

**CarFinance247 Limited**

**Annual report and audited financial statements  
for the year ended 30 June 2019**

**Registered number 06035525**

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## Company Information

<b>Directors</b>	J L Rix
	R R J Rix
	D M Miller (appointed on 1 April 2019)
	J Davenport (appointed on 2 May 2019)
<b>Registered number</b>	06035525
<b>Registered office</b>	Universal Square
	Devonshire Street North
	Manchester
	M12 6JH
<b>Independent auditors</b>	PricewaterhouseCoopers LLP
	Chartered Accountants & Statutory Auditors
	No 1 Spinningfields
	1 Hardman Square
	Manchester
<b>Bankers</b>	M3 3EB
	Royal Bank of Scotland
	St Ann Street
	Manchester
	M60 2SS
<b>Solicitors</b>	Addleshaw Goddard LLP
	One St Peter's Square
	Manchester
	M2 3DE

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## **Strategic report**

### **for the year ended 30 June 2019**

The Board of Directors ("the Board") present their strategic report of CarFinance247 Limited ("the Company") for the year ended 30 June 2019.

#### **Our business**

The Company is a private company incorporated, domiciled and registered in the UK. The Company is a wholly owned subsidiary of 247 Group Holdings Limited, and is a member of the 247 Group ("the Group").

The Company's principal activity is the brokerage of vehicle finance agreements between customers and a panel of lenders. The Company also acted as a car finance lender until 1 October 2018 when the business was transferred to 247 Money Group Limited, the lending business has been as recognised as a discontinued operation in the financial statements. 247 Money Group Limited are now a member of the panel of lenders used by the Company.

The Group's purpose is "To help people improve their everyday lives". This purpose is underpinned by the Group's cultural DNA; a set of behaviours that the Group's people are expected to demonstrate: "Proud and Passionate", "Bold and Resilient," and "Togetherness". The Group's purpose and DNA are at the heart of the "247 People" employer brand, which has created a well-defined direction of travel as the group continues to develop and grow. The Group strives to be a "go-to" employer of choice in the North West, where individuals can fulfil their career aspirations whilst participating in the development of the business.

During the year, the Company transitioned from Financial Reporting Standard 102 to Financial Reporting Standard 101 "Reduced Disclosure Framework", further details of the transition are explained in note 1 and 26.

#### **Operating and financial review**

##### **Key performance indicators**

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

	<b>2019</b>	<b>2018</b>	<b>Increase/ (decrease)</b>	<b>Increase/ (decrease)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>
Revenue (including finance lease interest income)	<b>54,357</b>	45,068	9,289	21%
Gross profit	<b>33,545</b>	29,716	3,829	13%
Gross margin	<b>62%</b>	66%		
Profit before tax	<b>6,276</b>	2,871	3,405	119%
EBITDA	<b>8,066</b>	4,804	3,262	68%
Exceptional items*	<b>1,753</b>	2,413	(852)	(35%)
EBITDA (excluding exceptional items)	<b>9,819</b>	7,217	2,410	33%

\* Exceptional items (across 2019 and 2018) include costs associated with the establishment of the lending business, one-off technology projects, head-office relocation and group restructure, along with the irrecoverable VAT associated with these costs.

The Board is satisfied with the ongoing year-on-year growth and development of the Company with 2019 representing another year of strong financial performance and business growth despite a planned and strategic increase in expenditure over the course of the year; particularly in relation to the continuing increase in the number of staff employed by the Company and investment in our people and the development of technological capabilities.

The Group's lending business was established by the Company in the prior year, with operations commencing in April 2018. At 30 June 2018, loans and advances to customers totalled £1.0m (net of impairment provisions).

## **Strategic report (continued)**

### **Operating and financial review (continued)**

#### **Key performance indicators (continued)**

By 1 October 2018, loans and advances to customers had increased to £2.7m. On this date, the company transferred its portfolio of loans and advances to customers and associated business processes to another Group company, 247 Money Group Limited. The transaction occurred between commonly controlled subsidiaries of the 247 Group Holdings Limited and was therefore recorded at book value. As a result, no gain or loss arose on the transfer.

Revenue including finance lease interest income increased to £54.4m in 2019 from £45.1m in 2018, an increase of £9.3m or 21%. This is the result of an increase in volume of finance agreements brokered. Profit before tax increased to £6.3m in 2019 from £2.9m in 2018.

#### **Outlook and future developments**

Whilst observing and noting a degree of uncertainty in the UK political and economic environment, the Company will continue to invest in technology and our people.

We will continue to work with a broad range of lenders on the panel to enable us to service the needs and requirements of customers, and will consider adding further lenders to our panel as and when appropriate. Further growth in the brokerage business is anticipated over coming years as the used car finance industry expands and we attempt to continue to grow our market share and reinforce our established market position.

We will also continue to assess opportunities availability to utilise the industry experience and core competences of the Company throughout the customer journey of financing the purchase of used cars.

#### **Principal risks and uncertainties**

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

##### **Macroeconomic risk**

Macroeconomic effects can adversely impact general levels of disposable income via either increased interest rates and/or unemployment rates by placing downward pressure on demand for car finance. The Board frequently survey any forecasted changes to the wider economic market conditions whilst reviewing the competitiveness of its product range provided by its lender portfolio. Monitoring the economic outlook is particularly important given the United Kingdom's decision to leave the European Union, which gives rise to economic uncertainty. The Company operates exclusively in the UK market, and therefore the Company has no significant exposure to the European Union.

##### **Regulatory risk**

Regulatory risk relates to the potential negative consequences of non-compliance with, or changes to laws and regulations impacting the Company. Regulators of the Company during the year include the FCA, who continue to focus on conduct matters that ensure that customers are treated fairly. The Company has established systems and control frameworks, supported by risk-based monitoring arrangements and a structured horizon scanning approach to ensure both current and future regulatory risks are identified, assessed, reported and mitigated on an ongoing basis.

##### **IT risk**

Given the nature of the business activities of the Company, there is a dependence upon the robustness of its IT and operating systems. The Company invests heavily in maintaining the integrity of its operating systems, working in tandem with trusted business partners and regularly updates and improves its own internal safeguards.

## **Strategic report (continued)**

### **Principal risks and uncertainties (continued)**

#### **Liquidity risk**

Liquidity risk is the risk the Company does not have sufficient financial resources to meet liabilities and obligations as they fall due. The Company maintains an adequate level of financial resources, with ongoing monitoring of the level of expected cash inflows on trade and other receivables with expected cash outflows on trade and other payables.

#### **Credit risk**

Credit risk relates to the possibility of losses arising from counterparty's failure to meet contractual obligation or repay debts. To mitigate this risk, due diligence is performed over all counterparties prior to the commencement of trading with the counterparty and ongoing monitoring of counterparties payment record is performed.

Approved by the Board on 18 December 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'D. Miller', is written over a horizontal line.

**David Miller**

*Director*

## **Directors' report**

### ***for the year ended 30 June 2019***

The Directors present their annual report and audited consolidated financial statement for the year ended 30 June 2019.

#### **Principal activities**

The principal activity of the Company in the year under review was the provision of a brokering service within the online car finance market. See strategic report for further detail.

#### **Future developments**

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

#### **Directors**

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

- J L Rix
- R R J Rix
- D M Miller (appointed on 1 April 2019)
- J Davenport (appointed on 2 May 2019)
- W Leyland (resigned on 1 April 2019)

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

#### **Dividend**

No dividend was recommended or declared by the Directors during the year ended 30 June 2019 (2018: £7,000,000).

