

Registered number: 06035525

CarFinance247 Limited

**Annual report and financial statements
for the year ended 30 June 2018**



CarFinance247 Limited

Company information

Directors	RRix JL Rix W Leyland
Company secretary	JL Rix
Registered number	06035525
Registered office	Universal Square Devonshire Street North Manchester M12 6JH
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants & Statutory Auditors No 1 Spinningfields Hardman Square Manchester M3 3EB
Bankers	Royal Bank of Scotland St Ann Street Manchester M60 2SS
Solicitors	Addleshaw Goddard LLP One St Peter's Square Manchester M2 3DE

CarFinance247 Limited

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CarFinance247 Limited

Strategic report for the year ended 30 June 2018

The directors present their strategic report on the company for the year ended 30 June 2018.

Business review and future developments

2018 represented another strong performance in revenue growth (21% increase from last year to £45,060,375), which culminated in CarFinance247 achieving a Top 10 listing in the Sunday Times Fast Track 100 for the 3rd consecutive year.

In an exciting development, we explored the possibilities offered by lending direct to our customers, with activity commencing in April 2018 following a year of careful preparation and analysis. Controlled direct lending, which operates within the company's established risk parameters, offers higher future returns and is also an example of vertical integration that seeks to diversify the company and aims to mitigate against potential macroeconomic risks.

Following the success of the lending pilot, CarFinance247 has now been restructured into a group of companies. As part of the group restructure a new parent company, 247 Group Holdings Limited, was incorporated. Our market-leading customer service standards remain steadfast and direct lending activity now operates within 247 Money Group Limited, trading as 247 Money. All companies remain controlled by the same proven and focused management team. Positive loan book performance recorded after the reporting year end, in conjunction with the application of robust management and controls, have assisted the group in acquiring external funding to support its future growth plans.

Our customer centric approach, which brings together digital thinking with an unrivalled level of personal service, led to a number of groundbreaking technological developments that not only enhanced the customer journey, but also improved operating efficiencies within the company.

Making sure the business was fit for future became a key focus throughout the year and as we looked towards our next phase of growth, it became of paramount importance to strengthen our foundations by articulating a clear company purpose. Working with internal cultural champions, we came to the simple realisation that 'To help people improve their everyday lives' is why our company exists. We underpinned this with our cultural DNA – a set of behaviours that our people line up behind - and put both our Purpose and our DNA at the heart of our all-new employer brand "247People." This has created a well-defined direction of travel as we continue to grow.

Our people quite simply build our business and we strive to be an iconic 'go-to' employer of choice, where individuals can fulfil their career aspirations whilst participating in the development of the business. Consequently, we are pleased to announce that the migration of 450 employees to a new 'state of the art' 40,000 square foot head office in Manchester completed in February 2018. As well as providing first class facilities, the new head office has space that will allow us to grow and explore further business opportunities in a concise and controlled manner.

Written agreement volumes produced through the brokerage are anticipated to grow in line with expectations and the introduction of 247 Money onto the broker's lending panel is not expected to adversely affect the relationship with the other incumbent lending partners.

The Board is satisfied with the underlying performance of the business and are confident that future growth in both the broker and lending operations will continue.

Key performance indicators

The key performance indicators identified by the Board continue to be principally turnover, gross profit and EBITDA. The company has once again shown positive momentum across turnover and gross profit whereas EBITDA has been affected on a short term basis by the costs associated with head office move and company restructure. However, the Board were extremely pleased with the underlying trading performance for the 12 months ended 30 June 2018:

CarFinance247 Limited

Strategic report for the year ended 30 June 2018

	30/06/2018	30/06/2017	Increase/(decrease)	% increase/(decrease)
Turnover (£'000)	45,060	37,197	7,863	21%
Gross profit (£'000)	29,707	25,671	4,036	16%
Gross margin	65.9%	69.0%		
Management EBITDA (£'000)	6,634	6,777	(143)	(2%)
EBITDA (£'000)	4,056	6,310	(2,254)	(36%)

Profit before taxation totals £3,231,531 (2017: £5,856,840), plus loss on disposal of fixed assets, depreciation and amortisation of £957,886 (2017: £553,705) and hire purchase interest payable £8,382 (2017: £11,612), other interest payable of £58,314 (2017: £867), less interest receivable of £7,463 (2017: £Nil) and exceptional items £2,385,187 (2017: £353,669) totals management EBITDA of £6,633,837 (2017: £6,776,693).

