AUCTION TECHNOLOGY GROUP PLC

FULL YEAR RESULTS FOR YEAR ENDED 30 SEPTEMBER 2022

Strong full year results demonstrating the resilience and increasing diversification of ATG

London, United Kingdom, 1 December 2022 – Auction Technology Group plc ("ATG", "the Company", "the Group") (LON: ATG), operator of the world's leading marketplaces for curated online auctions, today announces its audited financial results for the year ended 30 September 2022.

Financial results

	FY22	Restated[1] FY21	Movement
Adjusted[2]			
Proforma revenue[2&3]	**£119.8m**	£107.9m	+11%
Adjusted EBITDA[2]	**£54.0m**	£31.8m	+70%
Adjusted EBITDA margin %[2]	**45%**	45%	0ppt
Adjusted diluted earnings per share[2]	**29.5p**	9.2p	+221%
Adjusted free cash flow[2]	**£49.9m**	£30.4m	+64%
Adjusted net (debt)/cash[2]	**£(129.0)m**	£24.6m	-£153.6m
Reported			
Revenue	**£119.8m**	£70.1m	+71%
Operating profit/(loss)	**£16.8m**	£(20.6)m	+182%
Operating margin %	**14%**	(29)%	+43ppt
Profit/(loss) before tax	**£9.3m**	£(25.0)m	+137%
Basic loss per share	**(5.1)p**	(31.0)p	+84%
Cash generated by operations	**£49.4m**	£15.9m	+211%

Financial highlights

- Revenue of £119.8m, up 11% on a proforma basis driven by resilient growth in Gross Merchandise Value[4] ("GMV") with an additional boost to growth coming through value-add services. Revenue up 71% on a reported basis includes contribution from LiveAuctioneers and foreign exchange benefit due to high proportion of US dollar revenue
- Adjusted EBITDA of £54.0m, up 70% year-on-year; adjusted EBITDA margin of 45%, flat year-on-year as expected, as high operational leverage offset significant planned investments in the talent and infrastructure necessary for ATG to achieve its scale ambitions, as well as the full year impact of public company costs
- Profit before tax of £9.3m increased compared to a loss of £(25.0)m[1] last year largely driven by the increase in revenue and due to the one-off impact of costs relating to the IPO and acquisitions incurred last year
- Basic loss per share of (5.1)p with increase in profit before tax year-on-year offset by deferred tax charges; adjusted diluted earnings per share of 29.5p, up 221% year-on-year
- Strong cash generation driven by capital-light model, with £49.9m of adjusted free cash flow compared to £30.4m last year and 92.5% adjusted free cash conversion
- Closing adjusted net debt of £129.0m, impacted by foreign exchange movements on US dollar loan

Operational Highlights

- Total Hammer Value[4] ("THV") up 22% to £10.1bn, driven by higher number of auction houses listing assets on ATG marketplaces, a favourable mix of higher value assets and higher prices for secondary goods; highlights the resilience of the auction industry's structural shift online and the attractiveness of ATG's model
- GMV[4] up 20% to £3.3bn; growth on the prior year which had benefited from tailwinds from the Covid-19 pandemic and with the conversion rate[4] (previously "online share") remaining flat year-on-year at 33%
- Proven ability to successfully add new revenue streams, driving growth and diversifying revenue through development and successful roll out of paid-for digital marketing and payments solutions with value-add services now accounting for 16% of revenue; begun roll out of payments on Proxibid ahead of plan
- Take rate[4] of 3.3%, down by 0.2ppt from FY21 as rising adoption of marketing and payments services was offset by the impact from growth of low commission real estate. Excluding real estate, take rate would have increased by 0.1ppt
- ATG marketplaces generated over 172m bidding sessions, on over 74,000 auctions for almost 3,800 auctioneers; significant scale and an ever-expanding network which provides a highly defensible competitive position

John-Paul Savant, Chief Executive Officer of Auction Technology Group plc, said:

"ATG has delivered another strong year of financial and operational performance, in line with the increased guidance that we provided at our Half Year results. Our success demonstrates the resilience of the ATG model, both as the structural shift online of the auction industry has continued, and as our business has become increasingly diversified by vertical and by revenue stream. We have made strong progress against our strategic growth drivers, including the roll out of value-add services which drives both revenue for auctioneers and improves the experience for bidders, whilst simultaneously providing another layer of growth for ATG. The acquisition and integration of LiveAuctioneers further demonstrates our strong track record in value enhancing M&A. This strong performance is a credit to all the team at ATG and our auctioneer partners.

"Even as we are facing high levels of macroeconomic uncertainty, we are confident about the future. Our competitive position and financial profile allow us to invest in future growth, and our multi-geography, multi-vertical, multi-product capability can provide us with diversification and resilience to continue to execute successfully in more uncertain macroeconomic conditions. ATG is in a unique position to transform the auction industry and we are building the team, products and technology platform to achieve this. Our shared success model will ensure our auctioneer partners grow alongside us, and most importantly, as ATG grows the online auction channel, we will also accelerate the growth of the circular economy."

Current trading and outlook

Trading in the first two months of FY23 has remained broadly in line with the performance in the second half of FY22. ATG is confident of continued strong performance in FY23, whilst is also factoring in the uncertain macroeconomic environment in our outlook. For FY23 we expect:

- High single digit to low double digit constant currency revenue growth with a higher rate of growth in the second half of the year reflecting the further roll out and take up of value-add services.
- Continued investment to support future growth, including in our single technology platform which is expected to deliver £2m operational cost savings per annum from FY25 onwards. As a result of these investments, for FY23 we expect our adjusted EBITDA margin to be broadly flat.
- As at FY22, over 80% of our revenue is now in US Dollars. For a 10% change in the pound sterling to US dollar exchange rate, we would expect a c.8% change in revenue.

We remain confident of achieving our medium-term targets of mid-teens plus revenue growth and mid-high 40's adjusted EBITDA margin percentages.

Webcast presentation

There will be a webcast presentation for analysts this morning at 9.30am. Please contact ATG@tulchangroup.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 the world's leading marketplaces and auction services for curated online auctions, seamlessly connecting bidders from around the world to around 3,800 trusted auction houses across two major sectors: Industrial & Commercial ("I&C") and Art & Antiques ("A&A").

The Group powers seven online marketplaces using its proprietary auction platform technology, hosting in excess of 74,000 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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1. The FY21 results have been restated to adjust the foreign currency translation reserves and finance income by £2.3m. Full details are provided in note 1 of the Consolidated Financial Statements.
2. 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.
3. The Group has made certain acquisitions that have affected the comparability of the Group's results. To aid comparisons between FY22 and FY21, the prior period results have been presented to include the results as if the acquisition of LiveAuctioneers and Auction Mobility had occurred on 1 October 2020. Proforma unaudited revenue is shown on a constant currency basis using average exchange rates for the current financial period applied to the comparative period and are used to eliminate the effects of fluctuations in assessing performance.
4. Refer to glossary for full definition of the terms. Conversion rate was previously called "online share."

CEO REVIEW

ATG's purpose is to unlock the value of the secondary goods market and in doing so, to significantly accelerate growth of the circular economy. Through our seven online marketplaces, we enable a large, diverse, and fragmented buyer base to bid on a wide range of secondary goods curated by thousands of expert auctioneers. We enable auctioneers to list curated assets online in a cost-efficient way, through our specialised marketplace technology, whilst also enabling auctioneers to access a large, global bidder base. Every year our marketplaces ensure that millions of specialised and unique used items are resold for re-use or repurpose, preventing waste and carbon emissions from the manufacturing of new items.

A year of further growth and progress

In FY22 we have continued to deliver strong revenue growth, even as we annualised our strong performance in FY21 that had benefited from the Covid-19 pandemic. Our growth also remained robust as we faced an increasingly uncertain macroeconomic environment, particularly in the second half of the year. We have diversified our business through the acquisition of LiveAuctioneers, which helps ATG to generate a cyclically balanced mix of revenues across Art & Antiques ("A&A") and Industrial & Commercial ("I&C") and increases our exposure to the larger US market. We have also proven our ability to add additional layers of growth through the roll out of value-add services including marketing and payments, which now accounts for 16% of Group revenue.

Our strong operational cash generation driven by our profitable and capital-light financial model has enabled us to carefully manage our balance sheet, whilst also providing us with the ability to invest in growth. We have invested in improving our product for our customers and auctioneers, and have also invested to strengthen and develop the team at ATG, not only at the leadership level, where we welcomed three new Board members and five new Leadership Team members, but also across the business where we added specialist roles in areas such as technology, marketing and finance. We have made these investments whilst maintaining a flat margin year-on-year, highlighting the strength of our financial model.

Growth across both of our verticals

In FY22 we delivered another year of strong growth, demonstrating the strength of the ATG model as well as the resilience of the structural shift online of the auction industry with growth delivered in both our verticals. Activity in online auctions has remained strong in FY22, as evidenced by the 22% THV growth that our marketplaces delivered. In a period of economic uncertainty, we would expect auction activity to be robust, driven by the speed of sale and price realisation benefits of the auction channel, combined with an increase in the volume of secondary goods coming to auction.