#### **Employees involvement and engagement**

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

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

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

#### **Political and charitable contributions**

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

Charitable donations during the year made by the Company amounted to £115,000 (2018: £115,000).

## **Directors' report (continued)**

### **Research and development**

During the year, the Company has incurred research and development expenditure of £2,022,000 (2018: £1,922,000) which has been expensed during the year. The Company has not capitalised any research and development expenditure for the current year under review (2018: £378,000).

### **Post balance sheet events**

Following the year end a dividend was declared and paid on 9 August 2019 totalling £2,960,000 (£296 per A and D ordinary share). There have been no other significant events between the reporting date and the date of approval of financial statements which would require a disclosure in these financial statements.

### **Statement of directors' responsibilities in respect of the annual report and the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit and loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

### **Directors' confirmations**

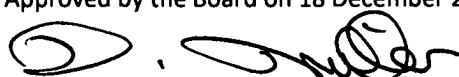
In the case of each director in office at the date the Directors' Report is approved:

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

### **Independent Auditors**

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

Approved by the Board on 18 December 2019 and signed on its behalf by:



**David Miller**

*Director*



## **Independent auditors' report to the members of CarFinance247 Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, CarFinance247 Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and audited financial statements for the year ended 30 June 2019 (the "Annual Report"), which comprise: the Statement of Financial Position as at 30 June 2019; the Statement of Profit and Loss and Other Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

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

#### **Independence**

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

#### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- 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 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

### **Reporting on other information (continued)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

### **Responsibilities for the financial statements and the audit**

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

As explained more fully in the Statement of directors' responsibilities in respect of the annual report and the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditors' responsibilities for the audit of the financial statements**

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

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

#### **Use of this report**

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

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

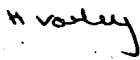
### **Other required reporting**

#### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Heather Varley (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
19 December 2019

**Statement of Profit and Loss and Other Comprehensive Income**  
**for year ended 30 June 2019**

		2019			2018 (restated)		
	Note	Continuing	Discontinued	Total	Continuing	Discontinued	Total
		£000	£000	£000	£000	£000	£000
Revenue	4	54,256	-	54,256	45,060	-	45,060
Finance lease interest income		-	101	101	-	8	8
Cost of sales		(20,812)	-	(20,812)	(15,353)	-	(15,353)
<b>Gross profit</b>		<b>33,444</b>	<b>101</b>	<b>33,545</b>	<b>29,707</b>	<b>8</b>	<b>29,715</b>
Administrative and operating expenses		(26,309)	(539)	(26,848)	(26,099)	9	(26,090)
Impairment loss on trade and other receivables		(62)	-	(62)	(44)	-	(44)
Impairment loss on finance lease receivables	15	-	-	-	(9)	-	(9)
<b>Operating profit/(loss)</b>	5	<b>7,073</b>	<b>(438)</b>	<b>6,635</b>	<b>3,555</b>	<b>17</b>	<b>3,572</b>
Finance income	9	217	-	217	7	-	7
Finance expenses	9	(576)	-	(576)	(576)	-	(576)
<b>Net financing expense</b>		<b>(359)</b>	<b>-</b>	<b>(359)</b>	<b>(569)</b>	<b>-</b>	<b>(569)</b>
<b>Profit/(loss) before taxation</b>		<b>6,714</b>	<b>(438)</b>	<b>6,276</b>	<b>2,986</b>	<b>17</b>	<b>3,003</b>
Taxation	10	(430)	83	(347)	(132)	-	(132)
<b>Profit/(loss) for the year</b>		<b>6,284</b>	<b>(355)</b>	<b>5,929</b>	<b>2,854</b>	<b>17</b>	<b>2,871</b>

Note 3 provides further information on discontinued operations. The company has not recognised gains or losses for the current or prior years other than the profit for the year shown above. Accordingly, no separate statement of comprehensive income has been presented.

## Statement of Financial Position at 30 June 2019

	Note	2019 £000	2018 £000 (Restated)
<b>Non-current assets</b>	26		
Intangible assets	12	135	1,119
Property, plant and equipment	11	2,026	2,467
Right-of-use assets	21	2,194	2,679
		<b>4,355</b>	<b>6,265</b>
<b>Current assets</b>			
Inventories	14	159	52
Contract assets	4	321	-
Financial assets:			
- Trade and other receivables	15	18,556	7,954
- Finance lease receivables	15	-	1,012
- Cash and cash equivalents		8,689	9,456
Current tax receivable	15	315	417
		<b>28,040</b>	<b>18,891</b>
<b>Total assets</b>		<b>32,395</b>	<b>25,156</b>
<b>Current liabilities</b>			
Provisions	18	3,496	3,293
Trade and other payables	16	11,799	10,838
Lease liabilities	21	469	321
		<b>15,764</b>	<b>14,452</b>
<b>Non-current liabilities</b>			
Provisions	18	200	192
Lease liabilities	21	2,415	2,622
Deferred tax liabilities	13	59	184
		<b>2,674</b>	<b>2,998</b>
<b>Total liabilities</b>		<b>18,438</b>	<b>17,450</b>
<b>Net assets</b>		<b>13,957</b>	<b>7,706</b>
<b>Equity</b>			
Share capital	19	-	-
Capital contribution reserve	19	9,179	9,179
Share based payment reserve		350	-
Retained earnings/(Accumulated losses)		4,428	(1,473)
<b>Total equity</b>		<b>13,957</b>	<b>7,706</b>

These financial statements were approved by the board of directors on 18 December 2019 and were signed on its behalf by:



**D Miller**  
Director

Company registered number: 06035525

## Statement of Changes in Equity

	Share capital	Capital contribution reserve	Share based payment reserve	Retained earnings/ (Accumulated losses)	Total equity
	£000	£000	£000	£000	£000
Balance at 30 June 2017	-	-	-	2,708	2,708
Adjustment on initial application of IFRS 16 - net of tax (note 26)	-	-	-	(52)	(52)
<b>Adjusted balance at 1 July 2017</b>	-	-	-	<b>2,656</b>	<b>2,656</b>
Profit for the financial year	-	-	-	3,100	3,100
Contributions by owners (note 19)	-	9,179	-	-	9,179
Dividends	-	-	-	(7,000)	(7,000)
Shares issued	-	-	-	-	-
<b>Balance at 30 June 2018</b>	-	<b>9,179</b>	-	<b>(1,244)</b>	<b>7,935</b>
Adjustment on initial application of IFRS 16 - net of tax (note 26)	-	-	-	(229)	(229)
<b>Adjusted balance at 30 June 2018</b>	-	<b>9,179</b>	-	<b>(1,473)</b>	<b>7,706</b>
Adjustment on initial application of IFRS 9 - net of tax (note 26)	-	-	-	(28)	(28)
<b>Adjusted balance at 1 July 2018</b>	-	<b>9,179</b>	-	<b>(1,501)</b>	<b>7,678</b>
Profit for the financial year	-	-	-	5,929	5,929
Share-based payment charge	-	-	350	-	350
Shares issued	-	-	-	-	-
<b>Balance at 30 June 2019</b>	-	<b>9,179</b>	<b>350</b>	<b>4,428</b>	<b>13,957</b>

## **Notes**

### ***(forming part of the financial statements)***

#### **1 Accounting policies**

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

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

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

- Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

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

- IFRS 2 *Share Based Payments* in respect of group share based payments; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these company financial statements and in preparing an opening FRS 101 balance sheet at 1 July 2017 for the purposes of the transition to IFRSs.

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

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.1 Transition to FRS 101**

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 26.

