

# **Copart UK Limited**

## **Report and Financial Statements**

For the year ended 31 July 2018

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COMPANIES HOUSE

## **Copart UK Limited**

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Registered No: 00929621

### **Directors**

A J Adair  
W E Franklin  
P A Styer  
N Paget  
S Sheldon-Wilson  
J D Canning  
G DePasquale (appointed 8 January 2019)

### **Secretary**

HP Secretarial Services Limited  
Nene House  
4 Rushmills  
Northampton  
NN4 7YB

### **Auditors**

Ernst & Young LLP  
400 Capability Green  
Luton  
Beds  
LU1 3LU

### **Bankers**

Barclays Bank PLC  
497 Silbury Boulevard  
Milton Keynes  
MK9 2LD

### **Registered office**

Acrey Fields  
Woburn Road  
Wootton  
Beds  
MK43 9EJ

## Strategic Report

### Principal activities and review of the business

The principal activity of the company throughout the period was the provision of vehicle remarketing services to the UK insurance and automotive industries. The company provides access for vehicle sellers through regular online auctions to an active and geographically diverse buyer base, ensuring market value is achieved for vehicles sold.

In the reported period the business continued in its strategy of investing in the development of the service that it offers to both its sellers and its buyers:

- Copart continues to invest and develop the website constantly improving the user experience both in the UK and globally.
- Continued investment in the provision of services to the automotive industries providing a more diverse selection of vehicles available in the auctions
- Copart continues to invest in the modernisation of and increasing the operational fleet strengthening national coverage, facilitating quicker collections and driving operational efficiencies.
- Copart continues to invest in the upgrade of facilities constantly improving the user experience for colleagues and members
- New facility opened in Belfast, strengthening the service offered in Northern Ireland
- Copart continues to invest in employee training to achieve nationally recognised qualifications

#### *Fiscal Environment*

The business traded in the period in line with expectations. Management remains confident that the company's proposition fits the current and expected future economic environment. Market conditions remain challenging, however providing the company with an opportunity to develop new sources of vehicles, as prospective customers look to strengthen value and receive improved services. The company's revenue is influenced by a number of macro-economic factors including: second hand car sales volumes, interest rates, foreign exchange rates, trade demand, metal trading prices, and available supply of vehicles.

### Results and dividends

Turnover for the year was £149.7 million (2017: £139.1 million), an increase of £10.6 million. Performance was in line with management expectation with the impact of supply contract changes and volume growth in all Copart's sales channels.

Operating Profit for the year was £27.7 million (2017: £26.6 million), an increase of £1.1 million. Gross Profit increased by £7.7m in line with increased turnover and administrative expenses increased by £6.6m in line with expectations.

Profit after tax was £27.8 million (2017: £21.6 million) reflecting the increases in gross profit and administrative expenses and a tax credit due to tax relief available on share options exercised.

During the period, the company paid dividends of £77.5m (2017: €39.6m (£33.6m)) to the Company's parent company.

## Strategic Report (continued)

### Key performance indicators

Management meet monthly to review business performance and ensure delivery of the strategic priorities of the company. Management utilise the following key performance indicators in evaluating business performance:

#### *Turnover year on year*

Turnover has increased from £139.1 million to £149.7 million during the reported period, an increase of 8%. This is in line with management expectations reflecting an increased volume in both insurance and non-insurance sales channels.

#### *Head count year on year*

Head count has increased from 765 to 805 during the reported period; an increase of 5% reflecting resource requirements to service increased volumes.

#### *Administration cost year on year*

Administrative costs were £49.7 million (2017: £43.1 million), an increase of £6.6m. This is in line with management expectations reflecting additional resource and cost required to service increased volumes and increased employment tax costs in line with share options exercised.

### Principal risks and uncertainties

Management meet regularly to discuss risks on the business. The key risks affecting the business are:

#### *Competitive Risk*

The UK salvage market place remains highly competitive. Competition operates either as standalone businesses, or as members of a consortium. National coverage is possible through membership of a consortium, several of which exist, as well as through the operation of several sites and/or the establishment of a network of smaller operators. All of these models exist in the marketplace as do informal agreements for co-operation amongst smaller operators and/or arrangements for 'satellite' third party sites.

#### *Economic Risk*

The key economic risks considered by management are: -

#### *Consolidation in UK motor insurance marketplace*

Further consolidation in the UK motor insurance marketplace would depend on whether the acquirer is an existing customer or not. Management believe that the benefits delivered by the company's operational processes are above industry norms and ensure strong partnership arrangements. The management team continues to work closely with its customers and is continuing to build close relationships outside its existing customer base.

The company's trading does not rely on banking facilities or debt sourced from outside of the group, thus mitigating any risk of future re-financing costs. Where finance leases are in place, they are at fixed rates for the duration of the lease.

#### *Financial Risk*

The company's exposure to financial risk is low, however management continue to prudently manage the financial health of the business. All cash reserves are invested with institutions with high credit ratings and in instruments with low risk profiles.

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

#### *Human Resources Management*

Employees and the development of the company's service culture are important to Copart's management. During the period significant investment of time and resource was allocated to employee training through nationally recognised schemes and internal training, strengthening the company's service offering to its customers. During the period employees remained fully appraised of company development or service innovations through weekly briefings, and regular employee magazines. Annually the company surveys its employees for their opinions and ideas.