Exceptional items consist of costs associated with the head office move, group restructure and the establishment of the lending business, in addition to irrecoverable VAT associated with these costs.

Principal risks and uncertainties

From the perspective of the company, the directors identify the principal risks and uncertainties are regulatory risk, IT risk, macroeconomic risk and credit risk. Further details of these risks are provided below.

Regulatory risk

The company has established a system and control framework, 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 a continuous basis.

IT risk

Given the nature of the business activities, the company is particularly dependent upon the robustness of its IT and operating systems. The company invests heavily in maintaining the integrity of its financial and operating systems, working in tandem with globally recognised tier 1 business partners and continuously updates and improves its own internal safeguards.

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 constantly survey any forecast changes to the wider economic market conditions whilst reviewing the competitiveness of the offering of its product range provided by its lender portfolio. Monitoring the general economic outlook is particularly important given the United Kingdom's decision to leave the European Union, which gives rise to economic uncertainty. The group has no significant exposure to the European Union.

Credit risk

The company has adopted a prudential approach to its lending arrangements, in line with risk appetite, utilising modern technology and scorecards supported by robust manual underwriting techniques.

This report was approved by the Board on 20 DECEMBER

2018 and signed on its behalf.



W Leyland
Director

CarFinance247 Limited

Directors' report for the year ended 30 June 2018

The directors present their annual report and the audited financial statements of the company, for the year ended 30 June 2018.

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.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the summary of significant accounting policies in the notes to the financial statements.

Results and dividends

The profit for the financial year, amounted to £3,099,601 (2017: £5,459,358).

A dividend of £7,000,000 (2017: £2,960,000) was declared and paid during the year (2017: of which £1,960,000 was paid and £1,000,000 was outstanding at the year end).

Future developments

Future developments of the company's business is discussed within the strategic report.

Post balance sheet events

On 1 October 2018, the company transferred its portfolio of loans and advances to customers from CarFinance247 Limited to another Group company, 247 Money Group Limited.

Directors

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

W Leyland
J L Rix
R R J Rix

CarFinance247 Limited

Directors' report for the year ended 30 June 2018

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102").

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 or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Political and charitable contributions

Charitable donations during the year amounted to £115,012 (2017: £47,442). No contributions to political organisations were made during the year.

Research and development activities

During the year, the company has incurred research and development expenditure of £1,921,728 (2017: £1,769,935) which has been expensed during the year.

Financial risk management

The company's principal risks are regulatory risk, IT risk, credit risk and macroeconomic risk (summarised in the strategic report) and interest rate risk, liquidity risk and cash flow risk, further details of which are provided below.

The company's principal financial instruments comprise bank balances, trade debtors and trade creditors. The main purpose of these instruments is to finance the company's operations. In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at floating rates of interest. Interest rate risk is managed by the company continuing to monitor developments in market interest rates, and investing surplus funds in interest bearing cash accounts.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. The amounts presented in the balance sheet are net of allowances for doubtful debtors.

Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

CarFinance247 Limited

Directors' report for the year ended 30 June 2018

Qualifying third party indemnity provisions

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 directors may not be identified; a directors' and officers' liability insurance policy was maintained by the company throughout the financial year.

Employees

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.

Provision of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report 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.

This report was approved by the Board on 20 DECEMBER 2018 and signed on its behalf.



W Leyland
Director

CarFinance247 Limited

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 2018 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 30 June 2018; the profit and loss account, 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

We have nothing to report in respect of the following matters in relation to which 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.

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.

Independent auditors' report to the members of CarFinance247 Limited

Reporting on other information

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

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

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

Based on 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 2018 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 Directors' Responsibilities Statement set out on page 4, 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.

