charity, which has a focus on mental health, asked internationally renowned artists such as Damien Hirst, Julian Opie, Martin Creed, Catherine Goodman and Caroline Walker to donate works. The auction, held by Bonhams at New Bond Street saleroom, achieved more than £430,000.

Bonhams Cars had a number of charitable initiatives including collaborating with the Elvis Presley Charity Foundation and with Goodwood for the Goodwoof Barkitecture Charity Sale in aid of Pets as Therapy. This innovative sale involved a sale of dog kennels created by the world's leading architects, including Sebastian Conran, Foster and Partners and Hopkins Architects achieving £26,000.

Bonhams 1793 Limited

Strategic report

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.

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 payable in relation to bank borrowings, when used. The Company does not view the interest rate risk as significant.

Cash flow risk

Cash flow risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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, 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.

Approval

Approved by the Board and signed on its behalf by:



C Watson
Company Secretary

30 September 2024

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 2023.

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 results and dividends, going concern, financial risk management.

The company's Green House Gas (GHG) emissions and energy usage has been included in the consolidated financial statements of Vanquish Holdco Limited.

Future developments

The board is continuing a strategic review of the company with a view to significantly enhance its digital offering. The company's principal activities are not expected to change. Non-adjusting event after the balance sheet date are disclosed in note 26 of the financial statements.

Engagement with 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.

Disabled employees

The Company and its subsidiaries 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.

Engagement with suppliers, customers and others

As outlined in the Strategic Report we lay particular emphasis on building strong lasting relationships with our partners and clients, devoting time and resources to work with them on understanding their needs and how we can continually improve the service we offer for the benefit of all parties.

Directors

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

Executive Directors

J Buckley
J Fairhurst (Resigned 4 June 2024)
A Lejeune (Appointed 12 March 2024)

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors in the current and prior 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 Australia, Netherlands, Ireland, Italy, Portugal and Spain.

Bonhams 1793 Limited

Directors' report

Charitable donations and political contributions

During the course of the year the Company made charitable donations of £23,000 (2022: £10,000). The Company made no political contributions in the year (2022 – nil).

Auditor

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

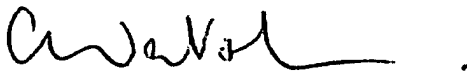
- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps that he/she ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's 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
30 September 2024

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 financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. 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 year.

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 specific requirements of the financial reporting framework 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 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 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); 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 the statement of comprehensive income;
- the statement of changes in equity;
- the statement of financial position;
- the cash flow statement; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Report on the audit of the financial statements (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

Responsibilities of directors

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

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Report on the audit of the financial statements (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements. As a result, we identified the greatest potential for fraud in revenue recognition from non-standard transactions as it may result in revenue recognition which is different from normal revenue transactions. The specific procedures performed included:

- using data analytics and recalculations to profile the revenue populations to identify non-standard revenue transactions (i.e. outliers and populations of greater audit interest); and
- performing substantive audit procedures which included agreeing recorded revenue to supporting documentation and contracts.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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

Report on the audit of the financial statements (continued)

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

3 October 2024

Bonhams 1793 Limited

Income statement and statement of comprehensive income for the year ended 31 December 2023

	Notes	2023 £ 000	2022 £ 000
Revenue	3	67,053	63,814
Cost of sales		(11,859)	(13,165)
Gross profit		55,194	50,649
Administrative expenses		(53,267)	(46,492)
Impairment of intangible assets		(35,649)	-
Impairment of investments		(11,781)	-
Impairment of amounts owed by fellow subsidiary undertakings		(1,115)	-
Operating (loss)/profit		(46,618)	4,157
Net finance income	7	2,167	6,026
(Loss)/profit before tax	4	(44,451)	10,183
Taxation	8	(845)	(1,081)
(Loss)/profit for the year		(45,296)	9,102
Exchange differences on translation of foreign branches		(105)	210
Total comprehensive (loss)/income for the year		(45,401)	9,312