#### *Environmental Risk*

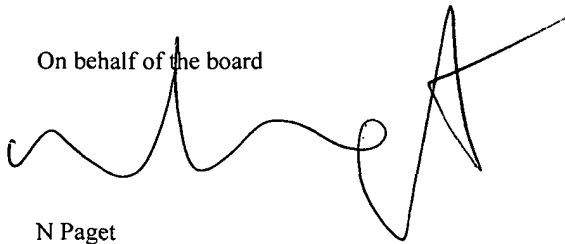
The main environmental risks within the company are land, water and fire pollution as a result of the operations we carry out during the daily carriage, storage, auction and on-site depollution and dismantling of vehicles.

These are managed by operating a rigid risk management programme which is fully compliant with the requirements of the regulatory bodies that cover the terms of our site licences. Regular audits are carried out by Government agency officers to monitor our compliance with the terms of our licences.

#### *Brexit*

On June 23, 2016, the U.K. held a referendum in which voters approved an exit from the European Union, commonly referred to as "Brexit." In February 2017, the British Parliament voted in favour of allowing the British government to begin negotiating the terms of the U.K.'s withdrawal from the European Union and discussions with the European Union began in March 2017. The ultimate effects of Brexit on us are difficult to predict, but adverse consequences concerning Brexit or the European Union could include deterioration in global economic conditions, instability in global financial markets, political uncertainty, volatility in currency exchange rates, or adverse changes in the cross-border agreements currently in place, any of which could have an adverse impact on our financial results in the future. The ultimate effects of Brexit on us will also depend on the terms of agreements, if any, that the U.K. and the European Union make to retain access to each other's respective markets either during a transitional period or more permanently.

On behalf of the board



N Paget  
Director

Date: 26<sup>th</sup> April 2019

## Directors' Report

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

### Directors

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

A J Adair  
W E Franklin  
V W Mitz (resigned 8 January 2019)  
P A Styer  
N J Paget  
S Sheldon-Wilson  
J Canning

### Secretaries

The secretary who served the company during the year was:

HP Secretarial Services Limited

### Political and charitable contributions

The company has made no political or charitable contributions during the reported period.

### Creditor payment policy

The company pays all creditors in line with contractual terms and conditions of the specific service contract that has been entered into.

### Going concern

Copart UK Limited is an integral company in the wider group's UK and international strategy. The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future, accordingly the financial statements are prepared on a going concern basis.

### Future developments

Copart UK Limited, supported by Copart Inc., will continue to develop its electronic and physical offering to develop its service to existing customers and enabling the company to serve new markets and customers.

### Disabled policy

The company gives full consideration to applications for employment from disabled persons where the candidate's particular attributes and abilities adequately meet the requirements of the job description. Opportunities are available to disabled employees for training, career development and promotion.

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

### Employee involvement

Information is regularly provided to key managers through use of Management Briefings – both electronically and in person. A weekly business briefing is provided to all employees. In addition employees regularly receive a printed news magazine containing company related information.

The company actively promotes involvement in the success and growth of the business through a national recognition scheme, potential to invest in the parent company after an initial waiting period and annually surveys employees for their opinions and ideas

## Directors' Report (continued)

### Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

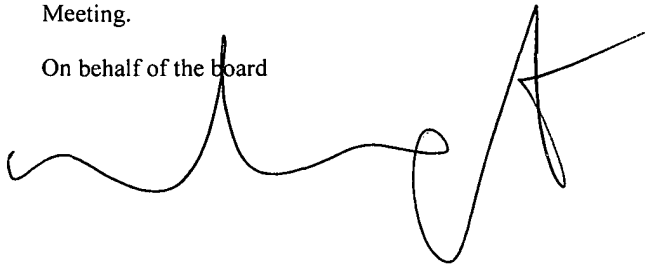
### Directors' qualifying third party indemnity provisions

The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying indemnity provisions remain in place as at the date of approving the directors' report.

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board

A handwritten signature in black ink, appearing to be 'N Paget', written over the text 'On behalf of the board'.

N Paget  
Director

Date: 26<sup>th</sup> April 2019

## Modern slavery statement

### Introduction

We are committed to constantly reviewing our employment practices, and the activities of our supply chain and ensuring compliance with the obligations under the Modern Slavery Act 2015. This statement sets out the policies and practices within our business that provide a framework aimed at ensuring our compliance to the requirements of the Act.

This statement refers to our primary review against the implementation of the Act and sets out certain actions that took place during the current financial year. We have also set out actions we intend to take in the next financial year to improve our position.

### Principal activities of the business

Established in the United Kingdom by the initial acquisition of Universal Salvage Limited in 2007, the principal activity of Copart UK Limited is the provision of vehicle remarketing services to the UK insurance and automotive industries. The company provides sellers access through its on line daily auctions to an active and geographically diverse buyer base, ensuring market value is achieved for vehicles sold. The company only operates in the UK.

### Responsibilities

The Head of UK HR has responsibility to ensure that all the company's policies and procedures are up to date and properly meet the requirements that the policy is designed for. Such reviews are conducted annually as a minimum.

The Senior Management team will review its approach to human rights and modern slavery annually to ensure that no changes have taken place that may have impacted upon its initial risk assessment.

### Risk Assessment

During the 2015/16 business year the Senior Management team led a review of the legislation and completed a risk assessment against our activities and concluded that in general the company does not have any area subject to high risk within the definition of the Act. The company believes that its review and this statement are proportionate to the identified generally low risk to modern slavery as described within the Act and consider its original review does not require amendment.

The Company's Values are an integral part of the way the company operates and provides a framework that ensures that the behaviour of our employees meets or exceeds the minimum requirements set out in active employee related legislation. When necessary, the company will invoke its Disciplinary Policy & Procedure to ensure that its Values remain an integral part of its culture.

