

Company Registration No. 00597920

Sotheby's Financial Services Limited

Annual Report and Financial Statements

For the year ended 31 December 2016

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Sotheby's Financial Services Limited

Annual report and financial statements 2016

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Sotheby's Financial Services Limited

Annual report and financial statements 2016

Officers and professional advisers

Registered address

34-35 New Bond Street
London
W1A 2AA
United Kingdom

Directors

M Zuckerman	(US citizen – resigned 26 May 2016)
C G Lord	
J Prasens	(Slovak citizen)
D Leslie	
M T Holder	(resigned 17 March 2017)

Company secretary

A Scott

Bankers

HSBC Bank PLC
129 New Bond Street
London
W1A 2JA

Auditor

Deloitte LLP
Statutory Auditor
London, United Kingdom

Sotheby's Financial Services Limited

Strategic report

The directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

Business review

Sotheby's Financial Services Limited's principal activity is providing certain collectors and art dealers with financing secured by works of art that the Sotheby's group either has in its possession or permits borrowers to possess. The company generally makes two types of secured loans: (1) advances secured by consigned property where the borrowers are contractually committed, in the near term, to sell the property through an auction company within the Sotheby's group (a "consignor advance"); and (2) general purpose term loans secured by property not presently intended for sale (a "term loan").

A consignor advance allows a seller to receive funds upon consignment for an auction or private sale that will typically occur up to one year in the future and normally have short-term maturities. Term loans allow Sotheby's to establish or enhance mutually beneficial relationships with borrowers and may generate future auction or private sale consignments and/or purchases within the Sotheby's group. The company funds the loans by borrowing from within the Sotheby's group. In certain situations, term loans are also made to refinance accounts receivable generated by clients' auction and private sale purchases. Term loans normally have initial maturities of up to two years and typically carry a variable market rate of interest.

The company aims to mitigate risk by targeting a loan-to-value ("LTV") ratio, which is defined as the principal loan amount divided by the low auction estimate of the collateral, of 50%. Loans may also be made with LTV ratios between 51% and 60% as the Finance segment credit facility permits borrowings on loans with an LTV of up to 60%. In rare circumstances, loans are also made at an initial LTV ratio of higher than 60%. In addition, the LTV ratio of certain loans may increase above the 50% target due to decreases in the low auction estimates of the collateral. The revaluation of loan collateral is performed by Sotheby's specialists on an annual basis or more frequently if there is a material change in circumstances related to the loan, the value of the collateral, the disposal plans for the collateral, or if an event of default occurs.

The directors were pleased with Sotheby's Financial Services Limited's result in 2016 although turnover decreased by 65% from £3,069,988 in 2015 to £1,074,248 in 2016. The company is actively trying to increase the loan portfolio however; the number of active loans at the end of 2016 decreased (five at the end of 2016 compared with fourteen at the end of 2015). The overall loan principal has decreased by 96% at year-end mainly as a result of declining short term secured loans (£24m reduction), plus a decrease in short term consignor advances (£6m) outstanding at 31 December 2016 (refer to note 8). The LTV ratio was 47% as at 31 December 2016 (2015: 52%).

State of affairs and future prospects

The results of the company for the year and the state of the company's affairs at 31 December 2016 are as shown in the financial statements on pages 8 to 18. Both the level of business and the year-end position were satisfactory and the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. The directors have no plans to change operations of the company.

Turnover decreased by 65% from £3,069,988 in 2015 to £1,074,248 in 2016 as the average portfolio balance in 2016 was lower than in 2015. The number of loans outstanding at the yearend was five (2015: fourteen). The overall loan principal has decreased by 96% at yearend mainly as a result of declining short term secured loans (£24m reduction), plus a decrease in short term consignor advances (£6m) outstanding at 31 December 2016 (refer to note 8).

Sotheby's Financial Services Limited

Strategic report

Principal risk factors

Operating results from the company as well as the company's liquidity are significantly influenced by a number of risk factors experienced by the UK group, many of which are not within the company's control. These factors, which are not ranked in any particular order, include:

- *The overall strength of the international economy and financial markets*

The art market in which the company operates is influenced over time by the overall strength of the international economy and financial markets, although this correlation may not be immediately evident in the short-term. The company's business can be particularly influenced by the economies of the US, and the UK, and the major countries or territories of Continental Europe and Asia (principally Japan and China). Downturns in these markets would have a significant impact on the value of the company investment.

- *Interest rates*

Fluctuations in interest rates influence the company's cost of funds borrowed under long term loan agreements.

- *Foreign currency exchange rate movements*

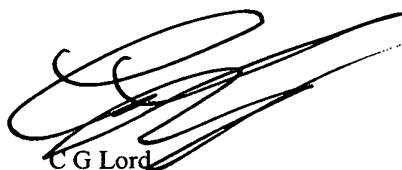
Fluctuations in exchange rate can have a significant impact on the company's operating profit, due to significant exposure to foreign receivables. The group operates a group treasury function to mitigate these effects.