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 2023

	Balance at 1 January 2022 £ 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 2022 £ 000
Share capital	19,024	-	-	-	19,024
Share premium account	29,899	-	-	-	29,899
Foreign exchange reserve	351	-	210	210	561
Retained earnings	49,169	9,102	-	9,102	58,271
Total equity	98,443	9,102	210	9,312	107,755

	Balance at 1 January 2023 £ 000	Loss for the year £ 000	Exchange difference on translation of foreign branches £ 000	Total compre- hensive income for the year £ 000	Balance at 31 December 2023 £ 000
Share capital	19,024	-	-	-	19,024
Share premium account	29,899	-	-	-	29,899
Foreign exchange reserve	561	-	(105)	(105)	456
Retained earnings	58,271	(45,296)	-	(45,296)	12,975
Total equity	107,755	(45,296)	(105)	(45,401)	62,354

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 2023

	Notes	2023 £ 000	2022 £ 000
Non-current assets			
Intangible assets	10	2,882	38,085
Property and equipment	11	16,826	16,634
Right-of-use assets	12	20,424	20,351
Investments	13	10,184	21,965
Trade and other receivables	14	111,790	115,879
Total non-current assets		162,106	212,914
Current assets			
Inventory		174	129
Trade and other receivables	14	62,119	57,648
Cash and cash equivalents	15	11,266	17,918
Total current assets		73,559	75,695
Total assets		235,665	288,609
Current liabilities			
Trade and other payables	16	(149,665)	(158,147)
Lease liability	20	(2,565)	(2,478)
Provisions	17	(2,033)	(1,517)
Current tax liabilities		(1,147)	(795)
Total current liabilities		(155,410)	(162,937)
Net current liabilities		(81,851)	(87,242)
Non-current liabilities			
Lease liability	20	(17,901)	(17,917)
Total non-current liabilities		(17,901)	(17,917)
Total liabilities		(173,311)	(180,854)
Net assets		62,354	107,755
Equity			
Share capital	18	19,024	19,024
Share premium account		29,899	29,899
Foreign exchange reserve		456	561
Retained earnings		12,975	58,271
Total equity		62,354	107,755

These financial statements of Bonhams 1793 Limited (Company number 04326560) were approved by the Board of Directors and authorised for issue on 30 September 2024.

They were signed on its behalf by A Lejeune (Director):



Bonhams 1793 Limited

Cash flow statement for the year ended 31 December 2023

	Notes	2023 £ 000	2022 £ 000
Net cash (used in)/generated from operating activities	21	<u>(1,930)</u>	<u>11,762</u>
Investing activities			
Interest received		6,975	6,403
Purchases of property and equipment	10, 11	(6,925)	(6,328)
Fixed asset investments	13	-	(14,542)
Net cash generated from/(used in) investing activities		<u>50</u>	<u>(14,467)</u>
Financing activities			
Repayments of lease liabilities		(3,510)	(3,662)
Net cash used in investing activities		<u>(3,510)</u>	<u>(3,662)</u>
Net decrease in cash and cash equivalents		(5,390)	(6,367)
Cash and cash equivalents at beginning of year		17,918	23,151
Effect of foreign exchange rate changes		(1,262)	1,134
Cash and cash equivalents at end of year	15	<u>11,266</u>	<u>17,918</u>

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

1. Material accounting policies

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 have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as issued by the IASB. 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 23.

Going concern

The Company had cash at 31 December 2023 of £11.3 million (2022: £17.9 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.

The Company has prepared forecasts through to September 2025 (the forecast period) which show that the Company has sufficient facilities to provide liquidity through the forecast period. After making enquiries, including reviewing the forecasts and considering downward sensitivities in respect of forecast revenue and operating profit, the Directors have concluded that they have a reasonable expectation that the Company has adequate resources available to them, to continue in operational existence for the foreseeable future being at least 12 months from the date of approval of these financial statements. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

1. Material accounting policies (continued)

New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17) The Company has adopted IFRS 17 and the related amendments for the first time in the current year. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Company does not have any contracts that meet the definition of an insurance contract under IFRS 17.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The Company has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Company has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

1. Material accounting policies (continued)

New and amended IFRS Accounting Standards that are effective for the current year (continued)

Amendments to IAS 12 Income Taxes— International Tax Reform — Pillar Two Model Rules

The Company has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

The amendment doesn't have a material impact on the Company.