CarFinance247 Limited

Independent auditors' report to the members of CarFinance247 Limited

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. 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.

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.

H Varley

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

Date: 20 December 2018

CarFinance247 Limited

Profit and loss account for the year ended 30 June 2018

	Note	2018 £	2017 £
Turnover	5	45,060,375	37,197,426
Cost of sales		(15,353,111)	(11,526,228)
Gross profit		29,707,264	25,671,198
Administrative expenses		(26,424,882)	(19,813,491)
Operating profit	6	3,282,382	5,857,707
Interest receivable and similar income	10	7,463	-
Interest payable and similar expenses	11	(58,314)	(867)
Profit before taxation		3,231,531	5,856,840
Tax on profit	12	(131,930)	(397,482)
Profit for the financial year		3,099,601	5,459,358

All amounts relate to continuing operations.

The company has no recognised gains or losses for the current and prior years other than the profit for year shown above. Accordingly, no separate statement of comprehensive income has been presented.

The notes on pages 12 to 27 form part of these financial statements.

CarFinance247 Limited

Registered number: 06035525

Balance sheet as at 30 June 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Intangible assets	14		1,118,656		375,511
Tangible assets	15		2,467,192		1,114,903
			<u>3,585,848</u>		<u>1,490,414</u>
Current assets					
Stocks	16	52,083		39,989	
Debtors	17	9,217,697		4,988,412	
Cash at bank and in hand		9,455,924		7,597,138	
		<u>18,725,704</u>		<u>12,625,539</u>	
Creditors: Amounts falling due within one year	19	(10,848,073)		(8,180,803)	
Net current assets			<u>7,877,631</u>		<u>4,444,736</u>
Total assets less current liabilities			<u>11,463,479</u>		<u>5,935,150</u>
Creditors: Amounts falling due after more than one year	20				(10,178)
Provisions for liabilities					
Deferred tax	22	(183,808)		(113,519)	
Other provisions	23	(3,292,379)		(3,102,765)	
			<u>(3,476,187)</u>		<u>(3,216,284)</u>
Net assets			<u><u>7,987,292</u></u>		<u><u>2,708,688</u></u>
Capital and reserves					
Called up share capital	24		103		100
Capital redemption reserve			12		12
Capital contribution reserve			9,179,000		-
Retained earnings			(1,191,823)		2,708,576
Total equity			<u><u>7,987,292</u></u>		<u><u>2,708,688</u></u>

The financial statements on pages 12 to 27 were approved and authorised for issue by the Board and were signed on its behalf on **20 DECEMBER** 2018.

W. Leyland
W Leyland
Director

CarFinance247 Limited

Statement of changes in equity for the year ended 30 June 2018

	Called up share capital	Capital redemption reserve	Capital contribution reserve	Retained earnings	Total equity
	£	£	£	£	£
At 1 July 2017	100	12	-	2,708,576	2,708,688
Profit for the financial year	-	-	-	3,099,601	3,099,601
Shares issued in the year	3	-	-	-	3
Capital contribution	-	-	9,179,000	-	9,179,000
Dividends paid and proposed	-	-	-	(7,000,000)	(7,000,000)
At 30 June 2018	<u>103</u>	<u>12</u>	<u>9,179,000</u>	<u>(1,191,823)</u>	<u>7,987,292</u>

Statement of changes in equity for the year ended 30 June 2017

	Called up share capital	Capital redemption reserve	Retained earnings	Total equity
	£	£	£	£
At 1 July 2016	100	12	209,218	209,330
Profit for the financial year	-	-	5,459,358	5,459,358
Dividends paid and proposed	-	-	(2,960,000)	(2,960,000)
At 30 June 2017	<u>100</u>	<u>12</u>	<u>2,708,576</u>	<u>2,708,688</u>

For further details on other reserves, see note 25.

The notes on pages 12 to 27 form part of these financial statements.

CarFinance247 Limited

Notes to the financial statements for the year ended 30 June 2018

1. General information

CarFinance247 Limited ('the company') is an online car finance broker matching the requirements of private customers to car dealerships and lenders.

