

Cazoo Holdings Limited (Registered No. 12450682)

**Registered number: 12450682**

**CAZOO HOLDINGS LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**



Cazoo Holdings Limited (Registered No. 12450682)

## COMPANY INFORMATION

<b>Directors</b>	Alex Edward Chesterman Stephen Morana
<b>Company secretary</b>	Ned Staple
<b>Registered number</b>	12450682
<b>Registered office</b>	Cazoo Holdings Limited 41 Chalton Street London NW1 1JD
<b>Auditors</b>	Ernst & Young LLP 1 More London Place London SE1 2AF

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Cazoo Holdings Limited (Registered No. 12450682)

## STRATEGIC REPORT

**For the year ended 31 December 2021**

The Directors present their Strategic report of Cazoo Holdings Limited ("the Company") and its subsidiaries (together "the Group" or "Cazoo") for the year ended 31 December 2021.

The Strategic report has been prepared to provide shareholders of the Group with additional information to assess the Group's strategies and the potential for those strategies to succeed. The Strategic report contains forward-looking statements. These statements are made by the Directors in good faith based on the information available up to the time of their approval of this report and such statements should be treated with caution due to inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

### Principal activities

Cazoo is an online car retailer aiming to transform the car buying and selling experience in the UK. Cazoo allows consumers to purchase or sell a car entirely online, for either delivery or collection. Cazoo seeks to make buying or selling a car as seamless as buying or selling any other product online by providing improved selection, transparency, quality and convenience.

### Business model and strategy

Cazoo's end-to-end digital platform offers customers in the UK a choice of over 4,683 used vehicles for purchase as of 31 December 2021, with over 300 different makes and models. Cazoo's easy-to-use website allows customers to search for their desired car based on a number of search criteria, including make and model, price, mileage, colour and CO2 emissions. Cazoo's website also offers expert reviews of its car brands and models, as well as a number of buying guides which include helpful features and car-buying advice to assist the customer in making their decision.

Cazoo provides a seven-day money-back guarantee and a free, comprehensive 90-day warranty in the UK, as well as roadside assistance with every car. In the UK, Cazoo also offers customers the option to purchase *CazooCover*, a plan that provides extended coverage after the 90-day warranty has ended, for a period of one to four years. Customers can also part-exchange their current vehicle as a form of partial payment for a Cazoo car.

In July 2021, Cazoo began purchasing cars directly from customers outside of part-exchanges, via its direct car buying channel in the UK, so that Cazoo now acquire cars directly from consumers without the explicit need for that consumer to purchase their next car from Cazoo.

During the year, Cazoo acquired vehicle reconditioning businesses, Smart Fleet Solutions Limited ("Smart Fleet") and SMH Fleet Solutions Limited ("SMH"), which allowed Cazoo to transition vehicle reconditioning activities in the UK fully in house during 2021.

### Business and finance review

Cazoo Holdings Limited was incorporated on 7 February 2020 and was dormant until it was inserted as a parent of Cazoo Limited through a share for share exchange on 10 June 2020. The 2020 comparatives in this annual report have been presented on the basis that Cazoo Holdings Limited was in existence since the initial incorporation of Cazoo Limited.

The Group reported revenue of £667.8 million for the year ended 31 December 2021 (2020: £162.2 million).

The Group reported an adjusted EBITDA of £(179.9 million) for the year ended 31 December 2021 (2020: £(81.2 million)).

The Group reported a loss after tax of £329.0 million for the year ended 31 December 2021 (2020: £102.7 million).

The results of the Group are included in the financial statements from page 26 onwards. No dividends were paid during the year. The Directors do not recommend a final dividend in respect of the year.

Cazoo Holdings Limited (Registered No. 12450682)

## **STRATEGIC REPORT (continued)**

**For the year ended 31 December 2021**

### **Business and finance review (continued)**

#### *The Transaction*

On 29 March 2021, Ajax I, a Cayman Islands exempted company ("Ajax"), the Company and Capri Listco, a Cayman Islands exempted company ("Listco"), entered into the Business Combination Agreement, as amended by the First Amendment thereto, dated as of 14 May 2021 (the "Business Combination Agreement," and the transactions contemplated thereby, the "Transaction") which, among other things, provided that (i) Ajax would merge with and into Listco, with Listco continuing as the surviving company, (ii) Listco would acquire all of the issued and outstanding shares of the Company via exchange for a combination of shares of Listco and cash consideration and (iii) Listco would become tax resident in the United Kingdom following the consummation of the Transaction.

Pursuant to the Business Combination Agreement, (a) on 23 August 2021 (the "Listco Closing Date"), MaplesFS Limited, a company incorporated under the laws of the Cayman Islands, as the sole shareholder of Listco ("MaplesFS Limited"), transferred to Ajax all of the issued and outstanding equity securities of Listco and, as a result of such transfer, Listco became a wholly-owned subsidiary of Ajax, (b) Ajax, as the sole shareholder of Listco, adopted Listco's amended and restated memorandum and articles of association (the "Articles") (which became effective as of the closing of the Transaction on 26 August 2021 (the "Closing")) and (c) on 24 August 2021, Ajax merged with and into Listco, with Listco continuing as the surviving entity (the "Merger" and, together with the other transactions contemplated by the foregoing, the "Reorganisation"). At the Closing, pursuant to the Business Combination Agreement, and subject to the terms and conditions therein, Listco acquired all of the issued and outstanding shares of the Company (the "Cazoo Shares") from the holders thereof (the "Cazoo Shareholders").

Upon Closing, the Company issued one ordinary share to Cazoo Group Ltd with a nominal value of £0.0000000167 and a share premium of \$836.0 million (£610.3 million) in exchange for cash.

This funding took the total funds raised past £1 billion.

#### *Acquisitions*

On 25 January 2021, the Group acquired Drover Limited ("Drover") for a total consideration of £65.4 million. Drover was a car subscription service with operations in the United Kingdom and France. Founded in 2016, Drover provided a monthly car subscription service, including maintenance, servicing, tax, breakdown cover and optional insurance, allowing its customers to choose from over 50 different models, all available online. The Group acquired Drover to accelerate its entry into the car subscription market and the acquisition provided the Group an existing customer base of over 2,000 active subscribers in the UK as well as a small subscriber base in France along with the associated recurring revenues.

On 11 February 2021, the Group acquired Smart Fleet Solutions Limited ("Smart Fleet"). At the same time as the acquisition, the Group acquired freehold property relating to vehicle preparation centres operated by Smart Fleet owned by the previous shareholders. Total consideration recognised for both transactions combined is £39.1 million. Smart Fleet was a vehicle reconditioning business that operated four state-of-the-art vehicle preparation centres across the UK, which reduced its reliance on any third-party providers. Smart Fleet's team of over 500 vehicle reconditioning and logistics staff also provide significant expertise. In addition, Smart Fleet had in place a number of third-party contracts which are strategically beneficial to the Group. The Group acquired Smart Fleet for its UK-wide infrastructure and expertise in the reconditioning of used cars, which is expected to enhance the Group's ability to operate at scale.

