

Registered number: NI041778

Euro Auctions (UK) Ltd

Annual report

For the year ended 31 December 2018



Euro Auctions (UK) Ltd

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Euro Auctions (UK) Ltd.

Company information

Directors Derek Keys
Jonathan Keys
Kellen Lee Fischer

Company secretary Patricia Keys

Registered number NI041778

Registered office 72-74 Omagh Road
Dromore
Omagh
BT78 3AJ

Independent auditors PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Waterfront Plaza
8 Laganbank Road
Belfast
BT1 3LR

Bankers Danske Bank
5-7 Market Street
Omagh
BT78 1BN

Lloyds TSB Bank plc
Leeds
West Yorkshire
LS1 6PN

Solicitors McConnell & Fyfe
The Old Rectory
21 Church Street
Omagh
BT78 1DG

Euro Auctions (UK) Ltd

Strategic report For the year ended 31 December 2018

The directors present their Strategic report on the company for the year ended 31 December 2018.

Principal activity

The principal activity of the company is conducting on-site and off-site auctions.

Review of the business and future developments

The results for the year show a pre-tax profit of £9,052,657 (2017: £9,796,852) on turnover of £20,411,240 (2017: £21,137,927).

The directors consider the company's financial position at the year end to be satisfactory and will continue to seek every opportunity to increase profits. The directors are committed to creation of shareholder value by increasing the company's market share through organic growth.

Financial key performance indicators

The company's key performance indicators are as follows:

	2018	2017	2016
	%	%	%
Gross profit margin	92.8	91.9	95.2
Movement in sales	(3.4)	45.7	24.5
Operating profit margin	44.5	46.2	37.7

Principal risks and uncertainties

Performance in the sector is affected by general economic conditions and specific sectoral factors. The company's performance is also affected by the availability of machinery for its auctions and continued competition from other auction sites. The company actively seeks to attract a wide variety of suppliers to its auctions which helps to mitigate the risk in this area.

Environment

The company recognises its responsibility to carry out its operations whilst minimising environmental impacts. The directors' continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible.

Human resources

The company's most important resource is its people, their knowledge and experience is crucial to meeting customer requirements. Retention of key staff is critical.

Health and safety

The company is committed to achieving the highest practicable standards in health and safety management and strives to make its sites and offices safe environments for employees and customers alike.

This report was approved by the board on 28 June 2019 and signed on its behalf.


Derek Keys
Director

Directors' report

For the year ended 31 December 2018

The directors present their report and the audited financial statements of the company for the year ended 31 December 2018.

Results and dividends

The profit for the financial year amounted to £7,560,787 (2017: £8,043,017).

The directors do not recommend the payment of a final dividend (2017: £Nil). No interim dividend was paid during the year (2017: £Nil).

Future developments

The section on future developments, which is detailed in the Strategic report, is included in this report by cross reference.

Directors

The directors of the company who served during the year, and up to the date of signing the financial statements, were:

Derek Keys
Jonathan Keys
Kellen Lee Fischer

Political contributions

No donations for political purposes were made during the year (2017: £Nil).

Financial risk management

The company's operations expose it to a variety of financial risks that include foreign exchange risk, credit risk, liquidity risk and interest rate risk.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Foreign exchange risk

While the greater part of the company's revenues and expenses are denominated in sterling, the company is exposed to some foreign exchange risk in the normal course of business, both on sales and purchases in Euro and Australian dollar. The foreign exchange risk for the company extends also to its branches whose functional currency is Euro and Australian dollars which require translation to sterling for reporting purposes.

Credit risk

The company had implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to individual customers is subject to a limit, which is reassessed regularly by the board.

Liquidity risk

The company actively maintains debt finance that is designed to ensure the company has sufficient available funds for its operations and planned expansions. Primary funding arrangements are managed at a group level.

