

# Financial Statements

## carwow Limited

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For the year ended 31 December 2017

Registered number: 07103079

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24/09/2018  
COMPANIES HOUSE

carwow Limited

## Company Information

**Directors**

J Hind  
D Santoro  
D J P Lane  
R W Moffat  
S L Pierrepont  
T Studd

**Company secretary**

K. R. Cosgrove (appointed 2 May 2018)

**Registered number**

07103079

**Registered office**

2nd Floor Verde Building  
10 Bressenden Place  
London  
SW1E 5DH

**Independent auditor**

Grant Thornton UK LLP  
Chartered Accountants & Senior Statutory Auditor  
30 Finsbury Square  
London  
EC2P 2YU

**Bankers**

HSBC Bank Plc  
31 High Street  
Neston  
Wirral  
Cheshire

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## Group strategic report

For the year ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

### **Business review**

The principal activity of the company, and group, is that of a marketplace for cars. Principally in 2017 this marketplace was used for the purchase of new and nearly new cars in the United Kingdom and Germany.

The results for 2017 reflect significant growth in the activities of the company, with turnover growing 69% in the period to 31st December 2017, compared to the prior year. Car sales made by our partner dealers in the UK were up 61% in the same period, and 1897% in Germany.

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 buyers developed by our in-house team.

Last April, we launched an online car review channel, which has now grown to over 15m views per month, more than our direct competitors combined.

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 (continued)

For the year ended 31 December 2017

### 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 £14.4m (£8.9m in 2016) and gross profit increased to £13.9m (£8.5m in 2016).

In the same period, the German company has generated €1.0m revenue and €986k gross profit.

In 2017, on average 1.9m unique users per month visited the carwow UK website, up from 1.2m in 2016. In 2017 the carwow YouTube channel registered 127m views, up from 27m in 2016

This report was approved by the board on *24 SEPTEMBER 2018* and signed on its behalf.



**J Hind**  
Director

**carwow Limited**

## Directors' report

For the year ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

### **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 £7,854,660 (2016 - loss £6,242,555).

### **Directors**

The directors who served during the year were:

J Hind  
D Santoro  
D J P Lane  
R W Moffat  
S L Pierrepont  
T Studd (appointed 26 September 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 to 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 2017

### 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 *24 SEPTEMBER 2018* and signed on its behalf.



**J Hind**  
Director

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

### Opinion

We have audited the financial statements of carwow Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017, which comprise the Consolidated Statement of comprehensive income, the Consolidated and Company Statements of financial position, the Consolidated Statement of cash flows, the Consolidated and Company Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2017 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Who we are reporting to

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.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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





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

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions 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 the financial statements; and
- the Group strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

### **Matter on which we are required to report by the Companies Act 2006**

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or the Directors' report.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which 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.



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

### **Responsibilities of directors for the financial statements**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's report.

*Grant Thornton UK LLP*

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

**Grant Thornton UK LLP**  
Chartered Accountants  
Senior Statutory Auditor  
London

Date: *24 September 2018*

## Consolidated statement of comprehensive income

For the year ended 31 December 2017

	Note	2017 £	2016 £
Turnover	4	15,276,416	8,980,817
Cost of sales		(612,017)	(470,520)
<b>Gross profit</b>		<b>14,664,399</b>	<b>8,510,297</b>
Administrative expenses		(22,520,342)	(14,951,030)
<b>Operating loss</b>	5	<b>(7,855,943)</b>	<b>(6,440,733)</b>
Interest receivable and similar income	8	1,283	50,415
<b>Loss before tax</b>		<b>(7,854,660)</b>	<b>(6,390,318)</b>
Tax on loss	9	-	147,763
<b>Loss for the financial year</b>		<b>(7,854,660)</b>	<b>(6,242,555)</b>
<b>Total comprehensive income for the year</b>		<b>(7,854,660)</b>	<b>(6,242,555)</b>
<b>Loss for the year attributable to:</b>			
Owners of the parent company		7,854,660	6,242,555
		<b>7,854,660</b>	<b>6,242,555</b>

There were no recognised gains and losses for 2017 or 2016 other than those included in the consolidated statement of comprehensive income.