The company is a private company, limited by shares and is incorporated and domiciled in England in the UK. The address of its registered office is Universal Square, Manchester, M12 6JH.

2. Statement of compliance

The individual financial statements of CarFinance247 Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the year presented, unless otherwise stated.

3.1 Basis of preparation of financial statements

These financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.2 Going concern

The company has considerable cash resources. As a consequence, the directors believe that the company is well placed to manage its business risk successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

3.3 Turnover

The turnover 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 is recognised in the month it is earned. Finance commission is recognised when a deal is completed less provisions for debit backs that may need to be refunded based on the likelihood of early settlement, default or fraud (see note 3.14).

Other turnover 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 includes the cost of sale.

Notes to the financial statements for the year ended 30 June 2018

3. Summary of significant accounting policies (continued)

3.4 Foreign currency translation

The company's functional and presentational currency is Sterling.

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. 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.

3.5 Employee benefits

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are sold separately from the company in independently administered funds.

3.6 Interest receivable and similar income

Interest income is recognised in the profit and loss account using the effective interest method.

3.7 Interest payable and similar charges

Interest payable is recognised in the profit and loss account in the period in which it is incurred.

3.8 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.

CarFinance247 Limited

Notes to the financial statements for the year ended 30 June 2018

3. Summary of significant accounting policies (continued)

(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.

3.9 Intangible assets

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the company is expected to benefit. This period is between three and five years. Provision is made for any impairment.

3.10 Tangible fixed assets

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

Fixtures and fittings	-	20% straight-line
Computer equipment	-	33% straight-line
Vehicles	-	20% straight-line

3.11 Stocks

Stock consists of cars which the company have taken ownership of. Stocks are stated at the lower of cost and net realisable value. Costs includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

3.12 Financial instruments

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 or 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 or loss are recognised immediately in the profit and loss account.

CarFinance247 Limited

Notes to the financial statements for the year ended 30 June 2018

3. Summary of significant accounting policies (continued)

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.

Loans and receivables

Trade debtors, loans, and other debtors that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Trade debtors and other debtors have fixed or determinable payments and are not quoted in an active market. Trade debtors do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

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 debtors, where the carrying amount is reduced through the use of an allowance account. When a trade debtor 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.

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.

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.

Derecognition of financial liabilities

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

CarFinance247 Limited

Notes to the financial statements for the year ended 30 June 2018

3. Summary of significant accounting policies (continued)

3.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held with banks. Bank overdrafts are shown in current liabilities.

3.14 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

The company recognises a provision to account for the debit back of finance commission associated with the customers finance agreement being terminated early (see note 23).

3.15 Share capital

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

3.16 Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

3.17 Dividends

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

CarFinance247 Limited

Notes to the financial statements for the year ended 30 June 2018

4. Critical accounting judgements and 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.

The company makes estimates and assumptions concerning the future. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Debit back provision

The company contracts with finance lenders and receives commission. Depending on the contracts, certain commission may need to be repaid. For example, where the customer settles early, defaults or fraud is detected.

In making an assessment of the fair value of the revenue to be recognised, the directors make a provision for the amount of finance commission that may need to be refunded based on the likelihood of early settlement, fraud or default. The provision 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 repayable to lenders at the reporting date.

The annual debit back rate is 6.0% (2017: 2.7%). If the annual debit back rate were to increase by 1.5% then the provision would increase by £546,466 (2017: £786,429).

5. Turnover

The company's turnover is derived from services related to the provision of finance. All turnover arose within the United Kingdom.

An analysis of the company's revenue is as follows:

	2018 £	2017 £
Finance commission	38,710,836	32,157,748
Other	6,349,539	5,039,678
Total turnover	<u>45,060,375</u>	<u>37,197,426</u>

CarFinance247 Limited

Notes to the financial statements for the year ended 30 June 2018

6. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible assets (note 15)	540,659	340,477
Amortisation of intangible assets (note 14)	224,729	99,885
Loss on sale of tangible assets	181,979	103,619
Loss on sale of intangible assets	10,519	9,724
Research & development	1,921,728	1,769,935
Operating lease rentals	4,163	21,038
Cost of stock recognised as an expense	239,314	109,418
	<u> </u>	<u> </u>