Directors' report (continued)
For the year ended 31 December 2018

Financial risk management (continued)

Interest rate risk

The company had interest bearing assets and liabilities. Interest bearing assets relate to cash balances which earn interest at variable rates. The interest bearing liabilities include bank borrowings on which interest charged varies in line with the banks base rate. The company has a policy of maintaining debt at competitive rate to ensure a reasonable degree over future interest cash flows. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Branches outside the United Kingdom

During the year, Euro Auctions (UK) Ltd operated branches in Spain, Australia and Hong Kong.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

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.

Statement of disclosure of information to auditors

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

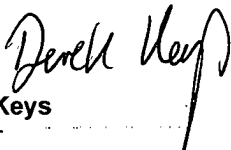
Euro Auctions (UK) Ltd

Directors' report (continued)
For the year ended 31 December 2018

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 28 June 2019 and signed on its behalf.


Derek Keys
Director

Independent auditors' report to the members of Euro Auctions (UK) Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Euro Auctions (UK) Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report ("the Annual report"), which comprise: the Balance sheet as at 31 December 2018; the Statement of comprehensive income, the Statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Independent auditors' report to the members of Euro Auctions (UK) Ltd (continued)

Reporting on other information

The other information comprises all of the information in the Annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 auditors' report.

Independent auditors' report to the members of Euro Auctions (UK) Ltd (continued)

Responsibilities for the financial statements and the audit (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

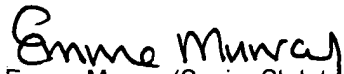
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Emma Murray (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast

28 June 2019

Statement of comprehensive income
For the year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	5	20,411,240	21,137,927
Cost of sales		(1,471,198)	(1,711,373)
Gross profit		18,940,042	19,426,554
Administrative expenses		(9,850,957)	(9,668,319)
Operating profit	6	9,089,085	9,758,235
Other interest receivable and similar income	9	49,218	55,155
Interest payable and similar expenses	10	(85,646)	(16,538)
Profit before tax		9,052,657	9,796,852
Tax on profit	11	(1,491,870)	(1,753,835)
Profit for the financial year		7,560,787	8,043,017
Other comprehensive expense for the year			
Currency translation differences on foreign currency branches		(2,787)	(61,863)
Total comprehensive income for the year		7,558,000	7,981,154


The notes on pages 12 to 25 form part of these financial statements.

Euro Auctions (UK) Ltd
Registered number: NI041778

Balance sheet
As at 31 December 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	12		4,666,353		4,732,917
Investment property	13		1,164,688		1,164,688
Investments	14		2,409,660		2,409,352
			<u>8,240,701</u>		<u>8,306,957</u>
Current assets					
Debtors	15	14,208,614		13,712,864	
Cash at bank and in hand		<u>33,426,548</u>		<u>26,302,340</u>	
		47,635,162		40,015,204	
Creditors: amounts falling due within one year	16	<u>(8,083,438)</u>		<u>(6,670,990)</u>	
Net current assets			<u>39,551,724</u>		<u>33,344,214</u>
Total assets less current liabilities			<u>47,792,425</u>		<u>41,651,171</u>
Creditors: amounts falling due after more than one year	17		(667,595)		(2,090,127)
Provisions for liabilities					
Deferred tax	19		<u>(59,784)</u>		<u>(53,998)</u>
Net assets			<u>47,065,046</u>		<u>39,507,046</u>
Capital and reserves					
Called up share capital	20		1		1
Retained earnings			<u>47,065,045</u>		<u>39,507,045</u>
Total shareholder's funds			<u>47,065,046</u>		<u>39,507,046</u>

The financial statements on pages 9 to 25 were approved and authorised for issue by the board and were signed on its behalf on 28 June 2019.


Derek Keys
 Director

The notes on pages 12 to 25 form part of these financial statements.