IFRS 1 grants certain exemptions from the full requirements of IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Financial instruments – As a first-time IFRS adopter the Company has elected not to provide comparative information in accordance with IFRS 9. In line with IFRS 1, in applying IFRS 9 (and the related IFRS 7 disclosures), the 'date of transition' is the beginning of the first IFRS reporting period, 1 July 2018. Therefore, FRS 102 is applied in the comparative periods presented.

#### **1.2 Measurement convention**

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

#### **1.3 Going concern**

The board of directors have reviewed the latest financial forecasts available and are comfortable that the Company has sufficient financial resources to meet its liabilities, as and when they fall due, for a period of no less than 12 months from the approval of these financial statements. The directors have, at the time of approving these financial statements, a reasonable expectation that the Company has adequate resources to continue to adopt the going concern basis of accounting in preparing these financial statements.

#### **1.4 Functional and presentational currency**

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

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

#### **1.5 Financial instruments (policy applicable from 1 July 2018)**

##### **(i) Recognition and initial measurement**

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



## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.5 Financial instruments (policy applicable from 1 July 2018) (continued)**

##### **(ii) Classification and subsequent measurement**

###### **Financial assets**

###### **(a) Classification**

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

During the year, finance lease receivable financial assets were accounted for under IFRS 9 until they were disposed on the 1 October 2018. Note 26 provides further detail on the classification of financial assets and liabilities under FRS 102 and FRS 101.

###### **(b) Subsequent measurement and gains and losses**

Financial assets at amortised cost - these assets are subsequently measured at amortised cost using the effective interest method (also see note 1.15 for further detail). Interest income and impairment are recognised in profit and loss. Any gain or loss on derecognition is recognised in profit and loss.

###### **Financial liabilities and equity**

###### **(a) Classification**

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

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

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

###### **(b) Subsequent measurement**

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

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.5 Financial instruments (policy applicable from 1 July 2018) (continued)**

##### **(iii) Impairment**

The Company recognises expected credit loss allowance (ECLs) on financial assets measured at amortised cost, including trade and other receivables, contract assets (as defined in IFRS 15) and finance lease receivables.

- Trade and other receivables and contract assets are the amounts owed to the business from customers that arise from Revenue from Contracts with Customers (note 1.14).
- All finance lease receivables are the amounts owed by the customer plus direct transaction costs (note 1.15).

##### *Expected credit loss (ECL)*

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

##### *Significant increase in credit risk*

The Company uses quantitative and qualitative criteria and analysis based on historic experience, informed credit assessment and forward-looking information to assess and identify whether financial assets have experienced a significant increase in credit risk. Where a significant increase in credit risk is identified, financial assets are moved to Stage 2 (for further detail, see Company staging criteria below).

##### *Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The Company assesses on an ongoing basis whether there is objective evidence that a financial asset is credit impaired. Objective evidence may include evidence that a borrower or group of borrowers is experiencing financial difficulty, default or delinquency in repayments.

##### *Company staging criteria*

**Stage 1** – Financial assets which are not credit-impaired at the reporting date and have not experienced a significant increase in credit risk since their initial recognition.

**Stage 2** – Financial assets which are not credit-impaired at the reporting date, but where a significant increase in credit risk has been identified. Financial assets are considered to have experienced a significant increase in credit risk when:

- a 100% relative increase in the probability of default (PD) has occurred (when comparing origination PD to reporting date PD); or
- the financial asset is more than 30 days past due.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.5 Financial instruments (policy applicable from 1 July 2018) (continued)**

##### **(iii) Impairment (continued)**

##### *Company staging criteria (continued)*

Stage 3 – Financial assets which are credit-impaired at the reporting date. The Company considers a financial asset is credit impaired when:

- there is objective evidence that the borrower is unlikely to meet their credit obligations to the Company in full; or
- the financial asset is more than 56 days past due (missed three contractual payments).

##### *Measurement of ECLs*

ECLs are calculated by multiplying three main components; the PD, exposure at default (EAD) and loss given default (LGD) discounted at the original effective interest rate of an asset.

For trade and other receivables and contract assets, ECL allowances are measured on the basis of lifetime ECLs applying the simplified approach.

For finance lease receivables the Company assesses ECLs on a forward-looking basis, reflecting:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort required at reporting date about past events, current conditions and forecast future economic conditions.

In determining ECLs, management are required to exercise judgement in making assumptions and estimates, incorporating relevant information about past events, current conditions and future forecasts. Where appropriate judgement is applied through the application of judgemental overlays to modelled outputs. Key components of the ECL calculation and related assumptions are summarised below.

##### *PD*

PD represents a quantification of the risk that a borrower may not be able to meet their contractual obligations. The estimate of PD includes consideration of the arrears status of the borrower, credit rating and historic experience.

##### *EAD*

EAD represents the estimation of the outstanding exposure at the point of default. Estimating EAD includes considering the exposure at the balance sheet date and potential changes to the exposure over time given the contractual arrangements with the borrower and potential overpayments and early settlement based on historic experience.

##### *LGD*

LGD represents the estimation of the magnitude of likely loss in the event of default. This takes into account potential recoveries, including the estimation of the value of collateral and costs incurred in the repossession and liquidation process.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.5 Financial instruments (policy applicable from 1 July 2018) (continued)**

##### **(iii) Impairment (continued)**

###### *Discount rate*

In calculating allowance for ECL, estimated and modelled future cash flows are discounted at each financial instrument's original effective interest rate, in order to incorporate the time value of money.

###### *Forward-looking information*

The Group incorporated forward looking information into its assessment of the allowance for ECLs. This has included consideration of the impact of changes in economic conditions and key macroeconomic variables (including unemployment, interest rates and GDP).

###### *Write-offs*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

##### **(iv) Derecognition**

###### **Financial assets**

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the profit and loss account.

###### **Financial liabilities**

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

#### **1.6 Financial instruments (policy applicable prior to 1 July 2018)**

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in the profit and loss account.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.6 Financial instruments (policy applicable prior to 1 July 2018) (continued)**

##### **(i) Financial assets**

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value.

##### **(ii) Loans and receivables**

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Trade receivables and other receivables have fixed or determinable payments and are not quoted in an active market. Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. The Company's contract assets primarily relate to brokering services that have been provided by the Company, but the receipt of the contract asset is dependent on the future performance of the customer brokered. The contract assets are transferred to receivables when the rights become unconditional.

##### **(iii) Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised the profit and loss account.

##### **(iv) Derecognition of financial assets**

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the profit and loss account.

##### **(v) Financial liabilities and equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. Financial liabilities, including borrowings, are initially measured at fair value and subsequently measured at amortised cost.

##### **(vi) Derecognition of financial liabilities**

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

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.7 Leases**

In the Company's transition to IFRS, the Company has early adopted IFRS 16 Leases.

The Company has entered into various lease arrangements for properties and cars. The Company had classified these as operating leases under previous GAAP.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

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

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

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term considering the optional renewal period if the Company is reasonably certain to exercise the option. Depreciation is charged to the profit and loss account on a straight-line basis over the lease term (5 – 7 years).

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

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.7 Leases (continued)**

Lease payments included in the measurement of the lease liability comprise fixed rental payments for the leased assets.

