

CarFinance247 Limited

Annual report and audited financial statements
for the year ended 30 June 2022

Registered number 06035525



Company Information

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	R R J Rix
	D M Miller
	J Davenport
Registered number	06035525
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Strategic report for the year ended 30 June 2022

The Board of Directors ("the Board") present their strategic report of CarFinance247 Limited ("the Company" or "CarFinance 247") for the year ended 30 June 2022.

Our business

CarFinance 247 is a private company incorporated, domiciled, and registered in the UK. It is a wholly owned subsidiary of 247 Group Holdings Limited and is a member of the 247 Group ("the Group"). Its principal activity is the facilitation of vehicle finance agreements between consumers and a panel of lenders.

CarFinance 247 is the UK's leading digital vehicle finance platform, the place where buyers, sellers, and finance providers connect. Our platform receives over a million applications annually and this year was an encouraging year as we originated over half a billion of vehicle finance.

By turning the traditional vehicle finance process on its head, CarFinance 247 enables consumers to secure their finance first, empowering and supporting them throughout the vehicle buying journey. We have integrated with a panel of lenders to ensure consumers receive the best rate available to them, while our culture of relentless innovation drives us to continually enhance and strengthen our processes and technology to facilitate faster decisions and improved outcomes for all parties involved.

Operating and financial review

The Board's key financial performance indicators are: revenue; gross profit; profit before tax; and EBITDA (defined as profit before tax excluding net finance cost, depreciation, and amortisation). These metrics are monitored on an ongoing basis.

	2022	2021	Increase/ (decrease)	Increase/ (decrease)
	£000	£000	£000	%
Revenue	69,984	46,130	23,854	52%
Gross profit	45,490	30,338	15,152	50%
Gross margin	65%	66%		
Profit before tax	16,268	10,774	5,494	51%
EBITDA	17,648	12,069	5,579	46%
Exceptional items	414	818	220	27%
EBITDA (excluding exceptional items)	18,062	12,887	5,799	45%

Exceptional items include costs associated with one-off projects and costs that are not considered to be statutory exceptional items.

This financial year saw the economy begin to recover from the effects of the global COVID-19 pandemic. However, on 24 February 2022, Russia began an invasion of Ukraine, which significantly impacted the availability of food and gas globally, causing a rise in inflation and leading to increased cost of living pressures in the UK. Our strong performance in year ended 30 June 2022 ("FY22") bears witness to the resilience and agility of our business to react to changes in the economic climate and ensure that there is always a compelling offer available to consumers.

Strategic report (Continued) **for the year ended 30 June 2022**

Operating and financial review (continued)

Despite the challenging economic environment, CarFinance 247 delivered its strongest ever revenue performance of just shy of £70m, a £23.9m and 52% increase on FY21. This has been achieved in large part thanks to the dynamic nature of our business and our ability to adapt to market fluctuation. We have been innovative in sourcing and reaching consumers with a need for vehicle finance, whilst also developing our own product offering to consumers and dealers alike so they can all derive the value they need out of the car buying journey. Improved communication of our ancillary products and the benefits they provide has also helped us to increase our top line revenue.

Performance has also been driven by an increase in the average amount of finance originated per transaction, from £8.7k in FY21 to £10.0k in FY22. Increased demand for second-hand vehicles, due to new vehicle supply chain issues, has led to significant used car price inflation.

We continue to use a data-driven approach to acquire new and retain existing customers. Through review of the customer journey and the leveraging of cutting-edge technology and data insights, we identify the acquisition channels and digital partners that provide the greatest value. We have consequently onboarded several new digital partners, including household names and international brands, secured exclusivity with many of our existing partners, and enhanced our relationships with dealers to help acquire new consumers. Overall, this has helped to maintain gross profit margin at 65%, marginally lower than 66% achieved in FY21.

During the year, we have invested in and focused on our people with employee costs increasing £2.0m from £14.9m in FY21 to £16.9m. We have identified and recruited driven, highly skilled individuals, who embody our Company's DNA and values, to bolster our teams, optimise processes and controls and ensure that all buyers, sellers, and finance providers to our vehicle finance platform receive exceptional customer service. Clear career pathways have been developed and implemented across the operation to give our people visibility of where a career with CarFinance 247 can take them.

Profit before tax has increased from £10.8m to £16.3m in FY22, a 51.0% increase. This is a strong performance for CarFinance 247 and a testament to the hard work of our people, their willingness to innovate, and their dedication to developing a compelling product offering for all parties to the platform.

Outlook and future developments

The Board is excited about the future of CarFinance 247, with plans in place to take the platform to the next level and cement our position as the UK's go-to vehicle finance brand.

We will continue to pair best-in-class technology with a team of dedicated account managers focused on delivering outstanding service. This year, we have started to integrate self-quote functionality within our platform and further digitise our customer journey. Not only does this give customers more control over their vehicle finance, but it also improves their understanding of the options available. The digitised journey is enhanced with in-built safeguarding and support from our account management team to ensure customers can make considered decisions that are appropriate for their needs and circumstances.

Development of our ancillary product offering will also allow our platform to become a one-stop shop, capable of meeting all our customers' motoring needs. In the year ahead, we will continue to invest in technology to develop our platform and ensure customers enjoy a seamless journey while simultaneously improving our offering to our digital partners.

We have also invested in technology specifically focused on our business-to-business proposition, removing pain points, and improving our digital interactions. Our relationship with dealers is integral to our business model and we are uniquely positioned to support both car buyers and sellers, helping to improve standards across the used vehicle industry and allow our partners to sell more vehicles.

Strategic report (Continued) **for the year ended 30 June 2022**

Outlook and future developments (Continued)

Investment in our lines of defence will ensure our controls and processes operate effectively and potential enhancements are identified. During the year, we have invested heavily in our first line risk team to focus on continuous oversight, enhancement to risk maturity, and proportionate enhancements to the system and control environment. This will allow the second line team to engage proactively with the external regulatory environment and conduct focussed thematic activity to strengthen risk performance across the Company.

Despite the uncertain economic climate and ongoing cost of living pressures, we remain cautiously optimistic that we will continue to attract new customers while supporting those who have already secured finance through our platform. While responsible lending and measured growth will be our priorities, our forecast for the year ahead still looks set to surpass the volume of vehicle finance origination in FY22. We leverage data science in several strategic positions to ensure that our consumers are given the best chance of finding a finance approval and are presented with vehicles most appropriate for their circumstances. We will continue to solidify our relationships with our digital partners and work with our lending panel to help say “yes” to more consumers.

