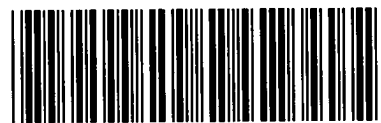

carwow Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

TUESDAY



A9KYØNMI

A12

29/12/2020

#412

COMPANIES HOUSE

CARWOW LIMITED

COMPANY INFORMATION

Directors

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

Registered number

07103079

Registered office

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

Independent auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
30 Finsbury Square
London
EC2A 1AG

Bankers

HSBC Bank Plc
31 High Street
Neston
Wirral
Cheshire
CH64 9TU

CARWOW LIMITED

CONTENTS

	Page
Group strategic report	1 - 2
Directors' report	3 - 5
Independent auditor's report	6 - 9
Consolidated statement of comprehensive income	10
Consolidated statement of financial position	11
Company statement of financial position	12
Consolidated statement of changes in equity	13 - 14
Company statement of changes in equity	15
Consolidated Statement of cash flows	16
Notes to the financial statements	17 - 35

CARWOW LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

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, Germany and Spain.

The results for 2019 reflect higher revenues across all markets and increased investment in existing overseas territories along with improved operational efficiency, resulting in an improved Group Operating Loss of £13.9m (2018: £15.3m).

The UK business achieved significant improvements in profitability during the year by focussing on operating margin over revenue growth. The increase in revenue in overseas territories has been driven by increasing awareness and adoption of the carwow platform by consumers, dealers and OEMs.

Principal risks and uncertainties

The operations of the Company expose it to various financial risks, including liquidity risk, credit risk, foreign exchange risk and the recent industry risk due to the COVID-19 outbreak.

COVID-19/Industry Risk

At the date of signing the accounts the economic landscape changed significantly as a result of the COVID-19 outbreak. All markets were impacted by various Government lockdown measures causing an impact on market demand.

Whilst nearly all dealer showrooms were initially closed to the public, there were a significant number of dealer groups who continued to handle leads online and the Group saw an increase of dealers active on the platform towards the end of March 2020. The developments across the Company's three operating markets are not uniform and at the date of signing the accounts dealerships in Germany have reopened to the public already.

The automotive market received increased support from manufacturers to their dealer groups to ensure they can still trade in the immediate short term.

The pausing of production plants around the world will have an impact on supply, however current levels of new consigned stock sold by dealers suggest there are adequate levels of stock in the market to fulfil consumer demand.

Whilst market demand is lower currently, it is expected that the Group will continue to generate revenues with online leads still being handled by dealers, manufacturers committing to tactical advertising and revenues from the YouTube channel to continue, albeit at a reduced level for now.

The majority of the cost base of the Group is variable with marketing being the biggest level of expenditure, and therefore curtailed accordingly. The Group has also taken advantage of the relevant government schemes with regards to staff compensation and cost mitigation.

On 17 April 2020 the Group drew down on its £10m venture debt facility. The Group also performed a severe downside scenario analysis which, while considered highly unlikely, demonstrates that the Group will have sufficient cash resources to continue as a going concern.

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 decline.

CARWOW LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties continued

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.

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.

For the year-ending 31 December 2019, the UK company's revenue decreased to £15.3m (£16.9m in 2018) as increased marketing effectiveness resulted in a close to double contribution margin in the second half of the year and strong unit economics which were further supported by other cost efficiencies. Revenue in Germany increased to £4.7m (£2.6m in 2018) with Spain delivering £1.3m of revenue in the first full year of operation.

In 2019, on average 2.4m unique users per month visited the carwow UK website, up from 2.2m in 2018, despite a reduction in marketing spend during the year.

The UK YouTube channel continued to grow in popularity with 3.1m total subscribers as of 31 December 2019 (2018: 1.5m).

This report was approved by the Board on 30 April 2020 and signed on its behalf.



J Hind
Director

CARWOW LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

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 £13,849,088 (2018: loss £15,048,086).

Directors

The Directors who served during the year were:

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

On 17 April 2020, the Board appointed Giles Andrews OBE as an independent Non Executive Director and subject to and conditional upon FCA approval he will become its chairman.