Within I&C, revenue grew by 13% on a proforma basis, driven by strong growth in GMV of 29%, which in turn was driven by volume, mix and price growth of assets listed on our marketplaces. We have welcomed new auctioneers to our marketplaces, and our existing auctioneers have continued to list assets with us. As the economic outlook deteriorated in the second half, the rate of price increases of secondary assets softened. However, this was partly offset by improving volumes of assets coming to the I&C auction market, which also began to see a benefit from an increase in the rate of business insolvencies.

In A&A, revenue grew 10% on a proforma basis, driven by strong growth in value-add services, including payments and advertising, as we were able to monetise more parts of the auction transaction and experience. This demonstrates that ATG has the same marketplace monetisation options as seen in other online marketplaces around the world and that we can diversify our revenue growth levers by following a well-trodden path of marketplace development. GMV saw a small decline compared to the prior year and a normalisation in online auction activity following the Covid-19 pandemic and as physical auctions reopened.

Successful roll out of value-add services driving incremental growth

In the past 12 months, ATG has proven its ability to expand beyond the initial auction transaction into the broader auction ecosystem. We have evolved and expanded our auctioneer marketing programme, providing a revenue opportunity for both auctioneers and ATG. Auctions supported with marketing have proved to deliver better results; for example, Proxibid auctions saw an average 72% increase in registered bidders and 38% increase in winning bidders when they were supported by ATG's digital marketing programme. We have upgraded the onsite advertising experience on our marketplaces, such as through the introduction of rotating banners and featured auction lots. However, with our marketing revenue currently at 0.4% of GMV, we still see significant opportunity to grow, through increasing auctioneer adoption of marketing as well as through developing new marketing solutions, including, for example, a new SMS feature that reminds registered bidders that an auction is about to start.

Our integrated payments solution roll out has continued to grow. Over 75% of US-based auction houses on LiveAuctioneers have now adopted the payments solution and in September, 42% of US-based gross transaction value on LiveAuctioneers was paid for using the solution. Payments provides both convenience to bidders, with a 99.8% payment rate for bidders who have a credit card on file, as well as speed and reliability to auctioneers, with a two to three times faster disbursement cycle when the solution is used. We have begun the roll out of payments onto Proxibid and are encouraged by the rate of adoption we have seen so far. In the coming year, we will focus on growing the adoption of payments across marketplaces as well as launching an integrated delivery solution on LiveAuctioneers.

Strengthening our competitive position with our focus on improving the End-to-End Experience

We are early in our journey to unlock the value of the secondary goods market. The auction industry remains well behind e-commerce in its digitisation journey, which represents significant opportunity for future growth. We have made good progress with phase one of our vision, "Foundations", to transform the auction industry and we are now in the second phase, "End-to-End Experience". In this phase, we are enabling auctioneers to compete even more effectively with other sellers of specialised and unique secondary goods as we significantly improve the online bidding experience and as we simplify and streamline how auction lots are listed online. This will continue to drive our virtuous circle that benefits both auctioneers and bidders; more bidders participate in online auctions resulting in higher realised prices for second-hand items and in turn attracting more assets to be listed on our marketplaces.

We have invested in our Search Engine Optimisation ("SEO") functionality to drive bidder acquisition, whilst also improving our marketplace taxonomy, filter and search functionality to drive bidder conversion. New editorial features on our marketplaces as well as new content-rich emails have driven bidder engagement to further strengthen the relationship that we have with our bidder base. Over the medium term we believe there is a significant opportunity to unlock the next generation of bidders, who are younger, web-native but time poor. For auctioneers, we have developed and are rolling out our integrating bidding widget, which will enable auctioneers to seamlessly cross-list assets across our marketplaces and our white label solutions to reach an even wider audience. We continue to facilitate the shift to timed online-only auctions with THV on timed auctions growing 31% year-on-year. Timed auctions both increase our conversion rate and reduce costs for our auctioneer partners and have continued to grow even as the physical live auction format has returned post pandemic. Retention rates of auctioneers remains very high demonstrating the value that we create through our shared success model.

Accelerating the growth of the circular economy
The ATG team has continued to work steadily to make the buying and selling of second-hand goods easier, and this shared social conscience is key to our purpose. ATG's online marketplaces ensure that millions of items are resold for re-use or repurpose each year, extending their value within the economy, preventing waste, and reducing the massive carbon emissions that are a derivative of the manufacturing process for new items. A recent survey commissioned by ATG evidenced the growing consumer preference towards buying secondary goods, with 44% of respondents in the survey more likely to buy second-hand today than they were three years ago and only 13% less likely. Furthermore, of these respondents, 47% cited the importance of sustainable buying as a driver to buying second-hand, highlighting how consumers are looking to make greener choices. However, with over 40% of respondents in the survey still not realising that buying second-hand furniture is more sustainable than buying new, we believe there is a huge opportunity for ATG to be the voice of the industry in educating consumers on the benefits of buying second-hand.

ATG is committed to making real reductions in the carbon impact of our operations. During the year, we implemented governance processes over our sustainability as the Board established a Sustainability and Climate Risk Committee, whose primary objective is to support the implementation of the recommendations of the Taskforce for Climate Related Financial Disclosures ("TCFD"), in addition to ensuring that climate-related risks and opportunities are identified, monitored and integrated into the business.

Executing against our six growth drivers
Six growth drivers underpin our success. We have executed strongly against these in the past year and see significant opportunity ahead:

- **Extending our addressable market:** Our THV has grown 22% in the last 12 months as we have added new auction houses and new lots to our marketplaces. We have actively identified new THV that we wish to bring online over the medium term.
- **Growing the conversion rate** (previously "online share")**:** Even as physical auctions have returned post pandemic, our conversion rate has remained flat. For auctioneers we will continue to actively facilitate the shift from live to timed auctions, and for bidders, we will invest to make the bidding experience even easier driving bidder acquisition, engagement and conversion.
- **Enhancing the network effect:** We are continuing to make it easier for auctioneers to cross-list assets on our marketplaces and grow bidder reach as we roll out integrated bidding. Cross-listing also encourages bidders to use ATG as their primary search portal by presenting them with the broadest array of online inventory.
- **Expanding operating leverage:** We are investing in a single technology platform, which will provide both agility and flexibility to our operations, whilst also enabling the acceleration of new product development. We expect capital expenditure to increase to a range of £8m to £10m for two years which includes the capitalised expenditure on the technology platform, whilst we also expect the platform to lead to operational cost savings of approximately £2m per annum from FY25 onwards.
- **Growing our take rate via value-add services:** We have expanded our marketing offerings, rolled out payments across LiveAuctioneers and have begun to roll out payments on Proxibid. We are focused on rolling out payments and driving adoption across Proxibid and other marketplaces in FY23 and plan to launch an integrated delivery solution later in the year on LiveAuctioneers.
- **Pursuing accretive M&A:** We have integrated LiveAuctioneers and remain active in looking for value accretive opportunities to add to our footprint and to increase value across our network.

Leading the transformation of the auction industry
ATG remains uniquely positioned to lead the transformation of the auction industry. FY22 has been another year of growth and development. Our business is more diversified today by revenue and by vertical than where it was a year ago, and we have proven our ability to add additional layers of growth through the successful roll out of value-add services. Our strong track record of financial and operational performance, as well as our deep knowledge and scale to invest, gives us confidence in our ability to continue to execute against our growth strategy. Importantly, our shared success model will ensure our auctioneer partners are able to grow alongside us. The ATG team at all levels has done a superb job, and whilst the economic outlook is uncertain, particularly in the more cyclical A&A vertical, we are confident of the value we can continue to create within the auction ecosystem.

John-Paul Savant
Chief Executive Officer

CFO REVIEW

The financial results for FY22 are presented for the year ended 30 September 2022. On 1 October 2021, the Group completed its acquisition of LiveAuctioneers. The results for LiveAuctioneers are included within the A&A operating segment in FY22. 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 FY21 and FY22, alternative performance measures ("APMs") have been presented. The prior period proforma unaudited results have been presented as if the acquisition of LiveAuctioneers and Auction Mobility had occurred on 1 October 2020 on a constant currency basis.

Note 3 of the Consolidated Financial Statements includes a full reconciliation of all APMs presented to the reported results for FY22 and FY21.

Revenue

	FY22 £m	FY21 £m	Movement reported	Movement proforma
Arts & Antiques ("A&A")	55.3	16.2	241%	10%
Industrial & Commercial ("I&C")	52.7	43.7	21%	13%
Total marketplace	**108.0**	**59.9**	**80%**	**11%**
Auction Services	8.6	7.1	21%	9%
Content	3.2	3.1	3%	3%
Total	**119.8**	**70.1**	**71%**	**11%**

Group
Group revenue on a reported basis increased 71% year-on-year to £119.8m, driven by the contribution from LiveAuctioneers, growth across each of the reporting segments and due to the foreign exchange benefit from the strengthening of the US dollar with 82% of the Group's revenue derived in US dollars. Proforma revenue growth of 11% was driven by GMV growth, as the structural shift of the auction industry online proved to be resilient, as well as strong growth from the roll out of value-added services including marketing services and payments. Value-add services across A&A and I&C grew 40% year-on-year at constant currency and now account for 16% of total revenue. The take rate across the Group decreased slightly to 3.3% as the positive impact from value-add services was offset by the growth of real estate which has a high lot value and lower take rate, resulting in marketplace proforma revenue growth of 11% to £108.0m.

