

# Financial Statements

## carwow Limited

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For the year ended 31 December 2016

Registered number: 07103079

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carwow Limited

## Company Information

**Directors**

J Hind  
D Santoro  
D J P Lane  
R W Moffat  
F G A Destin (resigned 11 April 2017)  
S L Pierrepont (appointed 11 April 2017)

**Registered number**

07103079

**Registered office**

New Penderel House  
283-288 High Holborn  
London  
WC1V 7HP

**Independent auditor**

Grant Thornton UK LLP  
Chartered Accountants & Statutory Auditor  
Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

**Bankers**

HSBC Bank Plc  
31 High Street  
Neston  
Wirral  
Cheshire

**carwow Limited**

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carwow Limited

## Group strategic report

For the year ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

### **Business review**

The principal activity of the company, and group, is that of a marketplace for cars. Principally in 2016 this marketplace was used for the purchase of new cars in the United Kingdom.

The results for 2016 reflect significant growth in the activities of the company, with turnover growing 170% in the period to 31st December 2016, compared to the prior year. Car sales made by our partner dealers were up 110% in the same period.

The increase in revenue has been driven by increasing awareness and adoption of the carwow platform by both consumers and dealers. On the consumer side, this has been achieved by both growing our direct to consumer marketing efforts and the success of the content for car researchers developed by our in-house team. In April 2016, we launched an online car review channel which in 2016 has already gathered over 27 million views.

On the dealer side of the marketplace we have increased the number of dealers using our site and our geographic and brand coverage.

### **Principal risks and uncertainties**

The operations of the company expose it to various financial risks, including liquidity risk, credit risk and foreign exchange risk.

#### **Liquidity Risk**

The company has sufficient cash balances and short term finance to cover foreseeable needs, and seeks to mitigate liquidity risk through management of these.

#### **Credit Risk**

The company's trade debtors represent a significant financial asset. The credit risk associated with trade debtors is managed with robust receivables processes.

#### **Foreign Exchange Risk**

The group is exposed to forex risk through its operations in Germany, and transactions in currencies other than the functional currency. This risk is managed by natural hedging with each company invoicing in its local currency. Exchange gains/losses arise on consolidation of the German accounts to Sterling.

#### **Industry Risk**

The continuing effects of Brexit and the impact that new trade deals negotiated with members of the European Union will have on the automobile industry in the UK is currently unknown, and there is a possibility that the environment in which carwow operates will materially decline.

carwow Limited

## Group strategic report

For the year ended 31 December 2016

### Key Performance Indicators

The performance of the business is assessed using revenue and gross profit figures, and other non-financial metrics, including unique visitors to the website. The actual results are regularly compared to forecasts and any material variances are investigated, with appropriate action taken to ensure that targets are met.

In the year ending 31st December 2016, the UK company's revenue increased to £8.9m (£3.3m in 2016) and gross profit increased to £8.5m (£3.1m in 2016).

Since starting trading in May 2016, the German company has generated €50.5k revenue and €49.4k gross profit.

In 2016, 14.4m unique users visited the carwow UK website, up from 7.4m in 2015. In 2016 the carwow YouTube channel registered 27m views, up from 0 in 2015 when it was not active.

This report was approved by the board on 5th September 2017 and signed on its behalf.



**J Hind**  
Director

**carwow Limited**

## Directors' report

For the year ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

### **Principal activity**

The principal activity of the company is that of a marketplace for cars.

### **Results and dividends**

The loss for the year, after taxation, amounted to £6,242,555 (2015 - loss £2,614,888).

### **Directors**

The directors who served during the year were:

J Hind  
D Santoro  
D J P Lane  
R W Moffat  
F G A Destin (resigned 11 April 2017)

### **Directors' responsibilities statement**

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 '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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

carwow Limited

## Directors' report (continued)

For the year ended 31 December 2016

### Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

### Post balance sheet events

There have been no significant events affecting the Group since the year end.

### Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 5th September 2017, and signed on its behalf.