7. Auditors' remuneration

	2018 £	2017 £
Fees payable to the Company's auditor and its associates for the audit of the Company's financial statements	71,685	45,000
Fees payable to the Company's auditor and its associates for other services:		
- Audit-related assurance services	6,130	-
- Advisory services relating to corporate finance transactions entered into	265,267	-
- Tax compliance services	7,000	-
- Other non-audit services	59,776	8,600
	<u>409,858</u>	<u>53,600</u>

8. Employees

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

	2018 £	2017 £
Wages and salaries	11,880,347	8,430,530
Social security costs	1,244,143	959,397
Other pension costs	110,431	25,411
	<u>13,234,921</u>	<u>9,415,338</u>

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

	2018 No.	2017 No.
Sales	248	210
Administration	195	177
	<u>443</u>	<u>387</u>

CarFinance247 Limited

Notes to the financial statements for the year ended 30 June 2018

9. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	155,623	156,714
Pension costs	3,614	1,275
	<u>159,237</u>	<u>157,989</u>

During the year retirement benefits were accruing to one director (2017: one) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £91,824 (2017: £86,250).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £3,614 (2017: £1,275).

The total amount outstanding of loans to directors, officers and connected persons as at 30 June 2018 was £343,306 (2017: £24,106).

10. Interest receivable and similar income

	2018 £	2017 £
Bank interest receivable	<u>7,463</u>	<u>-</u>

11. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	<u>58,314</u>	<u>867</u>

12. Tax on profit

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	-	698,443
Adjustments in respect of prior periods	61,641	(291,113)
Total current tax	<u>61,641</u>	<u>407,330</u>

CarFinance247 Limited

Notes to the financial statements for the year ended 30 June 2018

Deferred tax

Origination and reversal of timing differences	97,725	(3,891)
Effects of changes in tax rates	(10,287)	(6,333)
Adjustments in respect of prior periods	(17,149)	376
Total deferred tax (note 22)	70,289	(9,848)
Tax on profit	131,930	397,482

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017: lower than) the standard rate of corporation tax in the UK of 19.00% (2017: 19.75%). The differences are explained below:

	2018 £	2017 £
Profit before taxation	3,231,531	5,856,840
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.75%)	613,991	1,156,766
Effects of:		
Expenses not deductible	97,511	21,604
Impact of R&D tax rates	(613,777)	(483,818)
Adjustments in respect of prior periods	44,492	(290,737)
Tax rate changes	(10,287)	(6,333)
Total tax charge for the year	131,930	397,482

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using enacted tax rates and reflected in these financial statements.

CarFinance247 Limited

Notes to the financial statements for the year ended 30 June 2018

13. Dividends

	2018 £	2017 £
Dividend issued on ordinary shares (£700 per 1p share (2017: £296 per 1p share))	7,000,000	2,960,000

A final dividend of £7,000,000 (2017: £2,960,000) was declared during the year to the shareholders, of which £7,000,000 was paid. At the prior year end £1,000,000 of the dividend declared remained unpaid.

14. Intangible assets

	Website £	License £	Software £	Total £
Cost				
At 1 July 2017	253,676	169,652	76,216	499,544
Additions	62,323	46,378	862,067	970,768
Disposals	-	(1,152)	(10,200)	(11,352)
Reclassification	-	-	16,246	16,246
At 30 June 2018	315,999	214,878	944,329	1,475,206
Accumulated amortisation				
At 1 July 2017	39,755	84,278	-	124,033
Charge for the year	84,559	68,145	72,025	224,729
On disposals	-	(833)	-	(833)
On reclassification	-	-	8,621	8,621
At 30 June 2018	124,314	151,590	80,646	356,550
Net book value				
At 30 June 2018	191,685	63,288	863,683	1,118,656
At 30 June 2017	213,921	85,374	76,216	375,511