Euro Auctions (UK) Ltd

**Statement of changes in equity
For the year ended 31 December 2018**

	Called up share capital	Retained earnings	Total shareholder's funds
	£	£	£
At 1 January 2018	1	39,507,045	39,507,046
Comprehensive income for the year			
Profit for the financial year	-	7,560,787	7,560,787
Currency translation differences on foreign currency branches	-	(2,787)	(2,787)
Total comprehensive income for the year	-	7,558,000	7,558,000
At 31 December 2018	1	47,065,045	47,065,046

**Statement of changes in equity
For the year ended 31 December 2017**

	Called up share capital	Retained earnings	Total shareholder's funds
	£	£	£
At 1 January 2017	1	31,525,891	31,525,892
Comprehensive income for the year			
Profit for the financial year	-	8,043,017	8,043,017
Currency translation differences on foreign currency branches	-	(61,863)	(61,863)
Total comprehensive income for the year	-	7,981,154	7,981,154
At 31 December 2017	1	39,507,045	39,507,046

The notes on pages 12 to 25 form part of these financial statements.

**Notes to the financial statements
For the year ended 31 December 2018**

1. General information

The company's principal activity during the financial year was conducting on-site and off-site auctions.

The company is a private company limited by shares and is incorporated and domiciled in Northern Ireland, within the United Kingdom. The address of the registered office is 72-74 Omagh Road, Dromore, Omagh, BT78 3AJ.

The company is included in the group of companies headed by Gardrum Holdings Limited (the "group") and is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

2. Statement of compliance

The financial statements of Euro Auctions (UK) Ltd have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

3.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 4).

The company has not adopted any of the changes included in the FRCs triennial review and does not expect the impact of those changes to have any material impact on its financial statements for the year ended 31 December 2019.

The following principal accounting policies have been applied consistently:

3.2 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders.

The company has taken advantage of the following exemptions:

- The preparation of a statement of cash flows under FRS 102 paragraph 1.12(b), on the basis that it is a qualifying entity and its ultimate parent company, Gardrum Holdings Limited, includes the company's cash flows in its own consolidated financial statements;
- Disclosure of financial instruments, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statements of its ultimate parent;
- Disclosure of the company key management personnel compensation, as required by FRS 102 paragraph 33.7, as this information is provided in the consolidated financial statements of its ultimate parent; and
- The disclosure of transactions and balances with wholly owned group companies, under FRS 102 paragraph 33.1A as all of the voting rights are controlled within the group.

Notes to the financial statements
For the year ended 31 December 2018

3. Summary of significant accounting policies (continued)

3.3 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes. Where the consideration receivable in cash at bank and in hand is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The company recognises turnover when: (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity; and (e) when the specific criteria relating to each of the company's sales channels have been met.

Turnover represents the commission charges to the purchaser and the vendor of goods sold through the company's auctions and is recognised when the hammer drops at the auction. The company acts as agent for the vendors.

3.4 Tangible assets

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred. Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following bases:

Freehold property	-	5% straight line
Plant and machinery	-	15% straight line
Motor vehicles	-	25% reducing balance
Office equipment	-	15% reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the Statement of comprehensive income.

3.5 Leased assets

Rentals under operating leases are charged to the Statement of comprehensive income as incurred.

Notes to the financial statements
For the year ended 31 December 2018

3. Summary of significant accounting policies (continued)

3.6 Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The company operates a defined contribution scheme for specific directors and employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the Balance sheet. The assets of the plan are held separately from the company in independently administered funds.

3.7 Contingent liabilities

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

3.8 Investment property

Investment property is carried at fair value determined annually from current market values, the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of comprehensive income.

3.9 Investments in subsidiaries

Investments in subsidiaries are stated at their purchase cost less any provision for diminution in value.

**Notes to the financial statements
For the year ended 31 December 2018**

3. Summary of significant accounting policies (continued)

3.10 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and amounts owed by/(to) group undertakings.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

3.11 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

3.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

3.13 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Notes to the financial statements
For the year ended 31 December 2018

3. Summary of significant accounting policies (continued)

3.14 Foreign currencies

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

~~Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.~~

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

Translation

Assets and liabilities of foreign branches are translated at the average rate of exchange for the year. Differences on exchange arising from the retranslation of the opening reserves in foreign branches, and from the translation of the results of those branches at average rate are taken to reserves and are reported in the Other comprehensive income.

