AUCTION TECHNOLOGY GROUP PLC

FULL YEAR RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

Diversified revenue mix, created more value for customers and executed against strategic levers

London, United Kingdom, 30 November 2023 – Auction Technology Group plc ("ATG", "the Company", "the Group") (LON: ATG), operator of world-leading marketplaces for curated online auctions, today announces its financial results for the year ended 30 September 2023.

Financial results

	FY23	FY22	Movement	Organic[2]
Revenue[1&2]	**£135.2m**	£119.8m	+13%	+5%
Adjusted EBITDA[1]	**£64.0m**	£54.0m	+19%	
Adjusted EBITDA margin %[1]	**47%**	45%	+2ppt	
Operating profit	**£22.5m**	£16.8m	+34%	
Operating margin %	**17%**	14%	+3ppt	
Adjusted diluted earnings per share[1]	**32.6p**	29.5p	+11%	
Basic earnings/(loss) per share	**13.9p**	(5.1)p	+373%	
Adjusted net debt[1]	**£115.7m**	£131.4m	+£15.7m	
Cash generated by operations	**£57.7m**	£49.4m	+17%	

Financial highlights

- Revenue of £135.2m, up 13%, driven by strong growth in value-added services and further diversification of revenues, contribution from EstateSales.NET ("ESN") and a favourable movement in foreign exchange. Revenue up 5% and marketplace revenue up 6% on an organic basis.
- Adjusted EBITDA of £64.0m, up 19% year-on-year; adjusted EBITDA margin of 47%, up 2ppt with high operational leverage driven by growth in high-margin digital marketing and recurring event fee revenue.
- Operating profit of £22.5m, up 34% year-on-year and includes the impact of exceptional items related to the ESN acquisition, share-based payments, and intangible asset amortisation.
- Adjusted diluted earnings per share of 32.6p, up 11% as the growth in adjusted EBITDA was partially offset by higher net finance costs and an increase in the effective tax rate; basic earnings per share of 13.9p compared to a loss of 5.1p, driven by higher adjusted EBITDA and a deferred tax credit offsetting the impact of higher net finance costs.
- Adjusted net debt/adjusted EBITDA ratio significantly improved to 1.8x from 2.4x 12 months ago as strong cash generation more than offset financing for the acquisition of ESN. Closing adjusted net debt reduced to £115.7m from £131.4m.

Operational highlights

- Value-added services revenue up 27% at constant currency, with multiple services contributing – strong adoption of paid-for auctioneer digital marketing solutions, continued penetration of atgPay across LiveAuctioneers and Proxibid, and successful launch of atgShip, our new integrated shipping service, on LiveAuctioneers. Value-added services now account for 18% of total revenue.
- Strong growth of event fees and value-added services drove an increase in the take rate[3], up 0.3ppt to 3.6%.
- Total Hammer Value[3] ("THV") up 3% at constant currency to £10.8bn for the full year, with a small decline in THV in the second half year-on-year impacted by the normalisation of Industrial & Commercial ("I&C") asset prices and exceptional activity in the prior year, and by a softening in Art & Antiques ("A&A") auction markets.
- Gross Merchandise Value[3] ("GMV") declined 3% at constant currency, impacted by slowdown in THV and the commercial decision to rotate volume with high service requirements and minimal revenue contribution. Excluding this impact, GMV would be flat and conversion rate would be down 1ppt year-on-year reflecting the physical auction reopening impact post the Covid-19 pandemic.
- Progress on single technology platform programme including value-added services modules in addition to the launch and roll out of integrated bidding, which enables timed auctions to be concurrently held across ATG marketplaces and on an ATG white label.
- Consolidation of North American operations to streamline decision making and to drive operational leverage and efficiency.
- Successful acquisition of ESN, a leading US estate sales platform, expanding our addressable market and adding a new pool of bidders; integration on track and business performing ahead of initial business case.
- Progress against ESG programmes including pledge to achieve Net zero emissions by 2040.

1. The Group provides alternative performance measures ("APMs") which are not defined or specified under the requirements of UK-adopted International Accounting Standards. We believe these APMs provide readers with important additional information on our business and aid comparability. We have included a comprehensive list of the APMs in note 3 to the Consolidated Financial Statements, with definitions, an explanation of how they are calculated, why we use them and how they can be reconciled to a statutory measure where relevant.
2. The Group has made certain acquisitions that have affected the comparability of the Group's results. To aid comparisons between FY23 and FY22, organic revenue has been presented to exclude the acquisition of EstateSales.NET on 6 February 2023. Organic revenue is shown on a constant currency basis using average exchange rates for the current financial period applied to the comparative period and is used to eliminate the effects of fluctuations in assessing performance.
3. Refer to glossary for full definition of the terms. GMV and Take Rate exclude the impact of the acquisition of ESN.

John-Paul Savant, Chief Executive Officer of Auction Technology Group plc, said:
"We have continued to deliver a robust financial performance and to execute well against each of our six strategic growth drivers. We have streamlined our operating model to accelerate the speed with which we make decisions. As ATG continues to lead the transformation of the auction industry, we are focused on what our auctioneer partners and our bidders care about most: raising the experience of buying at auction to eCommerce standards by investing in the user experience, including payments, shipping and timed auction formats. The goal is to expand the pool of online bidders by removing friction points and, in so doing, to drive higher asset values for auctioneers and their consignors. We continue to make good progress both organically and via acquisition, with our successful integration of ESN highlighting yet again our unique opportunity for accretive inorganic growth within the fragmented secondary goods market.

"Whilst the macroeconomic environment has become more challenging and impacted our rate of growth in the second half, we are strengthening our core proposition with the introduction of revenue streams that are less correlated with sector trends. The strength of our marketplace business leadership and traction in our value-added services such as atgPay and atgShip, provide long runways for growth."

Current trading and outlook
THV and GMV growth have been impacted by macroeconomic factors over the course of the year. In the short term, the business continues to be impacted by underlying market growth which remains relatively uncertain. Offsetting this is the benefit that the Company is seeing from the growth of value-added services, which when combined with the external factors, leads to a FY24 organic revenue growth outlook of between 5% to 8%. Total revenue growth for FY24 will be higher than the organic growth rate due to the positive contribution of ESN. We expect to maintain our adjusted EBITDA margin.

Webcast presentation
There will be a webcast presentation this morning at 9.30am. Please contact ATG@teneo.com if you would like to attend.

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About Auction Technology Group plc
Auction Technology Group plc ("ATG") is the operator of world leading marketplaces and auction services for curated online auctions, seamlessly connecting bidders from around the world to around 4,000 trusted auction houses across two major sectors: Industrial & Commercial ("I&C") and Art & Antiques ("A&A").

The Group powers eight online marketplaces and listing sites using its proprietary auction platform technology, hosting just under 86,000 live and timed auctions each year. ATG has been supporting the auction industry since 1971 and the Group has offices in the UK, US and Germany.

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CEO REVIEW

Amidst a year with macroeconomic uncertainty, I am pleased to report that ATG delivered another year of growth, with total revenues up 13% to £135.2m, and of strong operational performance, with adjusted EBITDA rising 19% year-on-year to £64.0m. We successfully acquired a new important asset with the purchase of ESN in February and despite that, we significantly strengthened our balance sheet, with our leverage ratio decreasing from 2.4x to 1.8x, reflecting strong cash flow. In FY23, we are pleased to have made progress against each of our strategic growth drivers.

The long-term opportunities for ATG are significant, given the critical role of the auction industry and ATG's ability to lead its online transformation. Buying and selling secondary items enhances sustainability and accelerates the growth of the circular economy, factors that are of increasing importance to both professional and consumer buyers. Purchasing secondary items via auctions represents the best way to ensure total price transparency, addressing a key objective of buyers to pay a fair price and for sellers to achieve the maximum fair price possible. The auction industry remains in the early stages of its online transformation, with standards of user-experience still behind that of e-commerce. The opportunity and challenge for ATG is to make it easier to buy at auction and to alleviate points of friction when buying on our marketplaces. We are extending the penetration of atgPay, which removes a pain point for auctioneers whilst increasing convenience and confidence for bidders. We have developed new unique auction formats and multiple tiers of service to drive operational efficiency for auctioneers and increase choice for bidders. Most recently, we launched atgShip, an integrated shipping solution, to further elevate the online auction experience and drive the conversion rate over the medium term. As a result of these investments, I believe we are approaching a tipping point, where the services and user experience offered by our marketplaces will encourage a wider pool of buyers to buy at online auction, whilst also incentivising auctioneers to use ATG as their sole service provider to access the online market.

1. Expand the total addressable market

Against an uncertain macroeconomic backdrop and following years of accelerated growth during the Covid-19 period, THV on our marketplaces grew 3% at constant currency to just under £11bn. Our marketplaces facilitated just under 86,000 auctions, a 16% increase year-on-year, and we grew our auctioneer base to over 3,900 as we welcomed new auctioneers while maintaining a high auctioneer retention rate. New auctioneers included Sotheby's, a world leading auctioneer for art and luxury goods, who have begun listing a number of catalogues on our marketplaces. All the 'Big 4' Art & Antique auctioneers now use ATG's marketplaces in some form, highlighting the attractiveness of our bidder reach, for even the large global auctioneers. Our marketplaces saw a 10% increase in the number of lots listed in FY23 to over 22m, highlighting auctioneers continued trust in ATG as their preferred platform to access the online market.

In the second half, THV declined 5% at constant currency, impacted by the normalisation of used equipment prices in some I&C categories, following elevated pricing in prior years driven by shortages of primary equipment, as well as a softening of A&A market activity impacted by a weaker consumer macroeconomic environment.

The acquisition of ESN further expanded our reach into a new segment of the secondary goods market, with estate sales representing an estimated $5 billion annual market in North America alone. Since acquisition, ESN has attracted even more estate sellers, with 4,800 active organisations on the platform as at the end of September, up 4% year-on-year.

2. Grow the conversion rate

The Group conversion rate at 31% decreased 2ppt year-on-year. The rate was impacted by auctioneers re-opening physical auctions post the Covid-19 period and also by the mix of auctioneers on our marketplaces, with an increase in the proportion of new and international auctioneers who bring new THV but initially have a lower conversion rate. Conversion was also impacted by the commercial decision to rotate volume with high service requirements and minimal revenue contribution, for lower levels of volume, but which has a higher future revenue potential. Excluding the impact, the Group conversion rate would have been down 1ppt year-on-year and stabilised in the second half, after the end of the annualisation of the Covid-19 period.

We have continued to make investments which we expect will help to grow our conversion rate in the medium term. On the bidder side, we have improved our search engine optimisation through a revised site navigation and site taxonomy, as well as new lot-focused category pages that help bidders to find what they are looking for more easily. Since the launch of these pages in the fourth quarter, GMV generated from search engines has increased by 12%. We have launched new SMS programmes on The Saleroom, including a watch list reminder, which helped to drive over 100,000 bids placed from a SMS reminder. On the seller side, we have continued to facilitate the shift to timed online-only auctions including through updated pricing structures, that create economic incentives to switch to a timed auction format. This updated pricing structure was introduced on Proxibid in March and rolled out on The Saleroom at the start of FY24. From a product perspective, we know that many auctioneers want to retain their own brand presence whilst running a timed auction. Through our integrated bidding programme, we offer Timed+, the unique ability to run a timed online-only auction on our marketplace and simultaneously on an ATG white label.