### Due Diligence

Given the low risk the company has assessed itself as, and the type of operation the company conducts, we believe that its existing commercial due diligence practices are sufficient to ensure continual compliance to the requirements of the Act. This position will form part of its annual review process.

### Our Policies & Procedures

The company has a number of relevant policies that will support its efforts to ensure compliance to the Act.

- **Whistleblowing policy.** The company encourages all its workers, customers and other business partners to report any concerns related to their direct activities, or our supply chain. This includes any circumstances that may give rise to an enhanced risk of slavery or human trafficking. The company's

## Modern slavery statement (continued)

- whistleblowing procedure is designed to make it very easy for workers to make disclosures, without fear of retaliation, by using its completely anonymous hotline. The hotline is well published to employees through our Employee Handbook, notice board posters and flyers.
- **Employee Handbook.** The company's Employee Handbook makes it clear to all employees the actions and behaviour expected of them when representing the organisation. The organisation strives to maintain the highest standards of employee conduct and ethical behaviour.
- **Recruitment activity.** The company primarily source potential candidates for employment through an online portal, as well as, when necessary, reputable employment agencies to source labour and will always verify the practices of any new agency it is using before accepting workers from that agency. When entering into a contract with any new agency the company would apply its Contract Approval Policy.
- **Contract Approval Policy.** The company is committed to ensuring that its suppliers adhere to the highest standards of ethics. The company will only work with reputable suppliers to ensure they meet the standards required. When a new supplier is identified, the company has a Contract Approval Policy where all contracts are verified by the company's legal team and assurances received that the supplier meets the requirements of the legislation. The company already has a model contract which has been updated to include a requirement to agree compliance to the requirements of the Modern Slavery Act. Any identified violations of the legislation could lead to the termination of the suppliers' relationship with the company.
- **Corporate Social Responsibility Policy.** The company has a Corporate Social Responsibility Policy that sets out its approach to continually improve upon our responsibilities to our business partners and employees, and continually reaffirms our desire to act in a responsible way and improve our performance in meeting legislative requirements and more.

In November 2018 we launched a Social Enterprise Policy which further reinforces our approach to continually improve upon our responsibilities to our business partners and employees. In particular the purpose of the policy is to make clear to all stakeholders that we have a clear intention that we recognise that all businesses regardless of their set up have a role to play in creating a fairer, more sustainable world.

As part of its annual review, the policies listed above and any other relevant policies will be reviewed and updated to ensure they include reference to and adequately ensure compliance with the requirements of all relevant legislation.

### Employee Awareness & Management Training

The company's induction programme ensures that all new employees are made aware of the key aspects of the legislation upon joining the company, as well as understanding what they should do if they believe a supplier to the company is working in a way that could be considered as slavery. All employees since December 2016 have been provided with an awareness of the Act.

All the company's management team have been made aware of the obligations within the Act, the due diligence process the Senior Management team have conducted and the actions required of all our managers to ensure that we comply with the requirements of the Act and that any suppliers who work with or for any manager is properly reviewed to ensure their compliance with the Act.

This Statement will be reviewed annually and updated as necessary.

On behalf of the board

N Paget  
Director  
Date: 26<sup>th</sup> April 2019

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

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

# **Independent auditors' report**

## **to the members of Copart UK Limited**

### **Opinion**

We have audited the financial statements of Copart UK Limited for the year ended 31 July 2018 which comprise of the Income statement, the Statement of Other Comprehensive Income, the Statement of Financial Position, Statement of Changes in Equity, and the related notes 1 to 16 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 July 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

# **Independent auditors' report**

## **to the members of Copart UK Limited (continued)**

### **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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

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

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

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

*ERNST & YOUNG LLP*

Chris Nobbs (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Luton  
Date: 26th April 2019

## Income statement

for the year ended year ended 31 July 2018

|                                                                  |       | <i>Total<br/>2018<br/>£'000</i> | <i>Total<br/>2017<br/>£'000</i> |
|------------------------------------------------------------------|-------|---------------------------------|---------------------------------|
|                                                                  | Notes |                                 |                                 |
| <b>Turnover</b>                                                  | 2     | 149,715                         | 139,126                         |
| Cost of sales                                                    |       | <u>72,296</u>                   | <u>69,431</u>                   |
| <b>Gross profit</b>                                              |       | 77,419                          | 69,695                          |
| Administrative expenses                                          |       | <u>49,744</u>                   | <u>43,126</u>                   |
| <b>Operating profit</b>                                          | 3     | 27,675                          | 26,569                          |
| Interest receivable                                              | 6     | 75                              | 21                              |
| Interest payable                                                 | 6     | <u>3</u>                        | <u></u>                         |
| <b>Profit on ordinary activities before taxation</b>             |       | 27,747                          | 26,590                          |
| Tax (credit)/charge on ordinary activities                       | 7     | <u>(16)</u>                     | <u>4,976</u>                    |
| <b>Profit for the financial year<br/>transferred to reserves</b> |       | <u>27,763</u>                   | <u>21,614</u>                   |

## Statement of other comprehensive income

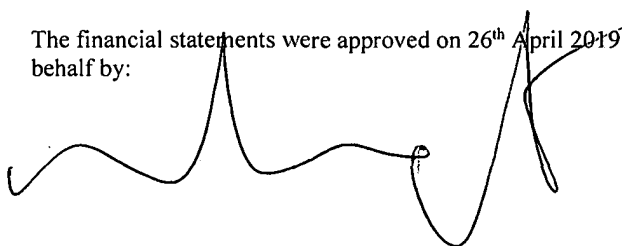
There are no recognised gains or losses other than the profit of £27,763,000 attributable to the shareholders for the year ended 31 July 2018 (2017: £21,614,000).