CARWOW LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 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 for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

The Directors have reviewed the Group's budgets and forecasts for the next 12 months from the date of this report, its liquid resources, medium term plans, and the potential impact of the recent outbreak of the Coronavirus disease. The Board have also performed a downside scenario analysis which, while considered highly unlikely, demonstrates that the Group will have sufficient cash resources for a period of at least one year, even in the event of a prolonged lock down period of around 3 – 6 months, should that be mandated by the Governments they operate in.

The Group feels confident that the support outlined by the Governments, such as tax deferral schemes and state aid/loan guarantee schemes can also be utilised, to assist in keeping its trading activities running at a sustainable level. The above statement does not protect the business from events that are out of its control and could potentially deeply change the outcome of its future activities. Nonetheless, the Board has, at the date of signing of the accounts, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing these financial statements.

CARWOW LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Post balance sheet events

The outbreak of the global coronavirus pandemic is considered to be a non adjusting post balance sheet event. The Board have considered, and continue to do so, the impact of the virus on the business and have included details in the Group strategic report and Directors' report. It is too early for the Board to quantify the potential financial impact on the Group.

On 17 April 2020 the Group drew down on its available venture debt facility, comprising two tranches of £5m both with a 36-month term and an annual interest of 10%. As a result, the Group issued a further 108,414 warrants to the venture debt provider.

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.

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 30 April 2020 and signed on its behalf.



J Hind
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARWOW LIMITED

Opinion

We have audited the financial statements of carwow Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019, 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 2019 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 and the parent 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group and parent Company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Group and parent Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Group associated with these particular events.



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

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.

In our evaluation of the Directors' conclusions, we considered the risks associated with the Group and parent Company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the Group and parent Company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group will continue in operation.

Other information

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

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

We have nothing to report in this regard.



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

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.

Responsibilities of Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 4, 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.



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

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. 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.

Grant Thornton UK LLP

Anthony Thomas
Senior statutory auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

30 April 2020

CARWOW LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	As restated 2018 £
Turnover	4	21,337,354	19,551,305
Cost of sales		(928,374)	(834,341)
Gross profit		20,408,980	18,716,964
Administrative expenses		(34,286,545)	(33,993,910)
Operating loss	5	(13,877,565)	(15,276,946)
Interest receivable and similar income	8	28,477	14,568
Loss before tax		(13,849,088)	(15,262,378)
Tax on loss	9	-	214,292
Loss for the financial year		(13,849,088)	(15,048,086)
Currency translation on foreign subsidiaries		306,181	(56,019)
Total comprehensive income for the year		(13,542,907)	(15,104,105)
Loss for the year attributable to:			
Owners of the parent company		13,849,088	15,048,086
		13,849,088	15,048,086

There were no recognised gains and losses for 2019 or 2018 other than those included in the Consolidated Statement of Comprehensive Income.

The notes on pages 17 to 35 form part of these financial statements.

CARWOW LIMITED
REGISTERED NUMBER:07103079

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £	As restated 2018 £
Fixed assets			
Intangible fixed assets	10	2,077,858	1,418,783
Tangible fixed assets	11	638,189	906,679
		<u>2,716,047</u>	<u>2,325,462</u>
Current assets			
Debtors: amounts falling due after more than one year	13	976,608	1,001,185
Debtors: amounts falling due within one year	13	4,652,603	5,762,212
Cash at bank and in hand	14	11,706,370	4,860,683
		<u>17,335,581</u>	<u>11,624,080</u>
Creditors: amounts falling due within one year	15	(4,336,231)	(4,605,366)
Net current assets		<u>12,999,350</u>	<u>7,018,714</u>
Total assets less current liabilities		<u>15,715,397</u>	<u>9,344,176</u>
Net assets		<u>15,715,397</u>	<u>9,344,176</u>
Capital and reserves			
Called up share capital	17	529	462
Share premium account	18	61,299,135	41,385,074
Foreign exchange reserve	18	250,162	(56,019)
Profit and loss account	18	(45,834,429)	(31,985,341)
Shareholders' funds		<u>15,715,397</u>	<u>9,344,176</u>

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



J Hind
Director

Date: 30 April 2020

The notes on pages 17 to 35 form part of these financial statements.