CarFinance247 Limited

Notes to the financial statements for the year ended 30 June 2018

15. Tangible assets

	Motor Vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 July 2017	-	541,602	1,014,262	1,555,864
Additions	188,947	1,773,780	119,825	2,082,552
Disposals	-	(193,923)	(230,474)	(424,397)
Reclassification	-	7,638	(23,884)	(16,246)
At 30 June 2018	188,947	2,129,097	879,729	3,197,773
Accumulated depreciation				
At 1 July 2017	-	127,049	313,912	440,961
Charge for the year	4,720	250,442	285,497	540,659
On disposals	-	(96,707)	(145,711)	(242,418)
On reclassification	-	3,183	(11,804)	(8,621)
At 30 June 2018	4,720	283,967	441,894	730,581
Net book value				
At 30 June 2018	184,227	1,845,130	437,835	2,467,192
At 30 June 2017	-	414,553	700,350	1,114,903

The net carrying amount of assets held under finance leases included in fixtures and fittings and computer equipment respectively is £Nil (2017: £35,063) and £Nil (2017: £91,433).

16. Stocks

	2018 £	2017 £
Finished goods and goods for resale	52,083	39,989

There is no material difference between the carrying value and the replacement cost

CarFinance247 Limited

Notes to the financial statements for the year ended 30 June 2018

17. Debtors

	2018	2017
	£	£
Trade debtors	5,243,881	4,413,480
Amounts owed from related parties	417,335	-
Amounts owed from group undertakings	362,205	-
Loans and advances to customers	1,012,391	89,106
Corporation tax	5,017	-
Tax receivable	416,871	40,279
Prepayments and accrued income	1,759,997	445,547
	<u>9,217,697</u>	<u>4,988,412</u>

Trade debtors are stated after a provision for impairment of £79,364 (2017: £96,226).

Loans and advances to customers have no fixed maturity. A contractual minimum repayment per month plus interest and fees is applied to the customer account, however the loan may be repaid earlier than implied by the contractual terms. Loans and advances to customers are stated after a provision for impairment of £9,087 (2017: £Nil) (note 18).

Amounts owed from related parties and group undertakings are unsecured, interest free and are repayable on demand.

The increase in prepayments and accrued income of £1,314,450 was due to the timing of sales invoices at year end.

18. Impairment on loans and advances to customers

	Impairment allowance £
At 1 July 2017	-
Charged to the profit or loss	9,087
Amounts written off	-
At 30 June 2018	<u>9,087</u>

Loans and advances to customers are assessed for indicators of impairment at each balance sheet date. The calculation involves the use of judgement and key assumptions based on the company's experience of managing risk. These assumptions are based on observed historical data and updated to reflect current conditions. The accuracy of the impairment provision would be affected by unexpected changes in these assumptions.

CarFinance247 Limited

Notes to the financial statements for the year ended 30 June 2018

19. Creditors: Amounts falling due within one year

	2018 £	2017 £
Bank loans and overdrafts	-	438,596
Trade creditors	5,281,821	1,689,195
Amounts owed to group undertakings	325	999,975
Corporation tax	-	776,254
Other taxation and social security	2,718,071	2,123,395
Net obligations under finance leases and hire purchase contracts	10,178	82,110
Accruals and deferred income	2,837,678	2,071,278
	<u>10,848,073</u>	<u>8,180,803</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

At the reporting date corporation tax was in an asset position (see note 17).

20. Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Net obligations under finance leases and hire purchase contracts	<u>-</u>	<u>10,178</u>

21. Finance leases

The future minimum finance lease payments are as follows:

	2018 £	2017 £
Not later than one year	11,160	90,375
Between 2-5 years	-	11,160
	<u>11,160</u>	<u>101,535</u>
Less: finance charges	(982)	(9,247)
Carrying amount of liability	<u>10,178</u>	<u>92,288</u>

The finance leases relate to IT equipment which are leased from Hewlett-Packard. The remaining lease terms are 1 month to 4 months. At the end of the leases terms the company has the option to purchase the assets.