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## **STRATEGIC REPORT (continued)**

**For the year ended 31 December 2021**

### **Business and finance review (continued)**

#### *Acquisitions (continued)*

On 23 February 2021, the Group acquired Cluno GmbH ("Cluno") for a total consideration of £60.4 million (€69.7 million). Cluno is a German car subscription services company, with a business similar to Drover and a team of approximately 100 employees based in Munich. Cluno offered a monthly subscription that included all car expenses other than fuel, with a six-month minimum term per car in Germany with 100 different models from 15 different brands. Cluno had an experienced team and strong supplier and EU-partner relationships. The Group acquired Cluno to accelerate its entry into the EU market and the acquisition provided the Group with an existing customer base of over 3,000 active subscribers in Germany along with the associated recurring revenues and a strong team to help launch the Cazoo proposition in Germany and across Europe.

On 2 September 2021, the Group acquired UK Vehicle Limited ("Cazana"), including its subsidiaries Car and Classic Holdings Limited and Car and Classic Limited ("Car and Classic"). On the same date, a subset of the sellers immediately repurchased Car and Classic. Total consideration recognised is therefore £23.7 million. Founded in 2012, Cazana had grown to a team of more than 50 staff including data scientists and engineers headquartered in London. Cazana had built an extensive dataset of over 500 million historic vehicle transactions from a range of countries including the UK, Germany, France, Spain and Italy and its tools were used by car manufacturers, lenders, fleet owners and insurers. Cazana's products include real-time vehicle valuation, pricing and stock management tools, and the acquisition by the Group combined its brand, proposition and platform with Cazana's extensive data, products and expertise. This deal enhanced the Group's data team and capabilities and allows it to further optimise its car buying, selling and pricing across the UK and Europe for the benefit of consumers.

On 15 September 2021, the Group acquired SMH Fleet Solutions Limited ("SMH") for total consideration of £76.5 million. Established in 2003, SMH had a team of over 500 expert staff that reconditioned more than 70,000 vehicles annually from five vehicle preparation centres across 136 acres in Bedford, Gloucester, Throckmorton, Worcester and St Helens. SMH also carried out over 150,000 vehicle movements per year with a team of over 300 logistics specialists as well as operated an online wholesale platform for used cars.

On 15 November 2021, the Group acquired Swipcar 2017, S.L. ("Swipcar") for total consideration of £23.6 million. Founded in 2018, Swipcar offered a wide selection of cars available from various leasing company partners for an all-inclusive single monthly subscription payment which included the car, insurance, maintenance, service and tax. As well as operating in Spain, Swipcar had also recently launched in Italy and Portugal. The transaction combined Cazoo's brand and platform with Swipcar's expertise and relationships in southern Europe and accelerates the launch of Cazoo's full proposition into these markets.

On 22 December 2021, the Group acquired Vans 365 Limited ("Vans 365") for total consideration of £7.9 million. Vans 365 was an independent online commercial vehicle retailer in the UK with a team of experienced in-house technicians and customer service specialists based in Bristol, which bought and sold hundreds of vans monthly and, prior to the acquisition, had achieved positive customer feedback with an "excellent" Trustpilot score. The deal combined Cazoo's platform and brand with Vans 365's expertise and relationships in the commercial vehicle market and enhanced Cazoo's customer offering and team and has accelerated its launch into buying and selling commercial vehicles online.

Refer to Note 12 for more information.

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## STRATEGIC REPORT (continued)

For the year ended 31 December 2021

### Key performance indicators

We regularly monitor the following key performance indicators to help evaluate our business and trends, identify near-term and longer-term risks and opportunities, measure our performance, prepare financial projections and make strategic decisions. We believe these operational measures are useful in evaluating our performance, in addition to our financial results prepared in accordance with IFRS.

The calculation of our key operating and financial metrics is straightforward and does not rely on significant projections, estimates or assumptions. Nevertheless, there are limitations inherent within these calculations, and these measures may not be comparable to other performance measures used by our competitors. Each of our key operating and financial metrics focuses specifically on only one standard by which to evaluate our business, without taking into account other applicable standards, performance measures or operating trends by which our business could be evaluated. Accordingly, no single metric should be viewed as the indicator by which our business should be measured. Rather, each key operating and financial metric should be considered in conjunction with other metrics and components of our results of operations.

These operating and financial metrics should be read in conjunction with the following discussion of our results of operations and together with the consolidated financial statements and related notes.

	Year ended 31 December		Variance	
	2021	2020	Change	%
Retail units sold	34,731	12,097	22,634	187%
UK Retail gross profit/(loss) per unit	£427	£(229)	£656	
UK Average monthly unique users	1,631,000	763,000	868,000	114%
UK Retail inventory units available on website	4,683	4,628	55	1%

#### *Retail units sold*

Retail units sold is defined as the number of vehicles sold through our retail channel and delivered to customers, net of returns under our 7-day money back guarantee program. Retail units sold excludes vehicles sold through auction which are recorded within our wholesale channel. Our retail business is the core proposition of our business and as we continue to expand, we expect that retail units sold will be the primary driver of our revenue growth. Additionally, each retail vehicle sale through our website also creates the opportunity to leverage such sales to sell other ancillary products. We anticipate that continued retail sales growth will also increase the number of trade-in vehicles acquired from our customers, which we can either recondition and add to our inventory or sell through our wholesale channel.

Retail units sold for the year ended 31 December 2021 was 34,731 units compared to 12,097 retail units sold for the year ended 31 December 2020. Retail units sold increased throughout the period driven by continued strong uptake of our offering.

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## **STRATEGIC REPORT (continued)**

**For the year ended 31 December 2021**

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

#### *UK Retail gross profit/(loss) per unit*

This metric is defined as the aggregate UK retail sales price and ancillary revenues (including financing commission, warranty commission, paint protection and any add-ons) from all vehicles sold through our retail channel in a given period, less the aggregate costs to acquire those vehicles, the aggregate UK costs of inbound transportation to the vehicle preparation centres, auction fees, the aggregate costs of reconditioning those vehicles, costs of providing insurance, warranty, fuel and other direct costs associated with providing the car to the customer, divided by the UK number of retail units sold in that period. This is an important metric that we use to record and forecast the performance and trends of our core retail business. There are a number of drivers of this metric including our purchasing mix, cost of reconditioning, days to sale, our finance attachment rate and the number of new ancillary products.

For the year ended 31 December 2021, UK retail gross profit per unit was £427, compared to gross loss per unit of £229 for the year ended 31 December 2020. The improvement to achieving a gross profit per unit was primarily due to a significant increase in retail units sold, reconditioning efficiencies, reducing days to sale and growing ancillary services.