Art & Antiques
Reported revenue in A&A increased by 241% to £55.3m and on a proforma basis, grew 10%. GMV declined by 5% against challenging comparatives in the prior year which had benefited from the Covid-19 tailwind. Whilst THV growth on our marketplaces remained robust as we added new auction houses and new assets, the conversion rate in A&A decreased to 16% from 19%, impacted by the reopening of physical auctions and newer THV on our marketplaces, including THV from global auction houses, which tends to have a lower conversion rate. Revenue growth was enhanced by an increasing uptake of our payments solution on LiveAuctioneers, as well as growth in marketing revenue. As a result, the take rate in A&A increased by 1.2ppt to 8.0%.

Industrial & Commercial
Reported revenue increased 21% to £52.7m and on a proforma basis revenue grew 13%. This was largely driven by growth in the value and volume of secondary assets listed on our marketplaces with THV up 28%. Secondary asset prices increased in the year, driven by shortages of equipment in primary markets, although the rate of price inflation did begin to soften in the second half of the year. High secondary asset prices were partially driven by lengthened I&C equipment replacement cycles, which in turn negatively impacted the volume available for secondary markets. The conversion rate in I&C was flat at 45%, driven by bidder conversion and a continued growth in the adoption of timed auctions. Performance in I&C was impacted by the growth of real estate which has a high lot value and low commission rate resulting in a decrease in the take rate from 2.3% to 2.0%. Excluding the impact of real estate, the take rate in I&C would have been flat.

Auction Services
Auction Services revenue of £8.6m grew 21% year-on-year and 9% on a proforma basis, benefiting from customer acquisition at Auction Mobility. We continue to see the benefits of offering auctioneers a suite of integrated products, which provides them optionality with accessing the online auction market.

Content
Content revenue grew 3% to £3.2m, driven by the ongoing recovery in advertising volumes following the impact of the Covid-19 pandemic, although we would expect content revenue to revert to its historic trends of moderate declines going forward.

Statutory Financial performance

	FY22 £m	Restated[1] FY21 £m	Movement
Revenue	119.8	70.1	71%
Cost of sales	(40.1)	(24.5)	64%
Gross profit	**79.7**	**45.6**	**75%**
Administrative expenses	(63.6)	(66.5)	(4)%
Other operating income	0.7	0.3	133%
Operating profit/(loss)	**16.8**	**(20.6)**	**182%**
Adjusted EBITDA (as defined in note 3)	**54.0**	**31.8**	**70%**
Finance income	2.1	12.7	(83)%
Finance cost	(9.6)	(17.1)	(44)%
Net finance costs	**(7.5)**	**(4.4)**	**(70)%**
Profit/(loss) before tax	**9.3**	**(25.0)**	**137%**
Tax expense	(15.4)	(2.4)	(542)%
Loss for the year attributable to the equity holders of the Company	**(6.1)**	**(27.4)**	**78%**

1. The FY21 results have been restated following a reassessment of the Group's subsidiary functional currencies. This resulted in a £2.3m gain within finance income; further details are provided in note 1.

Operating profit

Operating profit increased by 182% to £16.8m driven by the increase in revenue and a small decrease to the Group's administrative expenses year-on-year.

Gross profit increased 75% to £79.7m reflecting the increase in revenue and high flow through of revenue to gross profit. The gross profit margin of 67% was slightly up year-on-year as the growth of high margin commission revenue offset the dilutive margin impact from the growth of payments revenue.

The Group's administrative expenses of £63.6m slightly decreased compared to the prior year largely due to the impact of one-off exceptional costs of £21.8m incurred in the prior year (FY22: nil) relating to the IPO and the acquisition of Auction Mobility and LiveAuctioneers as detailed in note 9 offsetting the other increases in the Group's cost base with the inclusion of LiveAuctioneers. The share-based payment expense in FY22 of £5.2m represents the pre-admission awards at IPO, the one-off LiveAuctioneers LTIPs and the 2021 and 2022 LTIPs which have been issued to Directors and senior management, including new additions to the ATG management team in 2022. This expense compares to a charge of £11.9m in FY21 which included the one-off share awards that were issued to Directors and employees as part of the IPO. We would expect share-based payments to increase in FY23, including the impact of awards for new senior management. Excluding the year-on-year impact of exceptional costs and share-based payments, administrative expenses increased by £25.6m, driven by a £12.9m increase in amortisation, the additional costs from LiveAuctioneers, full year costs associated with being a listed company as well as planned investments to support future growth, including in new roles in our senior management team.

Adjusted EBITDA

Adjusted EBITDA definitions and reconciliations to the reported results are presented in note 3 of the Consolidated Financial Statements.
Adjusted EBITDA increased by £22.2m year-on-year to £54.0m, driven by strong revenue growth and the acquisition of LiveAuctioneers. The adjusted EBITDA margin of 45% was flat from FY21 as the benefits of strong revenue growth and the Group's high operational leverage offset the adverse impact from full year public company costs, planned investments to drive future growth as well as the mix impact from the growth in lower margin payments revenue.

Net finance costs

Net finance costs were £7.5m compared to finance costs of £4.4m[1] in FY21. Finance costs of £9.6m (FY21: £17.1m) primarily relate to interest on our US dollar denominated Senior Term Facility which carries an interest rate linked to USD LIBOR. In the second half of the year, the increase in LIBOR as well as the strengthening of the dollar resulted in an increase in the interest cost. Finance costs also include commitment fees on the undrawn Revolving Credit Facility and amortisation of prepaid finance costs of £0.9m, as well as the movement in contingent consideration for Auction Mobility of £1.1m, and £0.7m related to the unwind of the discount on the LiveAuctioneers contingent consideration. In the prior year, finance costs related to interest costs on borrowing including early repayment fees for the Old Senior Facilities agreement and interest on the preference shares which were fully settled as part of the IPO restructure. Finance income of £2.1m (FY21: £12.7m[1]) related to foreign exchange gains primarily arising from our cash, external and intergroup loan balances held in US dollars and the appreciation of the US dollar versus pound sterling in the year.

Profit/(loss) before tax

After the impact of net finance costs, the Group reported a profit before tax of £9.3m (FY21: loss of £25.0m[1]).

Taxation

The overall tax expense for the year was £15.4m (FY21: £2.4m[1]), arising from the profit in the year and a deferred tax expense on unrealised foreign exchange differences. 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 FY22 of 166% (FY21: 9.3%[1]) was higher than the UK tax rate of 19% 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 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.

Loss per share and adjusted diluted earnings per share

Basic and diluted loss per share was 5.1p compared to a loss of 31.0p[1] in FY21, driven by the reduction in loss after tax year-on-year. The weighted average number of shares in issue during the period was 120.3m (FY21: 88.2m shares), with the increase year-on-year primarily attributable to the full year impact of the equity raise for the LiveAuctioneers acquisition which occurred in June 2021 and shares issued for the IPO in March 2021.

Adjusted diluted earnings per share was 29.5p compared to 9.2p in FY21 and is based on loss 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 earnings, partially offset by an increase in the weighted average number of ordinary shares and dilutive options in the year.

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

LiveAuctioneers acquisition

On 1 October 2021, the Group acquired 100% of the equity share capital of LiveAuctioneers for total consideration of £404.0m. Of the total consideration, £28.3m was settled via equity instruments in ATG plc. When determining the consideration, the equity instruments were fair valued based on the share price as at the date the acquisition completed. LiveAuctioneers is the largest curated online marketplace for Art & Antiques in North America and the purpose of the acquisition was to further strengthen the Group's presence in this segment. 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	FY22 £m	FY21 £m
United Kingdom	18.5	18.9
USA	97.8	47.8
Germany	3.5	3.4
Total	**119.8**	**70.1**

The average FY22 exchange rate of pound sterling against the US dollar significantly weakened by 7.3% and appreciated by 3.5% against the euro compared to FY21, as shown in the table below.

	Average rate			Closing rate		
	FY22	**FY21**	**Movement**	**FY22**	**FY21**	**Movement**
Euro	1.18	1.14	3.5%	1.13	1.16	(2.6)%
US dollar	1.27	1.37	(7.3%)	1.12	1.35	(17.0)%

When comparing revenue in FY21 to FY22, changes to currency exchange rates had a favourable impact on revenue of £6.1m. The Group also has a $204.0m Senior Term Facility with interest costs which are also sensitive to movements in foreign currency, resulting in an unfavourable movement of £31.8m on the Facility as at 30 September 2022.