For a more comprehensive review of risk factors facing the group, refer to the principal UK trading entity, Sotheby's.

Financial risk management

The company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet the only financial risks the directors consider relevant to this company are credit risk, liquidity risk and cash flow risk. Credit and liquidity risks are mitigated by the nature of the debtor balances owed, with these due from other group companies who are able to repay these if required and from customers granted loans who have the loans secured on works of art. Cash flow risk is mitigated by the ability of other group companies who are able to loan the company funds if required. The directors have considered the position of the other group companies and have reasonable expectation that the other group companies have the financial resources to fulfil that commitment. As a consequence, the directors believe that the company is well placed to manage its financial risk successfully despite the current uncertain economic outlook.

Approved by the Board of Directors and signed on behalf of the Board



C G Lord
Director

10 July 2017

Sotheby's Financial Services Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2016. The financial statements have been presented under Financial Reporting Standard 102 (FRS 102), issued by the Financial Reporting Council. As permitted under section 414C (11) of the Companies Act 2006, the directors have included certain information in the Strategic report that otherwise would be required under section 416(4) to be disclosed in the Directors' report.

Results and dividends

The profit for the year after taxation amounted to £452,225 (2015: profit £2,658,575). £7,000,000 in dividends was declared in the year (2015: £nil).

Directors

The following directors served throughout the year and subsequently, except as noted below:

M Zuckerman	(US citizen – resigned 26 May 2016)
C G Lord	
J Prasens	(Slovak citizen)
D Leslie	
M T Holder	(resigned 17 March 2017)

Company secretary

A Scott

Information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

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

Approved by the Board of Directors and signed on behalf of the Board



CG Lord
Director

10 July 2017

Sotheby's Financial Services Limited

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Sotheby's Financial Services Limited

We have audited the financial statements of Sotheby's Financial Services Limited for the year ended 31 December 2016 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standards 102 'The Financial Reporting Standard applicable in the UK and Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

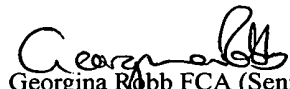
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Georgina Robb FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London

10 July 2017

Sotheby's Financial Services Limited

Profit and loss account For the year ended 31 December 2016

	Notes	2016 £	2015 £
Turnover	2	1,074,248	3,069,988
Administrative expenses		(324,556)	(242,993)
Interest payable		(440,250)	(197,999)
Other operating income	3	255,642	574,484
		<hr/>	<hr/>
Operating profit and profit on ordinary activities before taxation	4	565,084	3,203,480
Tax charge on profit on ordinary activities	7	(112,859)	(544,905)
		<hr/>	<hr/>
Profit for the financial year		<u>452,225</u>	<u>2,658,575</u>

All results are derived from continuing activities.


A statement of comprehensive income has not been presented as there are no items of other comprehensive income other than the profit for the current and preceding year.

Sotheby's Financial Services Limited

Balance sheet At 31 December 2016

	Notes	2016 £	2015 £
Current assets			
Debtors			
- due within one year	8	5,692,402	30,735,759
- due after one year	8	504,540	5,895,737
		<u>6,196,942</u>	<u>36,631,496</u>
Cash at bank and in hand		43,157	17,772,928
Total current assets		<u>6,240,099</u>	<u>54,404,424</u>
Creditors: amounts falling due within one year	9	<u>(1,952,931)</u>	<u>(43,569,482)</u>
Net current assets		<u>4,287,168</u>	<u>10,834,942</u>
Net assets		<u>4,287,168</u>	<u>10,834,942</u>
Capital and reserves			
Called up share capital	10	1,000	1,000
Share premium account		998	998
Profit and loss account		<u>4,285,170</u>	<u>10,832,944</u>
Shareholder's funds		<u>4,287,168</u>	<u>10,834,942</u>

The financial statements of Sotheby's Financial Services Limited (registered number 00597920) were approved by the Board of Directors on 10 July 2017 and signed on its behalf by:



C G Lord
Director

Sotheby's Financial Services Limited

Statement of changes in equity At 31 December 2016

	Called-up share capital £	Share Premium Account £	Profit and loss account £	Total £
At 1 January 2015	1,000	998	8,174,369	8,176,368
Profit for the financial year	-	-	2,658,575	2,658,575
At 31 December 2015	1,000	998	10,832,944	10,834,942
Profit for the financial year	-	-	452,225	452,225
Dividends paid	-	-	(7,000,000)	(7,000,000)
At 31 December 2016	1,000	998	4,285,169	4,287,167

Sotheby's Financial Services Limited

Notes to the accounts For the year ended 31 December 2016

1. Accounting policies

General information and basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Sotheby's Financial Services Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

Sotheby's Financial Services Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in relation to presentation of a cash-flow statement, intra-group transactions and remuneration of key management personnel.