3. Enhance the network effect

Over the past year, we have hosted over 188m bidding sessions on our marketplaces, up 9% year-on-year, in addition to a further 150m hosted on ESN. On ATG marketplaces, there were 1.6m new bidding accounts registered, up 12% year-on-year, and over 11m auction registrations. With this scale and reach, we are now focused on executing on enhancing the network effect across our marketplaces by enabling cross-listing on any of our marketplaces through our integrated bidding programme. Cross-listing offers bidders the widest selection of inventory easily accessed on an ATG marketplace. We launched Timed+ in March, which offers integrated bidding on timed online-only auctions on LiveAuctioneers and Auction Mobility. We further developed the integrated bidding solution to be used across our other marketplaces and ATG white label products with launch in early FY24. Since launch, auctions run on Timed+ have resulted in a double-digit asset price uplift versus if the auction was listed on Auction Mobility alone. We are now focused on making it easier for auctioneers to cross-list on multiple marketplaces seamlessly.

4. Expand operational leverage

ATG has an attractive financial model with high operational leverage and low capital intensity. In FY23, we grew our adjusted EBITDA margin by 2ppt to 47%. In the year, we increased listing fees across our platforms and we progressed against our single technology platform including the roll out of our integrated bidding programme. We reorganised our North America business with the consolidation of our North America I&C and A&A commercial teams. This organisation change aligns with our platform strategy to expand operational leverage by centralising costs and improving scalability. We are exploring AI solutions and how they can lead to increased personalisation for our users, better descriptions for our sellers, and better service provided by ATG.

5. Grow the take rate via value-added services

In FY23, the Group take rate increased 0.3ppt to 3.6%, benefiting from the growth of value-added services where revenue grew 27% on a constant currency basis. Value-added services now accounts for 18% of total revenue, versus 9% three years ago. Marketing adoption continues to be a key growth driver for us with 59% of auctioneers using a marketing solution. We have continued to roll out new marketing assets including search advertising units and email segmentation as well as increasing our social media investments. We increasingly offer self-serve features as well as marketing subscription packages which provides us with significant opportunity to continue to grow marketing revenue beyond its current penetration at 0.5% of GMV.

Onboarding of auctioneers to atgPay has continued to progress with 91% of US based LiveAuctioneers and 38% of Proxibid auctioneers onboarded by the end of September. 61% of LiveAuctioneers' US Gross Transaction Value was transacted through atgPay in September, and we expect this to increase in FY24 as we roll out autopay on the marketplace. Activation of auctions with atgPay on Proxibid began in the third quarter and we have seen an improving rate of usage towards the end of the year, as we have continued to upgrade the product functionality.

We are very pleased with the launch of atgShip, an integrated shipping solution for LiveAuctioneers, where we have partnered with professional shipping services to provide a hassle-free solution. Just under 150 auctioneers had been onboarded by the end of the year, with over 1,500 lots shipped in the two-month trial. The service is now being rolled out across the LiveAuctioneers marketplace.

6. Pursue accretive M&A

In February, we acquired ESN for a purchase price of $40m. The acquisition highlights ATG's opportunity to pursue accretive acquisitions in the fragmented used goods market and access synergies that are unique to ATG. Since acquisition, ESN has performed ahead of initial expectations, partly driven by growth in both the number of buyers and sellers on the listing site, including 121,000 net new subscribers joining ESN in FY23 taking the total number of subscribers to 1.1m. Growth has also been driven by strong execution against strategic initiatives, including the roll out of new marketing solutions with an increase in both the adoption and the quantity of advertising units, as well as an updated pricing structure for the site. For FY24, we continue to see opportunities to further optimise the listing site whilst also executing on the cross-selling opportunities between ATG's 188m web sessions and ESN's 150m web sessions.

Progress against our ESG programmes

I am very proud of the progress we have made against our ESG strategy in FY23. We continue to look for ways to reduce our own environmental impact, and in FY23 we reduced our Scope 1 and 2 emissions by 26%, facilitated by the relocation of our Proxibid office to a smaller and more energy-efficient location. We have set up employee-led groups to discuss and champion ways to reduce our environmental impact further, whilst also improving our external reporting disclosures for a wider range of environmental KPIs. We are also committing to achieving Net zero as a Group by 2040. On social programmes, we launched All ToGether, our connection and development programme, which includes the ATG Academy and our new learning and developing courses, with over 60 training courses having been run in the year. Our newly launched ATG Values encompass everything that we do, driving the way ATG operates with a winning team made up of smart, passionate individuals who are connected to our purpose. We have also strengthened our governance frameworks including a new information security system which has been based on a recognised international standard.

Summary

Whilst the macroeconomic environment has become more challenging, ATG has been able to continue to deliver robust growth, supported by our increasingly diversified and resilient business model. With many of our strategic programmes, such as shipping and payments still early in their roll out, I have confidence that we can continue to grow and to monetise more of the opportunity in the fragmented online auction market. ATG's market position, track record, team and sustainable shared success model leave us very well positioned to continue to deliver value for all our stakeholders.

John-Paul Savant
Chief Executive Officer

CFO REVIEW

Group presentation of results

The financial results for FY23 are presented for the year ended 30 September 2023. On 6 February 2023, the Group completed its acquisition of Vintage Software LLC., trading as EstateSales.NET ("ESN"), for a consideration of $40m. The results for ESN are included within the A&A operating segment in FY23. Full details of the accounting implications are detailed in note 9 of the Consolidated Financial Statements.

The impact of the acquisition affects the comparability of the Group's results. Therefore, to aid comparisons between FY22 and FY23 organic revenue growth is presented to exclude the acquisition of ESN on 6 February 2023. Organic revenue is shown on a constant currency basis, using average exchange rates for the current financial period applied to the comparative period and is used to eliminate the effects of fluctuations in assessing performance. Note 3 of the Consolidated Financial Statements includes a full reconciliation of all APMs presented to the reported results for FY23 and FY22.

Given that a significant majority of the Group's revenue, costs and cash flows are now generated in US dollars, for financial periods beginning on or after 1 October 2023, the Group will change the presentational currency in which the Group presents its consolidated financial results from pound sterling to US dollars. FY23 consolidated financial results presented in US dollars are available on our website at www.auctiontechnologygroup.com.

Revenue

	FY23 £m	FY22 £m	Movement Reported	Movement Organic
Art & Antiques ("A&A")	65.6	55.3	19%	6%
Industrial & Commercial ("I&C")	58.2	52.7	10%	7%
Total marketplace	**123.8**	**108.0**	**15%**	**6%**
Auction Services	8.3	8.6	(3)%	(7)%
Content	3.1	3.2	(3)%	(3)%
Total	**135.2**	**119.8**	**13%**	**5%**

Group

Group revenue increased 13% year-on-year to £135.2m, driven by growth in marketplace revenue, a favourable movement in the foreign exchange rate and the acquisition of ESN. On an organic basis, revenue grew 5%, driven by the growth in value-added services revenue and event fees which offset a 3% reduction in GMV on our marketplaces. Commission revenue on our marketplaces was flat year-on-year. Marketplace revenue growth was partially offset by revenue declines on an organic basis in Auction Services and Content.

Art & Antiques

Revenue in the A&A segment increased 19% to £65.6m, up 6% on an organic basis predominantly driven by the increase in the take rate by 0.6ppt to 8.6%. This increase was the result of growth in value-added services adoption, including marketing and payments, in addition to a small contribution from the newly launched shipping product, as well as price increases in event fees. GMV across A&A declined 3% at constant currency impacted by both challenging comparisons in the first half of the year when the prior year had benefited from the Covid-19 pandemic and a slowdown in the A&A auction market in the second half of the year, with A&A THV up 1% for FY23 and down 2% in the second half. ESN delivered double-digit revenue growth, ahead of plan, driven by sustained growth in the estate sales subscribers on the site, an increase to our pricing structure and the growth of marketing revenue on ESN. The ESN contribution to the FY23 results was from the date of acquisition on 6 February 2023.

Industrial & Commercial

I&C revenue grew 10% on a reported basis to £58.2m and 7% on an organic basis, driven by a 0.2ppt increase in the take rate to 2.2% that offset a decline in GMV in the second half. The take rate improvement was driven by the continued growth in the adoption and penetration of marketing solutions, the launch of atgPay on Proxibid, which was activated on the marketplace in the second half of FY23, and the updated pricing structure on Proxibid which was rolled out from March 2023. GMV declined 3%, impacted by a reversion of used asset prices in some I&C categories in the second half of the year following the easing of supply chain constraints in the primary market. GMV was also impacted by the commercial decision to switch out volume with high service requirements and minimal revenue contribution, but which has higher future revenue potential. Excluding this impact, GMV would have been up 1% year-on-year. Total I&C GMV remains 247% higher than it was pre-pandemic in FY19 reflecting the attractiveness of our business model.

Auction Services
Auction Services revenue of £8.3m declined 3% on a reported basis and 7% on an organic basis. Revenue was impacted by a shift of auction activity away from the white label channel year-on-year and back to physical auctions. In FY23, we have begun to better integrate our white label solutions with ATG marketplaces through the launch of our integrated bidding solutions. We would expect this to result in ATG increasingly becoming the preferred provider for white label solutions.

Content
Content revenue declined 3% to £3.1m, as expected, driven by the ongoing fall in advertising volumes as auctioneers increasingly migrate their marketing spend to the online channel.

Financial performance

	Reported		
	FY23 £m	**FY22 £m**	**Movement**
Revenue	135.2	119.8	13%
Cost of sales	(43.5)	(40.1)	8%
Gross profit	**91.7**	**79.7**	**15%**
Administrative expenses	(69.8)	(63.6)	10%
Other operating income	0.6	0.7	(14)%
Operating profit	**22.5**	**16.8**	**34%**
Adjusted EBITDA (as defined in note 3)	**64.0**	**54.0**	**19%**
Finance income	0.2	2.1	(90)%
Finance cost	(15.6)	(9.6)	(63)%
Net finance costs	**(15.4)**	**(7.5)**	**(105)%**
Profit before tax	**7.1**	**9.3**	**(24)%**
Income tax	9.8	(15.4)	164%
Profit/(loss) for the period attributable to the equity holders of the Company	**16.9**	**(6.1)**	**377%**

Operating profit
The Group reported an operating profit of £22.5m compared to £16.8m in the prior year, driven by the increase in gross profit which offset the impact from an increase in year-on-year administrative expenses.

Gross profit increased 15% to £91.7m, with the gross profit margin increasing 1ppt year-on-year, which reflects the revenue growth and a high flow-through of revenue to gross profit. The Group's administrative expenses increased by £6.2m to £69.8m. This increase includes £2.7m of one-off exceptional costs related to the acquisition of ESN (FY22: Nil) and a £1.8m increase in share-based payments to £7.0m, including the impact of annual grants awarded in December 2022 and one-off awards for certain members of the Senior Management Team. We expect the share-based payment expense to broadly stabilise going forward. The movement in administrative expenses also includes the impact of foreign exchange movement as well as investments in the business to support future growth.

Adjusted EBITDA
Adjusted EBITDA definitions and reconciliations to the reported results are presented in note 3 of the Consolidated Financial Statements.

Adjusted EBITDA increased from £54.0m to £64.0m year-on-year. Adjusted EBITDA margin increased by 2ppt to 47% due to the growth in high margin marketing and fixed fee revenue and cost management which offset the contribution from lower margin payments revenue growth as well as the impact from ongoing investments in products and services to support future growth.