CARWOW LIMITED
REGISTERED NUMBER:07103079

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £	As restated 2018 £
Fixed assets			
Intangible fixed assets	10	2,077,858	1,418,783
Tangible fixed assets	11	524,257	795,767
		<u>2,602,115</u>	<u>2,214,550</u>
Current assets			
Debtors: amounts falling due after more than one year	13	4,713,296	4,741,810
Debtors: amounts falling due within one year	13	3,895,217	5,656,129
Cash at bank and in hand	14	11,369,082	4,142,364
		<u>19,977,595</u>	<u>14,540,303</u>
Creditors: amounts falling due within one year	15	(3,821,544)	(4,408,961)
Net current assets		<u>16,156,051</u>	<u>10,131,342</u>
Total assets less current liabilities		<u>18,758,166</u>	<u>12,345,892</u>
Net assets		<u>18,758,166</u>	<u>12,345,892</u>
Capital and reserves			
Called up share capital	17	529	462
Share premium account	18	61,299,135	41,385,074
Profit and loss account brought forward		(29,039,644)	(16,794,279)
Loss for the year		(13,501,854)	(12,245,365)
Profit and loss account carried forward		(42,541,498)	(29,039,644)
Shareholders' funds		<u>18,758,166</u>	<u>12,345,892</u>

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


J Hind
 Director

Date: 30 April 2020

The notes on pages 17 to 35 form part of these financial statements.

CARWOW LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £	Share premium account £	Foreign exchange reserve £	Profit and loss account £	Total equity £
At 1 January 2019 (as restated)	462	41,385,074	(56,019)	(32,578,603)	8,750,914
Prior year adjustment (note 27)	-	-	-	593,262	593,262
At 1 January 2019 (as restated)	462	41,385,074	(56,019)	(31,985,341)	9,344,176
Comprehensive income for the year					
Loss for the year	-	-	-	(13,849,088)	(13,849,088)
Net exchange differences of foreign subsidiaries	-	-	306,181	-	306,181
Total comprehensive income for the year	-	-	306,181	(13,849,088)	(13,542,907)
Shares issued during the year	67	19,914,061	-	-	19,914,128
Total transactions with owners	67	19,914,061	-	-	19,914,128
At 31 December 2019	529	61,299,135	250,162	(45,834,429)	15,715,397

The notes on pages 17 to 35 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 (as previously stated)	461	41,384,520	-	(17,713,276)	23,671,705
Prior year adjustment (note 27)	-	-	-	776,021	776,021
At 1 January 2018 (as restated)	461	41,384,520	-	(16,937,255)	24,447,726
Comprehensive income for the year					
Loss for the year (as restated - note 27)	-	-	-	(15,048,086)	(15,048,086)
Net exchange differences of foreign subsidiaries	-	-	(56,019)	-	(56,019)
Total comprehensive income for the year	-	-	(56,019)	(15,048,086)	(15,104,105)
Shares issued during the year	1	554	-	-	555
Total transactions with owners	1	554	-	-	555
At 31 December 2018 (as restated)	462	41,385,074	(56,019)	(31,985,341)	9,344,176

The notes on pages 17 to 35 form part of these financial statements.

CARWOW LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2019 (as restated)	462	41,385,074	(29,632,906)	11,752,630
Prior year adjustment (note 27)	-	-	593,262	593,262
At 1 January 2019 (as restated)	462	41,385,074	(29,039,644)	12,345,892
Comprehensive income for the year				
Loss for the year	-	-	(13,501,854)	(13,501,854)
Total comprehensive income for the year	-	-	(13,501,854)	(13,501,854)
Contributions by and distributions to owners				
Shares issued during the year	67	19,914,061	-	19,914,128
At 31 December 2019	529	61,299,135	(42,541,498)	18,758,166

**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 (as previously stated)	461	41,384,520	(17,570,300)	23,814,681
Prior year adjustment (note 27)	-	-	776,021	776,021
At 1 January 2018 (as restated)	461	41,384,520	(16,794,279)	24,590,702
Comprehensive income for the year				
Loss for the year	-	-	(12,245,365)	(12,245,365)
Total comprehensive income for the year	-	-	(12,245,365)	(12,245,365)
Contributions by and distributions to owners				
Shares issued during the year	1	554	-	555
At 31 December 2018 (as restated)	462	41,385,074	(29,039,644)	12,345,892