The consolidated financial statements of the ultimate holding company, Sotheby's Inc. ("Sotheby's USA") in which the company is included are publicly available as shown in note 12.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Sotheby's Financial Services Limited

Notes to the accounts (continued) For the year ended 31 December 2016

1. Accounting policies (continued)

(ii) Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(iii) Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to foreign exchange risk. The company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date, with the resulting gain or loss recognised in the profit or loss account.

(iv) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents interest receivable on loans and advances provided in the normal course of business. Such interest income is recognised when earned, based on the amount of the outstanding loan and the length of time the loan is outstanding during the period. Where there is doubt regarding ultimate collectability of the principal for impaired loans, interest income is no longer recognised and any cash receipts subsequently received are thereafter directly applied to reduce the recorded investment in the loan.

Debtors

Consignor advances and secured loan balances comprise the principal loan balance plus interest.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions, all differences being taken to the profit and loss account.

Sotheby's Financial Services Limited

Notes to the accounts (continued) For the year ended 31 December 2016

1. Accounting policies (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pensions

Defined benefit scheme

The company is part of the UK group's pension scheme which provides benefits based on final pensionable pay for employees. Company contributions are based on periodic actuarial calculations by a qualified actuary. The scheme is funded by payments to trustee administered funds independent of the group's finances.

As it is not possible to identify the company's share of the underlying assets and liabilities of the scheme, in accordance with FRS102 Section 28 'Employee Benefits' the company has accounted for its contributions to the scheme as if it were a defined contribution scheme.

The scheme was closed to further accrual on 30th April 2016.

Defined contribution scheme

On 1 April 2004 the company introduced a defined contribution pension scheme. The amounts charged to the profit and loss account in respect of pension costs and other post-retirement benefits are the contributions actually payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2. Turnover

The balance shown for turnover comprises interest receivable on loans and advances. The geographical summary by origination of turnover is as follows:

	2016 £	2015 £
United Kingdom	434,551	1,514,032
Europe	22,608	32,742
USA	617,089	1,523,214
	<u>1,074,248</u>	<u>3,069,988</u>

Sotheby's Financial Services Limited

Notes to the accounts (continued) For the year ended 31 December 2016

3. Other operating income

Other operating income comprises professional services income.

4. Operating profit

	2016 £	2015 £
Operating profit is stated after crediting:		
Bad debt recovered	90,653	63,741
Foreign exchange gains	87,630	97,871

Audit fees of £7,000 (2015: £7,000) were borne by the immediate parent company, Sotheby's. No fees were paid to the company's auditor or affiliated entities, relating to other services, during the current and preceding year. Refer to full disclosure of audit fees in the accounts of Sotheby's.

5. Information regarding employees

Staff costs, including directors, but excluding costs related to directors whose remuneration is borne by another group company, comprised:

	2016 £	2015 £
Wages and salaries	272,037	250,886
Compensation for loss of office	13,229	-
Social security costs	37,990	31,434
Other pension costs	25,640	22,449
	<u>348,897</u>	<u>304,769</u>

The average number of people employed in the year (excluding directors) was three (2015: three) comprising full time staff members.

The company participates in a multi-employer defined benefit pension scheme with other companies in the Sotheby's group. Full details of the scheme are disclosed in the financial statements of Sotheby's, the intermediate parent company, including the disclosures required by FRS102 Section 28 'Employee Benefits'. The scheme had a pension surplus before adjusting for deferred taxation of £63.8m at 31 December 2016 (2015: £45.0m surplus). The most recent completed actuarial valuation for the scheme was as at 30 September 2015. As it is not possible to identify the company's share of the underlying assets and liabilities of the scheme, in accordance with FRS102 Section 28 'Employee Benefits' the company has accounted for its contributions to the scheme as if it were a defined contribution scheme.

Sotheby's Financial Services Limited

Notes to the accounts (continued) For the year ended 31 December 2016

6. Information regarding directors

During the year, two of the directors of Sotheby's Financial Services Limited were also directors of Sotheby's (a company registered in the United Kingdom). These directors received total remuneration of £1,230,573 and pension contributions of £29,386 from Sotheby's (2015: remuneration of £986,543 and pension contributions of £36,820). It is not practicable to allocate this between their services as directors of Sotheby's and their services as directors of Sotheby's Financial Services Limited.

Directors' remuneration excludes directors who discharge their duties wholly or mainly outside the United Kingdom.