Net finance costs
Net finance costs were £15.4m compared to net finance costs of £7.5m in FY22 and include the impact of a £4.1m non-cash foreign exchange loss in FY23 versus a £2.1m non-cash foreign exchange gain in FY22 related to intergroup balances. Excluding this impact, as well as excluding the impact from a £1.6m year-on-year decrease in the deferred consideration, net finance costs increased £3.3m year-on-year. The increase primarily relates to higher interest costs on our US dollar denominated Senior Term Facility, due to the increase in the Secured Overnight Financing Rate ("SOFR") and the movement in foreign exchange, offsetting a lower level of borrowings. Our average interest rate for the year increased from 4% to 8%. During the year, the Group pre-paid $53.7m of its

Senior Term Facility, in addition to repaying $26.3m on the Revolving Credit Facility ("RCF") that was drawn in the year to fund the ESN acquisition. In the prior year, finance costs related to interest costs on our Senior Term Facility, commitment fees, foreign exchange gains and movement in the contingent consideration. Finance income of £0.2m primarily relates to interest income in the year (FY22: £2.1m including the foreign exchange gain). The Group expects a small increase to net finance costs excluding the impact of foreign exchange in FY24 reflecting a higher average interest rate offsetting a lower loan balance.

Profit before tax

After the impact of higher net finance costs year-on-year due to the rising SOFR rates and the movement in foreign exchange, the Group reported a profit before tax of £7.1m (FY22: £9.3m).

Taxation

The overall tax credit for the year was £9.8m (FY22: £15.4m expense), arising from the profit in the year and a deferred tax credit on unrealised foreign exchange differences and non-deductible foreign exchange differences on intergroup loan balances. The unrealised foreign exchange differences were not recognised in the Group's profit for the year due to differences in the functional currency basis under tax and accounting rules for the US holding entities. The Group's effective tax rate for FY23 was a credit of 137% (FY22: 166%) is higher than the UK tax rate (19% until April 23 and 25% thereafter) due to the net impact of allowable deductions for the exercise of share options and the deferred tax liability on the foreign exchange movements in the year. The tax rate on adjusted earnings of 16% increased from 15% in the prior year, partly reflecting the increase in the UK corporate tax rate, our primary tax jurisdiction. The Group expects the tax rate on adjusted earnings to increase to 19% in FY24, in line with the higher UK tax rate. The Group is committed to paying its fair share of tax and manages tax matters in line with the Group's Tax Strategy, which is approved by the Board and is published on our website www.auctiontechnologygroup.com.

Earnings/(loss) per share and adjusted earnings per share

Basic and diluted earnings per share was 13.9p and 13.8p respectively compared to a loss of 5.1p in FY22, as a tax credit offset lower profit before tax year-on-year. The weighted average number of shares during the period was 122.2m (FY22: 120.3m shares), with the increase year-on-year due to the impact of vested equity incentive awards.

Adjusted diluted earnings per share was 32.6p compared to 29.5p in FY22 and is based on profit after tax adjusted to exclude share-based payment expense, exceptional items (operating and finance costs), amortisation of acquired intangible assets and any related tax effects. The increase year-on-year is due to the increase in adjusted EBITDA, partially offset by higher net finance costs, an increase in the effective tax rate due to an increase in the UK tax rate and an increase in the weighted average number of ordinary shares and dilutive options in the year.

A reconciliation of the Group's profit after tax to adjusted diluted earnings per share is set out in note 3.

EstateSales.NET acquisition

On 6 February 2023, the Group acquired 100% of the equity share capital of Vintage Software LLC, trading as EstateSales.NET ("ESN"), for total consideration of $40m funded out of the Group's existing cash balance and debt facilities. ESN is a leading estate sales listing site in the US and the purpose of the acquisition was to access an adjacent channel in the resale of secondary goods and to enable cross-selling opportunities for the Group. The full acquisition accounting is detailed in note 9.

Foreign currency impact

The Group's reported performance is sensitive to movements in both the US dollar and the euro against the pound sterling with a mix of revenues included in the table below.

Revenue	FY23 £m	FY22 £m
United Kingdom	19.7	18.5
North America	111.6	97.8
Germany	3.9	3.5
Total	**135.2**	**119.8**

The average FY23 exchange rate of pound sterling against the US dollar weakened by 3.1% and by 2.5% against the euro compared to FY22, as shown in the table below.

	Average rate			Closing rate		
	FY23	**FY22**	**Movement**	**FY23**	**FY22**	**Movement**
Euro	1.15	1.18	(2.5)%	1.15	1.13	1.8%
US dollar	1.23	1.27	(3.1)%	1.22	1.12	8.9%

When comparing revenue in FY22 to FY23, changes to average foreign exchange rates had a favourable impact on revenue of £3.2m. Partially offsetting this, changes to foreign exchange rates had an unfavourable movement on the Group's cost of sales and administrative expenses of £2.5m when compared to FY22.

The tax for the period was also significantly impacted by movements in foreign currency exchange rates, resulting in a reduction to the tax charge of £9.7m. The strengthening of the pound sterling against the US dollar over the year has given rise to a loss of £42.4m on assets held and gain on the external dollar loan of £11.6m. A net loss of £30.5m has been recognised in the foreign currency reserve.

For FY24, the Group will change the presentational currency in which the Group presents its consolidated financial results from pound sterling to US dollars.

Statement of financial position

Overall net assets at 30 September 2023 have decreased by £9.3m to £530.0m since 30 September 2022. Total assets decreased by £80.9m, largely driven by the strengthening of pound sterling against the US dollar at the year end which has reduced total assets by £53.5m. There has been a £47.9m cash outflow related to the prepayment of our Senior Term Facility, net of the drawdown to fund the ESN acquisition. Goodwill, intangible and tangible assets increased due to goodwill and intangible asset additions of £33.0m acquired with ESN and other additions of £8.7m, net of the amortisation charge for the year of £30.4m. The Group's goodwill and intangibles were tested for impairment at 30 September 2023 and no impairment was recognised, although the A&A and Auction Services cash-generating units remain sensitive to the key assumptions used in the model. Refer to note 10 for further details.

Total liabilities decreased by £71.6m, primarily due to a reduction in loans and borrowings of £59.0m, a decrease in deferred tax liabilities of £23.9m, largely driven by the movement on the unrealised foreign exchange differences and the unwind of the capitalised acquisition intangible assets, and an increase in creditors of £7.6m due to the impact of the deferred consideration.

Cash flow and adjusted net debt

The Group generated strong cash from operations at £57.7m (FY22: £49.4m), driven by high margin revenue growth which offset higher cash interest cost year-on-year. The movement in working capital reflects the timing of auction activity, the size and timing of performance related payments and growth in the business. The £4.5m increase in additions to internally generated software primarily relates to our programme to migrate to a single technology platform as well as investment on new products such as payments. Total expenditure on additions to internally generated software and payment for property, plant and equipment was £9.3m, in line with our guidance.

Adjusted net debt as at 30 September 2023 was £115.7m, a decrease from £131.4m as at 30 September 2022 as strong operating cash flow generation more than offset the impact of the acquisition of ESN, additions to internally generated software and foreign exchange movements. The Group had cash at bank of £6.1m and borrowings of £121.8m as at 30 September 2023 (30 September 2022: cash at bank of £49.4m and borrowings of £180.8m). During the year, the Group paid $53.7m of its Senior Term Facility, in addition to repaying $26.3m on the RCF that had been drawn in the year to fund the ESN acquisition. The adjusted net debt/adjusted EBITDA ratio decreased from 2.4x as at 30 September 2022 to 1.8x.

The Group's adjusted free cash flow was £49.9m (FY22: £49.9m), a conversion rate of 78.0% (FY22: 92.5%). The decrease in conversion rate reflects the timing of auction activity, working capital movement as well as an increase in additions to internally generated software. A reconciliation of cash generated from operations to adjusted free cash flow and adjusted free cash flow conversion is included in note 3 of the Consolidated Financial Statements.

	FY23 £m	**FY22 £m**
Adjusted EBITDA	**64.0**	**54.0**
Cash generated from operations	57.7	49.4
Adjustments for:		
Exceptional items	2.7	-
Working capital from exceptional and other items	(1.2)	5.0
Additions to internally generated software	(8.7)	(4.2)
Additions to property, plant and equipment	(0.4)	(0.3)
Payment for right of use assets	(0.2)	-
Adjusted free cash flow	**49.9**	**49.9**
Adjusted free cash flow conversion	**78.0%**	**92.5%**

Dividends
As per the Group's dividend policy, the Group sees strong growth opportunities through organic and inorganic investments and, as such, intends to retain any future earnings to finance such investments. The Company will review its dividend policy on an ongoing basis but does not expect to declare or pay any dividends for the foreseeable future. Therefore, no dividends have been paid or proposed for FY23 or FY22.

Post balance sheet events
There were no post balance sheet events.

Related parties
Related party disclosures are detailed in note 15 to the Consolidated Financial Statements.

Going concern
In assessing the appropriateness of the going concern assumption, the Directors have considered the ability of the Group to meet the debt covenants and maintain adequate liquidity through the forecast period. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to operate comfortably within the level of its current facilities and meet its debt covenant obligations.

Sensitivities have been modelled to understand the impact of the various risks outlined above on the Group's performance and the Group's debt covenants/cash headroom, including consideration of a reasonable downside scenario. Given the current demand for services across the Group at the date of this report, the assumptions in these sensitivities, when taking into account the factors set out above, are considered to be unlikely to lead to a debt covenant breach or liquidity issues under both scenarios.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and that it remains appropriate to continue to adopt the going concern basis in preparing the financial information.

Tom Hargreaves
Chief Financial Officer

Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss

for the year ended 30 September 2023

	Note	**Year ended 30 September 2023 £000**	Year ended 30 September 2022 £000
Revenue	4,5	**135,225**	119,846
Cost of sales		**(43,481)**	(40,101)
Gross profit		**91,744**	79,745
Administrative expenses		**(69,724)**	(63,646)
Other operating income		**556**	718
Operating profit		**22,576**	16,817
Finance income	6	**181**	2,127
Finance costs	6	**(15,611)**	(9,665)
Net finance costs	6	**(15,430)**	(7,538)
Profit before tax		**7,146**	9,279
Income tax	7	**9,792**	(15,406)
Profit/(loss) for the year attributable to the equity holders of the Company		**16,938**	(6,127)
Other comprehensive (loss)/income for the year attributable to the equity holders of the Company			
Items that may subsequently be transferred to profit and loss:			
Foreign exchange differences on translation of foreign operations		**(42,378)**	86,126
Fair value gain/(loss) arising on hedging instruments during the year		**11,841**	(16,173)
Tax relating to these items	7	**(2,606)**	3,074
Other comprehensive (loss)/income for the year, net of income tax		**(33,143)**	73,027
Total comprehensive (loss)/income for the year attributable to the equity holders of the Company		**(16,205)**	66,900
Earnings/(loss) per share		**P**	p
Basic	8	**13.9**	(5.1)
Diluted	8	**13.8**	(5.1)

The above results are derived from continuing operations.