Amendments to IAS 8 Accounting Polices, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The Company has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective and had not yet been adopted by the Company:

Most jurisdictions have a mechanism for incorporating IFRS Accounting Standards into their financial reporting system. These mechanisms range from direct adoption of 'IFRS Accounting Standards as issued by the IASB', through adopting local standards that are 'equivalent to IFRS Accounting Standards', to the extensive endorsement mechanism used in the European Union and the United Kingdom.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

Amendments to IAS 1 Non-current Liabilities with Covenants

Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements

Amendments to IAS 21 Lack of exchangeability

Amendments to IFRS 16 Lease Liability in a Sale and Leaseback

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

1. Material 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.

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

Revenue represents commissions, premiums and income receivable from auctions held during the period and valuation fees receivable for the period, net of trade discounts, Value Added Tax ("VAT") and other sales-related taxes.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business. Revenue is recognised at the point of sale of a lot at auction.

Interest income is accrued on a time basis, by reference to the amounts and effective interest rates applicable.

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

1. Material accounting policies (continued)

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.

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 charges 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.

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

1. Material accounting policies (continued)

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.

Internally-generated intangible assets

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Computer software - 25% straight line per annum

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 2023

1. Material accounting policies (continued)

Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

1. Material accounting policies (continued)

Leases (continued)

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy (not part of this Appendix).

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other operating expenses' in profit or loss (see Note 31).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Investments

Investment in subsidiary companies are stated at cost less provision for impairment. Impairment is first allocated to amounts owed by fellow subsidiary undertakings and then to the investment.

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.

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

1. Material accounting policies (continued)

Financial instruments

The accounting policies with reference to financial instruments below reflect IFRS 9.

Financial assets and financial liabilities are recognised on the Company balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value.

Under IFRS 9, the business model under which each portfolio of trade receivables held, has been assessed. The Company hold loans and receivable in order to collect the contractual cash flows and is therefore measured at amortised cost.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. The impairment model under IFRS 9 reflects expected credit losses.

For trade receivables, the Company uses the simplified approach under IFRS 9 to recognise lifetime expected credit losses. This is recorded through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Aside from trade receivables, the carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

1. Material accounting policies (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

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 2023

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.

There are no critical accounting judgements at the date of the financial statements.

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 and other assets

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 (see note 17).

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

3. Revenue

Revenue is derived from the rendering of auction and valuation services and a geographical split is shown below.

	2023 £ 000	2022 £ 000
United Kingdom	64,677	58,564
Other regions	2,376	5,250
	<u>67,053</u>	<u>63,814</u>

4. (Loss)/profit for the year

	2023 £ 000	2022 £ 000
(Loss)/profit is stated after charging/(crediting):		
Amortisation of intangible assets (note 10)	1,446	973
Depreciation of property and equipment (note 11)	4,841	3,636
Depreciation of right-of-use assets (note 12)	2,589	2,548
Impairment of intangible assets (note 10)	35,649	-
Impairment of investments (note 13)	12,770	-
Impairment of amounts owed by fellow subsidiary undertakings	1,115	-
Expense relating to low value assets and short-term leases	538	661
Staff costs (note 6)	24,048	23,428
(Reversal)/allowance on trade receivables	(585)	(61)
Foreign exchange loss	2,070	132
Auditor's remuneration:		
- Fees payable for the audit of Company's annual financial statements	354	266
	<u></u>	<u></u>

Fees payable to Deloitte LLP by the Company in respect of non-audit services were £nil (2022: £nil).