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

#### *Short-term leases and leases of low-value assets*

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

#### **1.8 Intangible assets**

##### *Software*

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

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

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

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

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.8 Intangible assets (continued)**

##### *Other intangible assets*

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

##### *Amortisation*

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

- Website 3-5 years
- License 3 years
- Software 3 years

#### **1.9 Property, plant and equipment**

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

##### *Depreciation*

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method:

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

#### **1.10 Impairment of non-financial assets**

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

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

#### **1.11 Inventory**

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

#### **1.12 Provisions**

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



## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.13 Employee benefits**

##### *Defined contribution plans*

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

##### *Share-based payment transactions*

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

#### **1.14 Revenue**

##### *Revenue from contracts with customers*

IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognised. The Company has adopted IFRS 15 Revenue from Contracts with Customers retrospectively to the comparative information presented in these financial statements. The changes in accounting policies as a result of the adoption of IFRS 15 resulted in no adjustments to the amounts recognised in the financial statements.

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

Step 1 - Identify the contract (s) with a customer

Step 2 - Identify the separate performance obligations in the contract

Step 3 - Determine the transaction price

Step 4 - Allocate the transaction price to the performance obligations in the contract

Step 5 - Recognise revenue when (or as) the entity satisfies a performance obligation

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.14 Revenue (continued)**

##### *Revenue from contracts with customers (continued)*

The revenue shown in the profit and loss account represents revenue recognised by the Company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

- Finance commission represents commissions received from lenders for motor vehicle finance which has been brokered. Finance commission may be refunded or “debited back” to the lenders where the finance has been early settled, defaulted or as a result of fraud. Debit backs represent an element of finance commission which is deemed to be variable commission and only revenue that is highly probable it will not suffer a debit back is recognised as revenue, with the revenue which does not meet the highly probable criteria being recognised as a debit back provision.
- Other revenue includes GAP insurance policies and facilitation fees which are recognised in the month they are raised. For GAP insurance sales, the company is deemed to be in an agency relationship with suppliers therefore revenue is recognised net of costs of sale.

The Company recognises the revenue from contracts with customers when the performance obligation (s) are satisfied:

- Finance commission revenue is recognised at contract rates on the date the finance agreement is brokered. Revenue is adjusted for any variable consideration using the ‘expected value method’ at the reporting date.
- Other revenue is recognised when the performance obligation is satisfied, for example when GAP insurance has been brokered.

#### **1.15 Finance lease interest income and expense**

Interest income is recognised in the income statement for finance lease receivables measured at amortised cost using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash flows of the loan back to the present value of the advance. The calculation of the effective interest rate includes transaction costs and all other premiums or discounts. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial instrument.

For financial assets that are not considered to be credit impaired (‘stage 1’ and ‘stage 2’ assets), interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. For financial assets that become credit impaired (‘stage 3’ assets), interest income is calculated on the net carrying amount (that is, net of credit allowance).

Interest expense includes interest payable on bank loans. Interest expense is calculated using the effective interest method and is recognised in profit and loss.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.16 Expenses**

##### *Financing income and expenses*

Financing expenses includes bank interest payable, bank charges and interest payable on leases. Finance expense on bank borrowings and leases are calculated using the effective interest method and are recognised in profit and loss.

Financing income comprise interest receivable on bank deposits. Foreign currency gains and losses are reported on a net basis.

#### **1.17 Taxation**

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

Current or deferred taxation assets and liabilities are not discounted.

##### **(i) Current tax**

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

##### **(ii) Deferred tax**

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

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

#### **1.18 Discontinued operations**

In accounting for discontinued operations the Company has applied IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. For discontinued operations between common control entities an accounting policy choice has been taken to recognise the transaction at net book value resulting in the recognition of no gain or loss on the transaction. Refer to note 3 for further details of the discontinued operation transaction.

## Notes (continued)

### 2 Critical accounting judgements and sources of estimation uncertainty

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

#### (i) Debit back provision

The Company contracts with finance lenders and receives commission. Depending on the contracts, certain commission may need to be refunded or "debited back", for example, where the customer settles early, defaults or fraud is detected.

These debit backs represent variable commission under IFRS 15 and an adjustment is required to revenue to recognise only the revenue which is highly probable not to suffer a debit back. The directors make an accounting estimate of the amount of finance commission that may need to be refunded based on the likelihood of early settlement, fraud and default. The estimate is based on historical trends of finance commission that have been repaid to lenders. A percentage is estimated for each qualifying lender based on these historic trends, this is then applied to the level of finance commission received from each qualifying lender to estimate the amount which may become refunded to the lenders at the reporting date. This estimate reduces the amount of revenue recognised and results in the recognition of a debit back provision. For more detail see note 18.

### 3 Non-current assets held for sale and discontinued operations

#### Discontinued operation

On 1 October 2018, the Company transferred its portfolio of loans and advances to customers and associated business processes from CarFinance247 Limited to another Group company, 247 Money Group Limited. The transaction occurred between commonly controlled subsidiaries of the 247 Group Holdings Limited and was therefore recorded at book value. As a result no gain or loss arose on the transfer.

#### Effect of the disposals on individual assets and liabilities

	1 Oct 2018 £000	30 June 2018 £000
Loans and advances to customers	2,705	1,012
Cash and cash equivalents	-	263
Prepayments and other receivables	7	-
Intangible assets	636	-
Property, plant and equipment	7	-
Other trade payables	(22)	-
<b>Net asset of disposal group</b>	<b>3,333</b>	<b>1,275</b>
<b>Consideration received</b>	<b>3,333</b>	
<b>Gain / (loss) on disposal</b>	<b>-</b>	

The consideration was received by way of an intercompany loan accruing interest, unsecured and repayable on demand.

## Notes (continued)

### 4 Revenue

The Company's revenue is derived from services related to the provision of brokering services in the online car finance market. All revenue arises within the United Kingdom.

#### (i) Disaggregation of revenue

In the following table, revenue from contracts with customers is disaggregated by major service lines and timing of revenue recognition. For further detail on revenue recognition policies refer to note 1.14.

#### Major service lines

	2019 £000	2018 £000
Finance commission	45,063	38,710
Other income	9,193	6,350
Total revenue from contracts with customers	54,256	45,060

All revenue from contracts with customers are transferred at point in time.

#### (ii) Contract balances

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

The following table provides information about opening and closing receivables, prepayments and accrued income, contract assets and contract liabilities from contracts with customers.

	2019 £000	2018 £000 (Restated)
Trade and other receivables	6,227	5,244
Prepayments and accrued income	2,121	1,931
Contract assets	321	-
	8,669	7,175

#### Significant changes in contract assets

	2019 £000	2018 £000
Change in estimate	321	-

## Notes (continued)

### 5 Operating profit

Operating profit is stated after charging:

	Note	2019 £000	2018 £000 (Restated)
Depreciation of property, plant and equipment	11	714	542
Depreciation of right-of-use assets	21	485	465
Amortisation of intangible assets	12	232	225
(Gain) / loss on sale of property, plant and equipment		(74)	182
Loss on sale of intangible assets		124	11
Research and development		2,022	1,922
Finance lease interest cost		-	-
Staff cost	7	15,259	13,234
		<b>18,762</b>	<b>16,581</b>

### 6 Auditors' remuneration

Remuneration of the auditors, excluding VAT is as follows:

	2019 £000	2018 £000
Audit of these financial statements	80	72
Taxation compliance services	-	6
Corporate finance services	-	265
Audit-related assurance services	-	7
Other non-audit services	40	60
	<b>120</b>	<b>410</b>

### 7 Staff numbers and costs

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

	2019 No.	2018 No.
Sales	223	248
Administration	225	195
	<b>448</b>	<b>443</b>
	<b>2019 £000</b>	<b>2018 £000</b>
Aggregate payroll costs		
Wages and salaries	13,672	11,880
Social security costs	1,386	1,244
Contributions to defined contribution plans	201	110
	<b>15,259</b>	<b>13,234</b>

## Notes (continued)

### 8 Directors' remuneration

	2019 £000	2018 £000 (Restated)
Directors' emoluments	299	191
Directors' pension costs	6	3
	<b>305</b>	<b>194</b>

Not included within directors' emoluments is directors' compensation for loss of office of £55,000 (2018: £nil) paid during the year.