Statement of financial position

Overall net assets at 30 September 2022 have increased by £99.9m to £539.3m since 30 September 2021. Total assets increased by £187.9m, mainly due to the acquisition of LiveAuctioneers with significant additions to goodwill and intangible assets of £449.1m and a net cash outflow of £358.8m for the acquisition. The weakening of pound sterling against the US dollar during the year has given rise to a gain of £115.3m on assets held. The Group's goodwill and intangibles were tested for impairment at 30 September 2022 and whilst no impairment was recognised, the A&A and Auction Services cash generating units are very sensitive to the key assumptions used in the model. Refer to note 10 for further details.

Total liabilities increased by £88.0m, primarily due to the inclusion of LiveAuctioneers which included a deferred tax liability of £42.2m that arose due to acquisition accounting, foreign exchange movements on the external loan of £31.8m and a deferred tax liability of £15.9m on unrealised foreign exchange differences. An £86.1m gain was recognised within the foreign currency translation reserve relating to the net impact of foreign exchange differences arising on the translation of foreign operations.

Cash flow and adjusted net debt

The Group generated strong cash from operations at £49.4m (FY21: £15.9m) driven by the high flow through of revenue to adjusted EBITDA. Capital expenditure in the period was £4.5m (FY21: £2.1m) and primarily related to the inclusion of LiveAuctioneers capital expenditure, investments in technology to support platform enhancements in addition to infrastructure investment to support more seamless dual listing across our marketplaces. As we migrate towards a single technology platform, we would expect our total capital expenditure to increase to £8m to £10m for two years before normalising from FY25 onwards.

Adjusted net debt as at 30 September 2022 was £129.0m, an increase from £119.7m as at 31 March 2022 as operating cash flow generation was offset by the foreign exchange impact on our $204.0m US dollar denominated Senior Term Facility. The Group had cash in bank of £51.8m and borrowings of £180.8m which was also impacted by the year-on-year movement in the US dollar versus pound sterling (31 March 2022: cash in bank of £35.2m and borrowings of £154.9m). As detailed in our post balance sheet events, we pre-paid $43.7m of our Senior Term Facility at the start of October 2022. We expect to continue to make prepayments to our Senior Term Loan through FY23.

The adjusted net debt/ adjusted EBITDA ratio was 2.4x and if recalculating adjusted net debt using an average foreign exchange rate, the leverage ratio would be 2.2x.

The Group's adjusted free cash flow was £49.9m (FY21: £30.4m), a conversion rate[2] of 92.5% (FY21: 95.7%). A reconciliation of cash generated from operations to adjusted free cash flow and adjusted free cash flow conversion[2] is included in note 3 of the Consolidated Financial Statements.

Dividends
The Group sees strong growth opportunities through organic and inorganic investments and, as such, intends to retain any future earnings to finance such investments. No dividends have been paid or proposed for FY22 or FY21.

Post balance sheet events
The Group pre-paid $43.7m of their Senior Term Facility at the start of October 2022 using the Group's available cash.

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

Going concern
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. 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. Refer to note 1 for further details.

These scenarios individually, or collectively do not threaten the ability of the Group to continue as a going concern. Even in the most extreme 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. After due consideration, the Directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of this report. For this reason, the Directors continue to adopt the going concern basis in preparing the Consolidated Financial Statements for the Group.

Tom Hargreaves
Chief Financial Officer

1. The FY21 results have been restated to adjust the foreign currency translation reserves and finance income by £2.3m. Full details are provided in note 1 of the Consolidated Financial Statements.
2. 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.

Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss
for the year ended 30 September 2022

	Note	**Year ended 30 September 2022 £000**	Restated Year ended 30 September 2021 £000
Revenue	4,5	**119,846**	70,080
Cost of sales		**(40,101)**	(24,544)
Gross profit		**79,745**	45,536
Administrative expenses		**(63,646)**	(66,506)
Other operating income		**718**	346
Operating profit/(loss)		**16,817**	(20,624)
Finance income	6	**2,127**	12,660
Finance costs	6	**(9,665)**	(17,078)
Net finance costs	6	**(7,538)**	(4,418)
Profit/(loss) before tax		**9,279**	(25,042)
Income tax	7	**(15,406)**	(2,322)
Loss for the year attributable to the equity holders of the Company		**(6,127)**	(27,364)

Other comprehensive income/(loss) 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		**86,126**	(2,773)
Fair value loss arising on hedging instruments during the year		**(16,173)**	–
Tax relating to these items		**3,074**	–
Other comprehensive income/(loss) for the year, net of income tax		**73,027**	(2,773)
Total comprehensive income/(loss) for the year attributable to the equity holders of the Company		**66,900**	(30,137)

Loss per share		**p**	p
Basic	8	**(5.1)**	(31.0)
Diluted	8	**(5.1)**	(31.0)

The above results are derived from continuing operations.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss for the year ended 30 September 2021 has been restated as detailed in note 1.

Consolidated Statement of Financial Position
as at 30 September 2022

	Note	30 September 2022 £000	Restated 30 September 2021 £000
ASSETS			
Non-current assets			
Goodwill	10	**488,978**	141,160
Other intangible assets	10	**246,475**	68,077
Property, plant and equipment		**526**	379
Right of use assets		**1,714**	1,401
Deferred tax asset	13	**–**	366
Trade and other receivables		**90**	85
Total non-current assets		**737,783**	211,468
Current assets			
Trade and other receivables		**15,790**	9,699
Tax asset		**1,565**	437
Cash and cash equivalents	11	**51,817**	397,451
Total current assets		**69,172**	407,587
Total assets		**806,955**	619,055
LIABILITIES			
Non-current liabilities			
Loans and borrowings	12	**(149,862)**	(148,686)
Tax liabilities		**(1,074)**	(1,392)
Lease liabilities		**(1,094)**	(775)
Deferred tax liabilities	13	**(64,618)**	(9,260)
Total non-current liabilities		**(216,648)**	(160,113)
Current liabilities			
Trade and other payables		**(18,780)**	(17,310)
Loans and borrowings	12	**(30,983)**	(353)
Tax liabilities		**(475)**	(1,168)
Lease liabilities		**(746)**	(657)
Total current liabilities		**(50,984)**	(19,488)
Total liabilities		**(267,632)**	(179,601)
Net assets		**539,323**	439,454
EQUITY			
Share capital	14	**12**	12
Share premium	14	**235,903**	235,903
Other reserve	14	**238,385**	238,385
Capital redemption reserve		**5**	5
Share option reserve		**34,690**	1,649
Foreign currency translation reserve		**66,740**	(3,213)
Retained losses		**(36,412)**	(33,287)
Total equity		**539,323**	439,454

The Consolidated Statement of Financial Position at 30 September 2021 has been restated as detailed in note 1.

Consolidated Statement of Changes in Equity
for the year ended 30 September 2022

	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 2020	11	–	1,125	–	276	(440)	(16,388)	(15,416)
Loss for the year	–	–	–	–	–	–	(27,364)	(27,364)
Other comprehensive loss	–	–	–	–	–	(2,773)	–	(2,773)
Total comprehensive loss for the year (restated see note 1)	–	–	–	–	–	(2,773)	(27,364)	(30,137)
Transactions with owners								
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	6	235,903	237,260	–	–	–	–	473,169
Share buyback of ordinary shares, net of tax	(5)	–	–	5	–	–	–	–
Movement in equity-settled share-based payments	–	–	–	–	1,373	–	10,401	11,774
Income tax relating to items taken directly to equity	–	–	–	–	–	–	64	64
30 September 2021 (restated see note 1)	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								
Issue of options as consideration for a business combination, net of transaction costs and tax	–	–	–	–	28,346	–	–	28,346
Movement in equity-settled share-based payments	–	–	–	–	4,695	–	78	4,773
Income tax relating to items taken directly to equity	–	–	–	–	–	–	(150)	(150)
30 September 2022	**12**	**235,903**	**238,385**	**5**	**34,690**	**66,740**	**(36,412)**	**539,323**

The Consolidated Statement of Changes in Equity at 30 September 2021 has been restated as detailed in note 1.

Consolidated Statement of Cash Flows
for the year ended 30 September 2022

	Note	Year ended 30 September 2022 £000	Restated Year ended 30 September 2021 £000
Cash flows from operating activities			
Profit/(loss) before tax		**9,279**	(25,042)
Adjustments for:			
Amortisation of acquired intangible assets	10	**26,591**	13,219
Amortisation of internally generated software	10	**4,118**	4,576
Depreciation of property, plant and equipment		**280**	228
Depreciation of right of use assets		**920**	743
Share-based payment expense		**5,226**	11,892
Finance income	6	**(2,127)**	(12,660)
Finance costs	6	**9,665**	17,078
Operating cash flows before movements in working capital		**53,952**	10,034
Decrease/(increase) in trade and other receivables		**304**	(439)
(Decrease)/increase in trade and other payables		**(4,847)**	6,271
Cash generated by operations		**49,409**	15,866
Income taxes paid		**(9,981)**	(6,090)
Net cash from operating activities		**39,428**	9,776
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	9	**(358,763)**	(24,948)
Payment for internally generated software	10	**(4,209)**	(1,956)
Payment for property, plant and equipment		**(270)**	(149)
Payment of contingent consideration		**(20,946)**	–
Payment of deferred consideration		**–**	(234)
Net cash used in investing activities		**(384,188)**	(27,287)
Cash flows from financing activities			
Payment of contingent consideration		**(1,222)**	(492)
Repayment of loans and borrowings		**(359)**	(108,956)
Repayment of preference shares		**–**	(117,716)
Proceeds from loans and borrowings		**–**	176,639
Proceeds from the issue of preference shares		**–**	714
Interest element of lease payments		**(137)**	(74)
Capital element of lease payments		**(959)**	(742)
Issue of new share capital, net of share issue costs		**–**	473,158
Interest paid		**(7,283)**	(26,428)
Net cash (used in)/generated by financing activities		**(9,960)**	396,103
Cash and cash equivalents at beginning of the year		**397,451**	14,193
Net (decrease)/increase in cash and cash equivalents		**(354,720)**	378,592
Effect of foreign exchange rate changes		**9,086**	4,666
Cash and cash equivalents at the end of the year	11	**51,817**	397,451

The Consolidated Statement of Cash Flows at 30 September 2021 has been restated as detailed in note 1.

