

Servicing Stop Limited
Financial Statements
29 November 2019



BRIAN PAUL LIMITED
Chartered Accountants & Statutory Auditors
Chase Green House
42 Chase Side
Enfield
Middlesex
EN2 6NF

Servicing Stop Limited

Financial Statements

Period from 1 December 2018 to 29 November 2019

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Servicing Stop Limited

Officers and Professional Advisers

The board of directors

O J Richmond
T R Richmond

Registered office

57 London Road
Enfield
Middlesex
United Kingdom
EN2 6DU

Auditor

Brian Paul Limited
Chartered Accountants & Statutory Auditors
Chase Green House
42 Chase Side
Enfield
Middlesex
EN2 6NF

Servicing Stop Limited

Strategic Report

Period from 1 December 2018 to 29 November 2019

Introduction

The principal activity of the company is the provision of car servicing, MOT and repair services.

Business review

Servicing Stop's financial year underpinned the decision by the Directors to push forward with the findings of a strategic review of the business which identified the capability to increase the efficiency of our current industry-leading automation alongside developing innovative new automation to accelerate focus on the core values of the business.

This decision highlights a transformative shift in direction from top-line growth to push towards profitability, non-critical, less remunerative lines were dropped and we focused on areas of higher-margin that continue to benefit from the progressive changes and our knowledge and experience, therefore whilst top-line growth decelerated we were able to achieve an increased gross profit margin percentage year on year, and because of this the company was able to realize a profit after tax for the financial year. We believe this puts the company in an optimum position to grow the top line at profitable margins.

Our advancement in streamlining internally combined with focusing on core industry products enabled enhanced operational efficiency and resilience. We now have greater execution and value superiority which is the core push of our growth.

Servicing Stop has reorganized our portfolio of partners with the clear alignment of the business model; this investment ensured an improvement in customer outcomes with an NPS score just under 30% and simplifying and excelling at the fundamentals have been key.

The diversity and the strength of the business after the execution of the strategic review allow us to meet any short-term challenges such as the uncertainty of COVID, our relentless focus to maximize consumer experience reinforces the sustainability of our growth ambitions in the next financial year.

Principal risks and uncertainties

Competition

Companies are increasingly influenced by the 'online platform revolution' which has enabled all types of industry to achieve a larger footfall at less expense. In addition, the automotive industry offers a wide array of opportunities to those with entrepreneurial spirit. Consequently Servicing Stop's revolutionary business model is now being replicated by competitors entering the space to challenge its position as market leader. The company has been able to remain its pre-eminent position due to a range of factors:

1. Servicing Stop has developed a system of sophisticated proprietary algorithms which drive the business forward. The algorithms are underpinned by advanced regression modelling, to cultivate pricing for the consumer and maintain as well as optimise conversion rates. These algorithms are continually monitored and updated to reflect changes in prices, garage performance, regional disparities and customer preferences.
2. Servicing Stop maintains significant investment in advertising and marketing ensuring it can reach its entire demography throughout the UK.

Servicing Stop Limited

Strategic Report *(continued)*

Period from 1 December 2018 to 29 November 2019

3. The company also boasts a comprehensive customer service system by offering a range of remedies to customer disputes not offered by independent or dealership garages. Servicing Stop works to protect the customer in the event of a complaint by assuming ownership of all communication with the garage and preventing the customer from having to confront the garage. Servicing Stop is a central point of contact that uses fair and trusted variables as well as a cohesive set of values and ethics to determine accountability.

4. While protecting the customer, the company work closely with its expanding network of garages. Servicing Stop focuses on training and auditing their garage network by introducing them to exclusive technology and conducting mystery shops through in-house and independent bodies.