As our business continues to expand, our business plan is to continue to grow gross profit per unit.

#### *UK Average monthly unique users*

This metric is defined as the average number of individuals who access our website within a calendar month, based on data provided by Google Analytics. We calculate the average monthly unique visitors over any period by dividing the aggregate monthly unique visitors during such period by the number of months in that period. This metric is used to measure the quality of our customer experience, the effectiveness of our marketing campaigns and customer acquisition as well as the strength of our brand and market penetration, which can then be turned into a retail sale.

The computation of average monthly unique visitors excludes individuals who access our platform multiple times within a calendar month, counting such individuals only one time for purposes of the calculation. If an individual accesses our website using different devices or different browsers on the same device within a given month, the first access through each such device or browser is counted as a separate monthly unique visitor.

Our UK average monthly unique users during the year ended 31 December 2021 was 1,631,000 users, compared to 763,000 users during the year ended 31 December 2020. The increase in the average monthly unique visitors was primarily due to our investment in marketing and the increased brand recognition.

#### *UK Retail inventory units available on website*

UK retail inventory units available on website represents the total number of vehicles available for sale on our website on the last day of each reporting period. This may lead to volatility when comparing one period to another. It is important to ensure we have enough inventory to cater to the majority of customers based on customer demand and in the way they choose to purchase or finance.

UK retail inventory units available on website is a key indicator of our performance because we believe that the number of vehicles listed on our platform is a key driver of vehicle sales and revenue growth. Increasing the number of vehicles listed on our website results in a greater selection of vehicles for our customers, creating demand and increasing conversion.

Our UK retail inventory units available on our website increased to 4,683 units as of 31 December 2021, compared to 4,628 units as of 31 December 2020.

### **Financial position**

The Group's total assets as at 31 December 2021 were £1,179.8 million (2020: £507.7 million) and net assets were £742.1 million (2020: £330.5 million). This is as a result of the Series B funding round B in 2019, Series C and Series D funding rounds in 2020 and the Transaction in 2021.



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## **STRATEGIC REPORT (continued)**

**For the year ended 31 December 2021**

### **Risk Management**

Cazoo is committed to ensuring that the key risks and threats faced by the Group are identified and continually assessed, mitigated and monitored. The Board is accountable for the risk management practices of the Group and it recognises that, in addition to the strategic and operational risks faced, the rapid growth experienced in 2021 inherently exposes Cazoo to an additional layer of risk. As such, Cazoo is continuously working to develop and strengthen the enterprise risk management framework.

### **Strategic and Commercial Risk**

As with all businesses, Cazoo is inherently exposed to a number of strategic and commercial risks. These risks are monitored closely by the Board and Executive team on an ongoing basis. They relate to areas such as:

- Reputation and brand image;
- Competition and consumer trends;
- Macroeconomic conditions; and
- Reliance on third-parties

Mitigations for risks in these areas are embedded within the day-to-day processes and include the close monitoring of the Group's KPIs, market research, sensitivity analysis and the maintenance of close relationships with key suppliers and partners.

### **Operational Risk**

Cazoo faces a number of operational risks which are monitored by the Board and the Executive team. Example risk areas include:

- Growth, scalability and integration of acquisitions;
- Talent, recruitment and succession;
- Technology and systems;
- Health and safety; and
- Business disruption.

To mitigate against these risk areas the Group is automating processes and controls wherever possible and there are detailed integration plans for acquisitions. Cazoo continues to invest in the data, IT and security infrastructure, as well as in the core technology based systems used to drive and support the Group. Likewise, the Group continues to invest in its people, offering competitive employment packages and development opportunities to attract and retain the best talent. Cazoo has implemented a number of health and safety policies to protect its staff and carries out audits at each site to ensure they are operating effectively. The Group's operations were resilient in supporting the growth through the COVID-19 pandemic and Cazoo is continuously reviewing the business continuity plans.

### **Regulatory Risk**

As a limited company, and a consumer facing business, Cazoo is exposed to a number of regulatory areas, both directly and indirectly. These include, but are not limited to, financial conduct and reporting regulations, employment law, data protection and health and safety. To mitigate against the risks in this area the Group is continuously reviewing the in-house capabilities as well as the processes and controls. In addition, Cazoo maintains close relationships with a number of specialist advisors.

### **Principal risks and uncertainties**

The following is a summary of certain, but not all, of the risks that could adversely affect our business, operations and financial results. *Additional risks and uncertainties, including those that are not currently known or are deemed to be immaterial, may individually and/or cumulatively also have a material adverse effect on the Group.*

Cazoo Holdings Limited (Registered No. 12450682)

## **STRATEGIC REPORT (continued)**

**For the year ended 31 December 2021**

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

- Our limited operating history makes it difficult to evaluate our current business and future prospects
- We have a history of losses and we may not achieve or maintain profitability in the future
- Our recent growth may not be indicative of our future growth and, if we continue to grow rapidly, we may not be able to manage our growth effectively
- We may have difficulties implementing our growth strategy, which could have a material adverse effect on our business and results of operations
- Our growth strategy of expanding our geographical footprint in Europe could expose our business to new risks
- We may be unable to attract a sufficient audience to our website in a cost-effective manner
- Our business is dependent upon access to suitable vehicle inventory for resale to customers. Obstacles to acquiring suitable inventory for resale to customers, whether because of supply, competition, or other factors, could have a material adverse effect on our business, financial condition, results of operations and prospects
- The success of our business relies heavily on our marketing and branding efforts, and these efforts may not be successful
- Our business is dependent upon our ability to recondition and sell inventory expeditiously and efficiently
- Vehicle retail sales depend heavily on affordable interest rates and availability of credit for vehicle financing and a substantial increase in interest rates could materially
- and adversely affect our business, prospects, financial condition, results of operations, and cash flows
- Our business is sensitive to changes in the prices of new and used vehicles
- If we are unable to adapt to and satisfy customer demands in a timely and cost-effective manner, our ability to grow our business may suffer
- We may be unable to identify or accurately evaluate suitable acquisition candidates or to complete or integrate past or prospective acquisitions successfully and/or in a timely manner, which could, among other things, divert our management's attention, result in additional dilution to shareholders and otherwise disrupt our operations, which could in turn have a materially adverse effect on our growth
- We rely on key third-party suppliers for the delivery of outsourced services to us and to provide financing, as well as value-added products to our customers, and we cannot control the quality or fulfilment of these products
- We rely on internal and external logistics to transport our vehicle inventory. Thus, we are subject to business risks and costs associated with the transportation industry
- We will need to improve the capacity, speed, integration and automation of our reporting systems and operational processes as we grow
- Cyber breaches caused by malicious hacking could jeopardize the integrity of our IT systems and the security of our data
- Failure to safeguard our customer and other personal data may result in reputational damage, financial penalties, claims from individuals and litigation, and decrease in revenues
- We may require additional debt and equity capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances. If such capital is not available to us, our business, operating results and financial condition may be materially adversely affected
- The requirements of being a public company may strain our resources, result in increased costs, divert management's attention and affect our ability to attract and retain executive management and qualified board members
- The Group has identified material weaknesses in its internal control over financial reporting (ICFR) which may result in material misstatements of the Group's financial statements or cause it to fail to meet its reporting obligations. If these material weaknesses are not remediated or the Group otherwise fails to establish and maintain effective control over financial reporting, its ability to accurately and timely report its financial results could be adversely affected
- Our operations may be adversely affected by legal, regulatory and other developments in the jurisdictions in which we operate. Our non-compliance with applicable financial regulations could have a material impact on us
- Downturns in general economic and market conditions and reductions in spending may reduce demand for our products
- If our business and results of operations do not meet the expectations of investors, shareholders or financial analysts, the market price of our securities may decline.