CARWOW LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 £	As restated 2018 £
Cash flows from operating activities		
Loss for the financial year	(13,849,088)	(15,048,086)
Adjustments for:		
Amortisation of intangible fixed assets	1,712,747	957,019
Depreciation of tangible fixed assets	328,012	452,470
Interest received	(28,477)	(14,568)
Taxation charge	-	(214,292)
Decrease/(increase) in debtors	1,410,829	(1,486,425)
(Decrease)/increase in creditors	(203,710)	2,307,099
Net cash generated from operating activities	(10,629,687)	(13,046,783)
Cash flows from investing activities		
Purchase of intangible fixed assets	(2,371,822)	(1,599,781)
Purchase of tangible fixed assets	(60,483)	(1,088,264)
Interest received	28,477	14,568
Net cash from investing activities	(2,403,828)	(2,673,477)
Cash flows from financing activities		
Issue of ordinary shares	19,914,128	555
Net cash used in financing activities	19,914,128	555
Net increase/(decrease) in cash and cash equivalents	6,880,613	(15,719,705)
Cash and cash equivalents at beginning of year	4,860,683	20,566,278
Foreign exchange gains and losses	(34,926)	14,110
Cash and cash equivalents at the end of year	11,706,370	4,860,683
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	11,706,370	4,860,683

The notes on pages 17 to 35 form part of these financial statements.

CARWOW LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

carwow Limited is a private company limited by shares, registered and incorporated in England. Its registered office is located at 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 judgement 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 Directors have reviewed the Group's budgets and forecasts for the next 12 months from the date of this report, its liquid resources, medium term plans, and the potential impact of the recent outbreak of the Coronavirus disease. The Board have also performed a downside scenario analysis which, while considered highly unlikely, demonstrates that the Group will have sufficient cash resources for a period of at least one year, even in the event of a prolonged lock down period of around 3 – 6 months, should that be mandated by the Governments they operate in.

The Group feels confident that the support outlined by the Governments, such as tax deferral schemes and state aid/loan guarantee schemes can also be utilised, to assist in keeping its trading activities running at a sustainable level. The above statement does not protect the business from events that are out of its control and could potentially deeply change the outcome of its future activities. Nonetheless, the Board has, at the date of signing of the accounts, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing these financial statements.

2.3 Basis of consolidation

The consolidated financial statements present the results of the Company 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.4 Turnover

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

2.5 Tangible fixed assets and depreciation

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

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

2.6 Intangible fixed assets

Software costs

Software costs are initially recognised at cost. After recognition, under the cost model, software costs are measured at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life of three to five years.

Development costs

Development costs directly related to the Company's website/products are recognised as intangible assets upon meeting the following criteria:

- It is technically feasible to complete the product for use;
- Management intends to complete the product for use or sale;
- There is an ability to use or sell the product;
- The product can generate future economic benefits;
- There are adequate technical, financial and other resources to complete the product;
- The expenditure in relation to the product can be reliably measured.

The costs that are capitalised as part of the product are a percentage of the employee and contractor costs of the product team directly working on the product. These costs will be recognised at cost, less accumulated amortisation over their useful lives (not exceeding two years) at the point in which they come into use.

Research costs are expensed as incurred.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

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.

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 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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 Warrants

The Group issues warrants in association with debt and equity issuances and as compensation to suppliers or vendors in exchange for services. These are determined to be equity instruments. When warrants are issued with debt or as compensation to suppliers or vendors, the value of the warrants are included within the share-based payments reserve, that sits within the other reserve. When warrants are issued together with equity issuances any fair value associated with these are recognised when the warrants are exercised within share premium. On exercise of the warrants, the value of the warrants will be transferred from other reserves to share premium as applicable.

2.15 Interest income

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

2.16 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.

CARWOW LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. Judgements 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 the 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, a credit note is offered to the dealer for the full charge invoiced for the introduction. A provision for these credit notes has been calculated based on their historic occurrence. There is the possibility that the receivables book at the end of December 2019 behaves in a different manner to previous periods and as such the provision being either below or above the actual occurrence.

Trade receivables have been provided for based on both the historical occurrence of bad debt amongst 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 dealers to pay and as such the provision being above or below the actual occurrence of bad debt.