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

5. Directors' emoluments

	2023	2022
	£ 000	£ 000
Remuneration in respect of Directors was as follows:		
Emoluments	479	483
Pension contributions	17	34
	<u>496</u>	<u>517</u>
Emoluments of the highest paid Director:		
Emoluments	314	335
Pension contributions	11	22
	<u>325</u>	<u>357</u>

Two directors were members of the Company's defined contribution pension scheme during the year (2022: two).

6. Staff costs

	2023	2022
	£ 000	£ 000
Staff costs during the year (including Directors) were as follows:		
Wages and salaries	20,009	19,293
Social security costs	2,243	2,369
Pension costs	1,796	1,766
	<u>24,048</u>	<u>23,428</u>

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

	No.	No.
Staff	<u>415</u>	<u>378</u>

There was only one category of employees in the current and previous year.

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

7. Net finance income

	2023 £ 000	2022 £ 000
Interest on bank deposits and other interest	62	11
Interest on loans to group undertakings	6,922	6,391
	<u>6,984</u>	<u>6,402</u>
Interest on bank overdrafts and loans	(802)	(248)
Interest on loans from group undertakings	(1,514)	(286)
Interest expense on lease liabilities	(1,255)	(967)
Exchange loss on intragroup loans	(1,246)	1,125
	<u>(4,817)</u>	<u>(376)</u>
Total borrowing costs net of exchange loss		
	<u>(4,817)</u>	<u>(376)</u>
Net finance income	<u>2,167</u>	<u>6,026</u>

8. Taxation

Tax on profit

	2023 £ 000	2022 £ 000
Current tax:		
- Current tax charge	(543)	(982)
- Amounts under provided in previous years	(302)	(40)
	<u>(845)</u>	<u>(1,022)</u>
Total current tax		
	<u>(845)</u>	<u>(1,022)</u>
Deferred tax:		
- Origination and reversal of temporary differences	(2)	-
- Amounts over/(under) provided in previous years	2	(59)
	<u>(845)</u>	<u>(1,081)</u>
Total tax charge in the income statement		
	<u>(845)</u>	<u>(1,081)</u>
Tax charge in the income statement is disclosed as follows:		
Tax charge on continuing operations	<u>(845)</u>	<u>(1,081)</u>
	<u>(845)</u>	<u>(1,081)</u>

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

8. Taxation (continued)

Reconciliation of the total tax charge

The tax assessed for the year is lower than (2022: lower than) that resulting from applying the average rate of corporation tax in the UK of 23.5% (2022: 19%). The differences are explained below:

	2023 £ 000	2022 £ 000
(Loss)/profit before tax	(44,451)	10,183
Accounting profit multiplied by the UK average rate of corporation tax at 23.5% (2022: 19%)	10,446	(1,935)
Expenses not deductible for tax purposes	(12,108)	(95)
Higher rates of overseas tax	(67)	(260)
Group relief surrendered	1,184	1,308
Amounts over/(under) provided in previous years:		
- Current tax	(302)	(40)
- Deferred tax	2	(59)
Total tax charge in the income statement	(845)	(1,081)

Deferred tax

	Capital allowances £ 000	Other assets £ 000	Total £ 000
At 1 January 2023	(150)	150	-
Amounts under provided in previous years	2	-	2
Charge/(credit) to income statement	111	(113)	(2)
Change in tax rate	7	(7)	-
At 31 December 2023	(29)	29	-

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis

At the reporting date, the Company has unused tax losses of £nil (2022: £nil) available for offset against future profits.

No deferred tax liability is recognised on temporary differences relating to the unremitted earnings of overseas subsidiaries as the Company is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

From 1 April 2023 the UK corporation tax rate was increased to 25%. An appropriate tax rate has been used in these financial statements to measure the deferred tax assets and liabilities.

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

9. Dividends paid

The Company did not pay a dividend in the year (2022: nil).