Service quality and brand reputation

Servicing Stop is aware of the potential impact of negative publicity and therefore explores ways to improve the customer experience by collecting and monitoring feedback and making changes based on these findings. Customers are encouraged to evaluate their job to highlight areas where the business is succeeding and those which require improvement. In response to the feedback, Servicing Stop has employed a Network Compliance Team which includes staff with significant motor industry experience, which is responsible for auditing, training and monitoring the garages in the network. The team ensures all accreditation is up to date, the garages are trained to the highest standards and investigate customer disputes relating to potential garage error. The Network Compliance Team also oversee the Garage Manager app, which enables garages to manage their jobs more efficiently while offering transparency to customers able to view their repairs in real time. The app checks that the garages provide photo or video evidence of the state of the vehicle at point of collection and delivery, faulty parts and the completed repair work.

Technology

Staying on top of the automotive agenda is vital in order to thrive in a fast paced industry and the company continually monitors automotive developments such as the growth in electric and hybrid cars and its impact on the car servicing industry. The company monitors its network of independent garages to ensure the garages possess the most up-to-date equipment and necessary skill set to respond to these changes.

Business Model

Servicing Stop is currently the UK's largest independent online car servicing provider with more garages and resources than any of its competitors. The company is open to potential investment in order to grow its garage network, increase brand awareness and gain additional market share in the online car servicing market.

Financial key performance indicators

Unlike preceding years, Servicing Stop's primary focus has been geared towards restructuring by becoming a leaner and more efficient company and ensuring sustainable growth. A few significant indicators of this strategy are profitability, number of bookings and completed jobs. Following this restructuring the company turned a profit during the year relative to a net loss position in 2018, notwithstanding the fact that completed jobs relative to the last financial year were down by 32%.

Servicing Stop Limited

Strategic Report *(continued)*

Period from 1 December 2018 to 29 November 2019

Other key performance indicators

Servicing Stop's number of active garages grew over the 12 month period, this coincided with an increase in its average customer satisfaction score, this continuing positive trend reinforces the decisions made by the directors after the company's strategic review, the company recognises the importance of these metrics as it highlights that the directional change has further enhanced partner and consumer journeys with Servicing Stop.

This report was approved by the board of directors on 14 October 2020 and signed on behalf of the board by:



O J Richmond
Director

Registered office:
57 London Road
Enfield
Middlesex
United Kingdom
EN2 6DU

Servicing Stop Limited

Directors' Report

Period from 1 December 2018 to 29 November 2019

The directors present their report and the financial statements of the company for the period ended 29 November 2019.

Directors

The directors who served the company during the period were as follows:

| | |
|--------------|-------------------------|
| O J Richmond | |
| T R Richmond | |
| N Mckee | (Resigned 18 June 2019) |
| D Mckee | (Resigned 18 June 2019) |

Dividends

The directors do not recommend the payment of a dividend.

Financial instruments

Financial assets measured at fair value through profit or loss comprise of cash at bank and in hand.

Financial assets that are debt instruments measured at amortised cost comprise of trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise of trade creditors and other creditors.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 19 to the financial statements.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent.

Servicing Stop Limited

Directors' Report *(continued)*

Period from 1 December 2018 to 29 November 2019

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

Auditor

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

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

This report was approved by the board of directors on 14 October 2020 and signed on behalf of the board by:



O J Richmond
Director

Registered office:
57 London Road
Enfield
Middlesex
United Kingdom
EN2 6DU

Servicing Stop Limited

Independent Auditor's Report to the Members of Servicing Stop Limited

Period from 1 December 2018 to 29 November 2019

Opinion

We have audited the financial statements of Servicing Stop Limited (the 'company') for the period ended 29 November 2019 which comprise the statement of income and retained earnings, statement of financial position, statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 November 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 3 in the financial statements, which indicates that the Company reported a net profit of £133,151 during the year ended 29th November 2019 and, at that date, the Company's current liabilities exceeded its total assets by £784,582 and it had net current liabilities of £1,764,351. As stated in note 3, these events or conditions, along with the other matters as set forth in note 3, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Servicing Stop Limited

Independent Auditor's Report to the Members of Servicing Stop Limited

(continued)

