

Registered number: 07103079

**carwow Limited**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**



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**CARWOW LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	J Hind D Santoro R W Moffat S L Pierrepont T Studd S T Murdoch (appointed 26 September 2018)
<b>Company secretary</b>	K R Cosgrove (appointed 2 May 2018, resigned 6 December 2018)
<b>Registered number</b>	07103079
<b>Registered office</b>	2nd Floor Verde Building 10 Bressenden Place London SW1E 5DH
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants & Senior Statutory Auditor 30 Finsbury Square London EC2A 1AG
<b>Bankers</b>	HSBC Bank Plc 31 High Street Neston Wirral Cheshire CH64 9TU

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**CARWOW LIMITED**

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## CARWOW LIMITED

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### GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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The directors present their report and the financial statements for the year ended 31 December 2018.

#### Business review

The principal activity of the company, and group, is that of a marketplace for new and nearly-new cars. During the year the group continued to expand its operations in the UK and Germany, entered the Spanish market and established a subsidiary in France which is inactive as of today.

The results for 2018 reflect significant investment in overseas territories with an Operating loss of £15.9m (£7.9m in 2017). In the UK, the company grew its market share significantly despite overall new car registrations being down 6% from 2017.

The increase in revenue has been driven by increasing awareness and adoption of the carwow platform by both dealers and consumers.

#### Principal risks and uncertainties

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

##### Liquidity Risk

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

##### Credit Risk

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

##### Foreign Exchange Risk

The Group is exposed to forex risk through its operations in Germany and Spain, and transactions in currencies other than the functional currency.

Exchange gains/losses arise on consolidation of the German, French and Spanish accounts to sterling.

##### Industry Risk

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

#### Key Performance Indicators

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

In the year-ending 31 December 2018, the UK company's revenue increased to £16.9m (£14.4m in 2017), in the same period, the German company revenue increased to £2.6m (£0.9m in 2017).

In 2018, on average 2.2m unique users per month visited the carwow UK website, up from 1.9m in 2017.

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**CARWOW LIMITED**

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**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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This report was approved by the board on 12/9/19 and signed on its behalf.



**J Hind**  
Director

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## CARWOW LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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The directors present their report and the financial statements for the year ended 31 December 2018.

#### Principal activity

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

#### Results and dividends

The loss for the year, after taxation, amounted to £15,641,348 (2017 - loss £7,854,660).

#### Directors

The directors who served during the year were:

J Hind  
D Santoro  
D J P Lane (resigned 26 September 2018)  
R W Moffat  
S L Pierrepont  
T Studd  
S T Murdoch (appointed 26 September 2018)

#### Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and the Group 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

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**CARWOW LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**Disclosure of information to auditor**

The directors confirm that:

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

**Going concern**

The financial statements have been prepared on a going concern basis. The directors have considered the future funding requirements of the Group, and based on management forecasts have concluded that the Group, following the latest funding round, will have sufficient funds to ensure that it can meet its financial liabilities as and when they fall due, for a period of at least 12 months from the date of approval of these financial statements.

**Post balance sheet events**

On 3 April 2019, the Group issued 4,646,250 D3 shares, with a nominal value of £0.00001 per share for £15m.

On 19th July 2019 the Group signed terms on a £10m venture debt facility.

**Auditor**

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

This report was approved by the board on 12/9/19 and signed on its behalf.



**J Hind**  
Director



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARWOW LIMITED

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### Opinion

We have audited the financial statements of carwow Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018, which comprise the Consolidated Statement of comprehensive income, the Consolidated and Company Statements of financial position, the Consolidated Statement of cash flows, the Consolidated and Company Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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.