Cazoo Holdings Limited (Registered No. 12450682)

## **STRATEGIC REPORT (continued)**

**For the year ended 31 December 2021**

### **Section 172 statement**

*The Directors of Cazoo Holdings Limited consider, in the context of a constitution of a Board, that they have acted in good faith to promote the success of the Group for the benefit of its members with specific reference to the Companies Act 2006 S172, in the decisions taken during the year ending 31 December 2021, including:*

#### *Employees*

- The Group aims to attract, retain and develop staff with the skills, experience and potential necessary to implement its growth strategy.
- The Directors believe that engagement with staff on issues affecting the business is important for its culture and success and aims to do so through regular group-wide and location-specific, "all hands" and "town hall" sessions and other engagement platforms.
- A focus on employee engagement measured via regular employee surveys to gather feedback and benchmark results against leading employers, setting clear action plans to ensure areas of focus are prioritised and progressed.

#### *Customers*

- The Group is pioneering the shift to online car buying providing consumers with a differentiated customer experience with the transparency and convenience of buying cars online. The Group offers better selection, transparency, quality, and convenience for customers looking for their next car.
- The opening of customers centres across the UK provides customers with a local collection option and servicing facilities.
- The continuing focus on providing a positive customer experience measured through Cazoo's Trustpilot reviews.

#### *Suppliers*

- The Group works closely with its suppliers through regular meetings and updates in order to control the quantity and fulfilment of vehicles.

#### *Social responsibility*

- The Group recognises the impact it may have on the environment as a business and as individuals and has set up an ESG Committee. The Committee will oversee measurement of our carbon footprint and explore solutions to reduce any adverse impact.

#### *Shareholders*

- The Directors engage with shareholders through regular updates, reporting and meetings through which shareholders can hear about the Group's performance and put questions to the Board of Directors.

Cazoo Holdings Limited (Registered No. 12450682)

## **STRATEGIC REPORT (continued)**

**For the year ended 31 December 2021**

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



Stephen Morana  
Director  
4 October 2022

Cazoo Holdings Limited (Registered No. 12450682)

## **DIRECTORS REPORT**

**For the year ended 31 December 2021**

The Directors present their report of Cazoo Holdings Limited (the Company) and its subsidiaries (together "the Group") for the year ended 31 December 2021.

### **Directors**

Alex Edward Chesterman  
Stephen Morana  
Fred Destin (resigned 26 August 2021)  
Lord Viscount Rothermere (resigned 26 August 2021)  
David Hobbs (resigned 26 August 2021)

### **Directors indemnities**

The Company maintained liability insurance, which includes indemnity for its Directors, which is a qualifying third-party indemnity provision for the benefit of its Directors which remains in force at the date of this report.

### **Results and dividends**

The Group total comprehensive loss for the year ended 31 December 2021 was £330.5 million (2020: £102.7 million). Refer to the Strategic Report for further discussions of the Group's results and performance for the year. No dividends were paid during the period. The Directors do not recommend a final dividend in respect of the 2021 financial year.

### **Performance and future developments**

The Directors have had regard for the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year.

The Directors believe that Cazoo Holdings Limited is well positioned to continue in its aim to transform the car buying experience across the UK.

Please refer to the post balance sheet events section below.

### **Financial risk management**

The Group's operations involve varying levels of exposure to credit risk, liquidity risk, currency risk and interest rate risk.

#### **Interest rate risk**

Interest rate risk is the risk that changes in interest rates will affect the income and financial management of the Group. The Group is exposed to interest rate risk through its stocking loans and subscription facilities where interest is charged in reference to a base interest rate. However, the exposure to interest rate risk is minimal since the Group is in a net cash position as at 31 December 2021 and 31 December 2020 and is therefore able to reduce exposure through repayment of the facilities. The Group is not exposed to interest rate risk on its mortgages where interest rates are fixed. The Group does not hedge against interest rate risk. In 2021 the UK stocking loans and subscription facilities have been rebased from GBP LIBOR to the Bank of England base rate. Certain European stocking loans and subscription facilities reference EURIBOR. Refer to Note 22 for more information.

Cazoo Holdings Limited (Registered No. 12450682)

## **DIRECTORS REPORT (continued)**

**For the year ended 31 December 2021**

### **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or bank ("counterparty") fails to meet its contractual obligations resulting in a financial loss to the Group. The Group's maximum exposure to credit risk at the year end was equal to the carrying amount of trade receivables as set out in Note 16.

For retail and wholesale sales, the Group's exposure to credit risk is minimal since the settlement of amounts due for the sale of a vehicle to a consumer is completed prior to the delivery of the vehicle. The trade receivables balance represents customer funds to be received from our consumer finance partners and payment gateway provider.

For subscription sales, the expected credit losses are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's treasury policy. It is the Group's policy to only hold cash and cash equivalent with banks which have at least an A rating and an A-1 rating for short term deposits, as per Standard and Poor's credit rating system. The Group's maximum exposure to credit risk on cash and cash equivalents is the carrying amount of cash and cash equivalents on the statement of financial position.

### **Liquidity risk**

Liquidity risk refers to the ability of the Group to meet the obligations associated with its financial liabilities that are settled as they fall due. The treasury strategy of the Group is to retain cash on the balance sheet by financing the purchase of inventory and to maximise interest received whilst maintaining liquidity and flexibility in the availability of funds. Refer to Note 22 for more information.

### **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk through its operating activities in Europe (when revenue and expenses is denominated in Euros) and through certain expenses denominated in US dollars. The Group does not currently hedge against currency risk through the use of financial instruments such as foreign currency swaps. Refer to Note 22 for more information.

### **Going concern**

The financial statements have been prepared on a going concern basis.