3.15 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

3.16 Current and deferred taxation

Tax is recognised in the Statement of comprehensive income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance sheet date in the countries where the company operates and generates income.

**Notes to the financial statements
For the year ended 31 December 2018**

3. Summary of significant accounting policies (continued)

3.16 Current and deferred taxation (continued)

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance sheet date.

3.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the company's accounting policies

No critical accounting judgements have been made in applying the entity's accounting policies.

(b) Critical accounting estimates and assumptions

Investment properties

The company has investment properties that are carried at fair value. The calculation of these fair values depend on a number of factors, including the condition and location of the property, potential uses and rental streams and current property yields. Management estimate these factors in their determination of fair values as at each reporting date.

5. Turnover

The whole of the turnover is attributable to the company's main activity which is carried out in the United Kingdom, Spain, Portugal and Australia. The directors have not presented an analysis of turnover as they believe it would be seriously prejudicial to the interests of the business.

Notes to the financial statements
For the year ended 31 December 2018

6. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible assets (note 12)	188,738	264,531
Staff costs (note 7)	3,532,520	3,233,914
Fees payable to company's auditors for audit of financial statements	11,250	11,000
Fees payable to the company's auditors for non audit services:		
- taxation	1,750	1,750
Operating lease rentals	309,516	314,335
	<u> </u>	<u> </u>

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	3,173,596	2,915,987
Social security costs	333,334	301,834
Pension contributions	25,590	16,093
	<u>3,532,520</u>	<u>3,233,914</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018 Number	2017 Number
Selling, distribution and auction support	43	37
Administrative	46	42
	<u>89</u>	<u>79</u>

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	55,188	53,580
	<u> </u>	<u> </u>

9. Other interest receivable and similar income

	2018 £	2017 £
Other interest receivable	49,218	55,155
	<u> </u>	<u> </u>

Notes to the financial statements
For the year ended 31 December 2018

10. Interest payable and similar expenses

	2018 £	2017 £
Interest payable on bank loans	<u>85,646</u>	<u>16,538</u>

11. Tax on profit

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	1,501,960	1,810,851
Adjustments in respect of previous periods	(15,876)	(28,031)
Total current tax	<u>1,486,084</u>	<u>1,782,820</u>
Deferred tax		
Origination and reversal of timing differences	(21,969)	(32,713)
Changes to tax rates	25,442	3,818
Adjustments in respect of previous periods	2,313	(90)
Total deferred tax	<u>5,786</u>	<u>(28,985)</u>
Total tax charge for the year	<u>1,491,870</u>	<u>1,753,835</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £	2017 £
Profit before tax	<u>9,052,657</u>	<u>9,796,852</u>
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	1,720,005	1,885,894
Effects of:		
Effects of group relief	(241,739)	(104,511)
Expenses not deductible for tax purposes	1,725	1,280
Income not taxable	-	(4,525)
Adjustments in respect of previous periods	(13,563)	(28,121)
Tax rate change	25,442	3,818
Total tax charge for the year	<u>1,491,870</u>	<u>1,753,835</u>

Notes to the financial statements
For the year ended 31 December 2018

11. Tax on profit (continued)

Factors that may affect future tax charges

The prevailing UK corporation tax rate was substantively enacted as part of the Finance Act 2019 on 12 February 2019. This reduces the main rate of tax to 17% from April 2020. The deferred tax assets and liabilities reflect these rates.