The notes on pages 14 to 28 form part of these financial statements.

carwow Limited  
Registered number:07103079

## Consolidated statement of financial position

As at 31 December 2017

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	10	270,885	415,232
		<u>270,885</u>	<u>415,232</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	5,055,027	2,988,429
Cash at bank and in hand	13	20,566,278	6,481,945
		<u>25,621,305</u>	<u>9,470,374</u>
Creditors: amounts falling due within one year	14	(2,220,485)	(1,183,084)
<b>Net current assets</b>		<u>23,400,820</u>	<u>8,287,290</u>
<b>Total assets less current liabilities</b>		<u>23,671,705</u>	<u>8,702,522</u>
<b>Net assets</b>		<u>23,671,705</u>	<u>8,702,522</u>
<b>Capital and reserves</b>			
Called up share capital	16	461	372
Share premium account	17	41,384,520	18,560,766
Profit and loss account	17	(17,713,276)	(9,858,616)
<b>Shareholders' funds</b>		<u>23,671,705</u>	<u>8,702,522</u>

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



**J Hind**

Director

Date: 24 SEPTEMBER 2018

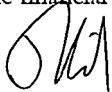
The notes on pages 14 to 28 form part of these financial statements.

## Company statement of financial position

As at 31 December 2017

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	10	251,610	409,926
Investments	11	-	390,989
		<u>251,610</u>	<u>800,915</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	5,496,137	2,973,182
Cash at bank and in hand	13	20,190,140	6,073,740
		<u>25,686,277</u>	<u>9,046,922</u>
Creditors: amounts falling due within one year	14	(2,123,206)	(1,145,315)
<b>Net current assets</b>		<u>23,563,071</u>	<u>7,901,607</u>
<b>Total assets less current liabilities</b>		<u>23,814,681</u>	<u>8,702,522</u>
<b>Net assets</b>		<u><u>23,814,681</u></u>	<u><u>8,702,522</u></u>
<b>Capital and reserves</b>			
Called up share capital	16	461	372
Share premium account	17	41,384,520	18,560,766
Profit and loss account	17	(17,570,300)	(9,858,616)
<b>Shareholders' funds</b>		<u><u>23,814,681</u></u>	<u><u>8,702,522</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: 24 SEPTEMBER 2018

The notes on pages 14 to 28 form part of these financial statements.

## Consolidated statement of changes in equity

For the year ended 31 December 2017

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	372	18,560,766	(9,858,616)	8,702,522
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(7,854,660)	(7,854,660)
<b>Total comprehensive income for the year</b>	-	-	(7,854,660)	(7,854,660)
Shares issued during the year	89	22,823,754	-	22,823,843
<b>Total transactions with owners</b>	89	22,823,754	-	22,823,843
<b>At 31 December 2017</b>	<b>461</b>	<b>41,384,520</b>	<b>(17,713,276)</b>	<b>23,671,705</b>

## 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>

The notes on pages 14 to 28 form part of these financial statements.

## Company statement of changes in equity

For the year ended 31 December 2017

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	372	18,560,766	(9,858,616)	8,702,522
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(7,711,684)	(7,711,684)
<b>Total comprehensive income for the year</b>	-	-	(7,711,684)	(7,711,684)
<b>Contributions by and distributions to owners</b>				
Shares issued during the year	89	22,823,754	-	22,823,843
<b>At 31 December 2017</b>	<b>461</b>	<b>41,384,520</b>	<b>(17,570,300)</b>	<b>23,814,681</b>

## 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>

The notes on pages 14 to 28 form part of these financial statements.