### Conclusions relating to going concern

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

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

### Other information

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



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARWOW LIMITED (CONTINUED)

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

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

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

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

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



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARWOW LIMITED (CONTINUED)

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### Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

### 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.



Steven Leith  
Senior statutory auditor  
for and on behalf of Grant Thornton UK LLP  
Senior Statutory Auditor, Chartered Accountants  
London  
Date: 12/9/19

**CARWOW LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
Turnover	4	19,551,305	15,276,416
Cost of sales		(834,341)	(612,017)
<b>Gross profit</b>		<b>18,716,964</b>	<b>14,664,399</b>
Administrative expenses		(34,587,172)	(22,520,342)
<b>Operating loss</b>	5	<b>(15,870,208)</b>	<b>(7,855,943)</b>
Interest receivable and similar income	8	14,568	1,283
<b>Loss before tax</b>		<b>(15,855,640)</b>	<b>(7,854,660)</b>
Tax on loss	9	214,292	-
<b>Loss for the financial year</b>		<b>(15,641,348)</b>	<b>(7,854,660)</b>
Currency translation on foreign subsidiaries		(56,019)	-
<b>Total comprehensive income for the year</b>		<b>(15,697,367)</b>	<b>(7,854,660)</b>
<b>Loss for the year attributable to:</b>			
Owners of the parent company		15,641,348	7,854,660
		<b>15,641,348</b>	<b>7,854,660</b>

There were no recognised gains and losses for 2018 or 2017 other than those included in the consolidated statement of comprehensive income.

The notes on pages 14 to 32 form part of these financial statements.

**CARWOW LIMITED**  
**REGISTERED NUMBER:07103079**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Intangible assets	10	49,500	-
Tangible assets	11	906,679	270,885
		<u>956,179</u>	<u>270,885</u>
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	13	1,001,185	-
Debtors: amounts falling due within one year	13	5,762,212	5,055,027
Cash at bank and in hand	14	4,860,683	20,566,278
		<u>11,624,080</u>	<u>25,621,305</u>
Creditors: amounts falling due within one year	15	(4,605,366)	(2,220,485)
<b>Net current assets</b>		<u>7,018,714</u>	<u>23,400,820</u>
<b>Total assets less current liabilities</b>		<u>7,974,893</u>	<u>23,671,705</u>
<b>Net assets</b>		<u><u>7,974,893</u></u>	<u><u>23,671,705</u></u>
<b>Capital and reserves</b>			
Called up share capital	17	462	461
Share premium account	18	41,385,074	41,384,520
Foreign exchange reserve	18	(56,019)	-
Profit and loss account	18	(33,354,624)	(17,713,276)
<b>Shareholders' funds</b>		<u><u>7,974,893</u></u>	<u><u>23,671,705</u></u>

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



**J Hind**  
**Director**

Date: 12/9/19

The notes on pages 14 to 32 form part of these financial statements.

**CARWOW LIMITED**  
**REGISTERED NUMBER:07103079**

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Intangible assets	10	49,500	-
Tangible assets	11	795,767	251,610
Investments	12	-	-
		<u>845,267</u>	<u>251,610</u>
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	13	1,001,185	-
Debtors: amounts falling due within one year	13	9,396,754	5,496,137
Cash at bank and in hand	14	4,142,364	20,190,140
		<u>14,540,303</u>	<u>25,686,277</u>
Creditors: amounts falling due within one year	15	(4,408,961)	(2,123,206)
<b>Net current assets</b>		<u>10,131,342</u>	<u>23,563,071</u>
<b>Total assets less current liabilities</b>		<u>10,976,609</u>	<u>23,814,681</u>
<b>Net assets</b>		<u><u>10,976,609</u></u>	<u><u>23,814,681</u></u>
<b>Capital and reserves</b>			
Called up share capital	17	462	461
Share premium account	18	41,385,074	41,384,520
Profit and loss account	18	(30,408,927)	(17,570,300)
<b>Shareholders' funds</b>		<u><u>10,976,609</u></u>	<u><u>23,814,681</u></u>

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

  
**J Hind**

Director

Date:

12/1/19

The notes on pages 14 to 32 form part of these financial statements.