Period from 1 December 2018 to 29 November 2019

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Servicing Stop Limited

Independent Auditor's Report to the Members of Servicing Stop Limited

(continued)

Period from 1 December 2018 to 29 November 2019

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
 - Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
-

Servicing Stop Limited

Independent Auditor's Report to the Members of Servicing Stop Limited

(continued)

Period from 1 December 2018 to 29 November 2019

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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

Paul Phillips FCA (Senior Statutory Auditor)

**For and on behalf of
Brian Paul Limited
Chartered Accountants & Statutory Auditors
Chase Green House
42 Chase Side
Enfield
Middlesex
EN2 6NF**

14 October 2020

Servicing Stop Limited

Statement of Income and Retained Earnings

Period from 1 December 2018 to 29 November 2019

| | | Period from 1 Dec 18 to 29 Nov 19 | Year to 30 Nov 18 |
|--|-------------|--|------------------------------|
| | Note | £ | £ |
| Turnover | 4 | 14,635,891 | 19,553,701 |
| Cost of sales | | <u>7,764,943</u> | <u>12,408,981</u> |
| Gross profit | | 6,870,948 | 7,144,720 |
| Administrative expenses | | <u>6,783,600</u> | <u>7,784,657</u> |
| Operating profit/(loss) | 5 | 87,348 | (639,937) |
| Profit/(loss) before taxation | | <u>87,348</u> | <u>(639,937)</u> |
| Tax on profit/(loss) | 9 | <u>(45,803)</u> | <u>(110,703)</u> |
| Profit/(loss) for the financial period and total comprehensive income | | <u>133,151</u> | <u>(529,234)</u> |
| Retained losses at the start of the period | | <u>(1,117,833)</u> | <u>(588,599)</u> |
| Retained losses at the end of the period | | <u>(984,682)</u> | <u>(1,117,833)</u> |

All the activities of the company are from continuing operations.

The notes on pages 14 to 22 form part of these financial statements.

Servicing Stop Limited

Statement of Financial Position

29 November 2019

| | Note | 29 Nov 19 £ | 30 Nov 18 £ |
|---|------|------------------|--------------------|
| Fixed assets | | | |
| Intangible assets | 10 | 903,869 | 807,419 |
| Tangible assets | 11 | <u>75,900</u> | <u>88,308</u> |
| | | 979,769 | 895,727 |
| Current assets | | | |
| Debtors | 12 | 850,324 | 593,118 |
| Cash at bank and in hand | | <u>31,757</u> | <u>500,273</u> |
| | | 882,081 | 1,093,391 |
| Creditors: amounts falling due within one year | 13 | <u>2,646,432</u> | <u>2,906,851</u> |
| Net current liabilities | | <u>1,764,351</u> | <u>1,813,460</u> |
| Total assets less current liabilities | | <u>(784,582)</u> | <u>(917,733)</u> |
| Net liabilities | | <u>(784,582)</u> | <u>(917,733)</u> |
| Capital and reserves | | | |
| Called up share capital | 16 | 200 | 200 |
| Share premium account | 17 | 199,900 | 199,900 |
| Profit and loss account | 17 | <u>(984,682)</u> | <u>(1,117,833)</u> |
| Shareholders deficit | | <u>(784,582)</u> | <u>(917,733)</u> |

These financial statements were approved by the board of directors and authorised for issue on 14 October 2020, and are signed on behalf of the board by:



O J Richmond
Director

Company registration number: 06558606

The notes on pages 14 to 22 form part of these financial statements.