Consolidated Statement of Financial Position

as at 30 September 2023

	Note	**30 September 2023 £000**	30 September 2022 £000
ASSETS			
Non-current assets			
Goodwill	10	**474,315**	488,978
Other intangible assets	10	**221,112**	246,475
Property, plant and equipment		**734**	526
Right of use assets		**3,231**	1,714
Trade and other receivables		**113**	90
Total non-current assets		**699,505**	737,783
Current assets			
Trade and other receivables		**17,894**	15,790
Tax asset		**101**	1,565
Cash and cash equivalents	11	**8,539**	51,817
Total current assets		**26,534**	69,172
Total assets		**726,039**	806,955
LIABILITIES			
Non-current liabilities			
Loans and borrowings	12	**(108,969)**	(149,862)
Tax liabilities		**(800)**	(1,074)
Lease liabilities		**(2,656)**	(1,094)
Deferred tax liabilities	13	**(40,689)**	(64,618)
Total non-current liabilities		**(153,114)**	(216,648)
Current liabilities			
Trade and other payables		**(26,407)**	(18,780)
Loans and borrowings	12	**(12,861)**	(30,983)
Tax liabilities		**(3,098)**	(475)
Lease liabilities		**(599)**	(746)
Total current liabilities		**(42,965)**	(50,984)
Total liabilities		**(196,079)**	(267,632)
Net assets		**529,960**	539,323
EQUITY			
Share capital	14	**12**	12
Share premium	14	**236,231**	235,903
Other reserve	14	**238,385**	238,385
Capital redemption reserve		**5**	5
Share option reserve		**23,485**	34,690
Foreign currency translation reserve		**36,203**	66,740
Retained losses		**(4,361)**	(36,412)
Total equity		**529,960**	539,323

Consolidated Statement of Changes in Equity

for the year ended 30 September 2023

	Note	Share capital £000	Share premium £000	Other reserve £000	Capital redemption reserve £000	Share option reserve £000	Foreign currency translation reserve £000	Retained losses £000	Total equity £000
1 October 2021		12	235,903	238,385	5	1,649	(3,213)	(33,287)	439,454
Loss for the year		–	–	–	–	–	–	(6,127)	(6,127)
Other comprehensive income		–	–	–	–	–	69,953	3,074	73,027
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**–**	**–**	**69,953**	**(3,053)**	**66,900**
Transactions with owners									
Options issued as consideration for a business combination, net of transaction costs and tax		–	–	–	–	28,346	–	–	28,346
Share-based payments		–	–	–	–	4,695	–	78	4,773
Income tax relating to items taken directly to equity	7	–	–	–	–	–	–	(150)	(150)
30 September 2022		**12**	**235,903**	**238,385**	**5**	**34,690**	**66,740**	**(36,412)**	**539,323**
Profit for the year		–	–	–	–	–	–	16,938	16,938
Other comprehensive loss		–	–	–	–	–	(30,537)	(2,606)	(33,143)
Total comprehensive (loss)/income for the year		**–**	**–**	**–**	**–**	**–**	(30,537)	14,332	(16,205)
Transactions with owners									
Shares issued	14	–	328	–	–	–	–	–	328
Options exercised relating to previous business combination		–	–	–	–	(15,763)	–	15,763	–
Share-based payments		–	–	–	–	4,558	–	1,956	6,514
30 September 2023		**12**	**236,231**	**238,385**	**5**	**23,485**	**36,203**	**(4,361)**	**529,960**

Consolidated Statement of Cash Flows

for the year ended 30 September 2023

	Note	**Year ended 30 September 2023 £000**	Year ended 30 September 2022 £000
Cash flows from operating activities			
Profit before tax		**7,146**	9,279
Adjustments for:			
Amortisation of acquired intangible assets	10	**26,595**	26,591
Amortisation of internally generated software	10	**3,827**	4,118
Depreciation of property, plant and equipment		**330**	280
Depreciation of right of use assets		**896**	920
Share-based payment expense		**7,028**	5,226
Finance income	6	**(181)**	(2,127)
Finance costs	6	**15,611**	9,665
Operating cash flows before movements in working capital		**61,252**	53,952
(Increase)/decrease in trade and other receivables		**(3,259)**	304
Decrease in trade and other payables		**(289)**	(4,847)
Cash generated by operations		**57,704**	49,409
Income taxes paid		**(8,143)**	(9,981)
Net cash from operating activities		**49,561**	39,428
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	9	**(24,932)**	(358,763)
Additions to internally generated software	10	**(8,727)**	(4,209)
Payment for property, plant and equipment		**(411)**	(270)
Payment for right of use assets		**(188)**	–
Interest income received		**181**	–
Payment of contingent consideration		**–**	(20,946)
Net cash used in investing activities		**(34,077)**	(384,188)
Cash flows from financing activities			
Payment of contingent consideration		**–**	(1,222)
Repayment of loans and borrowings	12	**(69,110)**	(359)
Proceeds from loans and borrowings	12	**21,250**	–
Payment of interest on lease liabilities		**(189)**	(137)
Payment of lease liabilities		**(794)**	(959)
Shares issued	14	**328**	–
Interest paid	12	**(10,651)**	(7,283)
Net cash used in financing activities		**(59,166)**	(9,960)
Cash and cash equivalents at the beginning of the year		**51,817**	397,451
Net decrease in cash and cash equivalents		**(43,682)**	(354,720)
Effect of foreign exchange rate changes		**404**	9,086
Cash and cash equivalents at the end of the year	11	**8,539**	51,817

Notes to the Consolidated Financial Statements

1. Accounting policies

General information
Auction Technology Group plc (the "Company") is a company incorporated in the United Kingdom under the Companies Act. The Company is a public company limited by shares and is registered in England and Wales.

Basis of preparation
The Consolidated Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent Company accounts present information about the entity and not about its Group.

The Consolidated Financial Statements have been prepared and approved by the Directors in accordance with UK-adopted International Accounting Standards ("UK-adopted IAS") and with the requirements of the Companies Act 2006.

The Consolidated Financial Statements have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. All accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements.

The information for the year ended 30 September 2022 does not constitute statutory accounts for the purposes of Section 435 of the Companies Act 2006. A copy of the accounts for the Company for the year ended 30 September 2022 has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified and did not contain statements under Section 498(2) or 498(3) of the Companies Act 2006. The accounts for the year ended 30 September 2023 have been audited and finalised on the basis of the financial information presented by the Directors in this Preliminary Statement and will be delivered to the Registrar of Companies following the Annual General Meeting.

New and amended accounting standards effective during the year
The following amended standards and interpretations were effective during the year:

- Amendments to IAS 16: Property, Plant and Equipment: proceeds before intended use
- IAS 37: Onerous Contracts: costs of fulfilling a contract
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3: Business Combinations: reference to conceptual framework

The adoption of the standards and interpretations has not led to any changes to the Group's accounting policies or had any other material impact on the financial position or performance of the Group.

New standards, interpretations and amendments issued but not yet effective
The following new accounting standards, amendments and interpretations to accounting standards have been issued but these are not mandatory for 30 September 2023 and they have not been adopted early by the Group:

- IFRS 17: Insurance Contracts
- Amendments to IAS 1: Classification of liabilities as current and non-current
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies
- Amendments to IAS 8: Definition of accounting estimates
- Amendments to IAS 12: Deferred Tax related to assets and liabilities arising from a single transaction

The Directors anticipate that the adoption of planned standards and interpretations in future periods will not have a material impact on the Consolidated Financial Statements of the Group.

Going concern
The Directors are required to assess going concern at each reporting period. The Directors have undertaken the going concern assessment for the Group for a minimum of 12 months from the date of signing these financial statements. The Directors have assessed the Group's prospects, both as a going concern and its longer-term viability. After considering the current financial projections, the bank facilities available and then applying severe but plausible sensitivities, the Directors of the Company are satisfied that the Group has sufficient resources for its operational needs and will remain in compliance with the financial covenants in its bank facilities for at least the next 12 months from the date of approving these Consolidated Financial Statements. The process and key judgements in coming to this conclusion are set out below:

Liquidity
The Group entered into the Senior Facilities Agreement on 17 June 2021 which included the Senior Term Facility for $204.0m for the acquisition of LiveAuctioneers. The Senior Term Facility was drawn down in full on 30 September 2021 prior to completion of the acquisition of LiveAuctioneers on 1 October 2021. During the year ended 30 September 2023, a prepayment of $53.7m (£48.0m) was paid on the Senior Term Facility. In the absence of any other prepayments, the next scheduled repayment would be $7.4m on 30 June 2024. The loan will be due for repayment on 17 June 2026. At 30 September 2023 the loan was subject to interest at a margin of 3.00% over US SOFR. In addition, the Group has a multi-currency revolving credit working capital facility (the "RCF") for $49.0m. Any sums outstanding under the RCF will be due for repayment on 17 June 2026. On 1 February 2023, $26.3m (£21.3m) was drawn down to partly fund the acquisition of ESN (see note 9), which has been repaid in full as at 30 September 2023. As at 30 September 2023 the Group has adjusted net debt of £115.7m and is in a net current liability position.

1. **Accounting policies** continued

Covenants

The Group is subject to covenant tests on the Senior Term Facility, with the most sensitive covenant being the net leverage ratio covenant adjusted net debt: trailing 12-month adjusted EBITDA. The net leverage ratio covenant was a maximum of 4.0x, which reduced to 3.5x in Q2 FY23, was 3.0x at 30 September 2023 and will reduce to 2.75x in Q4 FY24. Under the base case forecasts and each of the downside scenarios, including the combined downside scenario, the Group is forecast to be in compliance with the covenants and have cash headroom, without applying mitigating actions which could be implemented such as reducing capital expenditure spend. At 30 September 2023, the net leverage ratio was 1.8x compared to the limit of 3.0x and therefore the Group was comfortably within the covenant.

Scenario planning

The Directors have undertaken the going concern assessment for the Group, taking into consideration the Group's business model, strategy, and principal and emerging risks. As part of the going concern review the Directors have reviewed the Group's forecasts and projections, assessed the headroom on the Group's facilities and the banking covenants. This has been considered under a base case and several plausible but severe downside scenarios, taking into consideration the Group's principal risks and uncertainties. These scenarios include significant reduction in commission revenue due to THV reduction, significant reduction in commission revenue due to online share decline and lower revenue growth from value-added services across the Group. None of these scenarios individually or collectively threaten the Group's ability to continue as a going concern. Even in the combined downside scenario modelled (the combination of all downside scenarios occurring at once) the Group would be able to operate within the level of its current available debt facilities and covenants. Accordingly, the Directors continue to adopt the going concern basis in preparing the Consolidated Financial Statements for the year ended 30 September 2023.

Climate change

The Group has assessed the impacts of climate change on the Group's Consolidated Financial Statements, including our commitment to achieving Net zero by 2040 and the actions the Group intends to take to achieve those targets. The assessment did not identify any material impact on the Group's significant judgements or estimates at 30 September 2023, or the assessment of going concern and the Group's viability over the next three years.

Specifically, we have considered the following areas:

- the physical and transition risks associated with climate change; and
- the actions the Group is taking to meet its carbon reduction and Net zero targets.

As a result, the Group has assessed the potential impacts of climate change on the Consolidated Financial Statements, and in particular on the following areas:

- the impact on the Group's future cash flows, and the resulting impact such adjustments to the future cash flows would have on the outcome of the annual impairment testing of goodwill balances (see note 10), the recognition of deferred tax assets and our assessment of going concern;
- the carrying value of the Group's assets, in particular the recoverable amounts of intangible assets and property, plant and equipment; and
- changes to estimates of the useful economic lives of intangible assets and property, plant and equipment.

2. Significant judgements and key sources of estimation uncertainty

The preparation of the Group's Consolidated Financial Statements requires the use of certain judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses.

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

Key estimation uncertainties are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimates were based, or as a result of new information or more experience.

Significant judgements are those that the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

The significant judgements and key sources of estimation uncertainty disclosed in the annual financial statements for the year ended 30 September 2022 which are no longer applicable are:

- impairment of goodwill (estimate); and
- LiveAuctioneers consideration (judgement).

For the year ended 30 September 2023, there are no key sources of estimation uncertainty and the significant judgements are detailed below:

Goodwill and other intangible assets arising from business combinations
The purchase price of an acquired company is allocated between intangible assets and the net tangible assets of the acquired business with the residual amount of the purchase price recorded as goodwill. The determination of the value of the intangible assets requires significant judgements and estimates to be made by management. These judgements can include, but are not limited to, the cash flows that an asset is expected to generate in the future and the appropriate weighted average cost of capital. Of the intangibles acquired, the customer relationship balances are especially sensitive to changes in assumptions around discount rates and customer attrition rates (see note 9).