10. Intangible assets

	Goodwill £ 000	Computer software £ 000	Total £ 000
Cost			
At 1 January 2022	41,821	17,777	59,598
Additions	-	1,208	1,208
	<hr/>	<hr/>	<hr/>
At 31 December 2022	41,821	18,985	60,806
Additions	-	1,892	1,892
Disposals	-	(13)	(13)
	<hr/>	<hr/>	<hr/>
At 31 December 2023	<u>41,821</u>	<u>20,864</u>	<u>62,685</u>
Accumulated amortisation			
At 1 January 2022	6,172	15,576	21,748
Charge for the year	-	973	973
	<hr/>	<hr/>	<hr/>
At 31 December 2022	6,172	16,549	22,721
Charge for the year	-	1,446	1,446
Impairment charge for the year	35,649	-	35,649
Disposals	-	(13)	(13)
	<hr/>	<hr/>	<hr/>
At 31 December 2023	<u>41,821</u>	<u>17,982</u>	<u>59,803</u>
Net book value			
At 31 December 2023	<u>-</u>	<u>2,882</u>	<u>2,882</u>
At 31 December 2022	<u>35,649</u>	<u>2,436</u>	<u>38,085</u>

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:

	2023 £ 000	2022 £ 000
United Kingdom and mainland Europe	<u>-</u>	<u>35,649</u>

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination.

The Company tests goodwill and indefinite life intangible assets annually for impairment or more frequently if there are indicators of impairment. Net book value has been compared with its recoverable amount to assess any major variance in value.

The recoverable amount of the cash generated unit based on a value in use calculation using cash flow projections for the next five years from financial budgets approved by senior management. As a result of the impairment assessment during the year there was an impairment charge of £35.6 million (2022: nil).

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

10. Intangible assets (continued)

Key assumptions used in value-in-use calculations

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

- forecast revenue and operating profit;
- discount rate; and
- growth rate used to extrapolate cash flows beyond five years

Forecast revenue and operating profit: the forecast revenue and operating profits are based on past experience adjusted for the benefits associated the strategic investments and decisions made within the CGUs.

Discount rate: the discount rate is estimated using rates that reflect current market assessment of the time value of money. The post-tax discount rate applied to cash flow projections is 14% (2022: 12%).

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

	Assumption	Change in assumption impact on fair value of the assets	
		+2%	-2%
		£ 000	£ 000
Revenue growth rate (CAGR)	8.6%	35,497	(33,218)
		+1%	-1%
		£ 000	£ 000
Discount rate	14%	(11,079)	13,114
Growth rate used to extrapolate cash flows beyond five years	2%	8,035	(6,799)

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

11. Property and equipment

	Leasehold improvements £ 000	Fixtures, fittings and office equipment £ 000	Computer equipment £ 000	Motor vehicles £ 000	Total £ 000
Cost					
At 1 January 2022	33,535	2,844	9,960	192	46,531
Exchange differences	2	1	2	-	5
Additions	1,555	300	3,265	-	5,120
Disposals	(238)	(2)	-	-	(240)
At 31 December 2022	34,854	3,143	13,227	192	51,416
Exchange differences	(1)	(1)	(3)	-	(5)
Additions	963	147	3,923	-	5,033
Disposals	-	(119)	(90)	-	(209)
At 31 December 2023	35,816	3,170	17,057	192	56,235
Depreciation					
At 1 January 2022	21,130	2,601	7,373	172	31,276
Exchange differences	-	-	2	-	2
Charge for the year	2,055	81	1,495	5	3,636
Disposals	(132)	-	-	-	(132)
At 31 December 2022	23,053	2,682	8,870	177	34,782
Exchange differences	(1)	(1)	(3)	1	(5)
Charge for the year	(2,613)	(117)	2,105	5	4,841
Disposals	-	(119)	(90)	-	(209)
At 31 December 2023	25,665	2,679	10,882	183	39,409
Net book value					
At 31 December 2023	10,151	491	6,175	9	16,826
At 31 December 2022	11,801	461	4,357	15	16,634