	2019	2018
Number of directors in respect of qualifying services	5	3

	2019 £000	2018 £000 (Restated)
In respect of the highest paid director:		
Director's emoluments	110	125
Director's pension cost	8	3
	<b>118</b>	<b>128</b>

Not included within the highest paid director's emoluments is director's compensation for loss of office of £55,000 (2018: £nil) paid during the year.

No amounts are receivable under long term incentive schemes to the directors.

### 9 Finance income and expense

	2019 £000	2018 £000
Interest receivable from other group undertakings	188	-
Bank interest receivable	29	7
	<b>217</b>	<b>7</b>
	2019 £000	2018 £000 (Restated)
Bank interest payable	-	58
Interest on obligations under finance leases	499	518
Finance expense other	77	-
	<b>576</b>	<b>576</b>

## Notes (continued)

### 10 Taxation

*Recognised in the income statement:*

	2019		2018
	Continuing £000	Discontinued £000	£000
<b>Corporation tax</b>			
Current tax on profits for the year	355	(83)	-
Adjustment in respect of prior years	200	-	62
	<u>555</u>	<u>(83)</u>	<u>62</u>
<b>Deferred tax expense</b>			
Origination and reversal of temporary differences	(115)	-	98
Effects of changes in tax rate	12	-	(10)
Adjustments in respect of prior periods	(22)	-	(18)
	<u>(125)</u>	<u>-</u>	<u>70</u>
<b>Total tax on profit</b>	<u>430</u>	<u>(83)</u>	<u>132</u>

### Reconciliation of effective tax rate

	2019		2018
	Continuing £000	Discontinued £000	£000
Profit (loss) before tax	6,714	(438)	3,003
Tax on profit / (loss) at standard UK rate of 19% (2018: 19%)	1,275	(83)	614
Tax rate changes	12	-	(10)
Expenses not deductible	14	-	98
R&D relief	(500)	-	(614)
Group relief	(538)	-	-
IFRS transitional adjustments	(10)	-	-
Adjustments in respect of prior periods	177	-	44
	<u>430</u>	<u>(83)</u>	<u>132</u>

### Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. The effect of this proposed tax rate reduction will be reflected in future periods. Deferred taxes at the balance sheet date have been measured using enacted tax rates and reflected in these financial statements.



## Notes (continued)

### 11 Property, plant and equipment

	Motor Vehicles £000	Fixtures & fittings £000	Computer equipment £000	Total £000
<b>Cost</b>				
Balance at 1 July 2017	-	542	1,014	1,556
Additions	189	1,774	120	2,083
Disposals	-	(194)	(230)	(424)
Reclassification	-	7	(24)	(17)
Balance at 30 June 2018	189	2,129	880	3,198
Balance at 1 July 2018	189	2,129	880	3,198
Additions	93	78	134	305
Disposals	-	(93)	(43)	(136)
Balance at 30 June 2019	282	2,114	971	3,367
<b>Accumulated depreciation and impairment</b>				
Balance at 1 July 2017	-	127	314	441
Depreciation charge for the year	5	251	286	542
Disposals	-	(97)	(146)	(243)
Reclassification	-	3	(12)	(9)
Balance at 30 June 2018	5	284	442	731
Balance at 1 July 2018	5	284	442	731
Depreciation charge for the year	44	432	238	714
Disposals	-	(68)	(36)	(104)
Balance at 30 June 2019	49	648	644	1,341
<b>Net book value</b>				
At 1 July 2017	-	415	700	1,115
At 30 June 2018	184	1,845	438	2,467
At 30 June 2019	233	1,466	327	2,026

The depreciation charge is recognised in administrative expenses in the profit and loss account.

## Notes (continued)

### 12 Intangible assets

	Website £000	Licence £000	Software £000	Total £000
<b>Cost</b>				
Balance at 1 July 2017	254	170	76	500
Additions	62	46	862	970
Disposals	-	(1)	(10)	(11)
Reclassification	-	-	16	16
Balance at 30 June 2018	316	215	944	1,475
Balance at 1 July 2018	316	215	944	1,475
Additions	-	-	8	8
Disposals	(62)	-	(799)	(861)
Reclassification	-	-	-	-
Balance at 30 June 2019	254	215	153	622
<b>Accumulated amortisation and impairment</b>				
Balance at 1 July 2017	40	84	-	124
Amortisation charge for the year	85	68	72	225
Disposals	-	(1)	-	(1)
Reclassification	-	-	8	8
Balance at 30 June 2018	125	151	80	356
Balance at 1 July 2018	125	151	80	356
Amortisation charge for the year	85	43	104	232
Disposals	-	-	(101)	(101)
Reclassifications	-	-	-	-
Balance at 30 June 2019	210	194	83	487
<b>Net book value</b>				
At 1 July 2017	214	86	76	376
At 30 June 2018	191	64	864	1,119
At 30 June 2019	44	21	70	135

The amortisation charge is recognised in administrative and operating expenses in the profit and loss account.

## Notes (continued)

### 13 Deferred tax assets and liabilities

	2019 £000	2018 £000
<b><i>Movement in deferred tax during the prior year</i></b>		
At 1 July	184	114
Recognised in income	(103)	70
Adjustment in respect of prior years	(22)	-
At 30 June	59	184

	2019 £000	2018 £000
<b><i>Deferred tax assets and liabilities are attributable to the following:</i></b>		
Fixed asset timing differences	69	191
Short term timing differences	(10)	(7)
	59	184

### 14 Inventory

	2019 £000	2018 £000
Finished goods and goods for resale	159	52

### 15 Receivables

#### a) Trade and other receivables

	2019 £000	2018 £000 (Restated)
Trade receivables	6,227	5,244
Amounts due from related parties	10,208	780
Finance lease receivables	-	1,012
Current tax receivable	315	417
Interest receivable	-	-
Prepayments and accrued income	2,121	1,930
	18,871	9,383
Non-current	-	-
Current	18,871	9,383
	18,871	9,383

£407,000 (2018: 417,000) relates to loaned amounts due from other related parties (directors and other companies wholly owned by directors) outside the Group. These loans are interest free, unsecured and repayable on demand.

£9,801,000 (2018: £363,000) relates to amounts due from other group undertakings. £7,308,000 (2018: £nil) of amounts due from other group undertakings are loaned amounts, interest bearing, unsecured and are repayable on demand. The remaining balances are interest free, unsecured and repayable on demand.

## Notes (continued)

### 15 Receivables (continued)

#### b) Finance lease receivables

On 1 October 2018, the Company transferred its portfolio of finance lease receivables and associated business processes to another Group company, 247 Money Group Limited. Therefore, at 30 June 2019 no finance lease receivables are recognised within the Company.

The finance lease receivables balance including allowance for impairment in respect of 2019 were prepared on an IFRS 9 basis until they were transferred on 1 October 2018. In accordance with the transitional provisions of the standard comparative set out in the table below have not been restated, refer notes 1.1 and 26 for further detail.