All amounts relate to continuing operations.

## Statement of financial position at 31 July 2018

|                                                       | Notes | 2018<br>£'000   | 2017<br>£'000  |
|-------------------------------------------------------|-------|-----------------|----------------|
| <b>Fixed assets</b>                                   |       |                 |                |
| Investments                                           | 8     | 36,548          | 25,054         |
| Tangible assets                                       | 9     | 12,491          | 12,239         |
|                                                       |       | <u>49,039</u>   | <u>37,293</u>  |
| <b>Current assets</b>                                 |       |                 |                |
| Stocks                                                | 10    | 4,404           | 3,660          |
| Debtors                                               | 11    | 56,714          | 53,483         |
| Cash at bank                                          |       | 27,058          | 46,320         |
|                                                       |       | <u>88,176</u>   | <u>103,463</u> |
| <b>Creditors:</b> amounts falling due within one year | 12    | 104,836         | 58,653         |
| <b>Net current (liabilities)/ assets</b>              |       | <u>(16,660)</u> | <u>44,810</u>  |
| <b>Total assets less current liabilities</b>          |       | <u>32,379</u>   | <u>82,103</u>  |
| <b>Provisions for liabilities</b>                     |       |                 |                |
| Deferred tax                                          | 7     | 437             | 424            |
| <b>Net assets</b>                                     |       | <u>31,942</u>   | <u>81,679</u>  |
| <b>Capital and reserves</b>                           |       |                 |                |
| Called up share capital                               | 14    | -               | 25             |
| Capital reserves                                      |       | -               | 32,454         |
| Other reserves                                        |       | -               | 17,310         |
| Profit and loss account                               |       | 31,942          | 31,890         |
| <b>Equity shareholders' funds</b>                     |       | <u>31,942</u>   | <u>81,679</u>  |

The financial statements were approved on 26<sup>th</sup> April 2019 by the Board of Directors and signed on its behalf by:



N Paget  
Director

## Statement of changes in equity

at 31 July 2018

|                             | <i>Share<br/>capital<br/>£'000</i> | <i>Capital<br/>reserve<br/>£'000</i> | <i>Other<br/>reserves<br/>£'000</i> | <i>Profit and<br/>loss account<br/>£'000</i> | <i>Total<br/>shareholder<br/>funds<br/>£'000</i> |
|-----------------------------|------------------------------------|--------------------------------------|-------------------------------------|----------------------------------------------|--------------------------------------------------|
| At 1 August 2017            | 25                                 | 32,454                               | 17,310                              | 31,890                                       | 81,679                                           |
| Profit for the year         | -                                  | -                                    | -                                   | 27,763                                       | 27,763                                           |
| Capital restructure         | (25)                               | (32,454)                             | (17,310)                            | 49,789                                       | -                                                |
| Dividends declared and paid | -                                  | -                                    | -                                   | (77,500)                                     | (77,500)                                         |
| At 31 July 2018             | -                                  | -                                    | -                                   | 31,942                                       | 31,942                                           |

|                             | <i>Share<br/>capital<br/>£'000</i> | <i>Capital<br/>reserve<br/>£'000</i> | <i>Other<br/>reserves<br/>£'000</i> | <i>Profit and<br/>loss account<br/>£'000</i> | <i>Total<br/>shareholder<br/>funds<br/>£'000</i> |
|-----------------------------|------------------------------------|--------------------------------------|-------------------------------------|----------------------------------------------|--------------------------------------------------|
| At 1 August 2016            | 25                                 | 32,454                               | 17,310                              | 43,867                                       | 93,656                                           |
| Profit for the year         | -                                  | -                                    | -                                   | 21,614                                       | 21,614                                           |
| Dividends declared and paid | -                                  | -                                    | -                                   | (33,591)                                     | (33,591)                                         |
| At 31 July 2017             | 25                                 | 32,454                               | 17,310                              | 31,890                                       | 81,679                                           |

Capital contribution and other reserves comprise additional investments from group companies and revaluation reserves brought forward from prior years respectively.

In February 2018 the company capitalised the sum of £17,310,000 being the Other Reserves balance, paying up in full 17,310,000 ordinary shares of £1 and distributing to the sole member. Subsequent to this the company reduced the share capital to £1 by cancelling and extinguishing 17,335,001 ordinary shares of £1, crediting the balance to a distributable reserve.

## Notes to the financial statements

at 31 July 2018

### 1. Accounting policies

#### ***Basis of preparation***

Copart UK Limited is a limited liability company incorporated in England. The registered office is disclosed on page 1. The financial statements are prepared under the historical cost convention and have been prepared in accordance with Financial Reporting Standard 102, the financial reporting standard applicable in the United Kingdom and the Republic of Ireland and in compliance with Companies Act

The company's functional and presentational currency is pound sterling.

#### ***Going concern***

Copart UK Limited is an integral company in the wider group's UK and international strategy. The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future, accordingly the financial statements are prepared on a going concern basis.

#### ***Consolidated accounts***

The directors have taken advantage of the exemption from preparing group accounts. This exemption is available to the company under section 401 of the Companies Act 2006, since its parent company prepares consolidated accounts which, the directors consider, are drawn up on an equivalent basis to accounts drawn up in accordance with the EU's Seventh Directive. Accordingly the accounts presented herein have been prepared on a company only basis.