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 2023

12. Right-of-use assets

	Right-of-use assets £ 000
Cost	
At 1 January 2022	30,887
Exchange differences	40
Additions	114
Disposals and leases expiring in the year	(267)
	<hr/>
At 31 December 2022	30,774
Exchange differences	(24)
Additions	1,766
Lease extensions and modifications	1,356
Disposals and leases expiring in the year	(1,059)
	<hr/>
At 31 December 2023	<u>32,813</u>
Depreciation	
At 1 January 2022	7,993
Exchange differences	30
Charge for the year	2,548
Leases expiring in the year	(148)
	<hr/>
At 31 December 2022	10,423
Exchange differences	(18)
Charge for the year	2,589
Lease extensions and modifications	388
Disposals and leases expiring in the year	(993)
	<hr/>
At 31 December 2023	<u>12,389</u>
Net book value	
At 31 December 2023	<u>20,424</u>
At 31 December 2022	<u>20,351</u>

All right-of-use assets relate to property.

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

13. Investments

	Shares in subsidiary undertakings £ 000
At 31 December 2022 and at 31 December 2023	21,965
Accumulated impairment losses	
At 31 December 2022	-
Impairment charge for the year	11,781
At 31 December 2023	11,781
Net book value	
At 31 December 2023	10,184
At 31 December 2022	21,965

During the year the company disposed of its interest in Bonhams 1793 Limited - Belgium branch, the assets and liabilities were transferred to a subsidiary undertaking at net book value.

During the year the Company acquired Bonhams Auction - Sole Proprietorship LLC. The subsidiary undertakings of the Company are listed below:

Registered address	Subsidiary undertakings	Activity	Portion of ordinary shares held %
	Direct subsidiary		
United Kingdom	Bonhams Credit Limited	Financing	100
Montpelier Street, London	Bonhams UK Limited	Dormant	100
SW7 1HH	Patina Classics Limited	Auctioneers & valuers	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			
Sweden	1793 Swedish Holdings AB	Holding company	100
Box 1754			
111 87 Stockholm			
Denmark	1793 Danish Holdings AB	Holding company	100
Sweden	Bukowski Auktioner AB	Auctioneers & valuers	100
Box 1754			
111 87 Stockholm			

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

13. Investments (continued)

Registered address	Subsidiary undertakings	Activity	Portion of ordinary shares held %
	Indirect subsidiary		
United Kingdom Montpelier Street, London, SW7 1HH	Bonhams Scotland Limited	Dormant	100
Belgium Chaussée de Charleroi 89, Brussels, 1060	Cornette de Saint Cyr SA	Auctioneers & valuers	100
Denmark Bredgade 33, Copenhagen, 1260	Bruun Rasmussen Kunstauktioner A/S	Auctioneers & valuers	100
Finland Mastgatan 4-6 00160 Helsingfors	Bukowski OY	Auctioneers & valuers	100
France 6 avenue Hoche, Paris, 75008	Cornette de Saint Cyr Maison de Ventes SAS	Auctioneers & valuers	100
Sweden Box 1754 111 87 Stockholm	Bukowski Auktioner AB	Auctioneers & valuers	100
Abu Dhabi United Arab Emirates	Bonhams Auction - Sole Proprietorship LLC	Auctioneers & valuers	100

14. Trade and other receivables

	2023 £ 000	2022 £ 000
Current assets		
Trade receivables	17,459	21,343
Amounts owed by fellow subsidiary undertakings	42,821	34,758
Other receivables	72	89
Prepayments and other debtors	1,767	1,458
	<u>62,119</u>	<u>57,648</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.

During the year an impairment assessment was carried out by the Directors and based on their review of forecasts, an impairment charge of £1.1 million (2022: £nil) was provided for on amounts owed by fellow subsidiary undertakings.