12. Tangible assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
Cost					
At 1 January 2018	4,327,441	1,033,635	190,343	493,996	6,045,415
Additions	35,470	109,886	15,675	36,657	197,688
Disposals	-	(43,524)	(38,450)	-	(81,974)
Exchange adjustments	(35,379)	(7,946)	(86)	(2,526)	(45,937)
At 31 December 2018	4,327,532	1,092,051	167,482	528,127	6,115,192
Accumulated depreciation					
At 1 January 2018	157,249	751,115	116,068	288,066	1,312,498
Charge for the year	9,080	87,719	23,905	68,034	188,738
Disposals	-	(12,562)	(34,783)	-	(47,345)
Exchange adjustments	801	(5,164)	285	(974)	(5,052)
At 31 December 2018	167,130	821,108	105,475	355,126	1,448,839
Net book amount					
At 31 December 2018	4,160,402	270,943	62,007	173,001	4,666,353
At 31 December 2017	4,170,192	282,520	74,275	205,930	4,732,917

Tangible assets with a net book amount of £4.7m (2017: £4.2m) have been pledged as security against the company's bank borrowings.

Notes to the financial statements
For the year ended 31 December 2018

13. Investment property

	2018 £	2017 £
Cost or valuation		
At 1 January	1,164,688	1,164,688
At 31 December	1,164,688	1,164,688

The 2015 valuations were made by Jones Lang LaSalle Espana S.A. and management on an open market value for existing use basis. The directors have valued the property for the year ended 31 December 2018, and have concluded that the 2015 valuations are not materially different to those at 31 December 2018.

The historical cost of the property is £1,164,688 (2017: £1,164,688).

14. Investments

	Investments in subsidiary companies £	Unlisted investments £	Total £
Cost or valuation			
At 1 January 2018	2,389,881	19,471	2,409,352
Foreign exchange adjustments	-	308	308
At 31 December 2018	2,389,881	19,779	2,409,660

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity	Country of incorporation
Euro Auctions GmbH	Ordinary	100%	Auction sales	Germany
Euro Auctions PTY Ltd	Ordinary	100%	Dormant	Australia
Euroauctions.com.au PTY Ltd	Ordinary	100%	Dormant	Australia
Euro Auctions Immobilien GmbH	Ordinary	100%	A property company	Germany

The registered office address of Euro Auctions GmbH and Euro Auctions Immobilien GmbH is Alte Ziegelei, 11-23, 41542, Dormagen, Germany.

The registered office address of Euro Auctions PTY Ltd and Euroauctions.com.au PTY Ltd is Level 16, 201 Elizabeth Street, Sydney, NSW.

Notes to the financial statements
For the year ended 31 December 2018

15. Debtors

	2018 £	2017 £
Trade debtors	5,535,616	5,549,091
Amounts owed by group undertakings	3,126,815	2,750,609
Amounts owed by related party undertakings (note 22)	4,608,412	1,946,449
Other debtors	705,350	3,243,541
Prepayments and accrued income	232,421	223,174
	<u>14,208,614</u>	<u>13,712,864</u>

Amounts owed by group and related party undertakings are unsecured, interest free and recoverable on demand.

16. Creditors: amounts falling due within one year

	2018 £	2017 £
Bank loans and overdrafts (note 18)	465,244	465,244
Trade creditors	2,189,500	2,808,302
Amounts owed to related party undertakings (note 22)	1,074,347	360,000
Corporation tax	1,994,642	1,295,408
Other tax and social security	89,278	79,998
Other creditors	830,799	-
Accruals and deferred income	1,439,628	1,662,038
	<u>8,083,438</u>	<u>6,670,990</u>

Amounts owed to related party undertakings are unsecured, interest free and repayable on demand.

The bank loans are secured by:

- (i) Fixed and floating charge over book debts; and
- (ii) Inter-company guarantee pledged by Euro Auctions Immobilien GmbH and Tamar (Selby) Limited in favour of Euro Auctions (UK) Ltd. This includes legal mortgage on certain property held within the group.