The Board of Directors have approved an operating plan through to 31 December 2023 which combines continued top line growth with ongoing operational improvements which move the business towards breakeven, targeted in December 2023. This plan achieves those goals without the need for further fund raising and has a forecast cash balance of over £100 million at 31 December 2023. The Directors have considered the Company's ability to continue as a going concern for the 15-month period to 31 December 2023.

The operating plan includes the on-going exit of existing operations in Europe which management of the Group ("Management") believes will result in cash savings of over £100 million by the end of 2023 compared to that incurred if the Group continued with its European businesses. Other actions to increase liquidity included in the plan are a prospective sale and leaseback of owned property and the continued financing of UK retail inventory. The Group had available cash in excess of £400 million at 30 June 2022, together with self-financed inventory of over £100 million.

Cazoo Holdings Limited (Registered No. 12450682)

## **DIRECTORS REPORT (continued)**

**For the year ended 31 December 2021**

### **Going concern (continued)**

Given the stage of evolution of the Group, there are certain inherent uncertainties in forecasting operating performance. Therefore, in assessing the appropriateness of the going concern assumption, Management have assumed a combined downside scenario to the above base case whereby the most sensitive assumptions have been flexed. These are limiting gross profit margin to 5% (i.e., -3% to the base case), increasing overhead costs by £1 million per month (i.e., +7% to the base case), and reducing the proceeds from the planned sale and leaseback transactions by 50%. In this scenario the going concern assumption is still appropriate as Management believes the Group would still have cash in excess of over £50 million at 31 December 2023 even before any mitigating actions were applied. Sales in 2021 increased by 187% year on year with a gross profit margin of 3.7%. In addition, the gross profit margin assumptions have been considered against peers, historical margins and are within the range of margins achieved.

The majority of the Group's future spend is not committed. In the event that further actions to manage liquidity were to be necessary, Management may seek to reduce discretionary marketing spend, capex and/or headcount, as well as pursuing various other options to reduce cash outflow which Management believes, in combination, could give rise to additional savings of approximately £80 million in the period from 1 January to 31 December 2023. In this scenario, Management's strategic objectives are materially unchanged.

Management have reverse stress tested gross margin and operating expenses as a percentage of sales as compared to the base case. In isolation, reductions of gross margin to 1% and an increase of operating expenses as a percentage of revenue to 24% would be required to eliminate cash at 31 December 2023.

The Group utilises stocking finance to support inventory purchasing. In the UK, the business works with five lenders and had total stocking facilities at 30 June 2022 with a maximum of £250 million of availability, of which £174 million was utilised. The stocking facilities have no fixed end date but are subject to annual review. Management believes that current levels of stocking remain appropriate to fund the business and that additional facilities will be available as the business continues to grow. There are no financial covenants attached to these facilities. Certain facilities have triggers to revise the terms if cash falls below a certain level. If facilities were reduced, Management could choose to cash finance inventory in the short term or reduce overall levels of inventory held, both scenarios being under Management's control and this has been modelled in one of the downside scenarios.

The Group's parent company, Cazoo Group Ltd, also has debt in the form of convertible notes which bear regular interest at a rate of 2.00% per year. Holders of the convertible notes have the right to require Cazoo Group Ltd to repurchase for cash all or a portion of their convertible notes at 100% of their principal amount, plus any accrued and unpaid special interest, upon the occurrence of a Fundamental Change (as defined in the Indenture, dated 16 February 2022, between Cazoo Group Ltd and U.S. Bank Trust Company, National Association, as trustee (the "Indenture")). As at the date of authorisation of these financial statements, no Fundamental Change was expected.

The Board believes that the Group's existing available cash, financing facilities and the approved operating plan are adequate to meet the Group's forecasted cash requirements for the period to 31 December 2023. Therefore, the accompanying unaudited condensed consolidated interim financial statements have been prepared on a going concern basis.

Cazoo Holdings Limited (Registered No. 12450682)

## **DIRECTORS REPORT (continued)**

**For the year ended 31 December 2021**

### **Research and development**

The Group continues to incur expenditure on research and development in order to develop new products and enhance its existing technology platform. The Group accounting policies on research and development are disclosed in Note 1 of the consolidated financial statements.

### **Political contribution**

No political contributions were made during the year (2020: £nil).

### **Employees**

Attracting, hiring, developing and engaging exceptionally talented employees is a key focus for the Group as we continue to grow at pace and strive to become a market leading employer, known for exceptional employee experience. Key aspects include a highly-competitive range of employee benefits and perks, regular internal communications and employee recognition programmes recognising exceptional performance.

*Overall employee engagement is measured via regular employee surveys to gather feedback and benchmark results against leading employers within the UK, setting clear action plans to ensure areas of focus are prioritised and progressed.*

All employees have access to a range of learning and development solutions including structured onboarding programmes and online development for all employees via the Cazoo Skills Hub learning management system focused on personal effectiveness, career development and developing line management capability.

### **Diversity and inclusion**

We're proud to be an inclusive, supportive and respectful employer and we are committed to growing and nurturing our team to best represent the customers we serve and the communities in which we operate. Our diversity and inclusion strategy includes empowering employees via Employee Resource Groups, building knowledge and awareness through external speakers and accelerating hiring and progression of under-represented groups by improving recruitment processes and working with expert partners.

The Group seeks to provide equal opportunity in employment for all qualified persons and to prohibit any form of discrimination due to race, nationality, ethnic or national origin, sex or sexual orientation, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, religion/belief or age. Our equal opportunities policy is set out clearly in the Employee handbook and any employee who believes that they may have been disadvantaged is encouraged to raise the matter through the Company's grievance procedure.



Cazoo Holdings Limited (Registered No. 12450682)

## DIRECTORS REPORT (continued)

For the year ended 31 December 2021

### Environmental matters

For its financial year ended 31 December 2021, the Group has measured its UK carbon emissions to support its disclosure obligations, inform a managed reduction of its emissions impact and impact intensity in relation to its revenue and full-time employees.

The Group has reported on its Scope 1 & Scope 2 impacts from its offices, premises, vehicle use, including fuel and electricity. It has reported Scope 3 impacts from staff business travel including modes of travel, accommodation and business mileage driven in third party vehicles. Measurement has been undertaken to report emissions under the Streamlined Energy and Carbon Reporting requirements and to inform the forward carbon emissions strategy of Cazoo.

All measurements have been made using the 2020 UK Government GHG Reporting and Methodology for the conversion of activity data to carbon emissions equivalents in metric tons and energy usage in kwh for fuel, transport and electricity.