With this strong foundation in place, we seek to reinforce CarFinance 247’s brand position, reach new audiences, and secure sustainable growth for long-term success.

Principal risks and uncertainties

The principal risks and uncertainties identified by the Board are macroeconomic risk, regulatory risk, technology risk, liquidity risk, credit risk and climate change risk. Further details are provided below.

Macroeconomic risk

The macroeconomic climate can adversely impact levels of disposable income due to increased interest rates, inflation and/or unemployment rates, potentially reducing the demand for vehicle finance. Despite overall optimism, the economic consequences of COVID-19 remain a risk to economic growth. In addition, Russia’s invasion of Ukraine in February 2022 has resulted in inflationary pressures and increased interest rates, reducing levels of disposable income leading to cost of living pressures. The Company is aware that monitoring the economic outlook is particularly important given the uncertainty caused by these economic factors. The Board frequently surveys any forecasted changes to the wider economic market conditions while reviewing the competitiveness of its products and services.

Regulatory risk

Regulatory risk is the potential negative consequences or censure as a result of failure to meet current and future regulatory obligations. Our primary regulators are the Financial Conduct Authority, who require CarFinance 247 to maintain fair and consistent outcomes for consumers. CarFinance 247 have an established Risk Management Framework underpinned by effective systems and controls that are subject to both continuous oversight and a structured regulatory horizon planning process to ensure new and emerging regulatory changes are identified, assessed, and implemented. The consultations and policy statements around Consumer Duty have been consumed and a structured implementation plan designed. Workshops have also been facilitated to enable a comprehensive gap analysis with related actions, which will allow us to evidence implementation when this legislation comes into force. Every member of our team receives regular training on the importance of complying with relevant laws and regulations.

Technology risk

Given the nature of our business, we depend on operating systems and infrastructure to be robust. We have deployed additional security software and services to mitigate against the threat of potential cyber security breaches. We are a tech-enabled company; technology is central to our service, and we invest heavily in enhancing our core IT and processes whilst also maintaining the integrity and security of our operating systems and infrastructure. We also work alongside our trusted business partners to deliver innovative systems and infrastructure and regularly update and improve our own internal safeguards.

Strategic report *(Continued)*
for the year ended 30 June 2022

Principal risks and uncertainties *(continued)*

Liquidity risk

Liquidity risk is the risk that we do not have sufficient financial resources to meet liabilities and obligations as they fall due. We undertake diligent liquidity planning to ensure that adequate financial resources are maintained, while also monitoring expected trading cash inflows together with expected cash outflows on trade and other payables. This process ensures that adequate cash resources are available to support our business activities and actions could be taken to ensure the liquidity of CarFinance 247.

Credit risk

Credit risk relates to the possibility of losses arising from a counterparty's failure to meet contractual obligations or repay debts. To mitigate this risk, a detailed due diligence process is performed on all counterparties prior to the commencement of trading with them. This process considers their financial stability and integrity; compliance with applicable regulatory bodies; information security controls and processes; and any other matters that may pose a financial, operational, or reputational risk to us. Ongoing monitoring of the counterparty, including its payment record, is also performed.

Climate Change risk

Society's response to climate change risk is resulting in changes to consumer preferences and behaviours, such as a gradual transition to electric vehicles. The Company recognises the risks associated with climate change and the associated developments in vehicles, however given CarFinance 247's operations as a vehicle finance platform, we do not envisage that climate change will have a significant impact.

Section 172(1) Statement

The Board of Directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006.

The paragraphs below outline how the Directors have fulfilled their duties:

Governance and decision making

CarFinance 247 maintains a clearly defined governance structure that is subject to regular review to ensure it remains aligned to the size and scale of the Company. The Board meets regularly to review and discuss management information, the strategic performance of CarFinance 247 and any key matters. Day-to-day management of the business is undertaken by the Executive Committee (ExCo), key decisions are discussed, challenged, and approved at Board level, with decisions made based on a balanced assessment of relevant information.

The governance structure is enhanced by the Risk and Conduct Committee, where a range of key conduct metrics and risk indicators are reviewed, monitored, and reported to Board as required. Any significant matters, which could impact our reputation, are discussed by the Board with actions taken as necessary.

A series of management meetings operate beneath the governance structure to both feed and support the decision-making process.

Strategic report (Continued)
for the year ended 30 June 2022

Section 172(1) Statement (continued)

Business relationships

Our purpose is “to help people improve their everyday lives.” This purpose is underpinned by our cultural DNA; a set of behaviours that we expect our people to demonstrate: “Passionate and Proud”, “Bold and Resilient”, and “Togetherness”. These behaviours are supported by a set of values that we expect our people to demonstrate and inform both our recruitment and performance management frameworks.

To take our consumers from initial application to driving away in their new vehicle, we work closely with a panel of lenders, motor vehicle dealers, and key suppliers. All partners undergo detailed due diligence procedures, which include an assessment of their financial stability and integrity, information security, compliance with regulatory matters, and reputational risks.

Ensuring our consumers receive the desired outcome for their circumstances is central to our corporate culture. We achieve this by ensuring this principle is embedded into our culture, modelled by our management, and supported by initial and ongoing training and quality control procedures. Complaints are handled in a timely and professional manner and feedback is welcomed, reviewed, and acted on to drive improvements in our internal processes and controls.

Our purpose also extends into our local community, where we look to help people improve their everyday lives by supporting causes close to our heart. As a Manchester-based company, we’re proud of our roots and feel it’s vital that we give back and help to inspire the next generation of entrepreneurs. We have established close connections with local charities, especially Manchester Youth Zone, which is playing an integral role in changing the course of young people’s lives. Charitable donations can make a tangible difference but, what is perhaps more meaningful to the people involved, are our volunteering efforts. Each year, every employee has a paid “Make a Difference Day”, which they can use to volunteer for a charity of their choice. This in-person support unites our team and is incredibly fulfilling, but has also been accompanied by a charitable contribution of £176,000.

Employees

Our purpose and DNA drive our “247 People” employer brand and have helped to create a clear direction of travel for our ongoing growth and development. We strive to be a “go-to” employer in the North West, a place where individuals can fulfil their career aspirations while supporting the development of the business.

We are committed to investing in the skills and capabilities of our people and ensuring that an appropriate level of training is provided so that our people can perform their roles and make the most of opportunities for professional development.