Servicing Stop Limited

Statement of Cash Flows

Period from 1 December 2018 to 29 November 2019

| | 29 Nov 19 £ | 30 Nov 18 £ |
|---|------------------|------------------|
| Cash flows from operating activities | | |
| Profit/(loss) for the financial period | 133,151 | (529,234) |
| <i>Adjustments for:</i> | | |
| Depreciation of tangible assets | 12,680 | 14,051 |
| Amortisation of intangible assets | 150,645 | 140,001 |
| Tax on profit/(loss) | (45,803) | (110,703) |
| Accrued (income)/expenses | (562,635) | 198,852 |
| <i>Changes in:</i> | | |
| Trade and other debtors | (126,587) | (15,103) |
| Trade and other creditors | 171,597 | 50,746 |
| Cash generated from operations | (266,952) | (251,390) |
| Tax received | 45,803 | 110,703 |
| Net cash used in operating activities | <u>(221,149)</u> | <u>(140,687)</u> |
| Cash flows from investing activities | | |
| Purchase of tangible assets | (272) | (48,281) |
| Purchase of intangible assets | (247,095) | (331,942) |
| Net cash used in investing activities | <u>(247,367)</u> | <u>(380,223)</u> |
| Net decrease in cash and cash equivalents | (468,516) | (520,910) |
| Cash and cash equivalents at beginning of period | 500,273 | 1,021,183 |
| Cash and cash equivalents at end of period | <u>31,757</u> | <u>500,273</u> |

The notes on pages 14 to 22 form part of these financial statements.

Servicing Stop Limited

Notes to the Financial Statements

Period from 1 December 2018 to 29 November 2019

1. General information

Servicing Stop Limited is a private company limited by shares and incorporated in the United Kingdom.

The address of the registered office and place of business is 57 London Road, Enfield, Middlesex, England EN2 6DU.

The principal activity of the company is the provision of car servicing, MOT and repair services.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Debtors

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

Going concern

At the year end, the company made a profit after tax of £131,151, its liabilities exceeded assets by £784,582 and it had net current liabilities of £1,764,351.

Based on current forecasts, the Company is unlikely to need additional funds within twelve months of the date of approval of the financial statements.

After making enquiries and considering the assumptions on which the forecasts have been based, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Creditors

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

Servicing Stop Limited

Notes to the Financial Statements *(continued)*

Period from 1 December 2018 to 29 November 2019

Judgements and key sources of estimation uncertainty

In preparation of the financial statements, the Directors are required to make significant judgements and estimates. The principal areas of the financial statements where judgements and estimates have been made are:

Impairment of fixed assets

At each reporting date, fixed assets, including intangibles, are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. In determining whether there is any indication of impairment, a number of judgemental factors must be considered including an estimate of the future economic benefits that can be derived from the assets and current market conditions. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Useful economic live of fixed asset

Fixed assets, including intangibles, are depreciated over their useful economic lives. Useful lives are based on managements estimates of the period over which the assets will generate income. Useful lives are periodically reviewed for their continuous appropriateness. Charges to estimates can result in changes in carrying values and, hence, change the amount charged to the income statement in particular periods, which could be significant.

Capitalisation of development costs

Costs capitalised relate to wages and salary costs incurred by the company for various employees including directors. The percentage of time spent on development activity and, hence, the costs capitalised are based on estimates.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Servicing Stop Limited

Notes to the Financial Statements *(continued)*

Period from 1 December 2018 to 29 November 2019

3. Accounting policies *(continued)*

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in the statement of income and retained earnings, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that 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 the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Development costs - over 7 years

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Servicing Stop Limited

Notes to the Financial Statements *(continued)*

Period from 1 December 2018 to 29 November 2019

3. Accounting policies *(continued)*

Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, which is 7 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

| | | |
|--------------------------|---|----------------------|
| Short leasehold property | - | 10% straight line |
| Fixtures and fittings | - | 15% reducing balance |
| Motor vehicles | - | 20% straight line |
| Equipment | - | 15% reducing balance |

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

Servicing Stop Limited

Notes to the Financial Statements *(continued)*

Period from 1 December 2018 to 29 November 2019

3. Accounting policies *(continued)*

Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

4. Turnover

Turnover arises from:

| | Period from 1 Dec 18 to 29 Nov 19 £ | Year to 30 Nov 18 £ |
|-----------------------|--|---------------------------|
| Rendering of services | <u>14,635,891</u> | <u>19,553,701</u> |