Notes to the Consolidated Financial Statements

1. Accounting policies

Basis of preparation

The Group has prepared its Consolidated Financial Statements in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006. On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted International Accounting Standards in its Company Financial Statements on 1 October 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

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

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 2021 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 2022 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.

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.

New and amended accounting standards effective during the year

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

- Amendments to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform Phase 2.

The adoption of the standards and interpretations listed above 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 2022 and they have not been adopted early by the Group:

- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IAS 16: Property, Plant and Equipment: proceeds before intended use
- Amendments to IFRS 3: Business Combinations: reference to conceptual framework
- IFRS 17: Insurance Contracts
- Amendments to IAS 1: Classification of liabilities as current and non-current
- IAS 37: Onerous Contracts: costs of fulfilling a contract
- Amendments to IAS 1 and IFRS Practice Statement 2: disclosure of accounting policies
- Amendments to IAS 12: Deferred Tax related to assets and liabilities arising from a single transaction
- Amendments to IAS 8: Definition of accounting estimates

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 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. The loan will be due for repayment on 17 June 2026. At 30 September 2022 the loan was subject to interest at a margin of 3% over US LIBOR. 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 2025, subject to the optionality of a 12-month extension. The facility has not been drawn down as at 30 September 2022. As at 30 September 2022 the Group has adjusted net debt of £129.0m and is in a net current asset position.

Covenants

The Group is subject to covenant tests on the Senior Term Facility, with the most sensitive covenant being the net leverage ratio covenant (net debt: trailing 12-month adjusted EBITDA). The net leverage ratio covenant is a maximum of 4.0x, which reduces to 3.5x in Q2 FY23 and 3.0x in Q4 FY23. 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 2022, the net leverage ratio was 2.2x compared to the limit of 4.0x 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 delay in the roll out of payments technology 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 2022.

Climate change

In preparing the Consolidated Financial Statements management has considered the impact of climate change. These considerations did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that climate change is an emerging risk and not expected to have a significant impact on the Group's going concern assessment to 30 September 2023 nor the viability of the Group over the next three years.

Restatements

Following the acquisition of LiveAuctioneers, a review was performed to ensure that the functional currency of each subsidiary within the Group had been correctly determined given the revised structure and operations of the Group.

As a result of the review, the functional currency for all entities was deemed to be the currency of the primary economic environment in which the entities operate with no changes proposed, except for ATG Media US Inc., Proxibid Bidco Inc., Platinum Parent Inc., Platinum Intermediate Inc., Platinum Purchaser Inc. and LiveAuctioneers Inc. The functional currency of these entities was deemed to be pound sterling rather than US dollars. The LiveAuctioneer entities (Platinum Parent Inc., Platinum Intermediate Inc., Platinum Purchaser Inc. and LiveAuctioneers Inc.) have been translated into the new functional currency, using the exchange rate at 1 October 2021, the date they became part of the Group. As ATG Media US Inc. and Proxibid Bidco Inc. were part of the Group previously a prior period adjustment is required to be disclosed.

A restatement has been recognised for the year ending 30 September 2021 adjusting foreign currency translation reserves and finance income by £2.3m. These changes have no impact on the adjusted measures used as part of the Group's alternative performance measures. Treating the functional currency of ATG Media US Inc. and Proxibid Bidco Inc. as US dollar rather than pound sterling had no impact on the opening balance sheet as at 1 October 2020, and as such no opening balance sheet has been presented.

Below is a summary of the restatement, outlining the primary statements and financial statement line items impacted:

	Reported 30 September 2021 £000	Change £000	Restated 30 September 2021 £000
Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss			
Finance income	10,394	2,266	12,660
Net finance costs	(6,684)	2,266	(4,418)
Loss before tax	(27,308)	2,266	(25,042)
Loss for the year attributable to the equity holders of the Company	(29,630)	2,266	(27,364)
Foreign exchange differences on translation of foreign operations	(507)	(2,266)	(2,773)
Other comprehensive loss for the year, net of tax	(507)	(2,266)	(2,773)
Basic and diluted earnings per share (in pence)	(33.6)	2.6	(31.0)
Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity			
Foreign currency translation reserves	(947)	(2,266)	(3,213)
Retained losses	(35,553)	2,266	(33,287)

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.

Significant judgements and key sources of estimation uncertainty are provided below:

Estimates

Impairment of goodwill

At least on an annual basis, or if there is an impairment indicator, management performs a review of the carrying values of goodwill and intangible assets. This requires an estimate of the value in use of the cash-generating unit ("CGU") to which the goodwill and intangible assets are allocated. To estimate the value in use, management estimates the expected future cash flows from the CGU and discounts them to their present value at a determined discount rate, which is appropriate for the country where the goodwill and intangible assets are allocated to.

Forecasting expected cash flows and selecting an appropriate discount rate inherently requires estimation. Sensitivity analysis has been performed over the estimates (see note 10). The resulting calculation is sensitive to the assumptions in respect of future cash flows, the discount rate and long-term growth rate applied. Management considers that the assumptions made represent their best estimate of the future cash flows generated by the CGUs, and that the discount rate and long-term growth rate used is appropriate given the risks associated with the specific cash flows.

Judgements

LiveAuctioneers consideration

The Group acquired LiveAuctioneers on 1 October 2021 for total consideration of £404.0m. Please see note 9 for further details. Judgement was required in determining whether the rollover options and restricted stock units granted, predominantly to management should be classified as consideration or remuneration for post-combination services. The indicators under IFRS 3 were reviewed for each of these elements. One of the key indicators under IFRS 3 leading to management's conclusion the elements should be treated as consideration is that none of the shareholders, including management, are required to continue in employment for the options and restricted stock units to vest.

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 the Directors. 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).

At the date of a business combination, goodwill is required to be allocated to the appropriate CGUs and may only be reallocated in limited circumstances. Additions to goodwill for LiveAuctioneers is allocated on a split of 80% and 20% between A&A and I&C respectively. The allocation was calculated based on the net present value of segment contribution margin from the roll out of the payments platform.

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 seven 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

Following the acquisition of LiveAuctioneers, a review was performed to ensure that the functional currency of each subsidiary within the Group had been correctly determined given the revised structure and operations of the Group. When assessing the functional currency against the requirements and guidance of IAS 21 "The Effects of Changes in Foreign Exchange Rates" there is an element of judgement required, in particular for intermediate holding entities.

As a result of the review, the functional currency for all entities was deemed to be the currency of the primary economic environment in which the entities operate with no changes proposed, except for ATG Media US Inc., Proxibid Bidco Inc., Platinum Parent Inc., Platinum Intermediate Inc., Platinum Purchaser Inc. and LiveAuctioneers Inc. The functional currency of these entities was deemed to be pound sterling rather than US dollars. As ATG Media US Inc. and Proxibid Bidco Inc. were part of the Group previously a prior period adjustment is required to be disclosed (see note 1).

3. Alternative performance measures

The Group uses a number of alternative performance measures ("APMs") in addition to those measures reported in accordance with IFRS. Such APMs are not defined terms under IFRS and are not intended to be a substitute for any IFRS 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 IFRS. 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 profit or cost 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.

Net finance costs for the year ended 30 September 2021 have been restated as detailed in note 1.

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/(loss) before tax to adjusted EBITDA:

	Year ended 30 September 2022 £000	Restated Year ended 30 September 2021 £000
Profit/(loss) before tax	**9,279**	(25,042)
Adjustments for:		
Net finance costs (note 6)	**7,538**	4,418
Amortisation of acquired intangible assets (note 10)	**26,591**	13,219
Amortisation of internally generated software (note 10)	**4,118**	4,576
Depreciation of property, plant and equipment	**280**	228
Depreciation of right of use assets	**920**	743
Share-based payment expense	**5,226**	11,892
Exceptional operating items	**–**	21,765
Adjusted EBITDA	**53,952**	31,799

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

	Year ended 30 September 2022 £000	Year ended 30 September 2021 £000
Reported revenue (note 4,5)	**119,846**	70,080
Adjusted EBITDA	**53,952**	31,799
Adjusted EBITDA margin	**45%**	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 include significant charges related to the IPO and LiveAuctioneers acquisition, it is not representative of the Group's steady state operational performance.