Capitalisation of development costs and useful lives

Distinguishing the research and development phases of the carwow platform and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired. In addition, management reviews its estimate of the useful lives of internally developed software at each reporting date, based on the expected use of the asset. Uncertainties in these estimates relate to technological obsolescence that may change the use of the platform.

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:

	2019 £	2018 £
United Kingdom	15,361,640	16,908,893
Rest of Europe	5,975,714	2,642,412
	<u>21,337,354</u>	<u>19,551,305</u>

CARWOW LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

5. Operating loss

The operating loss is stated after charging:

	2019 £	As restated 2018 £
Depreciation of tangible fixed assets	328,012	452,470
Amortisation of intangible fixed assets	1,712,747	957,019
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	38,500	33,600
Other services - accounts preparation	1,500	1,500
Tax compliance	-	5,000
Tax advisory	-	52,250
Exchange differences	241,477	61,410
	<u>241,477</u>	<u>61,410</u>

6. Employees

	2019 £	2018 £
Wages and salaries	12,061,339	10,301,780
Social security costs	1,987,982	1,607,060
	<u>14,049,321</u>	<u>11,908,840</u>

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

	2019 No.	2018 No.
Product account management	26	28
Development	60	61
Sales	148	112
	<u>234</u>	<u>201</u>

The Company has no employees other than the Directors, who did not receive any remuneration (2018: £Nil)

CARWOW LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

7. Directors' remuneration

	2019	2018
	£	£
Directors' emoluments	264,167	260,000

The highest paid director received remuneration of £134,167 (2018: £130,000).

Key management personnel of the Company are the Directors.

8. Interest receivable

	2019	2018
	£	£
Other interest receivable	28,477	14,568

9. Taxation

	2019	2018
	£	£
Corporation tax		
Current tax on losses for the year	-	(214,292)
Taxation on loss on ordinary activities	-	(214,292)

CARWOW LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018: *higher than*) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%). The differences are explained below:

	2019 £	As restated 2018 £
Loss on ordinary activities before tax	(13,849,088)	(15,262,378)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(2,631,327)	(2,899,852)
Effects of:		
Fixed asset differences	295,811	46,703
Expenses not deductible for tax purposes	23,176	246,772
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	448	790
Adjust deferred tax to average rate of 19%	236,411	224,492
Deferred tax not recognised	2,075,481	2,440,712
Prior year adjustments	-	(112,720)
Total tax charge for the year	-	(214,292)

Factors that may affect future tax charges

The Company has an unrecognised deferred tax assets of £6,510,477 (2018: £4,502,440).

CARWOW LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

10. Intangible fixed assets

Group and Company

	Development costs £	Software costs £	Total £
Cost			
At 1 January 2019 (as restated)	2,866,099	63,880	2,929,979
Additions	2,371,822	-	2,371,822
At 31 December 2019	5,237,921	63,880	5,301,801
Amortisation			
At 1 January 2019 (as restated)	1,496,816	14,380	1,511,196
Charge for the year	1,691,453	21,294	1,712,747
At 31 December 2019	3,188,269	35,674	3,223,943
Net book value			
At 31 December 2019	2,049,652	28,206	2,077,858
At 31 December 2018 (as restated)	1,369,283	49,500	1,418,783

CARWOW LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

11. Tangible fixed assets

Group

	Long-term leasehold property £	Office equipment £	Fixture, fittings and equipment £	Total £
Cost or valuation				
At 1 January 2019	686,706	427,570	436,250	1,550,526
Additions	-	40,610	19,873	60,483
Disposals	-	(3,461)	(879)	(4,340)
At 31 December 2019	686,706	464,719	455,244	1,606,669
Depreciation				
At 1 January 2019	107,863	245,274	290,710	643,847
Charge for the year on owned assets	137,034	77,393	113,585	328,012
Disposals	-	(2,500)	(879)	(3,379)
At 31 December 2019	244,897	320,167	403,416	968,480
Net book value				
At 31 December 2019	441,809	144,552	51,828	638,189
At 31 December 2018	578,843	182,296	145,540	906,679