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

14. Trade and other receivables (continued)

	2023	2022
	£ 000	£ 000
Non-current assets		
Amounts owed by parent undertakings	36,210	36,210
Amounts owed by fellow subsidiary undertakings	75,580	79,669
	<u>111,790</u>	<u>115,879</u>

The above-mentioned amounts due from parent undertakings recognised as a non-current asset represents a funding balance provided to its parent, interest is not charged on this loan. The above-mentioned amounts due from subsidiary undertakings recognised as a non-current asset represents a funding balance provided to its subsidiaries. The interest on this loan is charged at of 2% per annum above the appropriate central bank's base rate for each foreign currency balance and the amounts due are repayable on demand.

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 doubtful receivables.

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

Trade and other receivables (continued)

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 £17,459,000 (2022: £16,331,000). Over 80% (2022: 79%) 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 54 days (2022: 35 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:

	2023	2022
	£ 000	£ 000
0-30 days	4,847	7,284
31-60 days	2,304	5,316
Over 60 days	10,308	3,731
	<u>17,459</u>	<u>16,331</u>

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

14. Trade and other receivables (continued)

Impaired receivables

In determining the expected credit loss of trade receivables the Company 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.

15. Cash and cash equivalents

	2023 £ 000	2022 £ 000
Cash and cash equivalents	11,266	17,918
Denominated as		
Cash and cash equivalents:		
Sterling	(10,040)	14,851
US Dollars	5,368	15
Euros	1,101	943
Australian Dollars	332	635
Hong Kong Dollars	14,224	943
Swiss Francs	281	531
	<u>11,266</u>	<u>17,918</u>

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 2023 would increase/decrease by £62,000 (2022: £nil). 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 2023

16. Trade and other payables

	2023 £ 000	2022 £ 000
Trade payables	39,265	37,790
Amounts owed to parent undertakings	72,721	89,396
Amounts owed to fellow subsidiary undertakings	34,146	23,022
Other payables	1,112	5,027
Accruals and deferred income	2,421	2,912
	<u>149,665</u>	<u>158,147</u>

The average credit period taken for trade purchases is 36 days (2022: 35 days). 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.

17. Provisions

	Other provisions £ 000	Property provisions £ 000	Total £ 000
At 31 December 2022	601	916	1,517
New	110	-	110
Released	(271)	(36)	(307)
Other movements	-	713	713
	<u>440</u>	<u>1,593</u>	<u>2,033</u>

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

18. Share capital

	2023 £ 000	2022 £ 000
Authorised, allotted, called up and fully paid:		
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 2023

19. 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 £1,796,000 (2022: £1,766,000). The amount of outstanding contributions at 31 December 2023 was £213,000 (2022: £207,000).

20. Lease liability

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:

	2023	2022
	£ 000	£ 000
Current lease liability	2,565	2,478
Non-current lease liability	17,901	17,917
	<u>20,466</u>	<u>20,395</u>

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 (2022 – 6.2 years) and rentals are fixed for an average of 5.2 years (2022 – 5.2 years).

	2023	2022
	£ 000	£ 000
Within one year	2,565	2,478
In the second to fifth years inclusive	10,989	10,174
After five years	6,912	7,743
	<u>20,466</u>	<u>20,395</u>

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

21. Notes to the cash flow statement

	2023 £ 000	2022 £ 000
Operating (loss)/profit	(46,618)	4,157
Adjustments for:		
- Amortisation of intangible assets	1,446	973
- Depreciation of property and equipment	4,841	3,636
- Depreciation of right-of-use assets	2,589	2,548
- Impairment of intangible assets	35,649	1
- Impairment of investments	11,781	-
- Impairment of amounts owed by fellow subsidiary undertakings	1,115	1
- Loss on disposal of fixed assets	-	107
- Increase in provisions	(197)	(224)
Operating cash flows before movements in working capital	10,606	11,197
Increase in stock	(45)	(51)
Decrease/(increase) in receivables*	3,835	(2,685)
Decrease in payables*	(2,805)	(412)
Net movement in intercompany balances	(11,204)	4,812
Cash generated from operations	387	12,861
Income taxes paid	(7)	(562)
Interest paid	(2,310)	(537)
Net cash (used in)/generated from operating activities	(1,930)	11,762

*See note 13

22. Contingent liabilities

Bank guarantees of up to £2,000,000 (2022: £2,000,000) have been given in respect of VAT liabilities on goods imported from sellers for auction. The Directors do not expect any material loss in respect of the guarantee.