We also recognise the importance of supporting the health and wellbeing of our people. An employee assistance programme is in place to provide an independent support network, including expert advice and compassionate guidance across medical-related issues, bereavement, financial and debt management, and legal assistance. We also offer a competitive benefits package to improve our people’s commute, childcare, and healthcare needs; offer a competitive pension plan and free pension advice; and reward loyalty and hard work with length of service awards.

Approved by the Board of Directors on 15 December 2022 and signed on its behalf by:



David Miller
Director

Directors' report ***for the year ended 30 June 2022***

The Directors present their annual report and audited financial statement for the year ended 30 June 2022.

Certain information that is required in the Directors' report under the Companies Act has been disclosed in the Strategic Report.

Principal activities

The principal activity of the Company in the year under review was the brokerage of vehicle finance agreements between consumers and a panel of lenders. See the Strategic Report for further detail.

Future developments

An indication of likely future developments in the business have been included in the Strategic Report.

Directors

The Directors who served during the year and up to the date of signing these financial statements, unless otherwise indicated, were as follows:

- J L Rix
- R R J Rix
- D M Miller
- J Davenport

A qualifying third party indemnity provision as defined in section 234 of the Companies Act 2006 is in force for the benefit of the Directors in respect of liabilities incurred as a result of their office, to the extent permitted by law in respect of those liabilities for which the Directors may not be identified, a Directors' and officers' insurance policy was maintained by the Company through the financial year and up to the date of approval of the financial statements.

Going Concern

The Directors have assessed, in light of current and anticipated economic conditions, the Company's ability to continue as a going concern. The Board of Directors have confirmed that the Company has adequate resources to continue in the business for the foreseeable future. More details are provided in note 1.2.

Dividend

A dividend was paid in July 2021 of £175 per A and D ordinary share totalling £1,750,000. Approved by the Board on 14 July 2021.

A dividend was paid in December 2021 of £220.50 per A and D ordinary share totalling £2,205,000. Approved by the Board on 1 December 2021.

A dividend was paid in April 2022 of £1,150 per A and D ordinary share totalling £11,500,000. Approved by the Board on 29 April 2022.

Directors' report (continued)

Employee involvement and engagement

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements for the job. Opportunities are available for disabled employees for training, career development and promotion.

Where existing employees may become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to this aim.

The Company operates a framework for employee information and consultation. During the year, the policy of providing employees with information about the Company has continued through circulation of regular updates about business performance. Regular meetings are held between employees and management to allow the exchange of ideas and to achieve a common awareness of environmental factors that may impact business performance.

Political and charitable contributions

The Company has not made any political donations or incurred any political expenditure during the year.

Charitable donations during the year made by the Company amounted to £175,500 (2021: £82,500).

Research and development

During the year, the Company has incurred research and development expenditure of £1,017,000 (2021: £514,000) which has been recognised in administrative and operating expenses in the Statement of Profit or Loss and Other Comprehensive income. The Company has incurred and capitalised research and development expenditure of £196,000 for the current year under review (2021: £nil).

Post balance sheet events

A dividend was paid in July 2022 of £150 per A and D ordinary share totalling £1,500,000.

There have been no other significant events between the reporting date and the date of approval of financial statements which would require a disclosure in these financial statements.

Financial risk management

The Directors are responsible for the financial risk management process and ensuring suitable policies and procedures have been implemented by the Company.

Further information on financial risk management policies that have been adopted by the Company have been disclosed in the Principal risks and uncertainties section of the Strategic Report.

Environment

Under the Companies (Directors' report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 Part 7A of Schedule 7, the Company has applied the exemption available from reporting its UK energy use and associated greenhouse gas (GHG) emissions because the relevant disclosures have been made in the Company's parent 247 Group Holdings Limited.

Directors' report (continued)

Statement of Directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

PricewaterhouseCoopers LLP, were appointed as the auditors to the Company on 30 August 2017 and will be proposed for reappointment in accordance with section 487 of the Companies Act 2006.

Approved by the Board of Directors on 15 December 2022 and signed on its behalf by:



David Miller
Director

Independent auditors' report to the members of CarFinance247 Limited

Report on the audit of the financial statements

Opinion

In our opinion, CarFinance247 Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and audited financial statements for the year ended 30 June 2022 (the "Annual Report"), which comprise: the Statement of Financial Position as at 30 June 2022; the Statement of Profit and Loss and Other Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our Audit Approach

Overview

Audit scope

- The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment and other qualitative factors (including evaluation of the likelihood of misstatement through fraud or error).
- We tailored the scope of our audit to ensure that we performed sufficient work to enable us to opine on the financial statements.
- We identified all material financial statement line items and disclosures, including those that were considered qualitatively material, and conducted our work over these accordingly.

Key audit matters

- Risk of material misstatement in the debit back provision.

Materiality

- Overall materiality: £833,000 (2021: £345,000) based on 5% of profit before tax.
- Performance materiality: £624,800 (2021: £255,000).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Independent auditors' report to the members of CarFinance247 Limited (continued)

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><i>Risk of material misstatement in the debit back provision</i></p> <p>The provision for debit backs relates to commission which is expected to be clawed back if a customer ends their finance agreement early. The amount clawed back will depend on the terms CarFinance247 Limited have negotiated with different lenders on its panel. The provision recorded is £3,802,000 (2020: £2,875,000).</p> <p>The debit back provision is estimated based on past sales and behavioural experience of subsequent debit backs. These which are applied to current sales to estimate future debit backs that are likely to occur for each lender.</p> <p>The estimation of debit backs is subject to judgement and involves the use of estimates about future customer behaviour. The provision estimate is subject to uncertainty and we consider it to give rise to a higher risk of material error so this was an area of focus for our audit.</p> <p>Management's disclosures in the financial statements are given in note 19.</p>	<p>We tested the mathematical accuracy of management's model calculations. We tested the underlying revenue and debit back data used in the model;</p> <p>We reviewed the contracts between CarFinance247 Limited and the lenders on its panel to confirm that the estimate is appropriately capturing the risk of debit backs arising based on the specific terms and conditions with each counterparty;</p> <p>We compared the provision methodology adopted to the incurred debit backs in the year to consider whether management's method is giving rise to accurate outcomes;</p> <p>We performed sensitivity analysis over the assumed rate of debit backs for certain lenders that make up the majority of the provision. We considered the impact on the estimate if differing modelling techniques were used; and</p> <p>We obtained evidence relating to post year end debit backs to consider whether there is evidence of over or under provision based on actual behaviour.</p> <p>Based on the evidence we obtained we found the value of the provision to be reasonable.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