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, listing costs associated with the IPO, 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 2022 £000	Year ended 30 September 2021 £000
Acquisition costs	**–**	(13,323)
Listing costs	**–**	(8,442)
Total exceptional operating items	**–**	(21,765)

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

For the year ended 30 September 2021, the Group's exceptional operating costs are in respect of listing costs of the IPO and the acquisition costs predominantly relating to the acquisition of LiveAuctioneers Group and Auction Mobility LLC (see note 9).

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 and other consultancy expenditure incurred. The net cash outflow related to exceptional operating items in the year is £4.0m (30 September 2021: £19.1m).

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 loss after tax to adjusted earnings:

	Year ended 30 September 2022 £000	Restated Year ended 30 September 2021 £000
Loss attributable to equity shareholders of the Company	**(6,127)**	(27,364)
Adjustments for:		
Amortisation of acquired intangible assets	**26,591**	13,219
Exceptional finance items	**(221)**	(7,918)
Share-based payment expense	**5,226**	11,892
Exceptional operating items	**–**	21,765
Deferred tax on unrealised foreign exchange differences	**15,899**	–
Tax on adjusted items	**(5,254)**	(2,394)
Adjusted earnings	**36,114**	9,200

	Number	Number
Reported weighted average number of shares	**120,364,831**	88,248,037
Adjustment for: weighted average effect of shares issued in the period up to and including the IPO	**–**	11,751,963
Adjusted weighted average number of shares in issue	**120,364,831**	100,000,000
Weighted average number of shares held by the Trust	**(61,741)**	(622)
Effect of dilutive share options	**2,138,826**	128,106
Number of ordinary shares and dilutive options	**122,441,916**	100,127,484
	p	p
Adjusted diluted earnings per share (pence)	**29.5**	9.2

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

Amortisation of acquired intangible assets including software acquired 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. The calculation for the year ending 30 September 2021 has been restated to include an adjustment of £3.4m for acquired software intangible assets as well as customer relationships, brands and non-compete agreements. This is due to a change in policy.

Exceptional finance items
Exceptional finance items include foreign exchange differences arising on the revaluation of the foreign currency loans, intercompany and cash held on escrow (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.

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. 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.

Adjusted number of ordinary shares for FY21
The adjusted number of ordinary shares for 30 September 2021 reflects the number of shares in issue at IPO adjusted for the dilutive effect from non-vested/non-exercised ordinary shares granted after the IPO through Long Term Incentive Plan awards to the Executive Directors and other senior management.

Proforma revenue
The Group has made certain acquisitions that have affected the comparability of the Group's results. To aid comparisons between FY22 and FY21 in the CFO's Review, the prior year results have been presented to include the full year results as if the acquisition of LiveAuctioneers and Auction Mobility had occurred on 1 October 2020. In addition, proforma revenue is stated at constant exchange rates with the prior year comparatives being restated using current year exchange rates. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the year-on-year reported results. Refer to the Glossary for the full definition.

The following table provides a reconciliation of proforma revenue from reported results for the year ended 30 September 2021:

	Unaudited Year ended 30 September 2021 £000
Reported revenue	**70,080**
Acquisition related adjustment	**31,725**
Constant currency adjustment	**6,100**
Proforma revenue	**107,905**

Adjusted net (debt)/cash
Adjusted net (debt)/cash comprises external borrowings net of arrangement fees, cash and cash equivalents and allows management to monitor the indebtedness of the Group. Adjusted net (debt)/cash excludes lease liabilities and cash held in escrow (restricted cash).

	30 September 2022 £000	30 September 2021 £000
Cash and cash equivalents excluding restricted cash (note 11)	**51,817**	173,675
Current loans and borrowings (note 12)	**(30,983)**	(353)
Non-current loans and borrowings (note 12)	**(149,862)**	(148,686)
Total loans and borrowings	**(180,845)**	(149,039)
Adjusted net (debt)/cash	**(129,028)**	24,636

Adjusted free cash flow and adjusted free cash flow conversion
Adjusted free cash flow represents cash flow from operations less capitalised development costs, which include development costs in relation to software that are capitalised when the related projects meet the recognition criteria under IAS 38 "Intangible Assets" 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 adjusted 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 adjusted free cash flow and adjusted free cash flow conversion.

	Year ended 30 September 2022 £000	Year ended 30 September 2021 £000
Adjusted EBITDA	**53,952**	31,799
Cash generated by operations	**49,409**	15,866
Adjustments for:		
Exceptional operating items	**–**	21,765
Working capital from exceptional and other items	**4,983**	(5,098)
Additions to internally generated software (note 10)	**(4,209)**	(1,956)
Additions to property, plant and equipment	**(270)**	(149)
Adjusted free cash flow	**49,913**	30,428
Adjusted free cash flow conversion (%)	**92.5%**	95.7%

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 activities of the Group. LiveAuctioneers, which was acquired in the year, has been allocated to the Arts & Antiques segment.

The four operating segments are as follows:

– Art & Antiques ("A&A") auction revenues: focused on offering auction houses that specialise in the sale of arts and antiques access to the platforms the-saleroom.com, liveauctioneers.com and lot-tissimo.com. A significant part of the Group's services is provision of the platform as a marketplace for the A&A auction houses to sell their goods. The segment also generates earnings through additional services such as marketing income and the liveauctioneers.com payments platform. 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") auction revenues: 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. 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 to 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 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**

	Year ended 30 September 2021 (restated)					
	A&A £000	I&C £000	Auction Services £000	Content £000	Centrally allocated costs £000	Total £000
Revenue	16,203	43,695	7,129	3,053	–	70,080
Adjusted EBITDA (see note 3 for definition and reconciliation)	13,938	37,897	5,276	1,063	(26,375)	31,799
Amortisation of intangible assets (note 10)	(4,307)	(12,321)	(1,167)	–	–	(17,795)
Depreciation of property, plant and equipment	(53)	(160)	(6)	(9)	–	(228)
Depreciation of right of use assets	(259)	(410)	(17)	(57)	–	(743)
Share-based payment expense	(1,415)	(3,276)	(61)	–	(7,140)	(11,892)
Exceptional operating items (note 3)	–	–	(1,107)	–	(20,658)	(21,765)
Operating profit/(loss)	7,904	21,730	2,918	997	(54,173)	(20,624)
Net finance costs (note 6)	–	–	–	–	(4,418)	(4,418)
Profit/(loss) before tax	7,904	21,730	2,918	997	(58,591)	(25,042)

Net finance costs for the year ended 30 September 2021 have been restated as detailed in note 1.

Segment assets which exclude deferred tax 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 2022		30 September 2021	
	Total non-current assets £000	**Additions to non-current assets £000**	Total non-current assets £000	Additions to non-current assets £000
A&A	**506,484**	**395,683**	50,433	1,714
I&C	**199,504**	**58,829**	133,320	715
Auction Services	**31,704**	**201**	27,218	29,511
Content	**91**	**15**	131	10
	737,783	**454,728**	211,102	31,950

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 2022 £000	Year ended 30 September 2021 £000
Product and customer types		
A&A	**55,279**	16,203
I&C	**52,775**	43,695
Auction Services	**8,636**	7,129
Content	**3,156**	3,053
	119,846	70,080
Primary geographical markets		
United Kingdom	**18,539**	18,901
North America	**97,765**	47,773
Germany	**3,542**	3,406
	119,846	70,080
Timing of transfer of goods and services		
Point in time	**110,539**	62,142
Over time	**9,307**	7,938
	119,846	70,080

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

	30 September 2022 £000	30 September 2021 £000	1 October 2020 £000
Contract assets	**837**	597	784
Contract liabilities	**1,783**	1,367	585

6. Net finance costs

	Year ended 30 September 2022 £000	Restated Year ended 30 September 2021 £000
Foreign exchange gain	**2,070**	11,189
Interest income	**57**	9
Movements in contingent consideration	**–**	1,462
Finance income	**2,127**	12,660
Interest on loans and borrowings	**(7,214)**	(8,071)
Movements in contingent consideration	**(1,849)**	–
Interest on lease liabilities	**(137)**	(65)
Interest payable on preference shares	**–**	(6,328)
Amortisation of finance costs	**(465)**	(2,614)
Finance costs	**(9,665)**	(17,078)
Net finance costs	**(7,538)**	(4,418)

Net finance costs for the year ended 30 September 2021 have been restated as detailed in note 1.