The emoluments of the other one UK based director (2015: two), which was paid by the company, are set out below:

	2016 £	2015 £
Remuneration	137,013	136,060
Pension contributions	11,616	8,876
	<u>148,629</u>	<u>144,936</u>

At 31 December 2016 one (2015: one) directors were members of the Sotheby's pension scheme.

Emoluments of highest paid director (borne by Sotheby's)

	2016 £	2015 £
Remuneration	882,662	712,818
Pension contribution	17,105	7,000
	<u>899,767</u>	<u>719,818</u>

Sotheby's Financial Services Limited

Notes to the accounts (continued) For the year ended 31 December 2016

7. Tax on profit on ordinary activities

(i) Analysis of tax on profit on ordinary activities

	2016 £	2015 £
Tax charge on profit on ordinary activities:		
Current tax		
UK corporation tax at 20% (2015: 20.25%)	(93,218)	(564,892)
Prior year adjustment	(3,322)	34,550
Total current tax	(96,540)	(530,342)
Deferred tax		
Origination and reversal of timing differences	(18,131)	(11,473)
Effect of change in tax	1,812	(3,090)
Total deferred tax	(16,319)	(14,563)
Total tax charge for the year	(112,859)	(544,905)

(ii) Factors affecting tax for the year

The standard rate of tax applied to reported profit on ordinary activities is 20% (2015: 20.25%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2016. During the year beginning 1 January 2017, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge for the year by £17.

The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	565,084	3,203,480
Tax at 20% (2015: 20.25%) thereon:	(113,017)	(648,705)
Expense not deductible for tax purposes	(2,591)	(141)
Non-Trade loan relationship (Transfer Pricing notional adjustment)	4,259	71,047
Impact of rate change	1,812	(1,656)
Adjustments in respect of prior periods	(3,322)	34,550
Tax for the year	(112,859)	(544,905)

Sotheby's Financial Services Limited

Notes to the accounts (continued) For the year ended 31 December 2016

8. Debtors

	2016 £	2015 £
<i>Amounts recoverable within one year:</i>		
Consignor advances	123,410	4,161,010
Secured loans	1,470,216	29,733,811
Amounts owed by intermediate parent undertaking	4,097,977	-
Amounts owed by group company	-	164,207
Deferred taxation	17	16,335
Other debtors	783	29,872
	<u>5,692,402</u>	<u>34,105,235</u>
<i>Amounts recoverable after more than one year:</i>		
Secured loans	-	1,994,901
Other	504,540	531,360
	<u>6,196,942</u>	<u>36,631,496</u>

Secured loans are repayable on negotiable terms and at rates that vary with inter-bank offer rates.

The deferred tax asset related to timing differences as follows:

	£
Opening balance at 1 January 2016	16,335
Current year charge	(16,318)
	<u>17</u>
Closing balance at 31 December 2016	<u>17</u>

9. Creditors: amounts falling due within one year

	2016 £	2015 £
Owed to intermediate parent undertaking	-	42,462,519
Amounts owed to group company	1,738,748	36,853
Corporation tax payable	93,218	564,892
Accruals and deferred income	116,060	131,017
Other creditors	4,906	-
Derivative financial instruments (see note 13)	-	374,201
	<u>1,952,931</u>	<u>43,569,482</u>

The amounts owed to the intermediate parent undertaking and owed to the group company are non-interest bearing payables.

Sotheby's Financial Services Limited

Notes to the accounts (continued) For the year ended 31 December 2016

10. Called up share capital

	2016 £	2015 £
Authorised, called up, allotted and fully paid:		
1,000 ordinary shares of £1 each	1,000	1,000

11. Related party transactions

The company has taken advantage of the exemption granted by FRS102 Section 33 'Related Party Disclosures' not to disclose transactions with group companies who are related parties.

12. Ultimate parent company

The immediate parent company is Sotheby's, a company incorporated in the UK.

At 31 December 2016 the company's ultimate parent and controlling party, and the largest and smallest group for which consolidated accounts are prepared, was Sotheby's USA, a company incorporated in the USA. Copies of the financial statements of the Sotheby's USA can be obtained from:

Shareholder Relations
1334 York Avenue
New York, NY 10021
USA

13. Derivative financial instruments

Forward foreign currency contracts

The following table details the forward foreign currency contracts outstanding as at the year-end:

Outstanding contracts	Principal value		Fair value	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
	-	22,820,134	-	(374,201)

The company enters into contracts to settle forward contracts in various currencies and maturities, to hedge the exchange rate risk arising from these anticipated future transactions. At 31 December 2016 the company had no commitments (2015: one, to purchase \$34,371,686 for £22,820,134 during the first quarter of 2016).

The fair value on fx forward contracts are held on balance sheet at fair value through profit and loss account. The fair value at year end was a £nil liability (2015: £374,201 liability). Fair value gains of £nil (2015: gains of £1,169,954) were recognised in profit or loss during the year.