## Consolidated statement of cash flows

For the year ended 31 December 2017

	2017	2016
	£	£
<b>Cash flows from operating activities</b>		
Loss for the financial year	(7,854,660)	(6,242,555)
<b>Adjustments for:</b>		
Depreciation of tangible assets	398,665	192,112
Interest received	(1,283)	(50,415)
(Increase)/decrease in debtors	(2,066,598)	333,225
Increase in creditors	1,037,401	614,051
<b>Net cash generated from operating activities</b>	<u>(8,486,475)</u>	<u>(5,153,582)</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(254,318)	(427,080)
Disposal of fixed assets	-	25,263
Interest received	1,283	50,415
<b>Net cash from investing activities</b>	<u>(253,035)</u>	<u>(351,402)</u>
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	22,823,843	-
Investment income	-	1,907
<b>Net cash used in financing activities</b>	<u>22,823,843</u>	<u>1,907</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>14,084,333</b>	<b>(5,503,077)</b>
Cash and cash equivalents at beginning of year	6,481,945	11,988,459
Foreign exchange gains and losses	-	(3,437)
<b>Cash and cash equivalents at the end of year</b>	<u><u>20,566,278</u></u>	<u><u>6,481,945</u></u>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	<u><u>20,566,278</u></u>	<u><u>6,481,945</u></u>

The notes on pages 14 to 28 form part of these financial statements.



# Notes to the financial statements

For the year ended 31 December 2017

## 1. General information

carwow Limited is a private company limited by shares, registered and incorporated in England. The company's registered office is 2nd Floor, Verde Building, 10 Bressenden Place, London, SW1E 5DH.

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies 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.

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 Parent Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent company for the year was £7,711,684.

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.

## Notes to the financial statements

For the year ended 31 December 2017

### 2. Accounting policies (continued)

#### 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

#### 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.

## Notes to the financial statements

For the year ended 31 December 2017

### 2. Accounting policies (continued)

#### 2.9 Financial instruments (continued)

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 of the recoverable amount, 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.

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.

## Notes to the financial statements

For the year ended 31 December 2017

### 2. Accounting policies (continued)

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 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Consolidated statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Consolidated statement of comprehensive income is charged with fair value of goods and services received.

#### 2.13 Interest income

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

#### 2.14 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.

## Notes to the financial statements

For the year ended 31 December 2017

### 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 2017 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:

	2017 £	2016 £
United Kingdom	14,389,546	8,936,932
Germany	886,870	43,885
	<u>15,276,416</u>	<u>8,980,817</u>

### 5. Operating loss

The operating loss is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	398,665	190,582
Impairment of fixed asset investments	390,989	560,777
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	27,000	20,000
Tax compliance	5,000	3,500
Tax advisory	12,000	-
Exchange differences	(13,890)	(49,639)
	<u>(13,890)</u>	<u>(49,639)</u>

## Notes to the financial statements

For the year ended 31 December 2017

### 6. Employees

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

	2017 £	2016 £
Wages and salaries	6,830,113	4,295,781
Social security costs	77,007	120,087
	<u>6,907,120</u>	<u>4,415,868</u>

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

	2017 No.	2016 No.
Product account management	20	12
Development	68	47
Sales	39	25
	<u>127</u>	<u>84</u>

The Company has no employees other than the directors, who did not receive any remuneration (2016 - £NIL).

### 7. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	<u>200,000</u>	<u>200,000</u>

The highest paid director received remuneration of £100,000 (2016 - £100,000).

Key management personnel of the company are the directors.