**CARWOW LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Share premium account	Foreign exchange reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2018	461	41,384,520	-	(17,713,276)	23,671,705
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	-	(15,641,348)	(15,641,348)
Net exchange differences of foreign subsidiaries	-	-	(56,019)	-	(56,019)
<b>Total comprehensive income for the year</b>	-	-	(56,019)	(15,641,348)	(15,697,367)
Shares issued during the year	1	554	-	-	555
<b>Total transactions with owners</b>	1	554	-	-	555
<b>At 31 December 2018</b>	<b>462</b>	<b>41,385,074</b>	<b>(56,019)</b>	<b>(33,354,624)</b>	<b>7,974,893</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

The notes on pages 14 to 32 form part of these financial statements.

**CARWOW LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2018	461	41,384,520	(17,570,300)	23,814,681
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(12,838,627)	(12,838,627)
	-	-	(12,838,627)	(12,838,627)
<b>Total comprehensive income for the year</b>				
<b>Contributions by and distributions to owners</b>				
Shares issued during the year	1	554	-	555
<b>At 31 December 2018</b>	<b>462</b>	<b>41,385,074</b>	<b>(30,408,927)</b>	<b>10,976,609</b>

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

The notes on pages 14 to 32 form part of these financial statements.

**CARWOW LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
<b>Cash flows from operating activities</b>		
Loss for the financial year	(15,641,348)	(7,854,660)
<b>Adjustments for:</b>		
Amortisation of intangible assets	14,380	-
Depreciation of tangible assets	452,470	398,665
Interest received	(14,568)	(1,283)
Taxation credit	(214,292)	-
(Increase) in debtors	(1,486,425)	(2,066,598)
Increase in creditors	2,307,099	1,037,401
<b>Net cash generated from operating activities</b>	<u>(14,582,684)</u>	<u>(8,486,475)</u>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(63,880)	-
Purchase of tangible fixed assets	(1,088,264)	(254,318)
Interest received	14,568	1,283
<b>Net cash from investing activities</b>	<u>(1,137,576)</u>	<u>(253,035)</u>
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	555	22,823,843
<b>Net cash used in financing activities</b>	<u>555</u>	<u>22,823,843</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(15,719,705)</u>	<u>14,084,333</u>
Cash and cash equivalents at beginning of year	20,566,278	6,481,945
Foreign exchange gains and losses	14,110	-
<b>Cash and cash equivalents at the end of year</b>	<u><u>4,860,683</u></u>	<u><u>20,566,278</u></u>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	<u><u>4,860,683</u></u>	<u><u>20,566,278</u></u>

The notes on pages 14 to 32 form part of these financial statements.

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## CARWOW LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1. General information

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

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

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

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

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

The following principal accounting policies have been applied:

##### 2.2 Going concern

The financial statements have been prepared on a going concern basis. The directors have considered the future funding requirements of the Group, and based on management forecasts have concluded that the Group, following the latest funding round, will have sufficient funds to ensure that it can meet its financial liabilities as and when they fall due, for a period of at least 12 months from the date of approval of these financial statements.

##### 2.3 Basis of consolidation

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

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

##### 2.4 Turnover

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

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## CARWOW LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Accounting policies (continued)

##### 2.5 Tangible fixed assets and depreciation

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

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

##### 2.6 Intangible assets

###### Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

##### 2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

##### 2.8 Debtors

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

##### 2.9 Cash and cash equivalents

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

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

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## CARWOW LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Accounting policies (continued)

##### 2.10 Financial instruments

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

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

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

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

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

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

##### 2.11 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.

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## CARWOW LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Accounting policies (continued)

##### 2.12 Foreign currency translation

###### Functional and presentation currency

The Company's functional and presentational currency is GBP.

###### Transactions and balances

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

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

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

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

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

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## CARWOW LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Accounting policies (continued)

##### 2.13 Share based payments

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

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

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

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

##### 2.14 Interest income

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

##### 2.15 Taxation

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

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

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**CARWOW LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**Revenue Recognition and Provisions**

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

In some cases, the consumer chooses to cancel their order and the dealer may choose to pay the consumers deposit back to the consumer. In this scenario, we offer a credit note to the dealer for the full charge invoiced for the introduction. We have calculated a provision for these credit notes based on their historic occurrence. There is the possibility that the receivables book at the end of December 2018 behaves in a different manner to previous periods and as such the provision being either below or above the actual occurrence.