Independent auditors' report to the members of CarFinance247 Limited (continued)

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<i>Overall Company materiality</i>	£833,000 (2021: £345,000).
<i>How we determined it</i>	5% of profit before tax
<i>Rationale for benchmark applied</i>	Profit before tax is considered to be the main metric upon which the director's are focused. The Company has a history of paying regular dividends to the shareholders, where the ability of the Company to pay dividends is based on the profits earned by the Company.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £624,800 (2021: £255,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £41,600 (2021: £17,250) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of CarFinance247 Limited (*continued*)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 30 June 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the annual report and financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

Independent auditors' report to the members of CarFinance247 Limited (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the rules of the Financial Conduct Authority (FCA), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- enquiring with management and, where appropriate, those charged with governance;
- review of Board meeting minutes;
- identifying and testing journal entries meeting specific fraud criteria, including unusual account combinations in the journal posted and journals posted by unexpected users and on unusual days;
- review of correspondence with the regulators, in particular the FCA; and
- reviewing the financial statement disclosures and agreeing them to underlying supporting documentation.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of CarFinance247 Limited (continued)

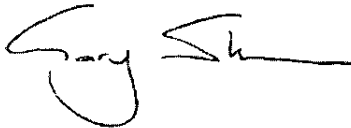
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Gary Shaw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
15 December 2022

Statement of Profit or Loss and Other Comprehensive Income
for year ended 30 June 2022

	Note	2022 £000	2021 £000
Revenue	3	69,984	46,130
Cost of sales		(24,494)	(15,792)
Gross profit		45,490	30,338
Administrative and operating expenses		(29,253)	(20,661)
Impairment loss on trade and other receivables		(82)	30
Other income	9	-	1,044
Operating profit	4	16,155	10,751
Finance income	8	489	379
Finance expenses	8	(376)	(356)
Net financing income		113	23
Profit before tax		16,268	10,774
Income tax expense	10	(1,688)	(1,727)
Profit for the financial year		14,580	9,047

There has been no comprehensive income or expense other than the profit for the year as shown above (2021: nil).

Statement of Financial Position
as at 30 June 2022

	Note	2022 £000	2021 £000
Non-current assets			
Property, plant and equipment	11	1,090	1,131
Intangible assets	12	796	153
Right-of-use assets	22	3,292	1,485
Investments	13	500	200
Deferred tax assets	14	-	51
		5,678	3,020
Current assets			
Inventories	15	210	57
Contract assets	3	632	476
Financial assets:			
- Trade and other receivables	16	38,734	25,268
- Cash and cash equivalents		7,108	12,647
		46,684	38,448
Total assets		52,362	41,468
Current liabilities			
Trade and other payables	17	26,075	14,904
Current tax payable	17	138	1,791
Provisions	19	1,824	1,576
Lease liabilities	22	363	762
		28,400	19,033
Non-current liabilities			
Deferred tax liabilities	14	14	-
Provisions	19	2,350	1,617
Lease liabilities	22	3,017	1,363
		5,381	2,980
Total liabilities		33,781	22,013
Net assets		18,581	19,455
Equity			
Share capital	20	-	-
Capital contribution reserve		10,230	10,230
Retained earnings		8,351	9,225
Total equity		18,581	19,455

These financial statements were approved by the Board of Directors on 15 December 2022 and signed on its behalf by:



David Miller

Director

Company registered number: 06035525

Statement of Changes in Equity

	Share capital	Capital contribution reserve	Retained earnings	Total equity
	£000	£000	£000	£000
Balance at 1 July 2020	-	9,880	3,728	13,608
Profit for the financial year	-	-	9,047	9,047
Capital contribution	-	350	-	350
Dividends	-	-	(3,550)	(3,550)
Balance at 30 June 2021	-	10,230	9,225	19,455
Profit for the financial year	-	-	14,580	14,580
Dividends	-	-	(15,455)	(15,455)
Balance at 30 June 2022	-	10,230	8,351	18,581

Notes

(forming part of the financial statements)

1 Accounting policies

1.1 Basis of Accounting

The Company has elected to prepare its financial statements in accordance with the Financial Reporting Standard 101 "Reduced Disclosure Framework".

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of the adopted International Financial Reporting Standards ("IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Paragraphs 110, 114, 115, 118, 119, 123, 125 and 126 of IFRS 15 *Revenue from contracts with customers*;
- Paragraph 52 and 58 of IFRS 16 *Leases*;
- Paragraph 38 of IAS 1 *Presentation of Financial Statements* the comparative requirements in respect of:
 - Paragraph 79(a)(iv) of IAS 1 *Presentation of Financial Statements*;
 - Paragraph 73(e) of IAS 16 *Property, Plant and Equipment*; and
 - Paragraph 118(e) of IAS 38 *Intangible Assets*.
- The following paragraphs of IAS 1 *Presentation of Financial Statements*:
 - 10(d) statement of cash flows;
 - 16 disclosure of a statement of compliance with all IFRS;
 - 38A the requirement for minimum two primary statements, including cash flow statement;
 - 38B-D disclosure of additional comparative information;
 - 111 cash flow statement information; and
 - 134-136 disclosures in respect of capital management.
- IAS 7 *Statement of Cash Flows*;
- Paragraph 33(c) of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;
- Paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in respect of the disclosure of the effects of new but not yet effective IFRSs;
- Paragraph 17 of IAS 24 *Related Party Transactions* in respect of disclosures of the compensation of Key Management Personnel;
- The requirements IAS 24 *Related Party Transaction* to disclose related party transaction entered into between two or more members of a group;

As the consolidated financial statements of parent Company 247 Group Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions available under FRS 101 in respect of the following disclosures:

- Paragraphs 45(b), 46, 47, 50 and 51 of IFRS 2 *Share Based Payments*;
- Paragraph 33(c) of IFRS 5;
- Paragraphs 91 to 99 of IFRS 13 *Fair Value Measurement*; and
- The disclosures required by IFRS 7 *Financial Instrument Disclosures*.