### 8. Interest receivable

	2017 £	2016 £
Other interest receivable	<u>1,283</u>	<u>50,415</u>

## Notes to the financial statements

For the year ended 31 December 2017

### 9. Taxation

	2017 £	2016 £
<b>Corporation tax</b>		
Current tax on profits for the year	-	(147,763)
	<u>-</u>	<u>(147,763)</u>
<b>Taxation on profit/(loss) on ordinary activities</b>	<u>-</u>	<u>(147,763)</u>

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Loss on ordinary activities before tax	(7,854,660)	(6,390,318)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	(1,512,022)	(1,278,064)
<b>Effects of:</b>		
Fixed asset differences	20,940	-
Expenses not deductible for tax purposes	126,560	124,538
Capital allowances for year in excess of depreciation	-	5,144
Tax credit for research & development	-	(147,763)
Deferred tax not recognised	1,364,522	1,148,382
<b>Total tax charge for the year</b>	<u>-</u>	<u>(147,763)</u>

#### Factors that may affect future tax charges

The company has an unrecognised deferred tax assets of £2,656,000.

## Notes to the financial statements

For the year ended 31 December 2017

### 10. Tangible fixed assets

Group

	Long-term leasehold property £	Office equipment £	Fixture, fittings and equipment £	Total £
<b>Cost or valuation</b>				
At 1 January 2017	342,693	131,240	175,469	649,402
Additions	100,300	71,319	82,699	254,318
At 31 December 2017	<u>442,993</u>	<u>202,559</u>	<u>258,168</u>	<u>903,720</u>
<b>Depreciation</b>				
At 1 January 2017	115,549	25,362	93,259	234,170
Charge for the year on owned assets	239,579	96,848	62,238	398,665
At 31 December 2017	<u>355,128</u>	<u>122,210</u>	<u>155,497</u>	<u>632,835</u>
<b>Net book value</b>				
At 31 December 2017	<u>87,865</u>	<u>80,349</u>	<u>102,671</u>	<u>270,885</u>
At 31 December 2016	<u>227,144</u>	<u>105,878</u>	<u>82,210</u>	<u>415,232</u>



## Notes to the financial statements

For the year ended 31 December 2017

### 10. Tangible fixed assets (continued)

Company

	Long-term leasehold property £	Office equipment £	Computer equipment £	Total £
<b>Cost or valuation</b>				
At 1 January 2017	342,693	125,934	175,469	644,096
Additions	100,300	57,350	82,699	240,349
At 31 December 2017	<u>442,993</u>	<u>183,284</u>	<u>258,168</u>	<u>884,445</u>
<b>Depreciation</b>				
At 1 January 2017	115,549	25,362	93,259	234,170
Charge for the year on owned assets	239,579	96,848	62,238	398,665
At 31 December 2017	<u>355,128</u>	<u>122,210</u>	<u>155,497</u>	<u>632,835</u>
<b>Net book value</b>				
At 31 December 2017	<u>87,865</u>	<u>61,074</u>	<u>102,671</u>	<u>251,610</u>
At 31 December 2016	<u>227,144</u>	<u>100,572</u>	<u>82,210</u>	<u>409,926</u>

## Notes to the financial statements

For the year ended 31 December 2017

### 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

	Aggregate of share capital and reserves	Profit/(loss)
	£	£
carwow GmbH	(142,974)	(746,085)
Company		

	Investments in subsidiary companies
	£
<b>Cost or valuation</b>	
At 1 January 2017	951,766
At 31 December 2017	951,766
<b>Impairment</b>	
At 1 January 2017	560,777
Charge for the period	390,989
At 31 December 2017	951,766
At 31 December 2017	-
At 31 December 2016	390,989

## Notes to the financial statements

For the year ended 31 December 2017

### 12. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	2,970,124	1,528,264	2,678,949	1,515,057
Amounts owed by group undertakings	-	-	724,901	36,192
Other debtors	79,380	135,901	90,695	102,486
Prepayments and accrued income	2,005,523	1,324,264	2,001,592	1,319,447
	<u>5,055,027</u>	<u>2,988,429</u>	<u>5,496,137</u>	<u>2,973,182</u>

### 13. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	20,566,278	6,481,945	20,190,140	6,073,740
	<u>20,566,278</u>	<u>6,481,945</u>	<u>20,190,140</u>	<u>6,073,740</u>