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

**4. Turnover**

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

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	16,908,893	14,389,546
Rest of Europe	2,642,412	886,870
	<u>19,551,305</u>	<u>15,276,416</u>

**5. Operating loss**

The operating loss is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	452,470	398,665
Amortisation of intangible assets	14,380	-
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	33,600	27,000
Tax compliance	5,000	5,000
Tax advisory	52,250	12,000
Exchange differences	61,410	(13,890)
	<u>61,410</u>	<u>(13,890)</u>

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**CARWOW LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**6. Employees**

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

	2018 £	2017 £
Wages and salaries	10,301,780	6,830,113
Social security costs	1,607,060	77,007
	<u>11,908,840</u>	<u>6,907,120</u>

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

	2018 No.	2017 No.
Product account management	28	20
Development	61	68
Sales	112	39
	<u>201</u>	<u>127</u>

The Group has no employees other than the directors, who did not receive any remuneration (2017 - £NIL)

**7. Directors' remuneration**

	2018 £	2017 £
Directors' emoluments	<u>260,000</u>	<u>200,000</u>

The highest paid director received remuneration of £130,000 (2017 - £100,000).

Key management personnel of the company are the directors.

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**CARWOW LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**8. Interest receivable**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Other interest receivable	<b>14,568</b>	<b>1,283</b>
	<b>14,568</b>	<b>1,283</b>

**9. Taxation**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Corporation tax</b>		
Current tax on losses for the year	<b>(214,292)</b>	<b>-</b>
<b>Taxation on loss on ordinary activities</b>	<b>(214,292)</b>	<b>-</b>

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CARWOW LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	(15,855,640)	(7,854,660)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	(3,012,572)	(1,512,022)
Effects of:		
Fixed asset differences	46,703	20,940
Expenses not deductible for tax purposes	246,772	126,560
Additional deduction for R&D expenditure	(69,034)	-
Surrender of tax losses for R&D tax credit	28,927	-
Adjustments to tax charge in respect of prior periods	(121,082)	-
Other differences	790	-
Adjust deferred tax to average rate of 19%	224,492	-
Deferred tax not recognised	2,440,712	1,364,522
Total tax charge for the year	(214,292)	-

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CARWOW LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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9. Taxation (continued)

Factors that may affect future tax charges

The company has an unrecognised deferred tax assets of £4,502,440 (2017: £2,656,000).

10. Intangible assets

Group and Company

	Software costs £
<b>Cost</b>	
Additions	63,880
At 31 December 2018	<u>63,880</u>
<b>Amortisation</b>	
Charge for the year	14,380
At 31 December 2018	<u>14,380</u>
<b>Net book value</b>	
At 31 December 2018	<u>49,500</u>
At 31 December 2017	<u>-</u>

**CARWOW LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**11. Tangible fixed assets**

**Group**

	Long-term leasehold property £	Office equipment £	Fixture, fittings and equipment £	Total £
<b>Cost or valuation</b>				
At 1 January 2018	442,993	202,559	258,168	903,720
Additions	685,171	225,011	178,082	1,088,264
Disposals	(441,458)	-	-	(441,458)
At 31 December 2018	686,706	427,570	436,250	1,550,526
<b>Depreciation</b>				
At 1 January 2018	355,128	122,210	155,497	632,835
Charge for the year on owned assets	194,193	123,064	135,213	452,470
Disposals	(441,458)	-	-	(441,458)
At 31 December 2018	107,863	245,274	290,710	643,847
<b>Net book value</b>				
At 31 December 2018	578,843	182,296	145,540	906,679
At 31 December 2017	87,865	80,349	102,671	270,885