7. Taxation

	Year ended 30 September 2022 £000	Year ended 30 September 2021 £000
Current tax		
Current tax on profit/(loss) for the year	**11,395**	4,566
Adjustments in respect of prior years	**(903)**	(40)
Total current tax	**10,492**	4,526
Deferred tax		
Current year	**6,328**	(3,039)
Adjustments from change in tax rates	**(564)**	1,299
Adjustments in respect of prior years	**(850)**	(464)
Deferred tax	**4,914**	(2,204)
Tax expense	**15,406**	2,322

The tax on the Group's profit/(loss) 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 2022 £000	Restated Year ended 30 September 2021 £000
Profit/(loss) before tax	**9,279**	(25,042)
Tax at United Kingdom tax rate of 19% (2021: 19%)	**1,763**	(4,758)
Tax effect of:		
Expenses not deductible for tax purposes	**–**	6,839
Additional items deductible for tax purposes	**(1,649)**	–
Differences in overseas tax rates	**(1,317)**	283
Deferred tax on unrealised foreign exchange difference	**15,899**	
Foreign exchange difference not deductible/(taxable) for tax purposes	**3,027**	(431)
Deferred tax not recognised	**–**	(381)
Adjustment to tax charge in respect of deferred tax arising on acquisition	**–**	(25)
Adjustments from change in tax rates	**(564)**	1,299
Adjustments in respect of prior years	**(1,753)**	(504)
Tax expense	**15,406**	2,322

For the year ended 30 September 2022, additional items deductible for tax purposes include restricted stock units granted on acquisition of LiveAuctioneers which vested within the year, research and development credits and US state tax deductions. Deferred tax on unrealised foreign exchange difference and foreign exchange difference not deductible/(taxable) arise due to differences in the functional currency basis under tax and accounting rules for the US holding entities. The unrealised foreign exchange differences were not recognised in the Group's profit before tax giving rise to the permanent difference. Adjustments from change in tax rates are due to increases in the blended US rate for both federal and state taxes.

For the year ended 30 September 2021, expenses not deductible for tax purposes include interest on preference shares incurred up to the Group's IPO.

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 2022 amounted to £1.1m (2021: £1.4m).

Factors that may affect future tax charges

The UK Budget on 3 March 2021 announced an increase in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. As it has been substantively enacted at the balance sheet date, the effect of the rate increase on deferred tax is reflected in the Consolidated Financial Statements. The current tax expense for the year would have been £1.9m if the expected increased rate of corporation tax at 25% for the UK entities had applied.

Tax recognised in other comprehensive income and equity:

	Year ended 30 September 2022 £000	Year ended 30 September 2021 £000
Other comprehensive income		
Income tax	**3,074**	–
Equity		
Deferred tax	**(150)**	64

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

8. Loss per share

Loss per share is calculated by dividing the 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 loss per share is calculated by dividing the 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. 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 2022 £000	Restated Year ended 30 September 2021 £000
Loss attributable to equity shareholders of the Company	**(6,127)**	(27,364)

	Number	Number
Weighted average number of shares	**120,364,831**	88,248,037
Weighted average number of shares held by the Employee Benefit Trust	**(61,741)**	(622)
Weighted average number of shares	**120,303,090**	88,247,415
Dilutive share options	**2,138,826**	128,106
Diluted weighted average number of shares	**122,441,916**	88,375,521
	P	p
Basic loss per share	**(5.1)**	(31.0)
Diluted loss per share	**(5.1)**	(31.0)

9. Business combinations

Business combinations for the year ended 30 September 2022

Acquisition of Platinum Parent Inc. ("LiveAuctioneers")

On 1 October 2021, the Group acquired 100% of the equity share capital of LiveAuctioneers. LiveAuctioneers is the provider of a curated online marketplace focused on the North American A&A segment, designed for live auctions of collectibles, antiques and fine art. The purpose of the acquisition was to further strengthen the Group's presence in the US and expand its A&A segment and accelerate the Group's build out of an online auction ecosystem that will benefit all stakeholders via the addition of an integrated payments solution.

Consideration

The maximum consideration payable of £404.7m ($543.9m), comprised:

- upfront cash consideration of £358.8m ($482.2m);
- rollover options and restricted stock units in Auction Technology Group plc in exchange for share options previously held in LiveAuctioneers' parent company, Platinum Parent Inc., for the value of £27.3m ($36.7m); and
- contingent consideration of up to a maximum £18.6m ($25.0m), subject to the performance of LiveAuctioneers against certain targets for the year ending 31 December 2021.

Management calculated the fair value of the contingent consideration based on the expected forecasts for the earn-out period and discounted using the acquisition's internal rate of return, resulting in a liability of £17.9m ($24.0m). The targets were met in full and cash contingent consideration of £18.0m was paid during the year ended 30 September 2022. Payments for the fair value of contingent consideration at acquisition date are presented in the Consolidated Statement of Cash Flows within cash flows from investing activities. Payments for the changes in the fair value of contingent consideration since acquisition date are presented within cash flows from financing activities. 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 £0.7m is reported as a finance cost in the Consolidated Statement of Profit or Loss.

Purchase price allocation

Management assessed the fair value of the acquired assets and liabilities as part of the purchase price allocation ("PPA"). This was prepared on a provisional basis and disclosed in the Group's Condensed Consolidated Financial Statements for the six months ended 31 March 2022 and subsequently finalised in the second half of FY22.

The fair values of the assets and liabilities following the finalisation of the purchase price allocation are set out below:

	Book value £000	Fair value adjustments £000	Final fair value £000
Acquired intangible assets – software	8,133	16,361	24,494
Acquired intangible assets – customer relationships	27,053	92,970	120,023
Acquired intangible assets – brand	2,275	19,182	21,457
Internally generated software	1,820	–	1,820
Property, plant and equipment	88	–	88
Right of use assets	959	–	959
Trade receivables and other receivables	3,974	–	3,974
Income tax receivable/(payable)	194	(644)	(450)
Trade and other payables	(4,733)	(1,784)	(6,517)
Lease liabilities	(1,063)	–	(1,063)
Deferred tax liabilities	(11,287)	(30,865)	(42,152)
Net assets on acquisition	**27,413**	**95,220**	**122,633**
Goodwill (note 10)			**281,341**
Total consideration			**403,974**
Consideration satisfied by:			
Initial cash consideration			288,524
Debt amounts settled			70,239
Fair value of equity interest			27,322
Contingent consideration – cash			16,865
Contingent consideration – equity			1,024
			403,974
Net cash flow arising on acquisition:			
Initial cash consideration			288,524
Debt amounts settled			70,239
			358,763

Intangible assets
Intangible assets represent customer relationships, auction technology platform, payment technology and brand for which amortisation of £13.4m has been charged for the year ended 30 September 2022. The intangible assets will be amortised over their respective expected useful economic lives: customer relationships of 14 years, auction technology platform of 10 years, payment technology of five years and brand of 15 years. Of the intangibles acquired, the customer relationship balances are especially sensitive to changes in assumptions around discount rates and customer attrition rates. A 1% change in the customer attrition rate results in a £12.0m change in the valuation.

Deferred tax
The fair value adjustment to the deferred tax liabilities of £30.9m relates to the deferred tax liability recognised on the acquired intangible asset and the tax effect of the other fair value adjustments.

Other fair value adjustments
During the measurement period, the Group finalised the valuation of onerous contracts and costs not accrued. Adjustments were made to the provisional PPA resulting in an increase in trade and other payables of £1.8m and income tax payable of £0.6m. The fair value of the assets acquired includes gross trade receivables of £4.1m. At acquisition date, the Group's best estimate of trade receivables expected not to be collected amounted to £0.3m.

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 future technology including the rollout of the payments platform to the wider Group, synergies expected to be realised post acquisition, new customer relationships and the fair value of the assembled workforce within the business acquired. Goodwill deductible for tax purposes amounts to £18.1m.

Acquisition costs of £nil (30 September 2021: £12.0m) 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 items (see note 3). Between 1 October 2021 and 30 September 2022, LiveAuctioneers contributed £38.7m to Group revenues and a profit before tax of £5.0m.

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 2020	9,373	54,429	11,283	–	75,085	9,894	124,023	209,002
Acquisition of business (note 9)	2,786	6,094	371	1,286	10,537	–	18,972	29,509
Additions	–	–	–	–	–	1,956	–	1,956
Exchange differences	(214)	(706)	(228)	(50)	(1,198)	(365)	(1,835)	(3,398)
30 September 2021	**11,945**	**59,817**	**11,426**	**1,236**	**84,424**	**11,485**	**141,160**	**237,069**
Acquisition of business (note 9)	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**
Amortisation and impairment								
1 October 2020	1,961	4,717	628	–	7,306	2,843	–	10,149
Amortisation	3,422	8,246	1,258	293	13,219	4,576	–	17,795
Exchange differences	(7)	(16)	(6)	4	(25)	(87)	–	(112)
30 September 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**
Net book value								
1 October 2020	7,412	49,712	10,655	–	67,779	7,051	124,023	198,853
30 September 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**

Intangible assets, other than goodwill, have a finite life and are amortised over their expected useful lives at the rates set out in the accounting policies in note 1.

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 2022 along with the pre-tax discount rates applied to the risk-adjusted cash flow forecasts and the long-term growth rate.

	30 September 2022 £000	30 September 2021 £000	Valuation method	Long-term growth rate	Pre-tax discount rate
A&A	**304,282**	32,742	VIU	3%	13.4%
I&C	**162,615**	90,179	VIU	3%	13.4%
Auction Services	**22,081**	18,239	VIU	3%	12.1%
Total goodwill	**488,978**	141,160			

When testing for impairment, recoverable amounts for all of 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.
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 2021 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 2022.