#### Ageing analysis of finance lease receivables

	IFRS 9 £000	Previous GAAP £000
Amounts due within one year	-	229
Amounts due in more than one year	-	783
	-	1,012

	Within 1 year £000	1-5 years £000	Greater than 5 years £000	Total £000
<b>2019 - IFRS 9 / 16</b>				
Future minimum lease payments	-	-	-	-
Unearned finance income	-	-	-	-
Present value of minimum lease payments receivable	-	-	-	-
Loan loss provision				-

	Within 1 year £000	1-5 years £000	Greater than 5 years £000	Total £000
<b>2018 - Previous GAAP</b>				
Future minimum lease payments	425	1,111	-	1,536
Unearned finance income	(187)	(328)	-	(515)
Present value of minimum lease payments receivable	238	783	-	1,021
Loan loss provision				(9)
				1,012

## Notes (continued)

### 15 Receivables (continued)

#### b) Finance lease receivables (continued)

##### Analysis of net finance lease receivables

	IFRS 9 £000	Previous GAAP £000
Loans and advances to customers	-	1,021
Loan loss provision	-	(9)
	-	1,012

##### Reconciliation of gross finance lease receivables

	Stage 1 £000	Stage 2 £000	Stage 3 £000	IFRS 9 2019 Total £000	Previous GAAP 2018 Total £000
<b>At 1 July</b>	1,021	-	-	1,021	89
New loans to customers	1,762	-	-	1,762	929
Net transfers and changes in credit risk (ins and outs)	-	-	-	-	-
Finance lease interest income	101	-	-	101	8
Recoveries and settlements	(179)	-	-	(179)	(5)
Disposal of assets	(2,705)	-	-	(2,705)	-
<b>At 30 June</b>	-	-	-	-	1,021

##### Reconciliation of allowance for impairment

	Stage 1 £000	Stage 2 £000	Stage 3 £000	IFRS 9 2019 Total £000	Previous GAAP 2018 Total £000
<b>At 1 July</b>	9	-	-	9	-
Adjustment on initial application of IFRS 9 (net of tax)	24	-	-	24	-
Impairment losses recognised	-	-	-	-	9
Net transfers and changes in credit risk (ins and outs)	-	-	-	-	-
Disposal of assets	(33)	-	-	(33)	-
<b>At 30 June</b>	-	-	-	-	9

During the year the Company sold its entire receivable balance to fellow group member 247 Money Group Limited. No gain or loss arose on the measurement to fair value less cost to sell, refer to note 3 for further detail.

## Note (continued)

### 15 Receivables (continued)

#### b) Finance lease receivables (continued)

##### Credit risk exposure

The following table contains an analysis of the credit risk exposure of financial instruments (financial assets relating to motor finance activities) for which ECL allowance is recognised. The gross carrying amount of finance lease receivables also represents the Company's maximum exposure to credit on these assets.

	Stage 1	Stage 2	Stage 3	IFRS 9 2019 Total £000	Previous GAAP 2018 Total £000
	£000	£000	£000	£000	£000
Gross carrying amount	-	-	-	-	1,021
Loss allowance	-	-	-	-	(9)
Carrying amount	-	-	-	-	1,012

The Company practices range of policies and practices to mitigate the risk. The motor vehicles are held as collateral against amounts receivable from finance leases until they are repaid in full. At 30 June 2019, the residual value of collateral held was £nil (2018: £0.6m). As described in note 1.5, LGD model is used to calculate expected magnitude of the likely loss in the event of default. This takes into account recoveries either through curing or, where applicable, through auction sale of repossessed collateral and debt sale of the residual shortfall amount. LGDs are calculated on a discounted cash flow basis using the financial instrument's origination effective interest rate as the discount factor.

### 16 Trade and other payables

	2019 £000	2018 £000
Trade payables	6,347	5,282
Taxation and social security	3,317	2,718
Accrued expenses	2,135	2,838
	<b>11,799</b>	<b>10,838</b>

**Note (continued)**

**17 Employee benefits**

**Defined contribution plans**

The Company operates a defined contribution pension scheme. The cost of contributions to the defined contribution scheme amounts to £201,000 (2018: £110,000). The amounts outstanding at the year end amounted to £nil (2018: £nil).

**Share-based payments**

The Company operates a long term incentive plan, the following awards have been granted under the plan to company senior management and terms and condition of the grants are as follows:

Grant date / employees entitled	Method of settlement accounting	Vesting conditions	Contractual life of options
19/07/2018	Equity	Non market service conditions	June - 2021

Share options are granted under a service condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. The weighted average contractual life of the share options is 3 years and the options are lost if the participant cease to hold the plan-related employment before the third anniversary of grant date.

The fair value of an employee share option at grant date was £3,982 (2018: £nil).

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

## Note (continued)

### 18 Provisions

2019	Debit back provision £000	Deals provision £000	Asset retirement obligations provision £000	Total £000
Balance at 1 July 2018	3,157	136	192	3,485
Charge for the year	3,876	9	8	3,893
Utilised during the year	(3,652)	(30)	-	(3,682)
Released during the year	-	-	-	-
<b>Balance at 30 June 2019</b>	<b>3,381</b>	<b>115</b>	<b>200</b>	<b>3,696</b>

2018	Debit back provision £000	Deals provision £000	Asset retirement obligations provision £000 (Restated)	Total £000 (Restated)
Balance at 1 July 2017	2,931	172	152	3,255
Charge for the year	1,942	88	40	2,070
Utilised during the year	(1,501)	(124)	-	(1,625)
Released during the year	(215)	-	-	(215)
<b>Balance at 30 June 2018</b>	<b>3,157</b>	<b>136</b>	<b>192</b>	<b>3,485</b>

	2019 £000	2018 £000 (Restated)
Non-current	200	192
Current	3,496	3,293
	<b>3,696</b>	<b>3,485</b>

#### Deals provision

The provision relates to customer finance arrangements that may be cancelled post year end as a result of the customer not fully completing their car purchase. The provision is based on customer care cases which remained open at the year end due to the outcome being negotiated. The provision is also based on the average loss calculated on unwind cases and the time taken to resolve the case.

#### Debt back provision

The debit back provision is recognised so only revenue which is highly probable is recognised in the profit and loss. Some revenue is not considered highly probable because there is a risk that customers terminate finance arrangements before the end of their contractual term, which are usually over 3-5 years in duration, and may result in a debit back of finance commissions earned by the Company from third party lenders.

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

The provision is based on historical trends of finance commissions that have been repaid to lenders. The provision represents the lender specific agreements in place. A percentage is estimated for each qualifying lender based on these historic trends, this is then applied to the level of finance commission received from each qualifying lender to estimate the amount which may become repayable at a future date.



## Notes (continued)

### 18 Provisions (continued)

#### Debt back provision (continued)

The annual debit back rate, defined as the total debit backs divided by total finance commission revenue earned in the year, was 6.4% (2018: 6.0%). The first year debit back rate, defined as the debit backs incurred on all finance commission in the first year which they were earned, was 4.5% (2018: 3.9%). If each yearly debit back rate were to increase proportionally by 5.0%, this would result in a provision increase of £169,000 (2018: £158,000).

#### Asset retirement obligations

A provision is recognised to restore the leased properties in its original conditions on completion of lease terms. An independent surveyor valuation is used to estimate the possible outcomes for the total costs. The present value of provision has been calculated using the discount rate of 4%. The unwinding discount of £8,000 (2018: £7,000) is recognised under finance expenses in statement of profit and loss account.

### 19 Capital and reserves

#### Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
7,500 (2018: 7,500) Ordinary 1p 'A' shares	75	75
263 (2018: 263) Ordinary 1p 'C' shares	3	3
2,500 (2018: 2,500) Ordinary 1p 'D' shares	25	25
	<b>103</b>	<b>103</b>

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

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

#### Capital contribution reserve

In 2018, prior to the group reorganisation, Carfinance247 Limited received a capital contribution totalling £9,179,000.