Notes (continued)

1 Accounting policies (continued)

1.1 Basis of Accounting (continued)

The financial statements are prepared on the historical cost basis. Historical cost is generally based on fair value of consideration given in exchange for goods or services.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the Directors, in the application of these accounting policies, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

1.2 Going concern

COVID-19, Brexit and the invasion of Ukraine by Russia in February 2022 have significantly impacted the economic outlook for the UK whilst affecting individuals and businesses on a global scale and as such continues to be an ongoing consideration of the Board.

The Board of Directors has reviewed the latest financial forecasts which includes the expected impact of current and the future economic conditions and are comfortable that the Company has sufficient financial resources to meet its liabilities, as and when they fall due, over the period of their assessment covering no less than 12 months from the approval of these financial statements. The Directors acknowledge that there may be further unexpected impacts that are currently unforeseeable.

In addition, the Board continuously assesses liquidity risk and takes necessary actions including ensuring an appropriate funding strategy is in place to support the Company's growth initiatives and maintain appropriate liquidity.

In light of this assessment, the Directors have, at the time of approving these financial statements, a reasonable expectation that the Company has adequate resources to continue to adopt the going concern basis of accounting in preparing these financial statements.

1.3 Functional and presentational currency

The Company's functional and presentational currency is British Pound Sterling. All amounts have been rounded to the nearest thousand, except when otherwise indicated.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the Statement of Profit or Loss and Other Comprehensive Income.

1.4 Financial instruments

(i) Recognition and initial measurement

Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Notes (continued)

1 Accounting policies (continued)

1.4 Financial instruments (continued)

(ii) Classification and subsequent measurement

Financial assets

IFRS 9 sets out the requirements for recognising and measuring financial assets into three categories: amortised cost; fair value through other comprehensive income (FVOCI) or fair value through Profit or Loss (FVTPL). The Company's current business model for all financial assets is to hold to collect contractual cash flows and all assets held give rise to cash flows on specified dates that represent solely payments of principal and interest on the outstanding principal amount. All the Company's financial assets are therefore currently classified at amortised cost. In making this assessment, the Company considers whether the contractual cash flows are considered to be a basic lending arrangement i.e. interest only includes consideration for the time value of money, credit risk and other basic lending risks. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

These assets are subsequently measured at amortised cost using the effective interest method. Interest income and impairment are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Any gain or loss on derecognition is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

IFRS 9 sets out requirements for recognising and measuring financial liabilities into two categories: amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities classified as FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the Statement of Profit or Loss and Other Comprehensive Income. All the Company's financial liabilities are measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Any gain or loss on derecognition is also recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Notes (continued)

1 Accounting policies (continued)

1.4 Financial instruments (continued)

(iii) Impairment

The Company applies the IFRS 9 simplified approach to measuring expected credit losses (ECLs) which uses a lifetime expected loss allowance for all trade receivables and contract assets. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The contract assets have the same risk characteristics as debit backs of finance commission. The Company has therefore concluded that the expected loss rates for contract assets are the same as historical debit back loss rates being adjusted for current and forward-looking information (see note 2 for further detail).

Write-offs

The gross carrying amount of trade and other receivables and contract assets is written off, either partially or in full, to the extent that there is no realistic prospect of recovery. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(iv) Derecognition

Financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers or retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Currency translation

Financial assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the reporting date.

Notes (continued)

1 Accounting policies (continued)

1.5 Leases

The Company has entered into various lease arrangements for properties, IT equipment and motor vehicles. At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset which may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - the Company has the right to operate the asset; or
 - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term considering the optional renewal period if the Company is reasonably certain to exercise the option. Depreciation is charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the Statement of Profit or Loss and Other Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease payments included in the measurement of the lease liability comprise fixed rental payments for the leased assets.

Notes (continued)

1 Accounting policies (continued)

1.5 Leases (continued)

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.6 Intangible assets

Software

Cost associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research expenditure and development expenditure that do not meet the above criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- | | |
|------------|-----------|
| • Website | 3-5 years |
| • Licenses | 3 years |
| • Software | 3 years |

Notes (continued)

1 Accounting policies (continued)

1.7 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation

Depreciation is charged to the Statement of Profit or Loss and Other Comprehensive Income so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method:

- Motor vehicles 5 years
- Fixtures and fittings 5 years
- Computer equipment 3 years

1.8 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. *An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.* An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.9 Inventory

Inventory consists of pre-owned motor vehicles which the Company have taken ownership of. Inventory is stated at the lower of cost and net realisable value. *Net realisable value is based on estimated selling price, less further costs expected to be incurred to dispose of the inventory.*

1.10 Provisions

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Where appropriate provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.11 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income in the periods during which services are rendered by employees.

Notes (continued)

1 Accounting policies (continued)

1.11 Employee benefits (continued)

Share-based payment transactions

247 Group Holdings Limited operates the group share-based payment plan in which 247 Group Holdings Limited grants equity-settled awards to the Company's employees. In exchange, the Company receives services as consideration for the equity instruments. These awards are accounted for as equity-settled share-based payment transactions. The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense in the Statement of Profit or Loss and Other Comprehensive Income over the period that the employees become unconditionally entitled to the awards, with a corresponding increase in capital contribution reserve.

The fair value of the options granted is measured at grant date. At each reporting date, an assessment is performed over the number of instruments expected to vest, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related vesting conditions at the vesting date.

1.12 Revenue from contracts with customers

IFRS 15 established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of IFRS 15 is that the Company recognises the revenue to depict the transfer of promised goods or services to customers for an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods and services. Specifically, the standard introduces a 5 step approach to revenue recognition:

- Step 1 - Identify the contract (s) with a customer
- Step 2 - Identify the separate performance obligations in the contract
- Step 3 - Determine the transaction price
- Step 4 - Allocate the transaction price to the performance obligations in the contract
- Step 5 - Recognise revenue when (or as) the entity satisfies a performance obligation

The revenue shown in the Statement of Profit or Loss and Other Comprehensive Income represents revenue recognised by the Company in respect of goods and services supplied during the year, exclusive of Value Added Tax.

- Finance commission represents commissions received from lenders for motor vehicle finance which has been brokered. Finance commission may be refunded or "debited back" to the lenders where the finance has been early settled, defaulted or as a result of fraud. Debit backs represent an element of finance commission which is deemed to be variable commission and only revenue that is highly probable it will not suffer a debit back is recognised as revenue. The revenue which does not meet the highly probable criteria is recognised as a debit back provision.
- Other revenue includes GAP insurance, facilitation fees and paint protection income. GAP insurance policies and facilitation fees are recognised in the month they are raised. For GAP insurance sales, the Company is deemed to be in an agency relationship with suppliers therefore revenue is recognised net of any costs of sale. GAP insurance may be refunded or "debited back" where the customer cancels their policy during its term. Only the revenue that is highly probable it will not suffer a debit back is recognised as revenue. The revenue which does not meet the highly probable criteria is recognised as a debit back provision. Paint protection revenue is recognised when the goods and services have been provided to the customer.