CARWOW LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

11. Tangible fixed assets (continued)

Company

	Long-term leasehold property £	Office equipment £	Fixture, fittings and equipment £	Total £
Cost or valuation				
At 1 January 2019	686,706	294,057	423,397	1,404,160
Additions	-	9,117	19,873	28,990
Disposals	-	(3,461)	-	(3,461)
At 31 December 2019	686,706	299,713	443,270	1,429,689
Depreciation				
At 1 January 2019	107,863	211,235	289,295	608,393
Charge for the year on owned assets	137,034	51,496	111,009	299,539
Disposals	-	(2,500)	-	(2,500)
At 31 December 2019	244,897	260,231	400,304	905,432
Net book value				
At 31 December 2019	441,809	39,482	42,966	524,257
At 31 December 2018	578,843	82,822	134,102	795,767

CARWOW LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

12. Fixed asset investments**Company**

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2019	1,400,107
At 31 December 2019	1,400,107
Impairment	
At 1 January 2019	1,400,107
At 31 December 2019	1,400,107
Net book value	
At 31 December 2019	-
At 31 December 2018	-

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

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

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

CARWOW LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

12. Fixed asset investments (continued)

The aggregate of the share capital and reserves as at 31 December 2019 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Loss for the year £
carwow GmbH	3,095,935	288,862
carwow France SAS	394,058	56,325
carwow Spanish S.L.	(42,921)	2,070
	<u>3,447,072</u>	<u>347,257</u>

13. Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company As restated 2018 £
Due after more than one year				
Amounts owed by group undertakings	-	-	3,736,688	3,740,625
Prepayments	976,608	1,001,185	976,608	1,001,185
	<u>976,608</u>	<u>1,001,185</u>	<u>4,713,296</u>	<u>4,741,810</u>

Amounts owed by group undertakings are unsecured at an interest of 5% per annum. The loan is repayable by 31 December 2022.

	Group 2019 £	Group 2018 £	Company 2019 £	Company As restated 2018 £
Due within one year				
Trade debtors	3,148,363	4,656,047	2,126,645	4,067,491
Amounts owed by group undertakings	-	-	647,928	526,229
Other debtors	169,417	257,423	96,981	214,292
Prepayments and accrued income	1,334,823	848,742	1,023,663	848,117
	<u>4,652,603</u>	<u>5,762,212</u>	<u>3,895,217</u>	<u>5,656,129</u>

£3,740,625 of amounts owed to group undertaking was disclosed as due within one year in the prior year accounts and has been restated in the comparative.

CARWOW LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

14. Cash and cash equivalents

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Cash at bank and in hand	11,706,370	4,860,683	11,369,082	4,142,364

15. Creditors: Amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade creditors	1,755,858	2,202,015	1,633,329	2,161,081
Amounts owed to group undertakings	-	-	-	25,178
Other taxation and social security	788,182	876,040	555,191	736,562
Other creditors	293,604	290,471	306,752	257,968
Accruals and deferred income	1,498,587	1,236,840	1,326,272	1,228,172
	4,336,231	4,605,366	3,821,544	4,408,961

16. Financial instruments

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Financial assets				
Financial assets measured at fair value through profit or loss	11,706,370	4,860,683	11,369,082	4,142,364
Financial assets that are debt instruments measured at amortised cost	3,317,780	4,913,470	6,608,242	8,548,637
	15,024,150	9,774,153	17,977,324	12,691,001
Financial liabilities				
Financial liabilities measured at amortised cost	(3,548,049)	(3,729,326)	(3,266,353)	(3,672,399)

CARWOW LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

17. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
15,668,953 (2018 - 14,341,371) Ordinary shares of £0.00001 each	157	143
4,230,637 (2018 - 4,230,637) Preference A shares of £0.00001 each	42	42
6,818,990 (2018 - 6,818,990) Preference B shares of £0.00001 each	68	68
9,255,750 (2018 - 9,255,750) Preference C shares of £0.00001 each	93	93
8,867,828 (2018 - 8,867,828) Preference D1 shares of £0.00001 each	89	89
2,719,355 (2018 - 2,719,355) Preference D2 shares of £0.00001 each	27	27
5,262,071 (2018 - Nil) Preference D3 shares of £0.00001 each	53	-
	<hr/>	<hr/>
	529	462
	<hr/>	<hr/>

During the year, 1,327,582 Ordinary shares with nominal value of £0.00001 per share were issued for £3,078,510. £100,000 of legal fees were incurred in relation to the issuance of the shares were charged directly to the share premium account.