## Notes (continued)

### 20 Financial Instruments

The following table sets out the carrying value of the group's financial assets and liabilities in accordance with the categories of financial instruments set out in IFRS 9. The balances as at 30 June 2018 were also measured at amortised cost under the previous GAAP requirements.

	Note	2019 £000	2018 £000 (Restated)
<b>Financial assets measured at amortised cost</b>			
Trade and other receivables	15	18,871	8,371
Contract assets	4	321	-
Finance lease receivables	15	-	1,012
Cash and cash equivalents		8,689	9,456
		<b>27,881</b>	<b>18,839</b>
<b>Financial liabilities measured at amortised cost</b>			
Trade and other payables	16	11,799	10,838
Lease liabilities	21	2,884	2,943
		<b>14,683</b>	<b>13,781</b>

With the exception of finance lease receivables the carrying value of financial assets and financial liabilities is approximately equal to the fair value. Refer to note 15 for further detail of the fair value of finance lease receivables.

## Notes (continued)

### 21 Leases

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

	2019 £000	2018 £000 (Restated)
<b>Lease liabilities</b>		
Property, plant and equipment	264	10
Right-of-use assets, except for investment property	2,620	2,933
	<b>2,884</b>	<b>2,943</b>

#### **Lease liabilities included in the statement of financial position at 30 June**

	2019 £000	2018 £000 (Restated)
Current	469	321
Non-current	2,415	2,622
	<b>2,884</b>	<b>2,943</b>

#### **Maturity analysis - contractual undiscounted cash flows**

	2019 £000	2018 £000 (Restated)
Less than one year	895	804
One to five years	3,072	3,271
More than 5 years	-	521
	<b>3,967</b>	<b>4,596</b>

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most significant leases. The Company decided to apply the recognition exemptions to short-term leases of machinery and leases of IT equipment. For leases of other assets, which were classified as operating leases under previous GAAP, the Company recognised right-of use assets and lease liabilities.

#### **Right-of-use assets**

	Property £000
<b>2018</b>	
Balance at 1 July (restated)	2,756
Additions (restated)	388
Depreciation charge for the year (restated)	(465)
Balance at 30 June (restated)	<b>2,679</b>
<b>2019</b>	
Balance at 1 July	2,679
Additions	-
Depreciation charge for the year	(485)
Balance at 30 June	<b>2,194</b>

## Notes (continued)

### 21 Leases (continued)

#### Amounts recognised in profit and loss

	2019 £000	2018 £000 (Restated)
Interest on lease liabilities	499	518
Depreciation charge	485	465
Photocopier leasing	24	24
Vehicle Leasing	44	51
Expenses relating to leases of low-value assets	2	2
	<b>1,054</b>	<b>1,060</b>

### 22 Contingent assets

The Company has taken a prudent approach for the calculation of value added tax liabilities associated with its principal activity relating to the provision of car finance arrangements. There is an ongoing debate between HMRC and car finance providers as to the amount of input VAT that may be recovered in relation to this business activity. In the event of a decision being reached that would allow for more input VAT to be recovered than is currently assumed, this may give rise to the Company being able to achieve a tax recovery. The timing and amount of any recovery is currently uncertain, as such no asset is currently recognised in the financial statements in relation to this.

### 23 Related parties

During the year the Company sold its entire lending division to fellow group company 247 Money Group Limited (247 Money), detail of net asset sold is in note 3.

During the year the company paid rent amounting to £87,000 (2018: £113,000) to RRJ & JL Rix partnership and service charges amounting to £624,000 (2018: £549,000) to EGFV Rix entities owned by the ultimate controlling parties Mr RRJ Rix and Mr J L Rix.

Balances due from other related parties are disclosed in note 15.

Distributions to the shareholders are disclosed in the Statement of Changes in Equity.

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

### 24 Ultimate parent company and parent company of larger group

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

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

### 25 Post balance sheet events

Following the year end a dividend was declared and paid on 9 August 2019 totalling £2,960,000 (£296 per A and D ordinary share).

No other events have occurred after the reporting date but before the authorisation of the financial statements that require disclosure.

## Notes (continued)

### 26 Explanation of transition to FRS 101 from FRS 102

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 June 2019, the comparative information presented in these financial statements and in the preparation of an opening FRS 101 balance sheet at 1 July 2018, the Company's transition date. In preparing its opening FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its previous basis of accounting (FRS 102). An explanation of how the transition from FRS 102 to FRS 101 has affected the Company's financial position and financial performance and is set out in the following tables and the notes that accompany the tables.

#### Reconciliation of Consolidated Statement of Profit and Loss and Other Comprehensive Income

	30 June 2017			30 June 2018		
	As originally presented £000	IFRS 16 £000	Restated £000	As originally presented £000	IFRS 16 £000	Restated £000
Revenue	37,197	-	37,197	45,060	-	45,060
Finance lease interest income	-	-	-	8	-	8
Cost of sales	(11,526)	-	(11,526)	(15,353)	-	(15,353)
<b>Gross profit</b>	<b>25,671</b>	<b>-</b>	<b>25,671</b>	<b>29,715</b>	<b>-</b>	<b>29,715</b>
Administrative and operating expenses	(19,798)	137	(19,661)	(26,379)	289	(26,090)
Impairment loss on trade and other receivables	(15)	-	(15)	(44)	-	(44)
Impairment loss on finance lease receivables	-	-	-	(9)	-	(9)
<b>Operating profit</b>	<b>5,858</b>	<b>137</b>	<b>5,995</b>	<b>3,283</b>	<b>289</b>	<b>3,572</b>
Finance income	-	-	-	7	-	7
Finance expenses	(1)	(189)	(190)	(58)	(518)	(576)
<b>Net financing expense</b>	<b>(1)</b>	<b>(189)</b>	<b>(190)</b>	<b>(51)</b>	<b>(518)</b>	<b>(569)</b>
<b>Profit/(loss) before tax</b>	<b>5,857</b>	<b>(52)</b>	<b>5,805</b>	<b>3,232</b>	<b>(229)</b>	<b>3,003</b>
Taxation	(398)	-	(398)	(132)	-	(132)
<b>Profit/(loss) for the year</b>	<b>5,459</b>	<b>(52)</b>	<b>5,407</b>	<b>3,100</b>	<b>(229)</b>	<b>2,871</b>
<b>Total comprehensive income/(expense) for the year</b>	<b>5,459</b>	<b>(52)</b>	<b>5,407</b>	<b>3,100</b>	<b>(229)</b>	<b>2,871</b>

**Notes (continued)**

**26 Explanation of transition to FRS 101 from FRS 102 (continued)**

**Reconciliation of statement of financial position**

	30 June 2017			30 June 2018			1 July 2019	
	As originally presented £000	IFRS 16 £000	Restated £000	As originally presented £000	IFRS 16 £000	Restated £000	IFRS 9 £000	Restated £000
<b>Non-current assets</b>								
Investments	-	-	-	-	-	-	-	-
Intangible assets	376	-	376	1,119	-	1,119	-	1,119
Property, plant and equipment	1,115	-	1,115	2,467	-	2,467	-	2,467
Right-of-use assets	-	2,756	2,756	-	2,679	2,679	-	2,679
	1,491	2,756	4,247	3,586	2,679	6,265	-	6,265
<b>Current assets</b>								
Inventories	40	-	40	52	-	52	-	52
Financial assets:								
- Trade and other receivables	4,988	(8)	4,980	7,789	165	7,954	(24)	7,930
- Finance lease receivables	-	-	-	1,012	-	1,012	(4)	1,008
- Cash and cash equivalents	7,597	-	7,597	9,456	-	9,456	-	9,456
Current tax receivable	-	-	-	417	-	417	-	417
	12,625	(8)	12,617	18,726	165	18,891	(28)	18,863
<b>Total assets</b>	14,116	2,748	16,864	22,312	2,844	25,156	(28)	25,128