Notes (continued)

1 Accounting policies (continued)

1.13 Government grants

Government grants are recognised at fair value where there is reasonable assurance that the Company will comply with any conditions attached to the grant and the grant will be received.

Government grants relating to costs are recognised in "Other income" within the Statement of Profit or Loss and Other Comprehensive Income in the period in which it becomes receivable to match the grant with the costs that they are intended to compensate.

1.14 Financing income and expenses

Financing expenses includes bank interest payable, bank charges and interest payable on leases. Finance expense on bank borrowings and leases are calculated using the effective interest method and are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Financing income comprises of interest receivable on bank deposits and intercompany loans. Foreign currency gains and losses are reported on a net basis.

1.15 Income tax expense

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Profit or Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Notes (continued)

2 Critical accounting judgements and sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no critical accounting judgements and the following critical accounting estimate.

Debit back provision

The Company contracts with finance lenders to receive commission for motor vehicle finance brokered. Depending on the contracts, commission may need to be refunded or “debited back” where, for example the customer settles early, defaults or fraud is detected.

These debit backs represent variable commission under IFRS 15 and an adjustment is required to revenue to recognise only the revenue which is highly probable not to suffer a debit back. The Directors make an accounting estimate of the amount of finance commission that may need to be refunded based on the likelihood of early settlement, fraud and default. The estimate is based on historical trends of finance commission that have been repaid to lenders and consideration of the impact of potential future economic conditions on the level of finance commissions refunded. A percentage is estimated for each qualifying lender based on these historic trends and the impact of future economic conditions; this is then applied to the level of finance commission received from each qualifying lender to estimate the amount which may become refunded to the lenders at the reporting date. The provision is discounted where appropriate as debit backs are estimated over the full term of the loans brokered. This estimate reduces the amount of revenue recognised and results in the recognition of a debit back provision. For further detail see note 19.

3 Revenue

The Company’s revenue is derived from services related to the provision of brokering services in the online vehicle finance market. Other income relates to amounts received from government grants. All revenue arises within the United Kingdom.

(i) Contract balances

The contract assets primarily relate to brokering services that have been provided by the Company, where the lender has withheld a portion of the commission earned and the receipt of the commission earned is dependent on the future performance of the customer brokered. The contract assets are transferred to receivables when the rights become unconditional.

The following table provides the analysis of all contract balances associated with contracts with customers.

	2022	2021
	£000	£000
Trade and other receivables	8,785	7,648
Accrued income	1,595	3,824
Contract assets	632	476
	11,012	11,948

Notes (continued)

4 Operating profit

Operating profit is stated after charging or (crediting) the following items:

	Note	2022 £000	2021 £000
Depreciation ¹	11/22	1,363	1,291
Amortisation of intangible assets	12	130	26
Net (credit)/charge ²		(668)	37
Research and development		1,017	514
Staff cost	6	16,503	14,857

5 Auditors' remuneration

Remuneration of the auditors, excluding VAT is as follows:

	2022 £000	2021 £000
Audit of these financial statements	107	105
Other non-audit services	8	1
	115	106

6 Staff numbers and costs

The monthly average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

	2022 No.	2021 No.
Sales	377	310
Administration	101	75
	478	385

	2022 £000	2021 £000
<i>Aggregate payroll costs</i>		
Wages and salaries	14,473	13,621
Social security costs	1,577	1,013
Contributions to defined contribution plans	453	223
	16,503	14,857

¹ Relating to property, plant and equipment and right-of-use assets

² Relating to disposal of property, plant and equipment and intangibles and modification of lease contracts resulting right-of-use assets

Notes (continued)

7 Directors' remuneration

	2022 £000	2021 £000
Directors' emoluments	154	524
Directors' pension costs	8	3
	162	527
	2022 No.	2021 No.
Number of Directors in respect of qualifying services	4	4

8 Finance income and expense

	2022 £000	2021 £000
Interest receivable from other group undertakings	487	378
Bank interest receivable	2	1
	489	379
	2022 £000	2021 £000
Interest on loans and borrowings	126	-
Interest on obligations under finance leases	230	295
Finance expense other	20	61
	376	356

9 Other Income

The Company obtained and recognised as income government grants of £nil (2021: £1,044,000). The grants relating to the Coronavirus Job Retention Scheme are recognised as income in the Statement of Profit or Loss and Other Comprehensive Income over the period in which the Company recognises the expenses for which grants are intended to compensate. All conditions relating to the government grants have been fulfilled and there were no other contingencies attached to the grants.

Notes (continued)

10 Income tax expense

Recognised in the income statement:

	2022 £000	2021 £000
Corporation tax		
Current tax on profits for the year	1,818	1,791
Adjustment in respect of prior years	(196)	-
	<u>1,622</u>	<u>1,791</u>
Deferred tax expense		
Origination and reversal of temporary differences	20	(52)
Effects of changes in tax rate	6	(12)
Adjustments in respect of prior periods	40	-
	<u>66</u>	<u>(64)</u>
Total tax on profit	<u>1,688</u>	<u>1,727</u>

Reconciliation of effective tax rate

	2022 £000	2021 £000
Profit before tax	16,268	10,774
Tax on profit at standard UK rate of 19% (2021: 19%)	3,091	2,047
Tax rate changes	6	(12)
Expenses not deductible	247	129
Group relief	(747)	(437)
Non-taxable income	(563)	-
Other	(190)	-
Adjustments in respect of prior periods	(157)	-
	<u>1,688</u>	<u>1,727</u>

Factors that may affect future tax charges

The headline rate of UK corporation tax remained at 19% for the period. However, Finance Bill 2021, which was published on 11 March 2021 and substantively enacted on 24 May 2021, includes a provision to change the standard rate of corporation tax from 19% to 25% with effect from 1 April 2023.

On 17 October 2022, the Chancellor of the Exchequer confirmed that in line with the previously enacted legislation the UK corporation tax rate will increase to 25% from 1 April 2023. In line with the requirements of IAS 12, these enacted tax rates have been used to determine the deferred tax balances at 30 June 2022.