**CARWOW LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**11. Tangible fixed assets (continued)**

**Company**

	Long-term leasehold property £	Office equipment £	Fixture, fittings and equipment £	Total £
<b>Cost or valuation</b>				
At 1 January 2018	442,993	183,284	258,168	884,445
Additions	685,171	110,773	165,229	961,173
Disposals	(441,458)	-	-	(441,458)
At 31 December 2018	686,706	294,057	423,397	1,404,160
<b>Depreciation</b>				
At 1 January 2018	355,128	122,210	155,497	632,835
Charge for the year on owned assets	194,193	89,025	133,798	417,016
Disposals	(441,458)	-	-	(441,458)
At 31 December 2018	107,863	211,235	289,295	608,393
<b>Net book value</b>				
At 31 December 2018	578,843	82,822	134,102	795,767
At 31 December 2017	87,865	61,074	102,671	251,610

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**CARWOW LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**12. Fixed asset investments**

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity</b>
carwow GmbH	Ordinary	100 %	Marketplace for cars
carwow France SAS	Ordinary	100 %	Marketplace for cars
carwow Spanish S.L.	Ordinary	100 %	Marketplace for cars

<b>Name</b>	<b>Registered office</b>
carwow GmbH	Auenstr. 100 80469 Munich
carwow France SAS	38 Rue de Berri 75008 Paris 8
carwow Spanish S.L.	C/ Balmes, 85, 2ª planta. 08008 Barcelona

The aggregate of the share capital and reserves as at 31 December 2018 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	<b>Aggregate of share capital and reserves £</b>	<b>(Loss) £</b>
carwow GmbH	(3,042,005)	(2,851,322)
carwow France SAS	(412,079)	(416,059)
carwow Spanish S.L.	48,089	(376,447)
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CARWOW LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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12. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 January 2018	951,766
Additions	448,341
At 31 December 2018	<u>1,400,107</u>
<b>Impairment</b>	
At 1 January 2018	951,766
Charge for the period	448,341
At 31 December 2018	<u>1,400,107</u>
At 31 December 2018	<u>-</u>
At 31 December 2017	<u>-</u>

**CARWOW LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**13. Debtors**

	<b>Group 2018 £</b>	<b>Group 2017 £</b>	<b>Company 2018 £</b>	<b>Company 2017 £</b>
<b>Due after more than one year</b>				
Prepayments	<u>1,001,185</u>	<u>-</u>	<u>1,001,185</u>	<u>-</u>
<b>Due within one year</b>				
Trade debtors	4,656,047	2,970,124	4,067,491	2,678,949
Amounts owed by group undertakings	-	-	4,266,854	724,901
Other debtors	257,423	79,380	214,292	90,695
Prepayments and accrued income	848,742	2,005,523	848,117	2,001,592
	<u>5,762,212</u>	<u>5,055,027</u>	<u>9,396,754</u>	<u>5,496,137</u>

**14. Cash and cash equivalents**

	<b>Group 2018 £</b>	<b>Group 2017 £</b>	<b>Company 2018 £</b>	<b>Company 2017 £</b>
Cash at bank and in hand	<u>4,860,683</u>	<u>20,566,278</u>	<u>4,142,364</u>	<u>20,190,140</u>

**15. Creditors: Amounts falling due within one year**

	<b>Group 2018 £</b>	<b>Group 2017 £</b>	<b>Company 2018 £</b>	<b>Company 2017 £</b>
Trade creditors	2,202,015	1,564,904	2,161,081	1,530,468
Amounts owed to group undertakings	-	-	25,178	-
Other taxation and social security	876,040	307,746	736,562	239,687
Other creditors	290,471	146,230	257,968	154,774
Accruals and deferred income	1,236,840	201,605	1,228,172	198,277
	<u>4,605,366</u>	<u>2,220,485</u>	<u>4,408,961</u>	<u>2,123,206</u>

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**CARWOW LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**16. Financial instruments**