#### ***Cash flow statement***

The directors have taken advantage of the exemption in FRS 102 para 1.12 from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

#### ***Related parties transactions***

The company has taken advantage of the exemption under FRS 102 para 33.1, not to disclose certain related party transactions, as the company is a member of the Copart, Inc. group of companies, the consolidated financial statements of which are publicly available.

#### ***Judgements and key sources of estimation uncertainty***

The preparation of the financial statements requires management to make judgements, estimations and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### ***Taxation***

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 7.

#### ***Tangible fixed assets***

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors.

#### ***Intangible fixed assets***

Positive goodwill arising on acquisitions is capitalised on the balance sheet and amortised on a straight line basis over its useful economic life. It is also subject to review for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable

## Notes to the financial statements

at 31 July 2018

### 1. Accounting policies (continued)

#### **Stocks**

Provision is made for obsolescence, mark downs and shrinkage based on historical experiences and management estimates of future events. These provisions are calculated monthly and closely monitored, thereby reducing the risk that the actual outcome is significantly different from these estimates.

#### **Intangible fixed assets**

Intangible assets acquired separately from a business are capitalised where the fair value can be measured reliably. Such assets are amortised on a straight line basis over their estimated useful lives with the carrying value being reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### **Investments**

All investments are initially recorded at cost.

#### **Tangible fixed assets**

All fixed assets are initially recorded at cost.

#### **Depreciation**

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

|                                      |   |                                           |
|--------------------------------------|---|-------------------------------------------|
| Freehold property                    | - | over 10 – 30 years based on expected life |
| Leasehold property                   | - | over the remaining life of the lease      |
| Site improvements                    | - | over 5 – 25 years based on expected life  |
| Computer and demonstration equipment | - | over 3 – 5 years based on expected life   |
| Fixtures and fittings                | - | up to 5 years based on expected life      |
| Plant, machinery and motor vehicles  | - | over 3 – 10 years based on expected life  |

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

|                                    |                                                                                                      |
|------------------------------------|------------------------------------------------------------------------------------------------------|
| Work in progress                   | - costs of direct material and labour                                                                |
| Vehicles and components for resale | - costs of vehicle/component plus direct costs incurred in relation to the collection of the vehicle |

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

#### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

## Notes to the financial statements

at 31 July 2018

### 1. Accounting policies (continued)

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences arose, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### ***Operating lease agreements***

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

#### ***Financing lease agreements***

Assets held under finance leases and hire purchase contracts, where substantially all of the risks and rewards of ownership pass to the company, are capitalised and are depreciated over the shorter of their lease terms and their useful lives.

Interest payable under capital leases is charged to the profit and loss account on a straight line basis over the lease term.

#### ***Pension costs***

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

#### ***Revenue recognition***

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of consideration received, excluding discounts, rebates VAT and other sales taxes and duty.

Revenue on auction sales is recognised in accordance with the contract under which the vehicle is received.

#### ***Sale of goods***

Revenue arising on principal based contracts, under which ownership of the vehicle passes to the company, is recognised on a gross basis, when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on collection or delivery of the vehicle.

#### ***Rendering of services***

Seller fees arising on agency based contracts, where the company does not take ownership of the vehicle, are recognised on a net basis when the risks and rewards of ownership of the vehicle have passed to the buyer. Cash due is collected before release of the vehicle for collection or delivery.

Buyer fees for auction services are recognised upon completion of the sale. Fees for post-sale services are recognised upon successful completion of those services. Annual buyer registration fees are recognised ratably over the term of the arrangement. Relist and late payment fees are recognised upon receipt of payment.

## Notes to the financial statements

at 31 July 2018

### 1. Accounting policies (continued)

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### **Share based payments**

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external value using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

### 2. Turnover

Turnover represents the amounts derived from the provision of goods which fall within the company's ordinary activities, stated net of value added tax.

The total turnover of the company for the year has been derived from its principal activity being the remarketing of vehicles and represents operations within the UK only.

|                       | 2018<br>£'000  | 2017<br>£'000  |
|-----------------------|----------------|----------------|
| Sale of goods         | 60,924         | 57,994         |
| Rendering of services | 88,791         | 81,132         |
|                       | <u>149,715</u> | <u>139,126</u> |

## Notes to the financial statements

at 31 July 2018

### 3. Operating profit

This is stated after charging/ (crediting):

|                                                                               | 2018   | 2017   |
|-------------------------------------------------------------------------------|--------|--------|
|                                                                               | £'000  | £'000  |
| Auditors' remuneration- audit services                                        | 282    | 226    |
| Gain on foreign exchange                                                      | 124    | 845    |
| Depreciation of owned fixed assets                                            | 2,084  | 2,193  |
| Operating lease rentals for land and buildings from fellow group undertakings | 11,450 | 11,392 |
| Share based payments charge                                                   | 652    | 595    |

Auditors' remuneration includes amounts charged in respect of fellow group undertakings. Operating lease rentals are an intercompany recharge from fellow group undertakings, and as such is cancellable at any time

### 4. Staff costs

|                       | 2018          | 2017          |
|-----------------------|---------------|---------------|
|                       | £'000         | £'000         |
| Wages and salaries    | 20,706        | 19,858        |
| Social security costs | 6,111         | 1,707         |
| Other pension costs   | 434           | 393           |
| Other costs           | 652           | 595           |
|                       | <u>27,903</u> | <u>22,553</u> |