Notes (continued)

11 Property, plant and equipment

	Motor vehicles £000	Fixtures & fittings £000	Computer equipment £000	Total £000
<i>Cost</i>				
Balance at 1 July 2021	416	2,265	1,132	3,813
Additions	120	150	437	707
Disposals	(256)	-	-	(256)
Reclassification	1	-	-	1
Balance at 30 June 2022	281	2,415	1,569	4,265
<i>Accumulated depreciation</i>				
Balance at 1 July 2021	238	1,512	932	2,682
Depreciation charge for the year	31	451	192	674
Disposals	(181)	-	-	(181)
Balance at 30 June 2022	88	1,963	1,124	3,175
<i>Net book value</i>				
At 30 June 2021	178	753	200	1,131
At 30 June 2022	193	452	445	1,090

The depreciation charge is recognised in administrative and operating expenses in the Statement of Profit or Loss and Other Comprehensive Income.

Notes (continued)

12 Intangible assets

	Website £000	Licence £000	Software £000	Total £000
<i>Cost</i>				
Balance at 1 July 2021	261	273	211	745
Additions	-	-	773	773
Disposals	-	-	-	-
Rerclassification	-	-	-	-
Balance at 30 June 2022	261	273	984	1,518
<i>Accumulated amortisation</i>				
Balance at 1 July 2021	256	244	92	592
Amortisation charge for the year	2	19	109	130
Balance at 30 June 2022	258	263	201	722
<i>Net book value</i>				
At 30 June 2021	5	29	119	153
At 30 June 2022	3	10	783	796

The amortisation charge is recognised in administrative and operating expenses in the Statement of Profit or Loss and Other Comprehensive Income.

13 Investments

The Company has the following investments:

Company	Registered office address	Principal activity	Ownership	
			2022	2021
Rally Warrior Limited	Universal Square, Devonshire Street North, Manchester, United Kingdom, M12 6JH	Competitive motor sports	22%	11%

	2022 £000	2022 £000
Carrying value at 1 July	200	-
Additions	300	300
Impairment	-	(100)
Carrying value at 30 June	500	200

Notes (continued)

14 Deferred tax assets and liabilities

Movement in deferred tax

	2022 £000	2021 £000
At 1 July	(51)	13
Recognised in income	20	(52)
Adjustment in respect of prior years	39	-
Effect of rate change	6	(12)
At 30 June	14	(51)

Deferred tax assets and liabilities are attributable to the following

	2022 £000	2021 £000
Fixed asset timing differences	156	(37)
Short term timing differences	(142)	(14)
	14	(51)

15 Inventory

	2022 £000	2021 £000
Finished goods and goods for resale	210	57

16 Trade and other receivables

	2022 £000	2021 £000
Trade receivables	8,785	7,648
Amounts due from related parties ³	26,626	12,449
Other receivables	1,728	1,347
Accrued income	1,595	3,824
	38,734	25,268
Current	38,734	25,268
Non-current	-	-
	38,734	25,268

³ £2,746,000 (2021: £1,782,000) relates to amounts due from other related parties (Directors and other companies wholly owned by Directors outside the Group) is interest free, unsecured and repayable on demand. £5,662,000 (2021: £1,358,000) relates to amounts due from other group undertakings is interest free, unsecured and repayable on demand. The remaining £18,218,000 (2021: £9,309,000) relates to amounts due from other group undertakings is interest bearing, unsecured and repayable on demand.

Notes (continued)

17 Trade and other payables

	2022 £000	2021 £000
Trade payables	7,466	7,328
Amounts due to related parties*	12,381	815
Current tax payable	138	1,791
Taxation and social security	3,132	4,474
Accrued expenses	3,096	2,287
	26,213	16,695
Current	26,213	16,695
Non-current	-	-
	26,213	16,695

*£12,204,000 (2021: £815,000) relates to amounts due to other group undertakings is interest bearing, unsecured and repayable on demand. The remaining £177,000 (2021: nil) relates to amounts due from other group undertakings is interest free, unsecured and repayable on demand.

18 Employee benefits

Defined contribution plans

The Company operates a defined contribution pension scheme. The expense recognised in the year for the contributions to the defined contribution scheme amounts to £453,000 (2021: £223,000).

Share-based payments

The following awards (share options) have been granted under long term incentive plan to the Group senior management. These awards were exercised during the current financial year in accordance with the contractual terms.

The term and conditions of these awards are as follows:

Grant date / employees entitled	Method of settlement accounting	Vesting conditions	Contractual life of options
19/07/2018	Equity	Service conditions	July 2021

Share options are granted under a service condition, these conditions are not taken into account in the grant date fair value measurement of the services received. The options are exercisable at the ordinary share nominal value £0.01, and a weighted average expected contractual life of 3 years. The options are forfeited if the participant ceases to hold the plan-related employment before the third anniversary of grant date.

The fair value of an employee share option at grant date was £3,982.

The Company recognised the share-based payment expense of £nil (2021: £351,000) in the Statement of Profit or Loss and Other Comprehensive Income for the equity settled awards to the employees of its subsidiaries in the Company shares.

For full details of the Group's share-based payment plans, refer to the consolidated financial statements of 247 Group Holdings Limited which are available to the public and may be obtained from One St Peter's Square, Manchester, M2 3DE.

Notes (continued)

19 Provisions

	Debit back provision	Other provisions	Asset retirement obligations provision	Total
	£000	£000	£000	£000
2022				
Balance at 1 July 2021	2,875	104	214	3,193
Charge for the year	8,533	44	9	8,586
Utilised during the year	(7,606)	-	-	(7,606)
Balance at 30 June 2022	3,802	148	223	4,174

	Debit back provision	Other provisions	Asset retirement obligations provision	Total
	£000	£000	£000	£000
2021				
Balance at 1 July 2020	3,199	328	208	3,735
Charge for the year	3,181	31	6	3,218
Utilised during the year	(3,505)	(255)	-	(3,760)
Balance at 30 June 2021	2,875	104	214	3,193

	2022	2021
	£000	£000
Current	1,824	1,576
Non-current	2,350	1,617
	4,174	3,193

Debit back provision

The debit back provision is recognised so only finance commission and GAP insurance revenue which is highly probable is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The GAP insurance debit back provision of £297,000 (2021: £207,000) represents revenue which is not considered highly probable because there is a risk the customers will terminate their GAP insurance arrangements before the end of their contractual term, resulting in a debit back of revenue.