23. Parent undertaking

At 31 December 2023, 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 2023

24. Related parties

One director is considered to be the key management personnel for the Company.

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

	2023 £ 000	2022 £ 000
Amounts paid		
Rent	2,370	2,170
Management charges	529	848
	<u> </u>	<u> </u>
Amounts received		
Management charges	11,900	4,959
	<u> </u>	<u> </u>

Amounts outstanding between group companies are detailed in notes 14 and 16.

BBPS&N Property Investments Limited, a fellow subsidiary undertaking, has sublet 101 New Bond Street to the Company. The subleases run through to 21 December 2032 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 2027.

Bonhams Brooks PS&N Limited, a fellow subsidiary undertaking, has guaranteed the performance of BBPS&N Property Investments Limited and the Company under all leases held.

The transactions during the period are summarised as follows:

	Rental expense of property		Amounts owed to related parties	
	2023 £ 000	2022 £ 000	2023 £ 000	2022 £ 000
BBPS&N Property Investments Limited	(2,370)	(2,170)	3,700	3,330
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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	
	2023 £ 000	2022 £ 000	2023 £ 000	2022 £ 000
Sterling	37,320	36,772	(76,427)	(92,732)
US Dollars	21,129	19,746	(9,565)	(10,277)
Euros	18,180	12,489	(5,800)	(2,873)
Canadian Dollars	-	-	(611)	(512)
Danish Krone	33,481	31,119	(1,546)	-
Hong Kong Dollars	-	2,016	(9,591)	-
Swedish Krona	45,616	48,495	-	(2,368)
Swiss Francs	-	-	(3,327)	(3,656)
	<u>155,726</u>	<u>150,637</u>	<u>(106,867)</u>	<u>(112,418)</u>

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

25. 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 14 and on interest rate risk in note 15.

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.

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

	Assets		Liabilities	
	2023 £ 000	2022 £ 000	2023 £ 000	2022 £ 000
US Dollar	26,496	19,761	(9,565)	(10,277)
Euro	19,535	17,338	(5,849)	(3,408)
Australian Dollar	439	912	(141)	(365)
Canadian Dollar	-	-	(611)	(511)
Danish Krone	33,480	31,119	(1,546)	-
Hong Kong Dollar	14,223	2,959	(9,591)	-
Swedish Krona	45,616	48,495	-	(2,368)
Swiss Franc	281	531	(3,327)	(3,657)
	<u>140,070</u>	<u>121,115</u>	<u>(30,630)</u>	<u>(20,586)</u>

Foreign currency sensitivity analysis

The Company is predominantly exposed to currency risk on the US Dollar, Euro, Danish Krone, Hong Kong Dollar, and the Swedish Krona.

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	
	2023 £ 000	2022 £ 000
Profit or loss	10,944	10,053
Other equity	-	-
	<u>-</u>	<u>-</u>

Bonhams 1793 Limited

Notes to the financial statements for the year ended 31 December 2023

25. Financial risk management (continued)

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 2023 and 31 December 2022.

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.

	2023 £ 000	2022 £ 000
Trade and other payables (note 16)	149,665	158,147
Provisions (note 17)	2,033	1,517
Less cash and short-term deposits (note 15)	(11,266)	(17,918)
Net debt	<u>140,432</u>	<u>141,746</u>
Equity (including share premium)	<u>62,354</u>	<u>107,755</u>
Total capital	<u>62,354</u>	<u>107,755</u>
Capital and net debt	202,786	249,501
Gearing ratio	69%	57%

26. Non-adjusting event after the balance sheet date

There were no events after the balance sheet date.