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Operating profit

Operating profit or loss is stated after charging:

| | Period from 1 Dec 18 to 29 Nov 19 £ | Year to 30 Nov 18 £ |
|---|--|---------------------------|
| Amortisation of intangible assets | 150,645 | 140,001 |
| Depreciation of tangible assets | 12,682 | 14,051 |
| Operating lease rentals | 98,921 | 122,404 |
| Staff pension contribution – defined contribution | <u>20,546</u> | <u>16,932</u> |

Servicing Stop Limited

Notes to the Financial Statements *(continued)*

Period from 1 December 2018 to 29 November 2019

6. Auditor's remuneration

| | Period from 1 Dec 18 to 29 Nov 19 £ | Year to 30 Nov 18 £ |
|--|--|---------------------------|
| Fees payable for the audit of the financial statements | <u>12,500</u> | <u>7,500</u> |

7. Staff costs

The average number of persons employed by the company during the period, including the directors, amounted to:

| | 29 Nov 19 No. | 30 Nov 18 No. |
|----------------------|------------------|------------------|
| Administrative staff | <u>57</u> | <u>99</u> |

The aggregate payroll costs incurred during the period, relating to the above, were:

| | Period from 1 Dec 18 to 29 Nov 19 £ | Year to 30 Nov 18 £ |
|-----------------------|--|---------------------------|
| Wages and salaries | 1,688,492 | 2,314,086 |
| Social security costs | 166,006 | 210,756 |
| Other pension costs | 20,546 | 16,932 |
| | <u>1,875,044</u> | <u>2,541,774</u> |

During the year, the sum of £247,095 (2018: £241,942) was capitalised as an intangible fixed asset - being wages and social security costs incurred as part of research and development.

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

| | Period from 1 Dec 18 to 29 Nov 19 £ | Year to 30 Nov 18 £ |
|--------------|--|---------------------------|
| Remuneration | <u>150,000</u> | <u>150,000</u> |

The sum paid to the highest earning director during the year was £90,000 (2018: £90,000).

The total pension provision attributable to the directors as at 29 November 2019 was £Nil (2018: £Nil).

During the year the sum of £90,000 (2018: £90,000) attributable to director's remuneration was capitalised as an intangible fixed asset.

Servicing Stop Limited

Notes to the Financial Statements *(continued)*

Period from 1 December 2018 to 29 November 2019

9. Tax on profit/(loss)

Major components of tax income

| | Period from 1 Dec 18 to 29 Nov 19 £ | Year to 30 Nov 18 £ |
|-----------------------------|--|---------------------------|
| Current tax: | | |
| UK current tax income | (45,803) | (110,703) |
| Tax on profit/(loss) | <u>(45,803)</u> | <u>(110,703)</u> |

Reconciliation of tax income

The tax assessed on the profit/(loss) on ordinary activities for the period is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19.34%).

| | Period from 1 Dec 18 to 29 Nov 19 £ | Year to 30 Nov 18 £ |
|--|--|---------------------------|
| Profit/(loss) on ordinary activities before taxation | 87,348 | (639,937) |
| Profit/(loss) on ordinary activities by rate of tax | (5,852) | (123,764) |
| Effect of expenses not deductible for tax purposes | (436) | 358 |
| Effect of capital allowances and depreciation | 53,379 | 23,485 |
| Unused tax losses | 15,086 | 99,921 |
| Adjustment in research and development tax credit leading to an increase(decrease) in the tax charge | (107,980) | (110,703) |
| Tax on profit/(loss) | <u>(45,803)</u> | <u>(110,703)</u> |

10. Intangible assets

| | Development costs £ |
|--------------------------------------|---------------------------|
| Cost | |
| At 1 December 2018 | 1,216,516 |
| Additions | — |
| Additions from internal developments | 247,095 |
| At 29 November 2019 | <u>1,463,611</u> |
| Amortisation | |
| At 1 December 2018 | 409,097 |
| Charge for the period | 150,645 |
| At 29 November 2019 | <u>559,742</u> |
| Carrying amount | |
| At 29 November 2019 | <u>903,869</u> |
| At 30 November 2018 | <u>807,419</u> |