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

|                         | 2018       | 2017       |
|-------------------------|------------|------------|
|                         | No.        | No.        |
| Site and transportation | 421        | 369        |
| Office and management   | 383        | 396        |
|                         | <u>804</u> | <u>765</u> |

### 5. Directors' emoluments

|                       | 2018  | 2017  |
|-----------------------|-------|-------|
|                       | £'000 | £'000 |
| Emoluments            | 424   | 408   |
| Pension contributions | 26    | 13    |
| Other                 | 451   | 376   |

During the year, 2 directors received shares under long term incentive schemes and 1 director exercised share options.

|                                          | 2018       | 2017       |
|------------------------------------------|------------|------------|
|                                          | £'000      | £'000      |
| In respect of the highest paid director: |            |            |
| Emoluments                               | 264        | 258        |
| Pension contributions                    | 12         | 6          |
| Other                                    | <u>445</u> | <u>371</u> |

During the year, the highest paid director received shares under long term incentive schemes in respect of qualifying services and exercised share options. Some of the emoluments which have been paid to directors have been apportioned to other group entities in line with the proportion of time spent in their capacity as directors of those companies

## Notes to the financial statements

at 31 July 2018

### 6. Interest receivable/(payable)

|                          | 2018<br>£'000 | 2017<br>£'000 |
|--------------------------|---------------|---------------|
| Bank interest receivable | 75            | 21            |
| Interest payable         | (3)           | -             |
|                          | <u>72</u>     | <u>21</u>     |

### 7. Taxation on ordinary activities

#### (a) Tax on profit on ordinary activities

The tax charge is made up as follows:

|                                                                  | 2018<br>£'000 | 2017<br>£'000 |
|------------------------------------------------------------------|---------------|---------------|
| <i>Current tax:</i>                                              |               |               |
| UK corporation tax                                               | -             | 5,401         |
| Adjustments in respect of previous periods                       | (29)          | (333)         |
| Total current tax (credit)/charge                                | <u>(29)</u>   | <u>5,068</u>  |
| <i>Deferred tax:</i>                                             |               |               |
| Origination and reversal of timing differences (note 8(c))       | (1)           | (69)          |
| Adjustment in respect of previous periods                        | 14            | (4)           |
| Changes in tax rates or laws                                     | -             | (19)          |
| Tax (credit)/charge on profit on ordinary activities (note 8(b)) | <u>(16)</u>   | <u>4,976</u>  |

#### (b) Factors affecting current tax charge

|                                                                                                          | 2018<br>£'000 | 2017<br>£'000 |
|----------------------------------------------------------------------------------------------------------|---------------|---------------|
| Profit on ordinary activities before tax                                                                 | <u>27,747</u> | <u>26,590</u> |
| Profit on ordinary activities multiplied by standard rate of UK corporation tax of 19.00% (2017: 19.67%) | 5,272         | 5,229         |
| Expenses not deductible for tax purposes                                                                 | 80            | 40            |
| Adjustment to tax charge in respect of previous periods                                                  | (15)          | (337)         |
| Tax rate changes                                                                                         | -             | (19)          |
| Transfer pricing                                                                                         | (183)         | (54)          |
| Share options relief                                                                                     | (5,811)       | -             |
| Deferred tax not provided                                                                                | 124           | 117           |
| Group relief surrendered                                                                                 | 517           | -             |
| Total current tax (credit)/charge (note 7(a))                                                            | <u>(16)</u>   | <u>4,976</u>  |

## Notes to the financial statements

at 31 July 2018

### 7. Taxation on ordinary activities (continued)

(c) Deferred tax

The deferred tax included in the balance sheet is as follows:

|                                | 2018<br>£'000 | 2017<br>£'000 |
|--------------------------------|---------------|---------------|
| Accelerated capital allowances | 478           | 473           |
| Short term timing differences  | (41)          | (49)          |
|                                | <u>437</u>    | <u>424</u>    |

The movement on the deferred tax liability is as follows:

|                                        | £'000      |
|----------------------------------------|------------|
| At 1 August 2017                       | 424        |
| Charged to the profit and loss account | (1)        |
| Adjustment in respect of prior years   | 14         |
| At 31 July 2018                        | <u>437</u> |

Deferred tax asset of £1,618 (2017: £nil) and deferred tax liability of £nil (2017: £nil) expected to be (recoverable)/payable within 12 months.

(d) Factors that may affect future tax charges

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. An additional 1% cut on top of the previously announced main rate cut was announced in the Chancellor's Budget on 16 March 2016 reducing the main rate to 17% from 1 April 2020.

### 8. Investments

|                  | Subsidiary<br>undertakings<br>£'000 | Total<br>£'000 |
|------------------|-------------------------------------|----------------|
| Cost:            |                                     |                |
| At 1 August 2017 | 25,054                              | 25,054         |
| Additions        | 11,494                              | 11,494         |
| Disposals        | -                                   | -              |
| At 31 July 2018  | <u>36,548</u>                       | <u>36,548</u>  |

Additions in the year relate to the acquisition of a subsidiary undertaking Autovahinkokeskus OY.