The finance commission debit back provision of £3,505,000 (2021: £2,668,000) represents the revenue which is not considered highly probable because there is a risk that customers terminate finance arrangements before the end of their contractual term and this may result in a debit back of finance commissions, earned by the Company, from the lender.

Finance commission debit backs predominantly arise due to early or voluntary terminations, or due to credit default by the customer. The Directors monitor the level of debit backs by lender relative to sales volumes in order estimate the amount of commission which may be reclaimed based on historic trends.

The provision is calculated on a lender by lender basis based on the specific historical trends of finance commission debit backs by each lender; the specific contractual terms with each lender; and consideration of the impact of potential future economic conditions. A "debit back curve" is calculated for each qualifying lender based on these historic trends and potential future economic conditions, this is then applied to the level of finance commission received from each qualifying lender to estimate the amount which may become repayable at a future date.

The annual debit back rate, defined as the total debit backs divided by total finance commission revenue earned in the year, was 9.9% (2021: 7.8%). If the annual debit back rate assumption was to increase proportionally by 5.0%, this would result in a provision increase of £175,000 (2021: £131,000).

Notes (continued)

19 Provisions (continued)

Debt back provision (continued)

Other provisions

Other provisions include a deals provision relating to the customer cancellation of finance arrangements post year-end resulting in the customer not fully completing their purchase and a complaints provision. These costs were fully provided for in the current reporting period and are expected to be fully utilised over the next 12 months.

Asset retirement obligations

A provision is recognised to restore the leased properties to their original conditions on completion of the lease terms. An independent surveyor valuation is used to estimate the possible outcomes for the total costs. The present value of provision has been calculated using the discount rate of 4%.

20 Share Capital

Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
7,500 Ordinary 1p 'A' shares	75	75
263 Ordinary 1p 'C' shares	3	3
2,500 Ordinary 1p 'D' shares	25	25
	103	103

There are A, C and D shares issued by the Company. The holders of A and D shares have the right to receive notice of and to attend, speak and vote at all general meetings of the Company, and each A and D share shall carry one vote each. There are no restrictions on the distribution of dividends and the repayment of capital.

The holders of C shares are not entitled to receive notice of or to attend, speak at or vote at the general meetings of the Company. These shares do not carry any right to receive a dividend and are not redeemable. There are no restrictions on the repayment of capital.

21 Financial Instruments

The following table sets out the carrying value of the Company's financial assets and liabilities in accordance with the categories of financial instruments set out in IFRS 9.

	Note	2022 £000	2021 £000
Financial assets measured at amortised cost			
Trade and other receivables	16	12,108	12,819
Amounts due from related parties	16	26,626	12,449
Contract assets	3	632	476
Cash and cash equivalents		7,108	12,647
		46,474	38,391
Financial liabilities measured at amortised cost			
Trade and other payables	17	13,832	15,880
Amounts due to related parties	17	12,381	815
Lease liabilities	22	3,380	2,125
		29,593	18,820

The carrying value of financial assets and financial liabilities is approximately equal to the fair value.

Notes (continued)

22 Leases

Leases comprise owned and leased assets that do not meet the definition of investment property. The Company leases many assets including buildings and vehicles. Information about leases for which the Company are a lessee is presented below.

Lease liabilities included in the Statement of Financial Position

	2022 £000	2021 £000
IT equipment (right-of-use assets)	40	120
Motor vehicles (property, plant and equipment)	168	160
Properties (right-of-use assets)	3,172	1,845
	3,380	2,125
	2022 £000	2021 £000
Current	363	762
Non-current	3,017	1,363
	3,380	2,125

Maturity analysis - contractual undiscounted cash flows

	2022 £000	2021 £000
Less than one year	867	1,021
One to five years	3,996	1,348
	4,863	2,369

The Company recognises right-of-use assets and lease liabilities for most significant leases. The Company decided to apply the recognition exemptions to short-term leases and low value items. The expense that relates to this equipment is recognised in administrative and operating expenses in the Statement of Profit or Loss and Other Comprehensive Income.

Right-of-use assets

	Properties £000	IT Equipment £000	Total £000
2021			
Balance at 1 July	1,710	223	1,933
Additions	149	27	176
Disposals	(38)	-	(38)
Depreciation charge for the year	(467)	(119)	(586)
Balance at 30 June	1,354	131	1,485
2022			
Balance at 1 July	1,354	131	1,485
Additions	3,435	45	3,480
Disposals	(985)	-	(985)
Depreciation charge for the year	(551)	(138)	(689)
Balance at 30 June	3,253	38	3,292

Notes (continued)

22 Leases (continued)

Amounts recognised in Statement of Profit or Loss and Other Comprehensive Income

	2022 £000	2021 £000
Interest on lease liabilities	230	295
Depreciation charge *	720	707
Lease modification (net credit)	(667)	-
Expenses relating to leases of short term and low-value assets	26	26
	<u>309</u>	<u>1,028</u>

* The depreciation charge relates to the Company lease assets including properties and motor vehicles (note 11).

23 Related parties

During the year the Company paid rent amounting to £nil (2021: £29,000) to RRJ & JL Rix partnership and service charges amounting to £409,000 (2021: £1,065,000) to EGFV Rix Limited (both owned by the ultimate controlling parties Mr R R J Rix and Mr J L Rix).

Balances due from other related parties are disclosed in note 16.

Balances due to other related parties are disclosed in note 17.

Any distributions to the shareholders are disclosed in the Statement of Changes in Equity.

The Company has taken advantage of the exemptions available under FRS 101 and has not disclosed transactions with fellow wholly owned subsidiaries of the Group and key management personnel.

24 Ultimate parent Company and parent Company of larger Group

The Company is a subsidiary undertaking of 247 Group Holdings Limited which is the ultimate parent Company incorporated in the United Kingdom. The ultimate controlling parties are Mr R R J Rix and Mr J L Rix.

The largest and smallest Group in which the results of the Company are consolidated is that headed by 247 Group Holdings Limited, One St Peter's Square, Manchester, M2 3DE. The consolidated financial statements of the Group are available to the public and may be obtained from One St Peter's Square, Manchester, M2 3DE.

25 Post balance sheet events

Dividend

A dividend was paid in July 2022 of £150 per A and D ordinary share totalling £1,500,000.

There have been no other significant events between the reporting date and the date of approval of financial statements which would require a disclosure in these financial statements.