Servicing Stop Limited

Notes to the Financial Statements *(continued)*

Period from 1 December 2018 to 29 November 2019

11. Tangible assets

| | Short leasehold property £ | Fixtures and fittings £ | Motor vehicles £ | Equipment £ | Total £ |
|----------------------------|-------------------------------------|-------------------------------|------------------------|----------------|----------------|
| Cost | | | | | |
| At 1 December 2018 | 38,327 | 43,001 | 1,750 | 61,674 | 144,752 |
| Additions | 160 | – | – | 112 | 272 |
| At 29 November 2019 | 38,487 | 43,001 | 1,750 | 61,786 | 145,024 |
| Depreciation | | | | | |
| At 1 December 2018 | 3,833 | 19,227 | 875 | 32,509 | 56,444 |
| Charge for the period | 3,848 | 3,566 | 875 | 4,391 | 12,680 |
| At 29 November 2019 | 7,681 | 22,793 | 1,750 | 36,900 | 69,124 |
| Carrying amount | | | | | |
| At 29 November 2019 | 30,806 | 20,208 | – | 24,886 | 75,900 |
| At 30 November 2018 | 34,494 | 23,774 | 875 | 29,165 | 88,308 |

12. Debtors

| | 29 Nov 19 £ | 30 Nov 18 £ |
|--------------------------------|----------------|----------------|
| Trade debtors | 112,280 | 256,449 |
| Prepayments and accrued income | 545,441 | 23,098 |
| Corporation tax repayable | 45,803 | 227,539 |
| Other debtors | 146,800 | 86,032 |
| | 850,324 | 593,118 |

13. Creditors: amounts falling due within one year

| | 29 Nov 19 £ | 30 Nov 18 £ |
|---------------------------------|------------------|------------------|
| Trade creditors | 2,055,171 | 1,777,374 |
| Accruals and deferred income | 177,498 | 609,514 |
| Social security and other taxes | 393,329 | 492,176 |
| Other creditors | 20,434 | 27,787 |
| | 2,646,432 | 2,906,851 |

14. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £20,546 (2018: £16,932).

Servicing Stop Limited

Notes to the Financial Statements *(continued)*

Period from 1 December 2018 to 29 November 2019

15. Financial instruments

The carrying amount for each category of financial instrument is as follows:

| | 29 Nov 19 £ | 30 Nov 18 £ |
|---|----------------|----------------|
| Financial assets measured at fair value through profit or loss | | |
| Financial assets measured at fair value through profit or loss | <u>31,757</u> | <u>500,273</u> |

16. Called up share capital

Issued, called up and fully paid

| | 29 Nov 19 | | 30 Nov 18 | |
|------------------------------|------------|------------|------------|------------|
| | No. | £ | No. | £ |
| Ordinary shares of £1 each | 102 | 102 | 102 | 102 |
| Ordinary A shares of £1 each | <u>98</u> | <u>98</u> | <u>98</u> | <u>98</u> |
| | <u>200</u> | <u>200</u> | <u>200</u> | <u>200</u> |

17. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

18. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

| | 29 Nov 19 £ | 30 Nov 18 £ |
|--|------------------|------------------|
| Not later than 1 year | 97,613 | 72,392 |
| Later than 1 year and not later than 5 years | 574,216 | 526,649 |
| Later than 5 years | <u>562,399</u> | <u>707,579</u> |
| | <u>1,234,228</u> | <u>1,306,620</u> |

19. Events after the end of the reporting period

The worldwide Covid-19 pandemic has had a significant global impact on businesses. The company has however found that after a slow lock down period that with the significant fall in new car sales that the take up of its services has increased.

20. Controlling party

None of the shareholders have a controlling stake in the firm.