The boundary for reporting is all major group impacts which support the operations and service delivery of the company. UK energy and carbon outputs for the Group are as follows:

	2021		2020	
	CO2e	kwh	CO2e	kwh
<b>Scope 1 - Direct GHG emissions</b>				
Fuel	2,115.73	10,675,999	119.02	647,323
Transport	4,715.19	18,873,782	1,201.34	4,630,430
Total	6,830.91	29,549,781	1,320.36	5,277,753
<b>Scope 2 - Indirect GHG emissions</b>				
Electricity	1,493.49	7,033,834	350.26	1,502,341
<b>Total Scope 1 &amp; 2</b>	<b>8,324.41</b>	<b>36,583,615</b>	<b>1,670.62</b>	<b>6,780,094</b>
<b>Scope 3 - Other value chain GHG emissions</b>				
Total	594.88	1,067,718	1,961.86	N/A
<b>Total</b>	<b>8,919.26</b>	<b>37,651,332</b>	<b>3,632.46</b>	<b>N/A</b>

The Group's carbon intensity per revenue and FTE intensity is derived from all reported UK operations impacts, as follows:

<b>Company Intensity Measures</b>	<b>2021</b>	<b>2020</b>
UK Tonnes CO2e per £100,000 of UK Revenue	1.360	2.270
UK Tonnes CO2e per UK FTE	3.781	4.501

The report on the Company's emissions was prepared by an external specialist, using activity data supplied by the Company.

Cazoo Holdings Limited (Registered No. 12450682)

## **DIRECTORS REPORT (continued)**

**For the year ended 31 December 2021**

### **Directors' responsibilities statement**

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom 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 group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

*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 group and the company and of the profit or loss of the group and the company for that year.*

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs and in respect of the parent company financial statements, FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- in respect of the group financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether applicable UK Accounting Standards, including FRS 101, 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 appropriate to presume that the company and/ or the group will not continue in business.

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Cazoo Holdings Limited (Registered No. 12450682)

## **DIRECTORS REPORT (continued)**

**For the year ended 31 December 2021**

### **Financial risk management objectives**

Details of the Group's risk management objectives are included within Note 22.

### **Disclosure 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 Group'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 relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditors**

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

### **Post balance sheet events**

#### *Acquisition of brumbrum*

On 31 January 2022, the Group acquired brumbrum for €80 million in a mix of cash and Cazoo shares. Founded in 2016, brumbrum is based in Milan and has grown to a team of over 180 staff, including at its 40,000 square metre vehicle preparation site in Reggio Emilia, which has the capacity to refurbish over 15,000 cars annually. The business offers hundreds of vehicles for sale, finance or subscription for delivery across Italy.

#### *Issuance of convertible senior notes*

On 16 February 2022, the Group's parent company, Cazoo Group Ltd, issued \$630.0 million in aggregate principal amount of 2.00% Convertible Senior Notes due 2027 (the "convertible notes") pursuant to the Indenture, dated 16 February 2022 (the "Indenture"), between Cazoo Group Ltd and U.S. Bank Trust Company, National Association, as trustee.

The convertible notes bear regular interest at a rate of 2.00% per year. Interest accrues from 16 February 2022 and is payable quarterly in arrears on 16 February, 16 May, 16 August and 16 November of each year, beginning on 16 May 2022. The convertible notes will mature on 16 February 2027, unless earlier redeemed, repurchased or converted in accordance with the terms of the convertible notes. The principal amount of the convertible notes does not accrete.

The convertible notes will be convertible at the option of the holders at any time after 6 November 2022 and prior to the close of business on the second scheduled trading day immediately preceding 16 February 2027. In addition, the Cazoo Group Ltd may force the conversion of the convertible notes on or after 16 February 2025, if the trading price of the Class A Shares exceeds 150% of the conversion price for at least 20 trading days (whether or not consecutive) in any consecutive 30 trading day period.

Cazoo Holdings Limited (Registered No. 12450682)

## **DIRECTORS REPORT (continued)**

**For the year ended 31 December 2021**

### **Post balance sheet events (continued)**

If the convertible notes have not been converted, repurchased or redeemed at or prior to 16 February 2027, holders of the convertible notes will be entitled to payment of a premium at maturity of the convertible notes, equal to 50% of the principal amount of the convertible notes. The premium is payable in cash, Class A Shares, or a combination of cash and Class A Shares at the option of Cazoo Group Ltd. The premium will not be payable if the trailing 10 trading day volume weighted average price of the Class A Shares is above \$6.75 for any trading day beginning on (and excluding) 4 March 2024 and ending on (and including) 18 March 2024 (the "premium fall-away trigger"), provided that in connection with a share exchange event on or prior to 4 March 2024 involving a third party acquirer, the premium fall-away trigger shall be tested using the fair market value of the consideration paid per Class A Share on the date of the share exchange event or if resulting in less consideration, the date on which any lock-up applicable to holders of the Class A Shares expires after the share exchange event. For the avoidance of doubt, this premium will not be payable by Cazoo Group Ltd (i) in the event of a mandatory conversion on or prior to the maturity date, (ii) in the event of a voluntary conversion by a holder on or prior to the maturity date, (iii) in connection with the redemption of the convertible notes on or prior to the maturity date, or (iv) in connection with a make-whole Fundamental Change or an offer to purchase Notes upon a Fundamental Change.

The convertible notes were not guaranteed or secured upon issuance but will receive the benefit of any guarantees or security provided at any time for the benefit of certain other indebtedness of Cazoo Group Ltd for borrowed money issued or incurred in the future, other than indebtedness incurred to purchase, finance or refinance the purchase of vehicles, vehicle parts, supplies and inventory and certain other indebtedness. The Indenture also contains covenants, events of default and other provisions which are customary for offerings of convertible notes.

#### *Sale and leaseback*

In February 2022, the Group sold two of its customer collection centres for proceeds of £13.7 million and leased them back for 20 years.

#### *UK stocking loans*

On 22 March 2022, the Group increased its UK stocking facilities by £25 million with an existing lender.

#### *Asset-backed securitisation with BNP Paribas*

On 28 March 2022, the Group entered into a €50 million asset-based securitization facility with BNP Paribas (the "BNP Facility") to help accelerate the expansion of the Group's car subscription platform in Europe.

#### *Business Realignment Plan*

On 7 June 2022, in response to the current economic climate, the Group announced a business realignment plan (the "Business Realignment Plan") designed to de-risk its path to profitability and to maximise its liquidity by right-sizing the business and conserving cash in the short-term, and by focusing on delivering improved and sustainable profit margins.

The Group's key goals from the Business Realignment Plan are to:

- lower selling, general and administrative costs per unit while minimising the impact on growth;
- achieve UK cash-flow breakeven at lower retail unit sales with a stronger focus on GPU and working capital; and
- manage costs and expenditure to become self-funding in the UK without needing further capital.