Judgement is also required in determining appropriate useful economic lives ("UEL") of the intangible assets arising from business combinations. Management makes this judgement on an asset class basis and has determined that contracts with customers have a UEL of two to 14 years; brands have a UEL of five to 15 years; software has a UEL of three to 10 years; and non-compete agreements have a UEL of four years.

Functional currency of subsidiaries
There is an element of judgement required when assessing the functional currency of each subsidiary against the requirements and guidance of IAS21 "The Effects of Changes in Foreign Exchange Rates", in particular for intermediate holding companies. There were seven US holding companies within the Group that have a pound sterling functional currency. However, under US tax rules, their tax functional currency is US dollars. The US tax basis for these holding companies for the year ending 30 September 2023 included an unrealised foreign exchange loss of £28.2m (FY22: gain of £61.9m) on intra-group loans totalling £295.6m (FY22: loans of £295.6m). Under US tax rules, foreign exchange gains and losses are not taxable until they are realised. On a consolidated basis, with the pound sterling functional currency applied for these US holding companies there was no foreign exchange gain recognised in the Consolidated Financial Statements.

3. Alternative performance measures

The Group uses a number of alternative performance measures ("APMs") in addition to those measures reported in accordance with UK-adopted IAS. Such APMs are not defined terms under UK-adopted IAS and are not intended to be a substitute for any UK-adopted IAS measure. The Directors believe that the APMs are important when assessing the ongoing financial and operating performance of the Group and do not consider them to be more important than, or superior to, their equivalent UK-adopted IAS. The APMs improve the comparability of information between reporting periods by adjusting for factors such as one-off items and the timing of acquisitions.

The APMs are used internally in the management of the Group's business performance, budgeting and forecasting, and for determining Executive Directors' remuneration and that of other management throughout the business. The APMs are also presented externally to meet investors' requirements for further clarity and transparency of the Group's financial performance. Where items of income or expense are being excluded in an APM, these are included elsewhere in our reported financial information as they represent actual income or costs of the Group.

Other commentary within the CFO's Review, should be referred to in order to fully appreciate all the factors that affect the Group.

Adjusted EBITDA

Adjusted EBITDA is the measure used by the Directors to assess the trading performance of the Group's businesses and is the measure of segment profit.

Adjusted EBITDA represents profit/(loss) before taxation, finance costs, depreciation and amortisation, share-based payment expense and exceptional operating items. Adjusted EBITDA at segment level is consistently defined but excludes central administration costs including Directors' salaries.

The following table provides a reconciliation from profit before tax to adjusted EBITDA:

	Year ended 30 September 2023 £000	Year ended 30 September 2022 £000
Profit before tax	**7,146**	9,279
Adjustments for:		
Net finance costs (note 6)	**15,430**	7,538
Amortisation of acquired intangible assets (note 10)	**26,595**	26,591
Amortisation of internally generated software (note 10)	**3,827**	4,118
Depreciation of property, plant and equipment	**330**	280
Depreciation of right of use assets	**896**	920
Share-based payment expense	**7,028**	5,226
Exceptional operating items	**2,712**	–
Adjusted EBITDA	**63,964**	53,952

The following table provides the calculation of adjusted EBITDA margin which represents adjusted EBITDA divided by revenue:

	Year ended 30 September 2023 £000	Year ended 30 September 2022 £000
Reported revenue (note 4,5)	**135,225**	119,846
Adjusted EBITDA	**63,964**	53,952
Adjusted EBITDA margin	**47%**	45%

The basis for treating these items as adjusting is as follows:

Share-based payment expense

The Group has issued share awards to employees and Directors: at the time of IPO; for the acquisition of LiveAuctioneers; and operates several employee share schemes. The share-based payment expense is a significant non-cash charge driven by a valuation model which references the Group's share price. As the Group is still early in its life cycle as a newly listed business the expense is distortive in the short term and is not representative of the cash performance of the business. In addition, as the share-based payment expense includes significant charges related to the IPO and LiveAuctioneers acquisition, it is not representative of the Group's steady state operational performance.

3. Alternative performance measures continued

Exceptional operating items

The Group applies judgement in identifying significant items of income and expenditure that are disclosed separately from other administrative expenses as exceptional where, in the judgement of the Directors, they need to be disclosed separately by virtue of their nature or size in order to obtain a clear and consistent presentation of the Group's ongoing business performance. Such items could include, but may not be limited to, costs associated with business combinations, gains and losses on the disposal of businesses, significant reorganisation or restructuring costs and impairment of goodwill and acquired intangible assets. Any item classified as an exceptional item will be significant and not attributable to ongoing operations and will be subject to specific quantitative and qualitative thresholds set by and approved by the Directors prior to being classified as exceptional.

The exceptional operating items are detailed below:

	Year ended 30 September 2023 £000	Year ended 30 September 2022 £000
Acquisition costs	**2,712**	–
Total exceptional operating items	**2,712**	–

For the year ended 30 September 2023, the Group's exceptional operating costs were in respect of the costs relating to the acquisition of ESN on 6 February 2023 (see note 9).

There were no exceptional operating items for the year ended 30 September 2022.

The business has undertaken focused acquisitive activity which has been strategically implemented to increase income, service range and critical mass of the Group. Acquisition costs comprise legal, professional, other consultancy expenditure incurred and retention bonuses for ESN employees payable one year after completion. The retention bonus is subject to service conditions and is being accrued over the period. The net cash outflow related to exceptional operating items in the period is £1.5m (FY22: £4.0m).

Adjusted earnings and adjusted diluted earnings per share

Adjusted earnings excludes share-based payment expense, exceptional items (operating and finance), amortisation of acquired intangible assets, and any related tax effects.

The following table provides a reconciliation from profit/(loss) after tax to adjusted earnings:

	Year ended 30 September 2023 £000	Year ended 30 September 2022 £000
Profit/(loss) attributable to equity shareholders of the Company	**16,938**	(6,127)
Adjustments for:		
Amortisation of acquired intangible assets	**26,595**	26,591
Exceptional finance items	**4,271**	(221)
Share-based payment expense	**7,028**	5,226
Exceptional operating items	**2,712**	–
Deferred tax on unrealised foreign exchange differences	**(7,185)**	15,899
Tax on adjusted items	**(10,272)**	(5,254)
Adjusted earnings	**40,087**	36,114

	Number	Number
Diluted weighted average number of shares in issue (note 8)	**123,088,377**	122,441,916
	p	p
Adjusted diluted earnings per share (pence)	**32.6**	29.5

The basis for treating these items not already defined above as adjusting is as follows:

Amortisation of acquired intangible assets through business combinations

The amortisation of acquired intangibles arises from the purchase consideration of a number of separate acquisitions. These acquisitions are portfolio investment decisions that took place at different times and are items in the Consolidated Statement of Financial Position that relate to M&A activity rather than the trading performance of the business.

Exceptional finance items

Exceptional finance items include foreign exchange differences arising on the revaluation of the foreign currency loans, intercompany and restricted cash, movements in contingent consideration and costs incurred on the early repayment of loan costs. These exceptional finance items are excluded from adjusted earnings to provide readers with helpful additional information on the performance of the business across periods because it is consistent with how the business performance is reported and assessed by the Board.

3. Alternative performance measures continued

Deferred tax on unrealised foreign exchange differences

In calculating the adjusted tax rate, the Group excludes the potential future impact of the deferred tax effects on unrealised foreign exchange differences arising on intercompany loans. The unrealised foreign exchange differences were not recognised in the Group's profit for the year due to differences in the functional currency basis under tax and accounting rules for the US holding entities.

Tax on adjusted items

Tax on adjusted items includes the tax effect of acquired intangible amortisation, exceptional (operating and finance items) and share-based payment expense. In calculating the adjusted tax rate, the Group excludes the potential future impact of the deferred tax effects on deductible goodwill and intangible amortisation (other than internally generated software), as the Group prefers to give users of its accounts a view of the tax charge based on the current status of such items. Deferred tax would only crystallise on a sale of the relevant businesses, which is not anticipated at the current time, and such a sale, being an exceptional item, would result in an exceptional tax impact.

Organic revenue

The Group has made certain acquisitions that have affected the comparability of the Group's results. Previously the Group had reported proforma revenue and proforma revenue growth which included acquisitions as if they had occurred at the start of the comparative period, with the comparative period being presented on a constant currency basis using the current year exchange rates. It was deemed by management more appropriate to present organic revenue and organic revenue growth in FY23 given the size of the ESN acquisition. Organic revenue shows the current period results excluding the acquisition of ESN on 6 February 2023. Organic revenue is shown on a constant currency basis using average exchange rates for the current financial period applied to the comparative period and is used to eliminate the effects of fluctuations in assessing performance. Refer to the Glossary for the full definition.

The following table provides a reconciliation of organic revenue from reported results:

	Unaudited Year ended 30 September 2023 £000	Unaudited Year ended 30 September 2022 £000
Reported revenue	**135,225**	119,846
Acquisition related adjustment	**(5,682)**	–
Constant currency adjustment	**–**	3,193
Organic revenue	**129,543**	123,039
Increase in organic revenue %	**5%**	

Adjusted net debt

Adjusted net debt comprises external borrowings net of arrangement fees and cash at bank which allows management to monitor the indebtedness of the Group. Adjusted net debt excludes lease liabilities and restricted cash (see note 11).

In the prior year, cash at bank included cash held by the Trustee of the Group's Employee Benefit Trust, which is not available to circulate within the Group on demand. This has been included in restricted cash and results in a restatement for the year ended 30 September 2022. This change in policy provides users with more reliable information about the nature of the Group's cash and cash equivalents.

	30 September 2023 £000	Restated 30 September 2022 £000
Cash at bank (note 11)	**6,097**	49,427
Current loans and borrowings (note 12)	**(12,861)**	(30,983)
Non-current loans and borrowings (note 12)	**(108,969)**	(149,862)
Total loans and borrowings	**(121,830)**	(180,845)
Adjusted net debt	**(115,733)**	(131,418)

3. Alternative performance measures continued

Adjusted free cash flow and adjusted free cash flow conversion

Adjusted free cash flow represents cash flow from operations less additions to internally generated software and property, plant and equipment. Internally generated software includes development costs in relation to software that are capitalised when the related projects meet the recognition criteria under UK-adopted IAS for an internally generated intangible asset. Movement in working capital is adjusted for balances relating to exceptional items. The Group monitors its operational efficiency with reference to operational cash conversion, defined as free cash flow as a percentage of adjusted EBITDA.

The Group uses adjusted cash flow measures for the same purpose as adjusted profit measures, in order to assist readers of the accounts in understanding the operational performance of the Group. The two measures used are free cash flow and free cash flow conversion. A reported free cash flow and cash conversion rate has not been provided as it would not give a fair indication of the Group's free cash flow and conversion performance given the high value of working capital from exceptional items.

	Year ended 30 September 2023 £000	Year ended 30 September 2022 £000
Adjusted EBITDA	**63,964**	53,952
Cash generated by operations	**57,704**	49,409
Adjustments for:		
Exceptional operating items	**2,712**	–
Working capital from exceptional and other items	**(1,187)**	4,983
Additions to internally generated software (note 10)	**(8,727)**	(4,209)
Additions to property, plant and equipment	**(411)**	(270)
Payment for right of use assets	**(188)**	–
Adjusted free cash flow	**49,903**	49,913
Adjusted free cash flow conversion (%)	**78%**	93%

4. Operating segments

The operating segments reflect the Group's management and internal reporting structure, which is used to assess both the performance of the business and to allocate resources within the Group. The assessment of performance and allocation of resources is focused on the category of customer for each type of activity.