## Notes to the financial statements at 31 July 2018

### 8. Investments (continued)

Details of investments where the company holds more than 20% of the Ordinary share capital of the company:

| <i>Name of company</i>                                     | <i>Holding</i>  | <i>Proportion of<br/>voting rights and<br/>shares held</i> | <i>Nature of business</i> |
|------------------------------------------------------------|-----------------|------------------------------------------------------------|---------------------------|
| Copart Claims Handling Services Limited* <sup>1</sup>      | Ordinary shares | 100%                                                       | Vehicle remarketing       |
| D Hales Limited* <sup>1</sup>                              | Ordinary shares | 100%                                                       | Vehicle remarketing       |
| Autoresiduous SL* <sup>2</sup>                             | Ordinary shares | 100%                                                       | Vehicle remarketing       |
| Copart Autos Espana SL* <sup>2</sup>                       | Ordinary shares | 100%                                                       | Vehicle remarketing       |
| Copart Vehicle Auctions Ireland Limited* <sup>3</sup>      | Ordinary shares | 100%                                                       | Vehicle remarketing       |
| Universal Salvage Auctions Limited* <sup>1</sup>           | Ordinary Shares | 100%                                                       | Holding company           |
| Copart (Tianjin) Auto Auction Co.<br>Limited* <sup>4</sup> | Ordinary Shares | 100%                                                       | Vehicle remarketing       |
| CPRT GmbH* <sup>5</sup>                                    | Ordinary Shares | 100%                                                       | Holding company           |
| Copart Deutschland* <sup>5</sup>                           | Ordinary Shares | 100%                                                       | Vehicle remarketing       |
| Trapoc GmbH* <sup>5</sup>                                  | Ordinary Shares | 100%                                                       | IT support services       |
| WOM WreckOnlineMarket GmbH* <sup>5</sup>                   | Ordinary Shares | 100%                                                       | Vehicle remarketing       |
| Trapoc Immobilien GmbH* <sup>5</sup>                       | Ordinary Shares | 100%                                                       | Asset management          |
| WOM Service GmbH* <sup>5</sup>                             | Ordinary Shares | 100%                                                       | Vehicle remarketing       |
| Autovahinkokeskus OY* <sup>6</sup>                         | Ordinary Shares | 100%                                                       | Vehicle remarketing       |

<sup>1</sup> The registered address of all subsidiary undertakings denoted by <sup>1</sup> is Acrey Fields, Woburn Road, Wootton, Bedfordshire, MK43 9EJ, United Kingdom.

<sup>2</sup> The registered address of all subsidiary undertakings denoted by <sup>2</sup> is Malaga Street, 4-5<sup>th</sup> Floor, 14003 Cordoba, Spain

<sup>3</sup> The registered address of all subsidiary undertakings denoted by <sup>3</sup> is Bigbog, Castledermot, County Kildare, Ireland

<sup>4</sup> The registered address of all subsidiary undertakings denoted by <sup>4</sup> is Room 216, Huaying Mansion, Central Avenue, Tianjin Pilot Free Trade Zone (Airport Economic Zone), China

<sup>5</sup> The registered address of all subsidiary undertakings denoted by <sup>5</sup> is Zulpicher Str 150, 52349 Duren, Germany

<sup>6</sup> The registered address of all subsidiary undertakings denoted by <sup>6</sup> is Pieni Teollisuuskatu 7, 02920 Espoo, Finland

## Notes to the financial statements

at 31 July 2018

### 9. Tangible fixed assets

|                                   | <i>Land,<br/>buildings<br/>and site<br/>improvements</i> | <i>Plant,<br/>machinery<br/>and motor<br/>vehicles</i> | <i>Office,<br/>computer and<br/>software<br/>equipment</i> | <i>Assets in<br/>the course of<br/>construction</i> | <i>Total</i> |
|-----------------------------------|----------------------------------------------------------|--------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------|--------------|
|                                   | £'000                                                    | £'000                                                  | £'000                                                      | £'000                                               | £'000        |
| Cost:                             |                                                          |                                                        |                                                            |                                                     |              |
| At 1 August 2017                  | 316                                                      | 24,463                                                 | 4,021                                                      | 2,282                                               | 31,082       |
| Additions                         | 161                                                      | 289                                                    | 133                                                        | 2,244                                               | 2,827        |
| Transfers in from group companies | -                                                        | 67                                                     | -                                                          | -                                                   | 67           |
| Transfers out to group companies  | (150)                                                    | -                                                      | -                                                          | (355)                                               | (505)        |
| Reclassifications                 | -                                                        | 2,549                                                  | 130                                                        | (2,679)                                             | -            |
| Disposals                         | -                                                        | (261)                                                  | -                                                          | -                                                   | (261)        |
| At 31 July 2018                   | 327                                                      | 27,107                                                 | 4,284                                                      | 1,492                                               | 33,210       |
| Depreciation:                     |                                                          |                                                        |                                                            |                                                     |              |
| At 1 August 2017                  | 124                                                      | 16,184                                                 | 2,535                                                      | -                                                   | 18,843       |
| Provided during the year          | 13                                                       | 1,682                                                  | 389                                                        | -                                                   | 2,084        |
| Transfers in from group companies | -                                                        | 52                                                     | -                                                          | -                                                   | 52           |
| Transfers out to group companies  | (14)                                                     | -                                                      | -                                                          | -                                                   | (14)         |
| Disposals                         | -                                                        | (246)                                                  | -                                                          | -                                                   | (246)        |
| At 31 July 2018                   | 123                                                      | 17,672                                                 | 2,924                                                      | -                                                   | 20,719       |
| Net book value:                   |                                                          |                                                        |                                                            |                                                     |              |
| 31 July 2018                      | 204                                                      | 9,435                                                  | 1,360                                                      | 1,492                                               | 12,491       |
| At 31 July 2017                   | 192                                                      | 8,279                                                  | 1,486                                                      | 2,282                                               | 12,239       |

### 10. Stocks

|                                                     | 2018  | 2017  |
|-----------------------------------------------------|-------|-------|
|                                                     | £'000 | £'000 |
| Vehicles or components for resale (less provisions) | 4,404 | 3,660 |