**26 Explanation of transition to FRS 101 from FRS 102 (continued)**

**Reconciliation of statement of financial position (continued)**

	30 June 2017			30 June 2018			1 July 2019	
	As originally presented £000	IFRS 16 £000	Restated £000	As originally presented £000	IFRS 16 £000	Restated £000	IFRS 9 £000	Restated £000
<b>Current liabilities</b>								
Loans and borrowings	439	-	439	-	-	-	-	-
Provisions	3,103	-	3,103	3,293	-	3,293	-	3,293
Current tax payable	776	-	776	-	-	-	-	-
Trade and other payables	6,884	-	6,884	10,838	-	10,838	-	10,838
Lease liabilities	82	-	82	10	311	321	-	321
	11,284	-	11,284	14,141	311	14,452	-	14,452
<b>Non-current liabilities</b>								
Provisions	-	152	152	-	192	192	-	192
Lease liabilities	10	2,648	2,658	-	2,622	2,622	-	2,622
Deferred tax liabilities	114	-	114	184	-	184	-	184
	124	2,800	2,924	184	2,814	2,998	-	2,998
<b>Total liabilities</b>	11,408	2,800	14,208	14,325	3,125	17,450	-	17,450
<b>Net assets</b>	2,708	(52)	2,656	7,987	(281)	7,706	(28)	7,678
<b>Equity attributable to equity holders of the parent</b>								
Share capital	-	-	-	-	-	-	-	-
Capital contribution reserve	-	-	-	9,179	-	9,179	-	9,179
Accumulated losses	2,708	(52)	2,656	(1,192)	(281)	(1,473)	(28)	(1,501)
	2,708	(52)	2,656	7,987	(281)	7,706	(28)	7,678

## Notes (continued)

### 26 Explanation of transition to FRS 101 from FRS 102 (continued)

#### IFRS 16 Leases

As indicated in note 1.7, the Company has adopted IFRS 16 retrospectively and has restated the comparative information. The Company has changed its accounting policy for leases, the new policy is described in note 1 (1.7) and the impact of the change is detailed in table below.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of FRS 102. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of 4% at the inception of lease.

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied.

Right-of use assets were measured at the amount equal to present value of lease liability, adjusted by the amount of any prepaid or accrued lease payments and restoration costs relating to that lease recognised in the balance sheet.

The net impact on retained earnings resulting from following adjustments were as follows:

	IFRS 16		FRS 102	Net impact
	Depreciation charge	Interest	Operating lease rental	Retained earnings
	£000	£000	£000	£000
30 June 2017	85	190	223	52
30 June 2018	465	518	754	229

Amounts recognised in the balance sheet relating to property's leases.

	2018	2017
	£000	£000
Right-of-use assets	2,679	2,756
Lease liability	2,943	2,740
Assets retirements obligations	192	152

#### IFRS 9 Financial Instruments

As result of changes in the entity's accounting policies, prior year financial statements have been restated. IFRS 9 was adopted without restating comparative information. The reclassification and adjustments arising from new impairment rules are therefore not reflected in the restated balance sheet as at 30 June 2018, but are recognised in the opening balance sheet on 1 July 2018.

#### Impairment losses on financial assets

The finance lease receivables and trade and other receivables balances including allowance for impairment in respect of 2019 are prepared on an IFRS 9 basis, in accordance with the transitional provisions of the standard comparatives set out in the table below have not been restated, refer to note 1.1.

IFRS 9 replaces the 'incurred loss' model in FRS 102 with an 'expected credit loss' (ECL) model. For the assets in scope of the IFRS 9 model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9 impairment requirements as at 1 July 2018 results in an additional allowance for impairment as follows.



## **Notes (continued)**

### **26 Explanation of transition to FRS 101 from FRS 102 (continued)**

#### ***IFRS 9 Financial Instruments (continued)***

##### ***Impairment losses on financial assets (continued)***

The new accounting policies are set out in note 1.5 above. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

	<b>2018</b>
	<b>£000</b>
Closing retained earnings 30 June – FRS 102	7,706
Increase in provision for finance lease receivables measured at amortised cost	(4)
Increase in provision for trade and other receivables measured amortised cost	(24)
Opening retained earnings 1 July - IFRS 9	<u>7,678</u>

The table below shows the impact on carrying amounts of Company financial assets and liabilities measure at amortised cost from the adoption of IFRS.

As result of the adoption of IFRS 9, the Company has adopted the consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit and loss. Previously, the Company approach was to include the impairment of trade receivables in administrative and operating expenses.

Consequently, the Company reclassified the impairment losses into in the statement of profit and loss as follows:

	<b>2018</b>
	<b>£000</b>
Impairment losses on finance lease receivables	(4)
Impairment losses on trade and other receivables	(24)
	<u>(28)</u>

## Notes (continued)

### 26 Explanation of transition to FRS 101 from FRS 102 (continued)

#### IFRS 9 Financial Instruments (continued)

##### Classification and measurement

The adoption of IFRS 9 has not had a significant effect on the classification and measurement of financial assets and liabilities. For an explanation of how the Company classifies and measures financial instruments, see note 1.5.

The following table explains the original measurement categories under FRS 102 and the new measurement categories under IFRS 9 for each class of Company financial assets and financial liabilities as at 1 July 2018.

At 1 July 2018	Measurement category Previous GAAP	Measurement category IFRS 9	Carrying amount Previous GAAP £000	ECL Adjustment £000	Carrying amount IFRS 9 £000
<b>Non-current assets financial assets</b>					
- Finance lease receivables	Amortised cost	Amortised cost	783	-	783
			783	-	783
<b>Current assets</b>					
Contract assets	Amortised cost	Amortised cost	-	-	-
Financial assets:					
- Trade and other receivables	Amortised cost	Amortised cost	7,954	(24)	7,930
- Finance lease receivables	Amortised cost	Amortised cost	229	(4)	225
- Cash and cash equivalents	Amortised cost	Amortised cost	9,456	-	9,456
			17,639	(28)	17,611
<b>Total assets</b>			18,422	(28)	18,394
<b>Current liabilities</b>					
Trade and other payables	Amortised cost	Amortised cost	10,838	-	10,838
			10,838	-	10,838
<b>Total liabilities</b>			10,838	-	10,838

#### IFRS 15 Revenue from Contract with Customers

The Company has adopted IFRS 15 Revenue from Contracts with Customers retrospectively to the comparative information presented in these financial statements. The changes in accounting policies as a result of the adoption of IFRS 15 resulted in no adjustments to the amounts recognised in the financial statements.

The Company's contract balances from brokering services are summarised as follows:

At 1 July 2018	Carrying amount Previous GAAP	Transition Adjustment	Carrying amount IFRS
Trade and other receivables	5,244	-	5,244

**Notes (continued)**

**26 Explanation of transition to FRS 101 from FRS 102 (continued)**

***Other***

***Deferred tax***

No deferred tax asset was recognised on temporary difference arisen from transitional adjustments as results of the adoption of IFRS 16 and IFRS 9.

***Accounting policies***

As stated above, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 June 2019, comparative information presented in these financial statements for the year ended 30 June 2018 and in the preparation of an opening FRS 101 balance sheet at 01 July 2017 (the Company's date of transition).