J Hind  
Director



## Independent auditor's report to the members of carwow Limited

We have audited the financial statements of carwow Limited for the year ended 31 December 2016, which comprise the Group Statement of comprehensive income, the Group and Company Statements of financial position, the Group Statement of cash flows, the Group and Company Statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of 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 Directors' responsibilities statement on page 3, 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 Financial Reporting Council's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2016 and of the Group's loss 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.

### **Other matter**

The company was not required to have a statutory audit for the period ended 31 December 2015 as it was entitled to exemption from the provisions of the Companies Act 2006 relating to the audit of the financial statements for the year by virtue of Section 477 and no member or members had requested an audit pursuant to Section 476 of the Act. Accordingly the corresponding figures for the year ended 31 December 2015 are unaudited.





## Independent auditor's report to the members of carwow Limited (continued)

### **Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements; and
- the Group strategic report and the Directors' report been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report under the Companies Act 2006**

In the light of our knowledge and understanding of the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

*Grant Thornton UK LLP*

Steven Leith (Senior statutory auditor)  
for and on behalf of

**Grant Thornton UK LLP**

Chartered Accountants

Statutory Auditor

London

Date: *6 September 2017*

## Consolidated statement of comprehensive income

For the year ended 31 December 2016

	Note	2016 £	Unaudited 2015 £
Turnover		8,980,817	3,271,174
Cost of sales		(470,520)	(197,555)
<b>Gross profit</b>		<b>8,510,297</b>	<b>3,073,619</b>
Administrative expenses		(14,951,030)	(5,748,466)
<b>Operating loss</b>	5	<b>(6,440,733)</b>	<b>(2,674,847)</b>
Interest receivable and similar income	8	50,415	5,938
<b>Loss before tax</b>		<b>(6,390,318)</b>	<b>(2,668,909)</b>
Tax on loss	9	147,763	54,021
<b>Loss for the year</b>		<b>(6,242,555)</b>	<b>(2,614,888)</b>
<b>Other comprehensive income for the year</b>		-	-
<b>Total comprehensive income for the year</b>		<b>(6,242,555)</b>	<b>(2,614,888)</b>
<b>Profit for the year attributable to:</b>			
Owners of the parent company		6,242,555	2,614,888
		<b>6,242,555</b>	<b>2,614,888</b>

There were no recognised gains and losses for 2016 or 2015 other than those included in the consolidated statement of comprehensive income.

The notes on pages 13 to 25 form part of these financial statements.


carwow Limited  
Registered number:07103079

## Consolidated statement of financial position

As at 31 December 2016

	Note	2016 £	Unaudited 2015 £
<b>Fixed assets</b>			
Tangible assets	10	415,232	203,997
		<u>415,232</u>	<u>203,997</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	2,988,429	3,321,654
Cash at bank and in hand	13	6,481,945	11,988,459
		<u>9,470,374</u>	<u>15,310,113</u>
Creditors: amounts falling due within one year	14	(1,183,084)	(569,033)
		<u>8,287,290</u>	<u>14,741,080</u>
<b>Net current assets</b>		<u>8,287,290</u>	<u>14,741,080</u>
<b>Total assets less current liabilities</b>		<u>8,702,522</u>	<u>14,945,077</u>
		<u>8,702,522</u>	<u>14,945,077</u>
<b>Capital and reserves</b>			
Called up share capital		372	372
Share premium account		18,560,766	18,560,766
Profit and loss account		(9,858,616)	(3,616,061)
		<u>8,702,522</u>	<u>14,945,077</u>
<b>Shareholders' funds</b>		<u>8,702,522</u>	<u>14,945,077</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
**J Hind**  
Director

Date:

The notes on pages 13 to 25 form part of these financial statements.