The difference between the carrying value of stocks and their replacement cost is not material  
Stocks recognised as an expense and recorded in cost of sales in the year were £48,046,000 (2017: £46,549,000)

## Notes to the financial statements

at 31 July 2018

### 11. Debtors: amounts falling due within one year

|                                          | 2018<br>£'000 | 2017<br>£'000 |
|------------------------------------------|---------------|---------------|
| Trade debtors                            | 9,025         | 9,890         |
| Amounts owed by parent undertakings      | 20,830        | 14,090        |
| Amounts owed by subsidiary undertakings  | 8,980         | 3,209         |
| Amounts owed by other group undertakings | 5,997         | 15,413        |
| Prepayments and accrued income           | 5,396         | 4,921         |
| Corporation tax                          | 3,743         | -             |
| Other debtors                            | 2,743         | 5,960         |
|                                          | <u>56,714</u> | <u>53,483</u> |

Amounts owed by parent, subsidiary and other group undertakings are unsecured, interest free and repayable on demand. Other debtors includes a balance of £607k owed by directors due to timing of exercise of share options and repaid in full during August 2018.

### 12. Creditors: amounts falling due within one year

|                                          | 2018<br>£'000  | 2017<br>£'000 |
|------------------------------------------|----------------|---------------|
| Trade creditors                          | 11,501         | 8,809         |
| Other creditors                          | 39             | 39            |
| Amounts owed to parent undertakings      | 22,747         | 5,433         |
| Amounts owed to subsidiary undertakings  | 34,446         | 29,763        |
| Amounts owed to other group undertakings | 8,790          | 7,503         |
| Other taxation and social security       | 21,650         | 1,908         |
| Accruals and deferred income             | 5,663          | 3,897         |
| Corporation tax                          | -              | 1,301         |
|                                          | <u>104,836</u> | <u>58,653</u> |

Amounts owed to parent undertakings include a loan from Universal Salvage Limited with a principal value of £19,000,000 (2017 £nil), interest free and repayable on demand. Other amounts owed to parent, subsidiary and other group undertakings are unsecured, interest free and repayable on demand.

Pension commitments due as at 31<sup>st</sup> July 2018 £80,871 (2017 £53,631)

### 13. Share options

During the period ended 31 July 2018, the company had 3 share-based payment arrangements, which are described below.

|                    | RSU | ISO                      | NQ                       |
|--------------------|-----|--------------------------|--------------------------|
| Contractual life   | -   | 10 years                 | 10 years                 |
|                    |     | 20% on vest date         | 20% on vest date         |
| Vesting conditions | -   | 80% over remaining years | 80% over remaining years |

There were no grants relating to the RSU scheme during the period.

The estimated fair value was calculated by applying a Black-Scholes-Merton model taking into account the

## Notes to the financial statements at 31 July 2018

terms and conditions upon which the options were granted.

### 13. Share options (continued)

Further details of the share option plans are as follows:

|                              | <i>Number<br/>Of Options</i> | <i>Weighted Ave<br/>Share Price</i> |
|------------------------------|------------------------------|-------------------------------------|
| Outstanding as at 01/08/2017 | 1,313,599                    | \$14.137                            |
| Granted during the year      | 105,000                      | \$36.320                            |
| Forfeited during the year    | (12,717)                     | \$17.725                            |
| Exercised during the year    | (905,075)                    | \$12.424                            |
| Outstanding as at 31/07/2018 | 500,807                      | \$21.794                            |
| Exercisable as at 31/07/2018 | 197,930                      | \$17.918                            |

The options outstanding as at 31/07/2018 had a weighted average exercise price of \$21.794, and a weighted average contractual life of 4.69 years.

|                                         | <i>2018<br/>£'000</i> | <i>2017<br/>£'000</i> |
|-----------------------------------------|-----------------------|-----------------------|
| Expense arising from share option plans | 651                   | 528                   |
| Closing balance of liability            | -                     | -                     |

Share options are part of a group scheme. The charge to the profit and loss account of Copart UK is determined by the group calculations and invoiced as such.

### 14. Allotted and issued share capital

*Allotted, called up and fully paid*

|                            | <i>2018<br/>£</i> | <i>2017<br/>£</i> |
|----------------------------|-------------------|-------------------|
| Ordinary shares of £1 each | <u>1</u>          | <u>25,002</u>     |

In February 2018 the company capitalised the sum of £17,310,000 being the Other Reserves balance, paying up in full 17,310,000 ordinary shares of £1 and distributing to the sole member. Subsequent to this the company reduced the share capital to £1 by cancelling and extinguishing 17,335,001 ordinary shares of £1, crediting the balance to a distributable reserve.

### 15. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Universal Salvage Limited, registered in England and Wales. The ultimate parent undertaking and controlling party is Copart Inc., a NASDAQ listed corporation incorporated in California, USA.

The parent undertaking of the smallest and largest group of undertakings of which the company is a member and for which financial statements are drawn up is Copart Inc. Copies of its financial statements are available from Copart Inc., 14185 Dallas Parkway, Ste 300, Dallas, TX 75254, USA.

## **Notes to the financial statements**

**at 31 July 2018**

### **16. Subsequent events**

As part of a strategic cash repatriation plan by the company's ultimate parent undertaking, Copart UK Ltd declared dividends to Universal Salvage Ltd for the value of £24.8m in January 2019. The dividends were settled by distribution of loan notes for £11.6m and movement in cash balances of £13.2m