The Board has determined an operating management structure aligned around the four core operations of the Group. ESN which was acquired in the period, has been allocated to the Art & Antiques segment. This is on the basis that ESN traditionally includes items sold on Art & Antique platforms and the purpose of the acquisition was to expand its Art & Antiques segment into an attractive adjacent channel for the resale of second-hand items.

The four operating segments are as follows:

- Art & Antiques ("A&A") marketplaces: focused on offering auction houses that specialise in the sale of arts and antiques access to the platforms thesaleroom.com, liveauctioneers.com, lot-tissimo.com and EstateSales.NET. A significant part of the Group's services is provision of a platform as a marketplace for the A&A auction houses to sell their goods. The segment also generates earnings through additional services such as listing subscriptions, marketing income, atgPay and atgShip. The Group contracts with customers predominantly under service agreements, where the number of auctions to be held and the service offering differs from client to client.
- Industrial & Commercial ("I&C") marketplaces: focused on offering auction houses that specialise in the sale of industrial and commercial goods and machinery access to the platforms BidSpotter.com, BidSpotter.co.uk and proxibid.com, as well as i-bidder.com for consumer surplus and retail returns. A significant part of the Group's services is provision of the platform as a marketplace for the I&C auction houses to sell their goods. The segment also generates earnings through additional services such as marketing income and atgPay. The Group contracts with customers predominantly under service agreements, where the number of auctions to be held and the service offering differs from client to client.
- Auction Services: includes revenues from the Group's auction house back-office products with Auction Mobility and other white label products including Wavebid.com.
- Content: focused on the Antiques Trade Gazette paper and online magazine. The business focuses on two streams of income: selling subscriptions of the Gazette and selling advertising space within the paper and online. The Directors have disclosed information required by IFRS 8 for the Content segment despite the segment not meeting the reporting threshold.

There are no undisclosed or other operating segments.

An analysis of the results for the year by reportable segment is as follows:

	Year ended 30 September 2023					
	A&A £000	**I&C £000**	**Auction Services £000**	**Content £000**	**Centrally allocated costs £000**	**Total £000**
Revenue	**65,624**	**58,223**	**8,300**	**3,078**	**–**	**135,225**
Adjusted EBITDA (see note 3 for definition and reconciliation)	**53,941**	**49,897**	**5,216**	**1,116**	**(46,206)**	**63,964**
Amortisation of intangible assets (note 10)	**(19,853)**	**(9,158)**	**(1,411)**	**–**	**–**	**(30,422)**
Depreciation of property, plant and equipment	**(112)**	**(197)**	**(8)**	**(13)**	**–**	**(330)**
Depreciation of right of use assets	**(554)**	**(279)**	**(8)**	**(55)**	**–**	**(896)**
Share-based payment expense	**(1,491)**	**(1,764)**	**(84)**	**–**	**(3,689)**	**(7,028)**
Exceptional operating items (note 3)	**(2,712)**	**–**	**–**	**–**	**–**	**(2,712)**
Operating profit/(loss)	**29,219**	**38,499**	**3,705**	**1,048**	**(49,895)**	**22,576**
Net finance costs (note 6)	**–**	**–**	**–**	**–**	**(15,430)**	**(15,430)**
Profit/(loss) before tax	**29,219**	**38,499**	**3,705**	**1,048**	**(65,325)**	**7,146**

	Year ended 30 September 2022					
	A&A £000	I&C £000	Auction Services £000	Content £000	Centrally allocated costs £000	Total £000
Revenue	55,279	52,775	8,636	3,156	–	119,846
Adjusted EBITDA (see note 3 for definition and reconciliation)	45,777	45,629	6,090	1,089	(44,633)	53,952
Amortisation of intangible assets (note 10)	(18,504)	(10,931)	(1,274)	–	–	(30,709)
Depreciation of property, plant and equipment	(87)	(176)	(6)	(11)	–	(280)
Depreciation of right of use assets	(475)	(381)	(13)	(51)	–	(920)
Share-based payment expense	(1,848)	(893)	(3)	–	(2,482)	(5,226)
Operating profit/(loss)	24,863	33,248	4,794	1,027	(47,115)	16,817
Net finance costs (note 6)	–	–	–	–	(7,538)	(7,538)
Profit/(loss) before tax	24,863	33,248	4,794	1,027	(54,653)	9,279

Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

	30 September 2023		30 September 2022	
	Total non-current assets £000	**Additions to non-current assets £000**	Total non-current assets £000	Additions to non-current assets £000
By operating segment				
A&A	**483,977**	**38,188**	506,484	395,683
I&C	**187,313**	**5,986**	199,504	58,829
Auction Services	**27,939**	**350**	31,704	201
Content	**276**	**256**	91	15
	699,505	**44,780**	737,783	454,728

	Year ended 30 September 2023 £000	Year ended 30 September 2022 £000
By geographical location		
United Kingdom	**57,960**	65,954
USA	**637,489**	667,696
Germany	**4,056**	4,133
	699,505	737,783

The Group has taken advantage of paragraph 23 of IFRS 8 “Operating Segments” and does not provide segmental analysis of net assets as this information is not used by the Directors in operational decision-making or monitoring of business performance.

5. Revenue

	Year ended 30 September 2023 £000	Year ended 30 September 2022 £000
Product and customer types		
A&A	**65,624**	55,279
I&C	**58,223**	52,775
Auction Services	**8,300**	8,636
Content	**3,078**	3,156
	135,225	119,846
Primary geographical markets		
by location of operations		
United Kingdom	**19,654**	18,539
USA	**111,637**	97,765
Germany	**3,934**	3,542
	135,225	119,846
by location of customer		
United Kingdom	**20,029**	18,571
USA	**102,138**	89,055
Europe	**7,049**	6,648
Rest of world	**6,009**	5,572
	135,225	119,846
Timing of transfer of goods and services		
Point in time	**122,559**	110,539
Over time	**12,666**	9,307
	135,225	119,846

The Group has recognised the following assets and liabilities related to contracts with customers:

	30 September 2023 £000	30 September 2022 £000	1 October 2021 £000
Contract assets	**1,486**	837	597
Contract liabilities	**1,518**	1,783	1,367

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	Year ended 30 September 2023 £000	Year ended 30 September 2022 £000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**1,452**	1,258

6. Net finance costs

	Year ended 30 September 2023 £000	Year ended 30 September 2022 £000
Foreign exchange gain	**–**	2,070
Interest income	**181**	57
Finance income	**181**	2,127
Interest on loans and borrowings	**(10,572)**	(7,214)
Amortisation of finance costs	**(499)**	(465)
Foreign exchange loss	**(4,061)**	–
Movements in contingent consideration	**(211)**	(1,849)
Interest on lease liabilities	**(189)**	(137)
Interest on tax	**(79)**	–
Finance costs	**(15,611)**	(9,665)
Net finance costs	**(15,430)**	(7,538)

7. Taxation

	Year ended 30 September 2023 £000	Year ended 30 September 2022 £000
Current tax		
Current tax on profit for the year	**9,379**	11,395
Adjustments in respect of prior years	**(167)**	(903)
Total current tax	**9,212**	10,492
Deferred tax		
Current year	**(18,198)**	6,328
Adjustments from change in tax rates	**(505)**	(564)
Adjustments in respect of prior years	**(301)**	(850)
Deferred tax	**(19,004)**	4,914
Tax (credit)/expense	**(9,792)**	15,406

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the standard tax rate applicable to profits of the Group as follows:

	Year ended 30 September 2023 £000	Year ended 30 September 2022 £000
Profit before tax	**7,146**	9,279
Tax at United Kingdom tax rate of 22% (FY22: 19%)	**1,572**	1,763
Tax effect of:		
Additional items deductible for tax purposes	**(643)**	(1,649)
Differences in overseas tax rates	**1**	(1,317)
Deferred tax on unrealised foreign exchange differences	**(7,185)**	15,899
Foreign exchange difference not (taxable)/deductible for tax purposes	**(2,564)**	3,027
Adjustments from change in tax rates	**(505)**	(564)
Adjustments in respect of prior years	**(468)**	(1,753)
Tax (credit)/expense	**(9,792)**	15,406

The deferred tax credit on unrealised foreign exchange differences of £7.2m (FY22: charge of £15.9m) arises from US holding companies which have pound sterling as their functional currency for the Consolidated Financial Statements but US dollar functional currency under US tax rules. Per the US tax basis these holding companies incurred an unrealised foreign exchange loss of £28.2m on intra-group loans denominated in pound sterling totalling £295.6m (FY22: gain of £61.9m). Unrealised foreign exchange differences are not taxable until realised, giving rise to deferred tax.

The Group's profit before tax includes foreign exchange gain of £10.1m from US holding companies on their US dollar denominated intra-group balances (FY22: loss of £15.9m) which are not (taxable)/deductible for US tax purposes giving rise to a permanent difference of £2.6m (FY22: £3.0m).

The Group's tax affairs are governed by local tax regulations in the UK, US and Germany. Given the uncertainties that could arise in the application of these regulations, judgements are often required in determining the tax that is due. Where management is aware of potential uncertainties in local jurisdictions, that are judged more likely than not to result in a liability for additional tax, a provision is made for management's best estimate of the liability, determined with reference to similar transactions and third-party advice. This provision at 30 September 2023 amounted to £0.8m (FY22: £1.1m).

Adjustments from changes in tax rates are due to decreases in the blended US rate for state taxes apportionment. The UK Government announced an increase in the corporation tax rate from 19% to 25%, with an effective date of 1 April 2023, which was substantively enacted on 24 May 2021.

Tax recognised in other comprehensive income and equity:

	Year ended 30 September 2023 £000	Year ended 30 September 2022 £000
Other comprehensive income		
Current tax	**(2,606)**	3,074
Equity		
Deferred tax	**–**	(150)

Tax recognised in other comprehensive income includes current tax on the Group's net investment hedge. Deferred tax directly recognised in equity relates to share-based payments.

8. Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, after excluding the weighted average number of non-vested ordinary shares.

Diluted earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares including non-vested/non-exercised ordinary shares. During the year and prior year, the Group awarded conditional share awards to Directors and certain employees through an LTIP. For FY22, the non-vested/non-exercised ordinary shares are anti-dilutive given the loss for the year and are therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share calculation.

	Year ended 30 September 2023 £000	Year ended 30 September 2022 £000
Profit/(loss) attributable to equity shareholders of the Company	**16,938**	(6,127)

	Number	Number
Weighted average number of shares in issue	**121,050,307**	120,364,831
Weighted average number of options vested not exercised	**1,338,182**	–
Weighted average number of shares held by the Employee Benefit Trust	**(162,934)**	(61,741)
Weighted average number of shares	**122,225,555**	120,303,090
Dilutive share options	**862,822**	2,138,826
Diluted weighted average number of shares	**123,088,377**	122,441,916

	p	p
Basic earnings/(loss) per share	**13.9**	(5.1)
Diluted earnings/(loss) per share	**13.8**	(5.1)

9. Business combinations

Business combinations for the year ended 30 September 2023

Acquisition of Vintage Software LLC., trading as EstateSales.NET ("ESN")

On 6 February 2023, the Group acquired 100% of the equity share capital of ESN. ESN provides a platform to facilitate estate sales across the US. Both corporate estate sale companies as well as private customers use ESN to advertise online the sale of millions of unique second-hand items sourced from a range of events including private home estate sales and business liquidations. The purpose of the acquisition was to further strengthen the Group's presence in the US and expand its A&A segment into an attractive adjacent channel for the resale of second-hand items.

The maximum consideration payable is $40.0m (£33.1m), with an initial cash payment of $30.2m (£25.1m), deferred consideration of $10.0m (£8.3m) payable after 12 months and a working capital adjustment of $27,000 (£22,000).