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

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade creditors	1,564,904	842,427	1,530,468	809,530
Other taxation and social security	307,746	226,991	239,687	194,492
Other creditors	146,230	1,204	154,774	375
Accruals and deferred income	201,605	112,462	198,277	140,918
	<u>2,220,485</u>	<u>1,183,084</u>	<u>2,123,206</u>	<u>1,145,315</u>

## Notes to the financial statements

For the year ended 31 December 2017

### 15. Financial instruments

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
<b>Financial assets</b>				
Financial assets measured at fair value through profit or loss	20,566,278	6,481,945	20,190,140	6,073,740
Financial assets that are debt instruments measured at amortised cost	3,049,502	1,664,165	3,494,546	1,653,735
	<u>23,615,780</u>	<u>8,146,110</u>	<u>23,684,686</u>	<u>7,727,475</u>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	(1,912,390)	(955,419)	(1,883,520)	(950,449)
	<u>(1,912,390)</u>	<u>(955,419)</u>	<u>(1,883,520)</u>	<u>(950,449)</u>

## Notes to the financial statements

For the year ended 31 December 2017

### 16. Share capital

	2017	2016
	£	£
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
14,157,248 (2016 - 16,630,990) Ordinary shares of £0.00001 each	142	166
4,230,637 (2016 - 4,476,250) Ordinary A shares of £0.00001 each	42	45
6,818,990 (2016 - 6,818,990) Ordinary B shares of £0.00001 each	68	68
9,225,750 (2016 - 9,225,750) Ordinary C shares of £0.00001 each	93	93
8,867,828 Ordinary D1 shares of £0.00001 each	89	-
2,719,355 Ordinary D2 shares of £0.00001 each	27	-
	<u>461</u>	<u>372</u>

On 21 July 2017, 8,867,828 D1 shares, with nominal value of £0.00001 per share, were issued for £23,099,983. £276,318 of legal fees were incurred on the issue of shares and have been offset against share premium.

On 21 July 2017, 2,473,742 ordinary shares with nominal value of £0.00001 per share and 245,613 A shares with nominal value of £0.00001 per share were redesignated to 2,719,355 D2 shares.

#### All classes of shares have the following rights:

Voting - Each share has one vote.

Dividends - Each share is entitled to pari passu dividend payments.

Redemption - The shares are not redeemable.

D1 shares are entitled to participate in a distribution ranking in priority to all other classes of ordinary share.

### 17. 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.

## Notes to the financial statements

For the year ended 31 December 2017

### 18. Commitments under operating leases

At 31 December 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £	Group 2016 £
Due within 1 year	74,762	267,422
Due within 2 to 5 years	6,149	80,911
	<u>80,911</u>	<u>348,333</u>

### 19. Post balance sheet events

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

### 20. Controlling party

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

### 21. 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.

## Notes to the financial statements

For the year ended 31 December 2017

### 22. 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 1,991,995 ordinary shares of £0.01 each to 130 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.

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

	2017	2017	2016	2016
	Number	WAEP	Number	WAEP
Balance brought forward	1,579,790	0.001	-	-
Share options granted	457,475	0.001	1,579,790	0.001
Share options exercised	(11,855)	0.001	-	-
Share options cancelled	(33,415)	0.001	-	-
<b>Balance carried forward</b>	<b><u>1,991,995</u></b>	<b><u>0.001</u></b>	1,579,790	0.001

There is no charge recognised within these financial statements as the directors consider the share option charge to be immaterial to the 2017 results.

### 23. Pension commitments

The group operates a defined contribution pension schemes for the benefit of its employees. The balance owing in relation to pension costs at 31 December 2017 was £12,759 (2016: £Nil).

### 24. Contingent liabilities

There were no contingent liabilities at 31 December 2017 or 31 December 2016.

### 25. Capital commitments

The Group had no capital commitments at 31 December 2017 or 31 December 2016.