The key actions the Group are undertaking in connection with implementation of the Business Realignment Plan consist of:

- reducing our existing employee headcount by approximately 15% and slowing the pace of new hiring;
- lowering our brand marketing spend and focusing more on performance marketing;

Cazoo Holdings Limited (Registered No. 12450682)

## **DIRECTORS REPORT (continued)**

**For the year ended 31 December 2021**

### **Post balance sheet events (continued)**

- limiting our capital expenditure and delaying a number of planned investment projects;
- rationalising our vehicle preparation and customer support sites to drive more efficiency;
- increasing focus on driving GPU growth through more efficient buying and reconditioning;
- modifying our consumer proposition to drive costs down and improve operating efficiencies;
- increasing procurement efficiencies across our entire supply chain to reduce overhead costs; and
- slowing our near-term growth aspirations in both the UK and EU to focus on profitable growth.

As part of the actions being taken, the Group will no longer be offering our subscription service to new subscribers from the end of June 2022, given the cash consumptive nature of this business model, but will continue to benefit from a sourcing perspective in the short term as existing subscription contracts come to an end.

As a result of implementation of the Business Realignment Plan, the Group expects to incur charges in the year ended 31 December 2022, including amounts for restructuring and the evaluation of goodwill and intangible assets.

### *Strategic review of mainland Europe*

On 2 August 2022, the Group announced that it was conducting a strategic review of its business in mainland Europe, with the aim of further preserving cash and positioning the Group to achieve profitability without the need for further external capital.

On 8 September 2022, the Group announced the conclusion of its strategic review. Following a review of a range of strategic options, Management concluded that Cazoo would focus exclusively on its core opportunity in the UK.

The plan to withdraw from the EU is based on the material further investment that would be required for Cazoo to continue to scale its operations in the EU and the conflict this has with the Group's priorities of cash conservation and achieving profitability without the need for additional capital.

As a result, the Group has commenced an orderly wind down of its operations in Germany and Spain and is in consultation with its employee representatives in France and Italy. Cazoo will facilitate a structured closure for its customers, employees and suppliers and has notified the relevant employee representatives and unions in each market.

It is expected that the Group will achieve cash savings of over £100 million, net of any wind down costs, as a result of its withdrawal from the EU, by the end of 2023. The Group believes that this decision will materially expedite its path to profitability and removes the requirement to raise any additional external funding.

The Group is now targeting cash flow breakeven by the end of 2023, at which point the Group expects to still have approximately £100 million of cash on its balance sheet. The EU businesses represented less than 10% of Group revenues and retail units during the six months ended 30 June 2022 and the Group believes this decision should have limited impact on its 2022 revenue and unit targets.

The Group expects to incur charges as a result of the implementation in the second half of 2022, including amounts for restructuring. The amount of these charges is yet to be determined.

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



Stephen Morana  
Director  
4 October 2022

Cazoo Holdings Limited (Registered No. 12450682)

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CAZOO HOLDINGS LIMITED**

**For the year ended 31 December 2021**

### **Opinion**

We have audited the financial statements of Cazoo Holdings Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise of the Group Profit and Loss account, the Group and the parent company Balance Sheet, Group Statement of Cashflows, the Group Statement of Comprehensive Income, the Group and Parent Statement of Changes in Equity and the related notes 1 to 29, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

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

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period up to 31 December 2021.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Cazoo Holdings Limited (Registered No. 12450682)

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CAZOO HOLDINGS LIMITED (continued)**

**For the year ended 31 December 2021**

### **Other information**

The other information comprises the information included in the annual report, set out on pages 4 to 21, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Cazoo Holdings Limited (Registered No. 12450682)

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CAZOO HOLDINGS LIMITED (continued)**

**For the year ended 31 December 2021**

### **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.

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (International Accounting Standards in conformity with the requirements of the Companies Act 2006, FRS 101 and the Companies Act 2006) and relevant tax compliance regulations.
- We understood how the Company is complying with those frameworks by making enquiries of management, those charged with governance and in-house legal counsel concerning actual and potential litigation and claims, and reviewing supporting documentation such as the Group's code of conduct; policies such as anti-fraud, anti-bribery, prevention of corruption and whistle-blower policies; financial statement disclosures; minutes of meetings of those charged with governance; and correspondences with regulatory authorities. We further understood the adoption of accounting standards and considered the compliance with the above laws.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations, and engaged our internal Forensics experts. Our procedures involved reviewing minutes from the Board of Directors, enquiries of management and journal entry testing, with a focus on manual journals and journals indicating significant unusual transactions identified by specific risk criteria based on our understanding of the business.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by performing enquiries of management and those charged with governance about their knowledge of actual or potential frauds, obtaining understanding concerning opportunities and incentives that may exist within the organisation for fraud through inquiries and professional judgement and using data analytics in our testing of revenue and manual journals to address the risk of management override of controls. Further, we have used analytical procedures to assess whether judgements made in making accounting estimates are indicative of a potential bias and evaluating the business rationale of any significant transactions that are outside the normal course of business. As a result, we identified two fraud risks, one relating to potential inappropriate revenue recognition, specifically relating to the risk associated with timing of revenue recognition around the reporting date, including management's deferred revenue calculation and another relating to the application of IFRS 15 to new commercial arrangements and revenue streams.



Cazoo Holdings Limited (Registered No. 12450682)

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CAZOO HOLDINGS LIMITED (continued)**

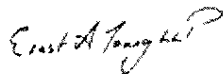
**For the year ended 31 December 2021**

- We designed our audit procedures to respond to the identified fraud risks, based on our understanding through walkthrough procedures, we considered the controls that the company has established to address the risk identified, or that otherwise prevent, deter, and detect fraud; and how senior management monitors these controls. Our procedures considered risk associated with management override, which was addressed through incorporating data analytics procedures to analyse revenue transaction to confirm they were appropriately processed, recognised and measured through vouching to cash and the performance of cut-off testing around the year end to ascertain whether revenue is recorded in the appropriate period. Incremental procedures were performed to validate the accuracy of management's manual deferred revenue calculation, through reconciliation of sales transactions and inventory stock count procedures. We also obtained and reviewed executed contractual arrangements to assess the appropriateness of the IFRS 15 accounting with respect to the terms and conditions of these new arrangements.

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, Statutory Auditor  
London

4 October 2022

Cazoo Holdings Limited (Registered No. 12450682)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME****For the year ended 31 December 2021**

		Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
	Notes		
<b>Continuing operations</b>			
<b>Revenue<sup>1</sup></b>	6	<b>667,814</b>	<b>162,208</b>
Cost of sales		(642,915)	(165,082)
<b>Gross profit/(loss)</b>		<b>24,899</b>	<b>(2,874)</b>
Marketing expenses		(65,225)	(36,110)
Selling and distribution expenses		(54,893)	(17,693)
Administrative expenses		(233,973)	(42,358)
<b>Loss from operations</b>	7	<b>(329,192)</b>	<b>(99,035)</b>
Finance income	9	233	486
Finance expense	9	(5,716)	(1,298)
<b>Loss before tax</b>		<b>(334,675)</b>	<b>(99,847)</b>
Tax credit	10	5,704	969
<b>Loss from continuing operations</b>		<b>(328,971)</b>	<b>(98,878)</b>
<b>Discontinued operations</b>			
Loss after tax from discontinued operations	11	-	(3,809)
<b>Loss for the year</b>		<b>(328,971)</b>	<b>(102,687)</b>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		(1,577)	-
<b>Total comprehensive loss for the year</b>		<b>(330,548)</b>	<b>(102,687)</b>

<sup>1</sup> Revenue excludes £17.4 million of sales in 2021 where Cazoo sold vehicles as an agent for third parties and only the net commission received from those sales is recorded within revenue (2020: £nil).