Management calculated the fair value of the deferred consideration using the acquisition's internal rate of return to discount the liability, resulting in a liability of $9.6m (£8.0m). Exchange differences to reserves were recorded within foreign exchange differences on translation of foreign operations in the Consolidated Statement of Comprehensive Income or Loss. The unwinding of discount of £0.3m will be reported as a finance cost in the Consolidated Statement of Profit or Loss over the period of the earn-out.

Provisional purchase price allocation

Management assessed the fair value of the acquired assets and liabilities as part of the purchase price allocation ("PPA"). This has been prepared on a provisional basis and the fair values of the assets and liabilities is as set out below.

	Book value £000	Fair value adjustments £000	Provisional fair value £000
Acquired intangible assets – software	–	2,161	2,161
Acquired intangible assets – customer relationships	–	9,559	9,559
Acquired intangible assets – brand	229	2,406	2,635
Property, plant and equipment	161	–	161
Right of use assets	438	–	438
Cash and cash equivalents	155	–	155
Trade receivables and other receivables	41	–	41
Lease liabilities	(438)	–	(438)
Trade and other payables	(264)	–	(264)
Net assets on acquisition	**322**	**14,126**	**14,448**
Goodwill (note 10)			**18,609**
Total consideration			**33,057**
Consideration satisfied by:			
Initial cash consideration			25,087
Deferred consideration			7,970
			33,057
Net cash flow arising on acquisition:			
Initial cash consideration			25,087
Less: cash and cash equivalent balances acquired			(155)
			24,932

Acquired intangible assets

Acquired intangible assets represent customer relationships, auction technology platform and brand for which amortisation of £1.4m has been charged for the year ended 30 September 2023. The intangible assets will be amortised over their respective expected useful economic lives: customer relationships of two to seven years, auction technology platform of five years and brand of 15 years. A 1% change in the customer attrition rate results in a £0.5m change in the valuation.

Deferred tax

Goodwill and acquired intangible assets of £33.0m are expected to be deductible for income tax purposes.

Goodwill

Goodwill arises as a result of the surplus of consideration over the fair value of the separately identifiable assets acquired. The main reason leading to the recognition of goodwill is the future economic benefits arising from assets which are not capable of being individually identified and separately recognised; these include the value of synergies expected to be realised post-acquisition, new customer relationships and the fair value of the assembled workforce within the business acquired.

Acquisition costs of £2.7m directly related to the business combination have been immediately expensed to the Consolidated Statement of Profit or Loss as part of administrative expenses and included within exceptional operating items (see note 3). Between 6 February 2023 and 30 September 2023, ESN contributed £5.7m to Group revenues and a profit before tax of £1.1m. If the acquisition had occurred on 1 October 2022, Group revenue would have been £137.4m and Group profit before tax would have been £8.2m.

10. Goodwill and other intangible assets

	Software £000	Customer relationships £000	Brand £000	Non-compete agreement £000	Total acquired intangible assets £000	Internally generated software £000	Goodwill £000	Total £000
Cost								
1 October 2021	11,945	59,817	11,426	1,236	84,424	11,485	141,160	237,069
Acquisition of business	24,494	120,023	21,457	–	165,974	1,820	281,341	449,135
Additions	–	–	–	–	–	4,209	–	4,209
Exchange differences	5,953	27,966	5,493	260	39,672	2,118	66,477	108,267
30 September 2022	**42,392**	**207,806**	**38,376**	**1,496**	**290,070**	**19,632**	**488,978**	**798,680**
Acquisition of business (note 9)	2,161	9,559	2,635	–	14,355	–	18,609	32,964
Additions	–	–	–	–	–	8,727	–	8,727
Exchange differences	(3,040)	(14,019)	(2,764)	(126)	(19,949)	(1,448)	(33,272)	(54,669)
30 September 2023	**41,513**	**203,346**	**38,247**	**1,370**	**284,476**	**26,911**	**474,315**	**785,702**
Amortisation and impairment								
1 October 2021	5,376	12,947	1,880	297	20,500	7,332	–	27,832
Amortisation	6,118	17,436	2,736	301	26,591	4,118	–	30,709
Exchange differences	924	2,023	477	106	3,530	1,156	–	4,686
30 September 2022	**12,418**	**32,406**	**5,093**	**704**	**50,621**	**12,606**	**–**	**63,227**
Amortisation	4,610	18,727	2,917	341	26,595	3,827	–	30,422
Exchange differences	(527)	(1,303)	(276)	(59)	(2,165)	(1,209)	–	(3,374)
30 September 2023	**16,501**	**49,830**	**7,734**	**986**	**75,051**	**15,224**	**–**	**90,275**
Net book value								
1 October 2021	6,569	46,870	9,546	939	63,924	4,153	141,160	209,237
30 September 2022	29,974	175,400	33,283	792	239,449	7,026	488,978	735,453
30 September 2023	**25,012**	**153,516**	**30,513**	**384**	**209,425**	**11,687**	**474,315**	**695,427**

Included within internally generated software is capital work-in-progress of £3.5m (FY22: £2.8m).

Intangible assets, other than goodwill, have a finite life and are amortised over their expected useful lives.

The expected amortisation profile of acquired intangible assets is shown below:

	Software £000	Customer relationships £000	Brand £000	Non-compete agreement £000	Total £000
One to five years	17,070	83,262	14,873	384	115,589
Six to 10 years	7,942	50,879	10,224	–	69,045
11 to 15 years	–	19,375	5,416	–	24,791
30 September 2023	**25,012**	**153,516**	**30,513**	**384**	**209,425**

10. Goodwill and other intangible assets continued

Impairment assessment

The goodwill and intangibles attributed to each of the Group's cash-generating units ("CGUs") and groups of CGUs are assessed for impairment at least annually or more frequently where there are indicators of impairment. The Group tests for impairment of goodwill at the operating segment level representing an aggregation of CGUs, the level at which goodwill is monitored by management. No CGU or group of CGUs is larger than an operating segment as defined by IFRS 8 "Operating Segments" before aggregation. The recoverable amount for CGU groups has been determined on a value in use basis ("VIU").

The table below sets out the carrying values of goodwill and other acquired intangible assets allocated to each CGU at 30 September 2023 along with the pre-tax discount rates applied to the risk-adjusted cash flow forecasts and the long-term growth rate.

2023	**Goodwill £000**	**Acquired intangible assets £000**	**Valuation method**	**Long-term growth rate**	**Pre-tax discount rate**
A&A marketplaces	**299,196**	**177,091**	**VIU**	**3%**	**12.7%**
I&C marketplaces	**154,900**	**25,057**	**VIU**	**3%**	**12.7%**
Auction Services	**20,219**	**7,277**	**VIU**	**3%**	**11.4%**
Total	**474,315**	**209,425**			

2022	Goodwill £000	Acquired intangible assets £000	Valuation method	Long-term growth rate	Pre-tax discount rate
A&A marketplaces	304,282	196,672	VIU	3%	13.4%
I&C marketplaces	162,615	33,420	VIU	3%	13.4%
Auction Services	22,081	9,357	VIU	3%	12.1%
Total	488,978	239,449			

When testing for impairment, recoverable amounts for all the Group's CGUs and groups of CGUs are measured at their value in use by discounting the future expected cash flows from the assets in the CGUs. These calculations use cash flow projections based on Board approved budgets and approved plans. While the Group prepares a five-year plan, levels of uncertainty increase as the planning horizon extends. The Group's plan focuses more closely on the next three years, however for the purposes of the impairment testing the five-year forecasts are used as we do not anticipate the long-term growth rate to be achieved until after this time.

The key assumptions and estimates used for value in use calculations are summarised as follows:

Assumption	**Approach**
Risk-adjusted cash flows	are determined by reference to the budget for the year following the balance sheet date and forecasts for the following four years, after which a long-term perpetuity growth rate is applied. The most recent financial budget approved by the Board has been prepared after considering the current economic environment in each of the Group's markets. These projections represent the Directors' best estimate of the future performance of these businesses.
CAGR	is the five-year compound annual growth rate from FY23 of the risk-adjusted cash flows above.
Long-term growth rates	are applied after the forecast period. These are based on external reports on long-term GDP growth rates for the main markets in which each CGU operates. Therefore, these do not exceed the long-term average growth rates for the individual markets.
Pre-tax discount rates	are derived from the post-tax weighted average cost of capital ("WACC") which has been calculated using the capital asset pricing model. They are weighted based on the geographical area in which the CGU group's revenue is generated. The assumptions used in the calculation of the WACC are benchmarked to externally available data and they represent the Group's current market assessment of the time value of money and risks specific to the CGUs. Movements in the pre-tax discount rates for CGUs since the year ended 30 September 2022 are driven by changes in market-based inputs. Any unsystematic risk on the CGUs has been inherently built into the cash flows of each of the CGUs and therefore no additional element of risk has been included in the discount rates used at 30 September 2023.

10. Goodwill and other intangible assets continued

Sensitivity analysis

At 30 September 2023 under the impairment assessments prepared there is no impairment required. However, both the A&A marketplaces and Auction Services CGUs are sensitive to a movement in any one of the key assumptions. Management have therefore performed sensitivity analysis based on reasonably possible scenarios including increasing the discount rates and reducing the CAGR on the future forecast cash flows, both of which are feasible given the current future uncertainty of macroeconomics. For the I&C marketplaces CGU, there is no realistic change of assumption that would cause the CGU's carrying amount to exceed its recoverable amount.

For the A&A marketplaces CGU, under the base case there is headroom of £248.8m at 30 September 2023 (FY22: £28.0m). The year-on-year increase in headroom is due a number of factors but predominantly arises from the inclusion of ESN in the CGU, reduced discount rate, one year's amortisation and improved cash flows in the terminal year.

For the recoverable amount to fall to the carrying value, the discount rate would need to be increased to 17.4% from 12.7% (FY22: 13.9% from 13.4%), the long-term growth rate reduced to a negative 4.5% from 3.0% (FY22: 2.2% from 3.0%), or the CAGR from FY23 on the five-year future forecast cash flows reduced by nine ppt (FY22: one ppt). With an uncertain macroeconomic outlook, it is difficult to model the precise impact on business performance at this time but should there be an economic downturn the A&A segment is likely to be impacted in the short term due to reduced sales and margins but it would then be expected to return to higher growth in later years. Management has modelled a scenario where A&A CGU revenue declines 4% in both FY24 and FY25, resulting in a cumulative decrease of 8% with a return to steeper growth from FY26 to FY28. The overall impact on the five-year adjusted EBITDA CAGR is a reduction of 3%. A potential increase of 1% in discount rate or a reasonable worst-case increase of 2% in the discount rate and 3% reduction in five-year CAGR growth rate could reduce the headroom to £90.0m and £39.0m respectively (FY22: impairment of £59.0m and £96.0m).

For Auction Services with a headroom of £6.1m (FY22: £1.7m) for the recoverable amount to fall to the carrying value, the discount rate would need to be increased to 13.4% from 11.4% (FY22: 12.6% from 12.1%), the long-term growth rate reduced to 0.2% from 3.0% (FY22: 2.3% from 3.0%), or the CAGR on the five-year adjusted EBITDA cash flows reduced by two ppt (FY22: three ppt). Auction Services is particularly sensitive to the long-term growth rate and discount rate applied. An increase of 1% in the discount rate and 1% reduction in the long-term growth rate could reduce headroom to £0.7m (FY22: impairment of £3.6m).

11. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and restricted cash. The carrying amount of these assets approximates to their fair value.