	<b>Group 2018 £</b>	<i>Group 2017 £</i>	<b>Company 2018 £</b>	<i>Company 2017 £</i>
<b>Financial assets</b>				
Financial assets measured at fair value through profit or loss	<b>4,860,683</b>	<i>20,566,278</i>	<b>4,142,364</b>	<i>20,190,140</i>
Financial assets that are debt instruments measured at amortised cost	<b>4,870,322</b>	<i>3,049,502</i>	<b>8,505,489</b>	<i>3,494,546</i>
	<u><b>9,731,005</b></u>	<u><i>23,615,780</i></u>	<u><b>12,647,853</b></u>	<u><i>23,684,686</i></u>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	<u><b>(3,729,326)</b></u>	<u><i>(1,912,390)</i></u>	<u><b>(3,672,399)</b></u>	<u><i>(1,883,520)</i></u>

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**CARWOW LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**17. Share capital**

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
14,341,371 (2017 - 14,157,248) Ordinary shares of £0.00001 each	143	142
4,230,637 (2017 - 4,230,637) Ordinary A shares of £0.00001 each	42	42
6,818,990 (2017 - 6,818,990) Ordinary B shares of £0.00001 each	68	68
9,255,750 (2017 - 9,255,750) Ordinary C shares of £0.00001 each	93	93
8,867,828 (2017 - 8,867,828) Ordinary D1 shares of £0.00001 each	89	89
2,719,355 (2017 - 2,719,355) Ordinary D2 shares of £0.00001 each	27	27
	<hr/> 462	<hr/> 461

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

**Voting** Each share has one vote.

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

**Redemption** The shares are not redeemable.

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

**18. Reserves**

**Share capital**

Represents the nominal value of shares that have been issued.

**Share premium**

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

**Profit and loss account**

Includes all current and prior period retained profit and losses.

**Foreign exchange reserve**

Includes cumulative gain or loss of translation of net assets of foreign subsidiaries.

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**CARWOW LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**19. Commitments under operating leases**

At 31 December 2018 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>Group 2018 £</b>	<b>Group 2017 £</b>	<b>Company 2018 £</b>	<b>Company 2017 £</b>
Due within 1 year	1,098,255	74,762	995,693	74,762
Due within 2 to 5 years	4,094,905	6,149	3,982,826	6,149
	<u>5,193,160</u>	<u>80,911</u>	<u>4,978,519</u>	<u>80,911</u>

**20. Post balance sheet events**

On 3 April 2019, the Group issued 4,646,250 D3 shares, with a nominal value of £0.00001 per share for £15m.

On 19th July 2019 the Group signed terms on a £10m venture debt facility.

**21. Controlling party**

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

**22. Related party transactions**

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

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## CARWOW LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 23. Share options

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

As at the year end, options were granted over 3,254,190 ordinary shares of £0.00001 each to 206 employees at a fixed exercise price of £0.01 per share. These share options represent around 7.0% of the outstanding share capital of the company and are exercisable, wholly or in part, in accordance with the terms of the agreement.

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

	2018	2018	2017	2017
	Number	WAEP	Number	WAEP
Balance brought forward	1,991,995	0.001	1,579,790	0.001
Share options granted	1,524,387	0.001	457,475	0.001
Share options exercised	(83,729)	0.001	(11,855)	0.001
Share options cancelled	(178,463)	0.001	(33,415)	0.001
<b>Balance carried forward</b>	<b><u>3,254,190</u></b>	<b><u>0.001</u></b>	1,991,995	0.001

There is no charge recognised within these financial statements as the directors consider the share option charge to be immaterial to the 2018 results.

#### 24. Pension commitments

The group operates a defined contribution pension schemes for the benefit of its employees. The balance owing in relation to pension costs at 31 December 2018 was £105,695 (2017: £12,759).

#### 25. Contingent liabilities

There were no contingent liabilities at 31 December 2018 or 31 December 2017.

#### 26. Capital commitments

The Group had no capital commitments at 31 December 2018 or 31 December 2017.