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

	2018 £	2017 £
Bank loans (note 18)	<u>667,595</u>	<u>2,090,127</u>

Notes to the financial statements
For the year ended 31 December 2018

18. Loans

Analysis of the maturity of loans is given below:

	2018 £	2017 £
Amounts falling due within one year		
Bank loans	465,244	465,244
Amounts falling due 1-2 years		
Bank loans	465,244	465,244
Amounts falling due 2-5 years		
Bank loans	202,351	1,230,997
Amounts falling due after more than 5 years		
Bank loans	-	393,886
	<u>1,132,839</u>	<u>2,555,371</u>

Secured loans

The company's bank loans are repayable in annual installments of approximately £304,000 and £161,000, commencing November 2015 and October 2017, and they bear interest at a rate of 2.95% and 2.65% per annum above LIBOR.

19. Deferred taxation

	2018 £	2017 £
At beginning of year	(53,998)	(82,983)
(Charged)/credited to Statement of comprehensive income	(5,786)	28,985
At end of year	<u>(59,784)</u>	<u>(53,998)</u>

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	<u>(59,784)</u>	<u>(53,998)</u>

Notes to the financial statements
For the year ended 31 December 2018

20. Called up share capital

	2018 £	2017 £
Allotted and fully paid		
1 (2017: 1) Ordinary share of £1	<u>1</u>	<u>1</u>

21. Contingent liabilities

The company has entered into a cross guarantee on bank and other loan facilities taken out by group undertakings. In the opinion of the directors there is no indication that the company will suffer loss.

22. Related party transactions

The company has taken advantage of the exemption under FRS 102 paragraph 33.1A "Related party disclosures" from disclosing transactions with wholly owned group companies as all of the voting rights of the company are controlled within the group.

The director has pledged individual guarantees over the company's bank loan of £5,500,000 supported by personal property assets.

Simple Asset Finance Limited is regarded as a related party due to common directorship of Jonathan Keys.

Barford Equipment Limited is regarded as a related party due to common directorship of Derek Keys.

Euro Auctions FZE, Steinway Holdings Ltd, Fraser Homes Ltd and Ebrington Ltd are regarded as a related party due to common directorship of Derek Keys.

Other companies which are deemed to be related parties owing to them being controlled by brothers of Derek Keys and Jonathan Keys are Brian Keys Tractors Ltd, Equipment Sales Ltd and Equipment & Plant Services Ltd and Equipment and Machinery Sales Limited.

The following balances were owed to/(from) Euro Auctions (UK) Ltd at the year end:

	2018 £	2017 £
Simple Asset Finance Limited	(172,353)	(360,000)
Equipment Sales Ltd	(901,994)	(151,009)
Barford Equipment Limited	27,752	4,822
Euro Auctions FZE	1,683,844	1,655,246
Steinway Holdings Ltd	259,667	-
Frazer Homes Ltd	2,575,031	-
Ebrington Ltd	62,118	-
	<u> </u>	<u> </u>

**Notes to the financial statements
For the year ended 31 December 2018**

22. Related party transactions (continued)

The following transactions were conducted with brothers of Derek and Jonathan Keys and their related companies.

	2018 £	2017 £
Machinery sold at auction on behalf of the companies	(66,127,220)	(55,020,779)
Payments to the companies	65,331,614	54,643,896
Receipts from the companies	(4,087,632)	5,103,043
Sales of machinery to the companies	<u>4,259,006</u>	<u>5,161,540</u>

23. Ultimate parent undertaking and controlling party

The company's immediate and ultimate parent undertaking is Gardrum Holdings Limited, a company incorporated in Northern Ireland. The company's results are included in the consolidated financial statements of Gardrum Holdings Limited, which is the smallest and largest group of undertakings for which group financial statements are drawn up and of which the company is a member. Its consolidated financial statements are available from Gardrum Holdings Limited, 72-74 Omagh Road, Dromore, BT78 3AJ.

The ultimate controlling party is Derek Keys by virtue of his 100% shareholding in Gardrum Holdings Limited.