	30 September 2023 £000	Restated 30 September 2022 £000
Cash at bank	**6,097**	49,427
Restricted cash	**2,442**	2,390
	8,539	51,817

Restricted cash consists of cash held by the Trustee of the Group's Employee Benefit Trust relating to share awards for employees.

In the prior year cash at bank included cash held by the Trustee of the Group's Employee Benefit Trust. As these funds are not available to circulate within the Group on demand, it is deemed more appropriate this should be classified as restricted cash. The prior year has been restated accordingly. This change in policy provides users with more reliable information about the nature of the Group's cash and cash equivalents.

12. Loans and borrowings

The carrying amount of loans and borrowings classified as financial liabilities at amortised cost approximates to their fair value.

	30 September 2023 £000	30 September 2022 £000
Current		
Secured bank loan	**12,861**	30,983
Non-current		
Secured bank loan	**108,969**	149,862
	121,830	180,845

The Group entered into a Senior Facilities Agreement on 17 June 2021 which included:

- A senior term loan facility (the "Senior Term Facility") for $204.0m for the acquisition of LiveAuctioneers. The Senior Term Facility was drawn down in full on 30 September 2021 prior to completion of the acquisition of LiveAuctioneers on 1 October 2021. During the year ended 30 September 2023, a prepayment of $53.7m (£48.0m) was paid on the Senior Term Facility. In the absence of any other prepayments, the scheduled repayment in FY23 is $7.4m on 30 June 2024 and $8.7m on 30 September 2024. The loan will be due for repayment on 17 June 2026.
- A multi-currency revolving credit working capital facility (the "Revolving Credit Facility") for $49.0m. Any sums outstanding under the Revolving Credit Facility will be due for repayment on 17 June 2026. On 1 February 2023, $26.3m (£21.3m) was drawn down to partly fund the acquisition of ESN (see note 9), and has been fully repaid by 30 September 2023.
- The Senior Facilities Agreement contains an adjusted net leverage covenant which tests the ratio of adjusted net debt against adjusted EBITDA and an interest cover ratio which tests the ratio of adjusted EBITDA against net finance charges, in each case as at the last date of each financial quarter, commencing with the financial quarter ending 30 September 2021. The Group has complied with the financial covenants of its borrowing facilities during the year ended 30 September 2023.

The movements in loans and borrowings are as follows:

	30 September 2023 £000	30 September 2022 £000
1 October	**180,845**	149,039
Repayment of loans and borrowings	**(69,110)**	(359)
Proceeds from loans and borrowings	**21,250**	–
Accrued interest and amortisation of finance costs	**11,071**	7,679
Interest paid	**(10,651)**	(7,283)
Exchange differences	**(11,575)**	31,769
30 September	**121,830**	180,845

The currency profile of the loans and borrowings is as follows:

	30 September 2023 £000	30 September 2022 £000
US dollar	**121,830**	180,845

The weighted average interest charge (including amortised cost written off) for the year is as follows:

	Year ended 30 September 2023 %	Year ended 30 September 2022 %
Secured bank loan	**8%**	**4%**

13. Deferred taxation

The movement of net deferred tax liabilities is as follows:

	Capitalised goodwill and intangibles £000	Tax losses £000	Share-based payments £000	Foreign exchange £000	Research and development £000	Other temporary differences £000	Total £000
1 October 2021	(12,229)	1,370	19	1,563	–	383	(8,894)
Acquisition of business (note 9)	(43,514)	548	276	511	–	27	(42,152)
Amount credited/(charged) to Consolidated Statement of Profit or Loss	6,327	3,526	1,002	(15,509)	–	(260)	(4,914)
Amount charged to equity	–	–	(150)	–	–	–	(150)
Exchange differences	(8,869)	673	(13)	(308)	–	9	(8,508)
30 September 2022	**(58,285)**	**6,117**	**1,134**	**(13,743)**	**–**	**159**	**(64,618)**
Deferred tax asset	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Deferred tax liabilities	**(58,285)**	**6,117**	**1,134**	**(13,743)**	**–**	**159**	**(64,618)**
1 October 2022	**(58,285)**	**6,117**	**1,134**	**(13,743)**	**–**	**159**	**(64,618)**
Amount credited to Consolidated Statement of Profit or Loss	5,922	3,766	674	7,268	1,548	(174)	19,004
Exchange differences	4,163	(475)	–	1,172	9	56	4,925
30 September 2023	**(48,200)**	**9,408**	**1,808**	**(5,303)**	**1,557**	**41**	**(40,689)**
Deferred tax asset	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Deferred tax liabilities	**(48,200)**	**9,408**	**1,808**	**(5,303)**	**1,557**	**41**	**(40,689)**

Tax losses include unrelieved interest in the US, where there are sufficient taxable profits forecast to be available in the future to enable them to be utilised. These losses are available indefinitely. Tax on foreign exchange include unrealised foreign exchange differences arises from US holding companies with pound sterling as their functional currency for the Consolidated Financial Statements but US dollar functional currency under US tax rules (see note 7). A deferred tax asset of £1.6m (2022 nil) relates to the US research and development credit which is spread over future years rather than fully deductible in the year it arises.

No deferred tax asset has been recognised in respect of unused tax losses in the UK of £0.7m (FY22: £0.7m) as it is not considered probable that there will be future taxable profits available to offset these tax losses. The losses may be carried forward indefinitely. The temporary differences relating to the unremitted earnings of overseas subsidiaries amounted to £0.9m (FY22: £1.1m). However, as the Group can control whether it pays dividends from its subsidiaries and it can control the timing of any dividends, no deferred tax has been provided on the unremitted earnings on the basis there is no intention to repatriate these amounts.

In presenting the Group’s deferred tax balances, the Group offsets assets and liabilities to the extent we have a legally enforceable right to set off the arising income tax liabilities and assets when those deferred tax balances reverse.

14. Share capital and reserves

	30 September 2023 £000	30 September 2022 £000
Authorised, called up and fully paid		
121,491,412 ordinary shares at 0.01p each (FY22: 120,525,304 ordinary shares at 0.01p each)	**12**	12
	12	12

The movements in share capital, share premium and other reserve are set out below:

	Number of shares	Share capital £000	Share premium £000	Other reserve £000
1 October 2021	119,999,990	12	235,903	238,385
Shares issued	506,926	–	–	–
Shares issued in respect of share-based payment plans	18,388	–	–	–
30 September 2022	**120,525,304**	**12**	**235,903**	**238,385**
Shares issued	680,794	–	328	–
Shares issued in respect of share-based payment plans	285,314	–	–	–
30 September 2023	**121,491,412**	**12**	**236,231**	**238,385**

For the year ended 30 September 2023

966,108 ordinary shares of 0.01p each with an aggregate nominal value of £97 were issued for options that vested for a cash consideration of £328,000. These included management rollover options and restricted stock units granted in FY22 for the acquisition of LiveAuctioneers, Long-term Incentive Plan Awards (“LTIP Awards”), shares issued under the Share Incentive Plan (“SIP”) and Employee Stock Purchase Plan (“ESPP”) and to the Trust for LTIP Awards that have vested in the year.

For the year ended 30 September 2022

525,314 ordinary shares of 0.01p each with an aggregate nominal value of £53 were issued for options that vested. These included 50% of the restricted stock units granted for the LiveAuctioneers acquisition, LTIP Awards, shares issued under the SIP and ESPP and to the Trust for LTIP Awards that have vested in the year.

Reserves

The following describes the nature and purpose of each reserve within equity:

Retained losses	represent the profits/(losses) of the Group made in current and preceding years.
Other reserve	comprises: • a merger reserve that arose on the Group reorganisation on 13 January 2020 and is the adjustment of the comparative and current year consolidated reserves of the Group to reflect the statutory share capital and share premium of Auction Technology Group plc as if it had always existed; and • share premium, net of share issue costs, recognised in the other reserve in accordance with section 612 of the Companies Act 2006 for the equity raise on 17 June 2021 via a cashbox placing.
Capital redemption reserve	arose on the redemption or purchase of the Company’s own shares. The Company issued shares directly to the Trusts of 266,322 during the year and held 210,475 as at 30 September 2023 (FY22: 124,927).
Share option reserve	relates to share options awarded under the LTIP Awards and options granted in FY22 for the acquisition of LiveAuctioneers.
Foreign exchange reserve	comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

15. Related party transactions

For the year ended 30 September 2023

The Group paid seven months' rent of $80,000 (£64,000) to McQuade Enterprises LLC, a company owned by the previous owners of ESN. There were other no related party transactions.

For the year ended 30 September 2022

There were no related party transactions.

Key management personnel compensation

The Group has determined that the key management personnel constitute the Board and the members of the Senior Management Team.

	Year ended 30 September 2023 £000	Year ended 30 September 2022 £000
Short-term employee benefits	**3,182**	4,600
Post-employment benefits	**61**	73
Share-based payment expense	**3,908**	3,062
Total key management personnel compensation	**7,151**	7,735

Remuneration of Directors

The total amounts for Directors' remuneration were as follows:

	Year ended 30 September 2023 £000	Restated[1] Year ended 30 September 2022 £000
Short-term employee benefits	**1,034**	1,354
Non-Executive Directors' fees	**334**	284
Post-employment benefits	**48**	46
Share-based payment expense	**1,624**	1,152
Total Directors' remuneration	**3,040**	3,142

1 Short-term benefits restated to include annual bonuses.

16. Events after the balance sheet date

There were no other events after the balance sheet date.

Glossary

A&A	Art & Antiques
atgPay	the Group's integrated payment solution
atgShip	the Group's integrated shipping solution
Auction Mobility	Auction Mobility LLC
Bidder sessions	web sessions on the Group's marketplaces online within a given timeframe
BidSpotter	the Group's marketplace operated via the www.BidSpotter.co.uk and www.BidSpotter.com domain
Big 4	Christie's, Sotheby's, Phillips and Bonhams A&A auction houses
EBITDA	earnings before interest, taxes, depreciation and amortisation
ESN	the Group's marketplace operated via the www.EstateSales.NET domain
GMV	gross merchandise value, representing the total final sale value of all lots sold via winning bids placed on the marketplaces or the platform, excluding additional fees (such as online fees and auctioneers' commissions) and sales of retail jewellery (being new, or nearly new, jewellery)
i-bidder	the Group's marketplace operated by the www.i-bidder.com domain
I&C	Industrial & Commercial
LiveAuctioneers	the Group's marketplace operated via the www.liveauctioneers.com domain
Lot-tissimo	the Group's marketplace operated via the www.lot-tissimo.com domain
LTIP Awards	the Company's Long-term Incentive Plan
Marketplaces	the online auction marketplaces operated by the Group
Conversion rate	represents GMV as a percentage of THV; previously called 'online share'
Organic revenue	Organic revenue shows the current period results excluding the acquisition of ESN on 6 February 2023. Organic revenue is shown on a constant currency basis using average exchange rates for the current financial period applied to the comparative period and is used to eliminate the effects of fluctuations in assessing performance.
Proxibid	the Group's marketplace operated via the www.proxibid.com domain
The Saleroom	the Group's marketplace operated via the www.the-saleroom.com domain
Take rate	represents the Group's marketplace revenue, excluding EstateSales.NET, as a percentage of GMV. Marketplace revenue is the Group's reported revenue excluding Content and Auction Services revenue
THV	total hammer value, representing the total final sale value of all lots listed on the marketplaces or the platform, excluding additional fees (such as online fees and auctioneers' commissions) and sales of retail jewellery (being new, or nearly new, jewellery)
Timed auctions	auctions which are held entirely online (with no in-room or telephone bidders) and where lots are only made available to online bidders for a specific, pre-determined timeframe
Timed+	the Group's integrated bidding solution for timed auctions on LiveAuctioneers and Auction Mobility