carwow Limited  
Registered number:07103079

## Company statement of financial position

As at 31 December 2016

	Note	2016 £	Unaudited 2015 £
<b>Fixed assets</b>			
Tangible assets	10	409,926	203,997
Investments	11	390,989	-
		<u>800,915</u>	<u>203,997</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	2,973,182	3,321,654
Cash at bank and in hand	13	6,073,740	11,988,459
		<u>9,046,922</u>	<u>15,310,113</u>
Creditors: amounts falling due within one year	14	(1,145,315)	(569,033)
<b>Net current assets</b>		<u>7,901,607</u>	<u>14,741,080</u>
<b>Total assets less current liabilities</b>		<u>8,702,522</u>	<u>14,945,077</u>
<b>Net assets</b>		<u><u>8,702,522</u></u>	<u><u>14,945,077</u></u>
<b>Capital and reserves</b>			
Called up share capital	15	372	372
Share premium account		18,560,766	18,560,766
Profit and loss account		(9,858,616)	(3,616,061)
<b>Shareholders' funds</b>		<u><u>8,702,522</u></u>	<u><u>14,945,077</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
J Hind  
Director  
Date:

6/9/17

## Consolidated statement of changes in equity

For the year ended 31 December 2016

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	372	18,560,766	(3,616,061)	14,945,077
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(6,242,555)	(6,242,555)
<b>Total comprehensive income for the year</b>	-	-	(6,242,555)	(6,242,555)
<b>Total transactions with owners</b>	-	-	-	-
<b>At 31 December 2016</b>	<b>372</b>	<b>18,560,766</b>	<b>(9,858,616)</b>	<b>8,702,522</b>

## Consolidated statement of changes in equity

For the year ended 31 December 2015

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2015	372	6,152,321	(1,001,173)	5,151,520
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(2,614,888)	(2,614,888)
<b>Total comprehensive income for the year</b>	-	-	(2,614,888)	(2,614,888)
Shares issued during the year	-	12,408,445	-	12,408,445
<b>Total transactions with owners</b>	-	12,408,445	-	12,408,445
<b>At 31 December 2015</b>	<b>372</b>	<b>18,560,766</b>	<b>(3,616,061)</b>	<b>14,945,077</b>

The notes on pages 13 to 25 form part of these financial statements.

carwow Limited

## Company statement of changes in equity

For the year ended 31 December 2016

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	372	18,560,766	(3,616,061)	14,945,077
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(6,242,555)	(6,242,555)
<b>Total comprehensive income for the year</b>	-	-	(6,242,555)	(6,242,555)
<b>At 31 December 2016</b>	<b>372</b>	<b>18,560,766</b>	<b>(9,858,616)</b>	<b>8,702,522</b>

## Company statement of changes in equity

For the year ended 31 December 2015

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2015	372	6,152,321	(1,001,174)	5,151,519
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(2,614,887)	(2,614,887)
<b>Total comprehensive income for the year</b>	-	-	(2,614,887)	(2,614,887)
<b>Contributions by and distributions to owners</b>				
Shares issued during the year	-	12,408,445	-	12,408,445
<b>At 31 December 2015</b>	<b>372</b>	<b>18,560,766</b>	<b>(3,616,061)</b>	<b>14,945,077</b>

The notes on pages 13 to 25 form part of these financial statements.

## Consolidated statement of cash flows

For the year ended 31 December 2016

	2016 £	Unaudited 2015 £
<b>Cash flows from operating activities</b>		
Loss for the financial year	(6,242,555)	(2,614,888)
<b>Adjustments for:</b>		
Depreciation of tangible assets	192,112	45,331
Interest received	(50,415)	(5,938)
Taxation credit	-	(54,021)
Decrease/(increase) in debtors	333,225	(3,053,664)
Increase in creditors	614,051	293,838
Corporation tax received	-	54,021
<b>Net cash generated from operating activities</b>	<u>(5,153,582)</u>	<u>(5,335,321)</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(427,080)	(237,308)
Disposal of fixed assets	25,263	-
Interest received	50,415	5,938
<b>Net cash from investing activities</b>	<u>(351,402)</u>	<u>(231,370)</u>
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	-	12,408,445
Investment income	1,907	-
<b>Net cash used in financing activities</b>	<u>1,907</u>	<u>12,408,445</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(5,503,077)</u>	6,841,754
Cash and cash equivalents at beginning of year	11,988,459	5,146,705
Foreign exchange gains and losses	(3,437)	-
<b>Cash and cash equivalents at the end of year</b>	<u>6,481,945</u>	<u>11,988,459</u>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	<u>6,481,945</u>	<u>11,988,459</u>

The notes on pages 13 to 25 form part of these financial statements.