Sensitivity analysis
At 30 September 2022 under the impairment assessments prepared there is no impairment required. However, both the A&A and Auction Services CGUs have limited headroom and are very 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 macro-economics.

For the A&A CGU, under the base case there is headroom of £28.0m at 30 September 2022. For the recoverable amount to fall to the carrying value, the discount rate would need to be increased to 13.9% from 13.4%, the long-term growth rate reduced to 2.2% from 3.0%, or the CAGR from FY22 on the five-year future forecast cash flows reduced by one percentage point. 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 FY23 and FY24, resulting in a cumulative decrease of 8% with a return to steeper growth from FY25 to FY27. Given the Group can pull levers to reduce discretional spend, management has modelled that 33% of the revenue lost can be regained through cost savings (which would maintain the Group's gross profit margin at c.66%). The overall impact on the five-year adjusted EBITDA CAGR is a reduction of 2%. A potential increase of 1% in discount rate or a reasonable worst-case increase of 2% in the discount rate and 2% reduction in five-year CAGR growth rate could result in an impairment in the range of £59.0m to £96m.

For the I&C CGU, under the base case there is headroom of £355.8m and there is no realistic change of assumption that would cause the CGU's carrying amount to exceed its recoverable amount.

For Auction Services with a headroom of £1.7m for the recoverable amount to fall to the carrying value, the discount rate would need to be increased to 12.6% from 12.1%, the long-term growth rate reduced to 2.3% from 3.0%, or the CAGR on the cash flows reduced by three percentage points. 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 result in an impairment of £3.6m.

11. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and cash held in escrow.

The carrying amount of these assets approximates to their fair value.

	30 September 2022 £000	30 September 2021 £000
Cash in bank	**51,817**	173,675
Cash held in escrow	**–**	223,776
	51,817	397,451

Cash in bank includes cash of £2.4m (2021: £2.4m) held by the Trustee of the Group's Employee Benefit Trust relating to pre-IPO share awards for employees. These funds are restricted and are not available to circulate within the Group on demand.

As a result of the capital raising on 17 June 2021, the cash, net of transaction fees associated with the acquisition and financing of LiveAuctioneers was transferred to an escrow account. The funds held at 30 September 2021 were restricted and are not available to circulate within the Group on demand. The funds were released on 1 October 2021 for the acquisition of LiveAuctioneers (see note 9).

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 2022 £000	30 September 2021 £000
Current		
Secured bank loan	**30,983**	–
Unsecured loan notes	**–**	353
	30,983	353
Non-current		
Secured bank loan	**149,862**	148,686
	149,862	148,686
	180,845	149,039

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. The loan will be due for repayment on 17 June 2026; and
- a multi-currency revolving credit working capital facility (the "Revolving Credit Facility") for $49.0m. Under the terms of the facility, the Revolving Credit Facility was extended during the year ended 30 September 2022. Any sums outstanding under the Revolving Credit Facility will be due for repayment on 17 June 2025, subject to the optionality of a further 12-month extension. The facility had not been drawn down as at 30 September 2022.
- 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 2022.

On 10 October 2022, a prepayment of $43.7m was paid on the Senior Term Facility. In the absence of any other prepayments, the next scheduled repayment would be $8.7m on 31 March 2024.

The movements in loans and borrowings are as follows:

	30 September 2022 £000	30 September 2021 £000
1 October	**149,039**	214,603
Repayment of loans and borrowings	**(359)**	(108,956)
Repayments of preference shares	**–**	(117,716)
Proceeds from loans and borrowings	**–**	176,639
Proceeds from the issue of preference shares	**–**	714
Accrued interest and amortisation of finance costs	**7,679**	16,953
Repayment of interest	**(7,283)**	(26,388)
Exchange differences	**31,769**	(6,810)
30 September	**180,845**	149,039

13. Deferred taxation

The movement of net deferred tax liabilities is as follows:

	Capitalised goodwill and intangibles £000	**Tax losses £000**	**Other £000**	**Total £000**
1 October 2020	(14,675)	2,118	969	(11,588)
Amount credited/(charged) to Statement of Profit or Loss	1,993	(748)	959	2,204
Amount credited to equity	–	–	64	64
Exchange differences	453	–	(27)	426
30 September 2021	(12,229)	1,370	1,965	(8,894)
Deferred tax assets	(2,628)	1,370	1,624	366
Deferred tax liabilities	(9,601)	–	341	(9,260)
1 October 2021	(12,229)	1,370	1,965	(8,894)
Acquisition of business (note 9)	(43,514)	548	814	(42,152)
Amount credited/(charged) to Statement of Profit or Loss	6,327	3,526	(14,767)	(4,914)
Amount charged to equity	–	–	(150)	(150)
Exchange differences	(8,869)	673	(312)	(8,508)
30 September 2022	**(58,285)**	**6,117**	**(12,450)**	**(64,618)**
Deferred tax assets	**–**	**–**	**–**	**–**
Deferred tax liabilities	**(58,285)**	**6,117**	**(12,450)**	**(64,618)**

No deferred tax asset has been recognised in respect of unused tax losses in the UK of £0.7m (2021: £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.

In presenting the Group's deferred tax balances, the Group offset 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. 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.

Other includes the tax effect on unrealised foreign exchange differences and share options.

The temporary differences relating to the unremitted earnings of overseas subsidiaries amounted to £1.1m (2021: £22.8m). 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.

14. Share capital and reserves

	30 September 2022 £000	30 September 2021 £000
Authorised, called up and fully paid		
120,525,304 ordinary shares at 0.01p each (2021: 119,999,990 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 2020	1,052,743	11	–	1,125
Shares issued for grant of pre-IPO share awards and pre-admission awards	41,834	–	–	402
Share buyback	(10,783)	–	–	–
Capital reorganisation				
– Subdivision of shares creating 97,994,100 shares at 0.01p each	97,014,159	–	–	–
– Share buyback	(39,337,210)	(5)	–	–
– Shares issued for IPO	41,239,257	4	247,431	–
Shares issued for business combination	19,999,990	2	–	243,998
Share issue costs	–	–	(11,528)	(7,140)
30 September 2021	**119,999,990**	**12**	**235,903**	**238,385**
Shares issued for business combination	506,926	–	–	–
Share options exercised	10,144	–	–	–
Share issued for SIP and ESPP	5,411	–	–	–
Shares issued to the Trust	2,833	–	–	–
30 September 2022	**120,525,304**	**12**	**235,903**	**238,385**

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 (see note 9), 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 but not yet exercised.

15. Related party transactions

For the year ended 30 September 2022
There were no related party transactions.

For the year ended 30 September 2021
The following related party transactions took place:

Preference shares including interest were repaid on 1 March 2021 to:
- TA Associates Management LP amounting to £97.1m
- ECI Partners LLP amounting to £29.4m
- Members of the management team amounting to £5.3m.

A loan note issued to a member of the management team was repaid on 26 February 2021. Interest of £49,000 was waived on 26 February 2021.

Subordinated loan notes including interest held by ECI Partners LLP and TA Associates Management LP amounting to $15.2m (equivalent of £10.9m) were repaid on 1 March 2021.

On 30 September 2020, Tom Hargreaves, a Director of the Company, received a loan of £7,000; the full amount and related interest were repaid on 26 February 2021.

On 30 December 2020 preference shares of £0.3m were issued to Breon Corcoran, a Non-Executive Director. On 15 January 2021 preference shares were issued to Non-Executive Directors Scott Forbes and Penny Ladkin-Brand for £0.2m each. The proceeds from the redemption of their preference shares including interest amounting to £0.7m were used to apply for the subscription of ordinary shares on IPO.

16. Events after the balance sheet date

On 10 October 2022, a prepayment of $43.7m was paid on the Senior Term Facility. In the absence of any other prepayments, the next scheduled repayment would be $8.7m on 31 March 2024.

There were no other events after the balance sheet date.

Glossary

A&A	Art & Antiques
Auction Mobility	Auction Mobility LLC
Bidder sessions	web sessions on the Group’s marketplaces online within a given time frame
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
GMV	gross merchandise value, representing the total final sale value of all lots sold via winning bids placed on the marketplaces or the platform, on a proforma basis, 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
KPIs	key performance indicators
LiveAuctioneers Group	the Group’s marketplace operated via the www.liveauctioneers.com domain
Live auctions	Live auctions typically feature a physical auction room (with bidders participating in the room and by phone) supplemented by bids made online. Lots are run consecutively and so apart from the first lot there is no fixed time for specific lots to be called
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”
Proforma basis	certain measures have been used as the acquisition of LiveAuctioneers on 1 October 2021 and Auction Mobility on 16 October 2020 have affected the comparability of the Group’s results of operations for FY22. The measures are presented for the Group to provide comparisons of the Group’s results between FY21 and FY22 as if the acquisitions had occurred on 1 October 2020. In addition, proforma revenue is stated at constant exchange rates with the prior year comparatives being restated using current year exchange rates. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period reported results
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 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, on a proforma basis, 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
Verticals	like-for-like industry or inventory, for example, art and antiques, industrial and construction, consumer surplus and returns and sub-verticals such as equine, real estate and classic cars