Also during the year, 5,262,071 D3 shares with nominal value of £0.00001 per share were issued for £16,988,115. £52,500 of legal fees were incurred in relation to the issuance of the shares were charged directly to the share premium account.

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, D2 and D3 shares are entitled to participate in a distribution ranking in priority to all other classes of ordinary shares.

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.

CARWOW LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

19. Commitments under operating leases

At 31 December 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Due within 1 year	1,104,262	1,098,255	1,000,843	995,693
Due within 2 to 5 years	2,108,792	3,099,213	2,074,634	2,987,134
	<u>3,213,054</u>	<u>4,197,468</u>	<u>3,075,477</u>	<u>3,982,827</u>

20. Post balance sheet events

The outbreak of the global coronavirus pandemic is considered to be a non-adjusting post balance sheet event. The Board have considered, and continue to do so, the impact of the virus on the business and have included details in the Group strategic report and Directors' report. It is too early for the Board to quantify the potential financial impact on the Group.

On 17 April 2020 the Group drew down on its available venture debt facility, comprising two tranches of £5m both with a 36-month term and an annual interest rate of 10%. As a result, the Group issued a further 108,414 warrants to the venture debt provider.

21. Controlling party

The Directors 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.

CARWOW LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

23. Share options and warrants

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.

During financial year 2019, options were granted over 374,875 ordinary shares of £0.00001 each to 37 employees at a fixed exercise price of £0.01 per share. The outstanding share options represent around 5.0% 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:

	2019	2019	2018	2018
	Number	WAEP	Number	WAEP
Balance brought forward	3,254,190	0.001	1,991,995	0.001
Share options granted	374,875	0.001	1,524,387	0.001
Share options exercised	(374,990)	0.001	(83,729)	0.001
Share options cancelled	(414,252)	0.001	(178,463)	0.001
Balance carried forward	2,839,823	0.001	3,254,190	0.001

There is no charge recognised within these financial statements as the Directors consider the share option charge to be immaterial to the 2019 results (2018: £Nil).

On 19 July 2019 the Group signed terms on a venture debt facility comprising two tranches of £5m with the ability to draw down by 31 December 2020. At the date of the venture debt loan agreement the Group granted 116,158 warrants to the venture debt provider.

At the year end 31 December 2019 both facilities were undrawn.

The Directors consider the value of the warrants to be immaterial to the 2019 result.

On 17 April 2020 the Group drew down on the venture debt facility. As a result, the Group issued a further 108,414 warrants to the venture debt provider.

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 2019 was £198,272 (2018: £105,695).

25. Contingent liabilities

There were no contingent liabilities at 31 December 2019 or 31 December 2018.

26. Capital commitments

The Group had no capital commitments at 31 December 2019 or 31 December 2018.

CARWOW LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

27. Change in accounting policy

During the year the Group changed its accounting policy in respect of costs associated with the development of the carwow website. In prior years, all development costs were taken immediately to the statement of comprehensive income. The Directors consider that capitalisation of website development costs where permitted under FRS102 results in a better reflection of the allocation of costs against associated revenues in any given period. Permitted costs are now capitalised and amortised over two years. In these financial statements, brought forward balances and comparative figures affected have been restated to reflect retrospective application of the new accounting policy from 1 January 2018, which is the earliest date for which it is practicable. The change in accounting policy has resulted in the following restatements:

	As previously stated £	Impact £	Restated £
At 1 January 2018:			
Intangible fixed assets (net book value)	-	776,021	776,021
Profit and loss account	(17,713,276)	776,021	(16,937,255)
Shareholder's funds	23,671,705	776,021	24,447,726
	<u> </u>	<u> </u>	<u> </u>
Year ended 31 December 2018:			
Amortisation charge	(14,380)	(942,639)	(957,019)
Intangible fixed asset (additions)	63,880	1,535,901	1,599,781
Loss for the year	15,641,348	(593,262)	15,048,086
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2018:			
Intangible fixed assets (net book value)	49,500	1,369,283	1,418,783
Profit and loss account	(33,354,624)	1,369,283	(31,985,341)
Shareholder's funds	7,974,893	1,369,283	9,344,176
	<u> </u>	<u> </u>	<u> </u>