# Notes to the financial statements

For the year ended 31 December 2016

## 1. General information

carwow Limited is a private company limited by shares, registered and incorporated in England. The company's registered office is New Penderel House, 283-288 High Holborn, London, WC1V 7HP.

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 18.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:

### 2.2 Going concern

The financial statements have been prepared on the going concern basis. The Director's believe that the company has sufficient working capital facilities to enable it to continue in business for the next 12 months from approving the financial statements.

### 2.3 Basis of consolidation

The consolidated financial statements present the results of the Group and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

### 2.4 Turnover

Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. Revenue is recognised when a car is ordered and a deposit placed to secure that order. A provision is made based on historic data for customers who have placed an order and then decided to cancel before delivery of their vehicle.

### 2.5 Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Long-term leasehold property	- Lifetime of lease
Office equipment	- 2 years
Fixture, fittings and equipment	- 25% straight line



## Notes to the financial statements

For the year ended 31 December 2016

### 2. Accounting policies (continued)

#### 2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

#### 2.7 Debtors

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

#### 2.8 Cash and cash equivalents

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

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

#### 2.9 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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

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

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

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

## Notes to the financial statements

For the year ended 31 December 2016

### 2. Accounting policies (continued)

#### 2.9 Financial instruments (continued)

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

#### 2.10 Creditors

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

#### 2.11 Foreign currency translation

##### Functional and presentation currency

The Company's functional and presentational currency is GBP.

##### Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated statement of comprehensive income within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

#### 2.12 Interest income

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

## Notes to the financial statements

For the year ended 31 December 2016

### 2. Accounting policies (continued)

#### 2.13 Taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

#### Revenue Recognition and Provisions

Revenue comprises the fair value of consideration receivable for the sale of services and is recognised when the customer (the dealer) receives the benefits from the service. Revenue is recognised when a dealer confirms on our system that a consumer, having been introduced to a dealer through the carwow platform, places an order with the dealer.

In some cases, the consumer chooses to cancel their order and the dealer may choose to pay the consumers deposit back to the consumer. In this scenario, we offer a credit note to the dealer for the full charge invoiced for the introduction. We have calculated a provision for these credit notes based on their historic occurrence. There is the possibility that the receivables book at the end of December 2016 behaves in a different manner to previous periods and as such the provision being either below or above the actual occurrence.

We have also provided against our trade receivables balance based on both the historical occurrence of bad debt amongst our customers, the receivables balance currently outstanding and the ageing of that debt. Again there is the possibility that worsening or favourable industry conditions affect the ability of our dealers to pay and as such the provision being above or below the actual occurrence of bad debt.

### 4. Turnover

The total turnover of the company for the year has been derived from its principal activity.

Analysis of turnover by country of destination:

	2016	Unaudited 2015
	£	£
United Kingdom	8,936,932	3,271,174
Germany	43,885	-
	<u>8,980,817</u>	<u>3,271,174</u>

## Notes to the financial statements

For the year ended 31 December 2016

### 5. Operating loss

The operating loss is stated after charging:

	2016	Unaudited 2015
	£	£
Depreciation of tangible fixed assets	190,582	45,337
Impairment of fixed asset investments	560,777	-
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	20,000	-
Non audit fees	3,500	5,000
Exchange differences	(49,639)	-
	<u>          </u>	<u>          </u>

### 6. Employees

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

	2016	Unaudited 2015
	£	£
Wages and salaries	4,295,781	1,228,435
Social security costs	120,087	226,418
	<u>          </u>	<u>          </u>
	<u>4,415,868</u>	<u>1,454,853</u>

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

	2016	2015
	No.	No.
Admin	12	33
Product account management	47	-
Sales	25	-
	<u>          </u>	<u>          </u>
	<u>84</u>	<u>33</u>

## Notes to the financial statements

For the year ended 31 December 2016

### 7. Directors' remuneration

	2016	Unaudited 2015
	£	£
Directors' emoluments	<u>200,000</u>	<u>79,243</u>

The highest paid director received remuneration of £100,000 (2015 - £63,300).