CarFinance247 Limited

Notes to the financial statements for the year ended 30 June 2018

22. Deferred tax

	2018	2017
	£	£
At 1 July 2017	(113,519)	(123,367)
Credited/(charged) to the profit and loss account	(70,289)	9,848
At 30 June 2018	<u>(183,808)</u>	<u>(113,519)</u>

The provision for deferred taxation is made up as follows:

	2018	2017
	£	£
Fixed asset timing differences	(190,785)	(113,519)
Short term timing differences	6,977	-
At 30 June 2018	<u>(183,808)</u>	<u>(113,519)</u>

23. Other provisions

	Deal provision	Debit back provision	Total
	£	£	£
At 1 July 2017	172,138	2,930,627	3,102,765
Charge for the year	87,567	1,941,833	2,029,400
Utilised during the year	(123,747)	(1,500,877)	(1,624,624)
Released during the year	-	(215,162)	(215,162)
At 30 June 2018	<u>135,958</u>	<u>3,156,421</u>	<u>3,292,379</u>

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.

Debit back provision

The debit back provision is recognised to account for the 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.

CarFinance247 Limited

Notes to the financial statements for the year ended 30 June 2018

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.

The annual debit back rate is 6.0% (2017: 2.7%). If the annual debit back rate were to increase by 1.5% then the provision would increase by £546,466 (2017: £786,429).

24. Called up share capital

	2018 £	2017 £
Allotted, called-up and fully-paid		
7,500 (2017: 7,500) Ordinary 1p 'A' shares	75	75
263 (2017: Nil) Ordinary 1p 'C' shares	3	-
2,500 (2017: 2,500) Ordinary 1p 'D' shares	25	25
	<u>103</u>	<u>100</u>

On 12 April 2018 the company issued 263 'C' ordinary shares of £0.01 each.

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 at 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.

25. Other reserves

During the year the company received a capital contribution totalling £9,179,000.

26. Pension commitments

The company operates a defined contribution scheme. The cost of contributions to the defined contribution scheme amounts to £110,431 (2017: £25,411). The amounts outstanding at the year end amounted to £41,041 (2017: £16,166).

27. Commitments under operating leases

At 30 June the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Within one year	737,897	22,104
Between one and five years	1,018,894	25,821
	<u>1,756,791</u>	<u>47,925</u>

CarFinance247 Limited

Notes to the financial statements for the year ended 30 June 2018

28. 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.

29. Financial reporting standard 102 – Reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

The requirement of Section 7 Statement of Cash Flows;

The requirements of Section 11 Financial Instruments paragraph 3.17(d).

This information is included in the consolidated financial statements of 247 Group Holding Limited as at 30 June 2018 and these financial statements may be obtained from the company's registered office 1 St Peter's Square, Manchester, M2 3AE.

30. Related parties

During the year the company paid bank interest on behalf of its parent company, 247 Group Holdings Limited, amounting to £362,205. At the year end the amount owed to the company was £362,205. The advances are unsecured, interest free and repayable on demand.

Directors' transactions

At the year end the company was owed a total of £343,306 from the directors (2017: £24,106). The advances are interest free and repayable on demand.

During the year the company paid rent amounting to £113,100 to the directors (2017: £104,440).

Other related party transactions

At the year end the company was owed a total of £4,440 from Rix Motor Company Limited (2017: £5,000).

During the year the company paid affiliate commission of £659,100 (2017: 684,500) to EGFV Rix Ltd.

A £50,000 loan was owed to the company from a previous B equity share holder (2017: 50,000).

Furthermore, a £15,025 (2017: £15,000) loan was owed from RixProp Limited, a £170 and a £7 loan was owed from companies also wholly owned by the directors.

31. Post balance sheet event

On 1 October 2018, the company transferred its portfolio of loans and advances to customers from CarFinance247 Limited to another Group company, 247 Money Group Limited.

32. Controlling party

The company's immediate parent company and immediate controlling party is 247 Group Holdings Limited. The ultimate parents and controlling parties are Mr R Rix and Mr L Rix. The parent company of the largest and smallest group that includes the company and for which group financial statements are prepared is 247 Group Holdings Limited. Copies of the consolidated financial statement of 247 Group Holdings Limited may be obtained from the company's registered office 1 St Peter's Square, Manchester, M2 3AE.