Key management personnel of the company are the directors.

### 8. Interest receivable

	2016	Unaudited 2015
	£	£
Other interest receivable	<u>50,415</u>	<u>5,938</u>

### 9. Taxation

	2016	Unaudited 2015
	£	£
<b>Corporation tax</b>		
Current tax on profits for the year	<u>(147,763)</u>	<u>(54,021)</u>
<b>Taxation on loss on ordinary activities</b>	<u>(147,763)</u>	<u>(54,021)</u>

## Notes to the financial statements

For the year ended 31 December 2016

### 9. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Loss on ordinary activities before tax	<u>(6,390,318)</u>	<u>(2,668,909)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	(1,278,064)	(540,363)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	124,538	12,076
Fixed asset differences	5,144	2,901
Additional deduction for R&D expenditure	-	(37,400)
Surrender of tax losses for R&D tax credit	-	18,860
Adjustments to tax charge in respect of prior periods	-	84,138
Tax credit for research & development	(147,763)	-
Deferred tax not recognised	<u>1,148,382</u>	<u>405,767</u>
<b>Total tax charge for the year</b>	<u><u>(147,763)</u></u>	<u><u>(54,021)</u></u>

## Notes to the financial statements

For the year ended 31 December 2016

### 10. Tangible fixed assets

Group

	Long-term leasehold property £	Office equipment £	Fixture, fittings and equipment £	Total £
<b>Cost or valuation</b>				
At 1 January 2016	138,261	63,891	54,318	256,470
Additions	204,432	81,869	140,779	427,080
Disposal	-	(14,520)	(19,628)	(34,148)
At 31 December 2016	<u>342,693</u>	<u>131,240</u>	<u>175,469</u>	<u>649,402</u>
<b>Depreciation</b>				
At 1 January 2016	21,729	11,049	19,695	52,473
Charge for the period on owned assets	93,820	15,242	81,520	190,582
Disposals	-	(929)	(7,956)	(8,885)
At 31 December 2016	<u>115,549</u>	<u>25,362</u>	<u>93,259</u>	<u>234,170</u>
<b>Net book value</b>				
At 31 December 2016	<u>227,144</u>	<u>105,878</u>	<u>82,210</u>	<u>415,232</u>
At 31 December 2015	<u>116,532</u>	<u>52,842</u>	<u>34,623</u>	<u>203,997</u>

## Notes to the financial statements

For the year ended 31 December 2016

### 10. Tangible fixed assets (continued)

Company

	Long-term leasehold property £	Office equipment £	Fixture, fittings and equipment £	Total £
<b>Cost or valuation</b>				
At 1 January 2016	138,261	63,891	54,318	256,470
Additions	204,432	76,563	140,779	421,774
Disposal	-	(14,520)	(19,628)	(34,148)
At 31 December 2016	<u>342,693</u>	<u>125,934</u>	<u>175,469</u>	<u>644,096</u>
<b>Depreciation</b>				
At 1 January 2016	21,729	11,049	19,695	52,473
Charge for the period on owned assets	93,820	15,242	81,520	190,582
Disposal	-	(929)	(7,956)	(8,885)
At 31 December 2016	<u>115,549</u>	<u>25,362</u>	<u>93,259</u>	<u>234,170</u>
<b>Net book value</b>				
At 31 December 2016	<u>227,144</u>	<u>100,572</u>	<u>82,210</u>	<u>409,926</u>
At 31 December 2015	<u>116,532</u>	<u>52,842</u>	<u>34,623</u>	<u>203,997</u>



## Notes to the financial statements

For the year ended 31 December 2016

### 11. Fixed asset investments

#### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
carwow GmbH	Ordinary	100 %	Marketplace for cars

#### Company

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
Additions	951,766
At 31 December 2016	<u>951,766</u>
<b>Impairment</b>	
Charge for the period	560,777
At 31 December 2016	<u>560,777</u>
<b>Net book value</b>	
At 31 December 2016	<u>390,989</u>
At 31 December 2015	<u>-</u>

### 12. Debtors

	Group 2016 £	Group Unaudited 2015 £	Company 2016 £	Company Unaudited 2015 £
Trade debtors	1,528,264	576,310	1,515,057	576,310
Amounts owed by group undertakings	-	-	36,192	-
Other debtors	135,901	308,423	102,486	308,423
Prepayments and accrued income	1,324,264	2,436,921	1,319,447	2,436,921
	<u>2,988,429</u>	<u>3,321,654</u>	<u>2,973,182</u>	<u>3,321,654</u>

## Notes to the financial statements

For the year ended 31 December 2016

### 13. Cash and cash equivalents

	Group 2016 £	Group Unaudited 2015 £	Company 2016 £	Company Unaudited 2015 £
Cash at bank and in hand	6,481,945	11,988,459	6,073,740	11,988,459

### 14. Creditors: Amounts falling due within one year

	Group 2016 £	Group Unaudited 2015 £	Company 2016 £	Company Unaudited 2015 £
Trade creditors	842,427	449,129	809,530	449,129
Other taxation and social security	226,991	67,368	194,492	67,368
Other creditors	1,204	556	375	556
Accruals and deferred income	112,462	51,980	140,918	51,980
	<u>1,183,084</u>	<u>569,033</u>	<u>1,145,315</u>	<u>569,033</u>

### 15. Share capital

	2016 £	Unaudited 2015 £
Shares classified as equity		
<b>Allotted, called up and fully paid</b>		
16,630,990 (2015 - 16,630,990) Ordinary shares of £0.00001 each	166	166
4,476,250 (2015 - 4,476,250) Ordinary A shares of £0.00001 each	45	45
6,818,990 (2015 - 6,818,990) Ordinary B shares of £0.00001 each	68	68
9,225,750 (2015 - 9,225,750) Ordinary C shares of £0.00001 each	93	93
	<u>372</u>	<u>372</u>

## Notes to the financial statements

For the year ended 31 December 2016

### 16. Reserves

#### Share capital

Represents the nominal value of shares that have been issued.

#### Share premium

Includes only premiums received on issue of share capital. Any transaction costs associated with issuing of shares are deducted from share premium.

#### Profit and loss account

Includes all current and prior period retained profit and losses.

### 17. Controlling party

The Director's do not consider the company to have an ultimate controlling party.

### 18. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.

### 19. Related party transactions

In accordance with the exemption under FRS 102, the company does not disclose transactions with companies which are wholly owned within the group.

### 20. Share options

The carwow Limited Share Option Scheme was introduced on 29 February 2016. Under the scheme, the Board can grant options over shares in the company to employees of the company.

As at the year end, options were granted over 1,579,790 ordinary shares of £0.01 each to 82 employees at a fixed exercise price of £0.001 per share. These share options represent around 5% of the share capital of the company and are exercisable, wholly or in part, in accordance with the terms of the agreement.

## Notes to the financial statements

For the year ended 31 December 2016

### 20. Share options (continued)

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	2016	2016	2015	2015
	Number	WAEP	Number	WAEP
Balance brought forward	-	-	-	-
Share options granted	1,579,790	0.001	-	-
<b>Balance carried forward</b>	<b><u>1,579,790</u></b>	<b><u>0.001</u></b>	-	-

There is no charge recognised within these financial statements as the directors consider the share option charge to be immaterial to the 2016 results.