Cazoo Holdings Limited (Registered No. 12450682)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****As at 31 December 2021**

		At 31 December 2021 £'000	At 31 December 2020 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	180,955	35,214
Right-of-use assets	20	92,254	50,720
Intangible assets and goodwill	14	261,514	26,660
Trade and other receivables	16	9,968	7,511
		<b>544,691</b>	<b>120,105</b>
<b>Current assets</b>			
Inventory	15	364,585	114,694
Trade and other receivables	16	77,884	29,358
Cash and cash equivalents	25	192,629	243,524
		<b>635,098</b>	<b>387,576</b>
<b>Total assets</b>		<b>1,179,789</b>	<b>507,681</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	90,579	35,569
Loans and borrowings	18	180,540	88,077
Lease liabilities	20	18,826	6,540
		<b>289,945</b>	<b>130,186</b>
<b>Non-current liabilities</b>			
Loans and borrowings	18	68,113	2,126
Lease liabilities	20	71,574	41,508
Provisions	19	7,985	3,363
Deferred tax	10	86	-
		<b>147,758</b>	<b>46,997</b>
<b>Total liabilities</b>		<b>437,703</b>	<b>177,183</b>
<b>Net assets</b>		<b>742,086</b>	<b>330,498</b>
<b>Equity</b>			
Share capital	21	-	-
Share premium	21	888,371	266,120
Merger reserve	21	246,598	181,250
Capital contribution reserve	21	5,365	-
Retained earnings		(396,671)	(116,872)
Foreign currency translation reserve		(1,577)	-
<b>Total equity</b>		<b>742,086</b>	<b>330,498</b>

The financial statements on pages 26 to 93 were approved and authorised for issue by the Board of Directors on 4 October 2022 and were signed on its behalf by:



Stephen Morana  
Director  
4 October 2022

Cazoo Holdings Limited (Registered No. 12450682)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2021**

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital contribution reserve £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Total equity £'000
<b>At 31 December 2019<sup>1</sup></b>		-	81,500	-	-	(17,944)	-	63,556
<b>Comprehensive loss for the year</b>								
Loss for the year		-	-	-	-	(102,687)	-	(102,687)
Other comprehensive income		-	-	-	-	-	-	-
<b>Contributions by and distributions to owners</b>								
Issue of share capital	21	-	365,870	-	-	-	-	365,870
Group restructuring <sup>1</sup>			(181,250)	181,250	-	-	-	-
Share-based payments	24	-	-	-	-	3,759	-	3,759
<b>At 31 December 2020<sup>1</sup></b>		-	266,120	181,250	-	(116,872)	-	330,498
<b>Comprehensive loss for the year</b>								
Loss for the year		-	-	-	-	(328,971)	-	(328,971)
Other comprehensive income		-	-	-	-	-	(1,577)	(1,577)
<b>Contributions by and distributions to owners</b>								
Acquisition of subsidiaries <sup>2</sup>	12	-	-	65,348	5,365	-	-	70,713
Exercise of warrants		-	11,967	-	-	-	-	11,967
Issue of share capital	21	-	610,284	-	-	-	-	610,284
Exercise of options		-	-	-	-	(1,540)	-	(1,540)
Share-based payments	24	-	-	-	-	43,287	-	43,287
Taxation on share-based payments	10	-	-	-	-	7,425	-	7,425
<b>At 31 December 2021</b>		-	888,371	246,598	5,365	(396,671)	(1,577)	742,086

<sup>1</sup> During 2020, the Group was subject to a restructuring where Cazoo Holdings Limited was inserted at the top of the Group as a new parent company. Cazoo Limited became a wholly owned direct subsidiary of Cazoo Holdings Limited through a share for share exchange.

<sup>2</sup> Prior to the Transaction, the merger relief section of the Companies Act 2006 required that the difference between the nominal value and issued value of the shares issued for the acquisitions of Drover, SFS and Cluno should be credited to the merger reserve in equity.

The notes on pages 30 to 93 form part of these financial statements.

Cazoo Holdings Limited (Registered No. 12450682)

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2021

		Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
	Note		
<b>Cash flows from operating activities</b>			
Loss for the year		(328,971)	(102,687)
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment and right-of-use assets		28,791	11,759
Amortisation and impairment of intangible assets		35,995	1,361
Finance income	9	(233)	(486)
Finance expense	9	5,716	1,298
Share-based payment expense	24	43,871	3,759
Tax credit	10	(5,704)	(969)
		<b>(220,535)</b>	<b>(85,965)</b>
<b>Movements in working capital:</b>			
Increase in trade and other receivables	16	(23,192)	(4,789)
Increase in inventory	15	(247,745)	(36,961)
Increase in subscription vehicles	13	(80,925)	-
Increase in trade and other payables	17	27,555	10,394
		<b>(324,307)</b>	<b>(31,356)</b>
<b>Total working capital movements</b>			
		<b>(324,307)</b>	<b>(31,356)</b>
<b>Other cash flows from operating activities:</b>			
Interest received	9	233	478
Tax credit received	10	-	969
		<b>(544,609)</b>	<b>(115,874)</b>
<b>Net cash used in operating activities</b>			
		<b>(544,609)</b>	<b>(115,874)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	13	(29,466)	(17,919)
Purchases and development of intangible assets	14	(14,260)	(1,889)
Acquisition of subsidiaries, net of cash acquired	12	(190,934)	(16,530)
		<b>(234,660)</b>	<b>(36,338)</b>
<b>Net cash used in investing activities</b>			
		<b>(234,660)</b>	<b>(36,338)</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary shares	21	610,284	348,870
Proceeds from warrants exercised from Drover acquisition		5,300	-
Exercise of share options	24	(1,540)	-
Proceeds from stocking loans	18	665,325	216,444
Proceeds from subscription facilities	18	107,683	-
Repayment of stocking loans	18	(574,055)	(196,082)
Repayment of subscription facilities	18	(60,386)	-
Repayment of bank loans and mortgages	18	(683)	(443)
Interest paid on loans and borrowings	18	(4,185)	(1,298)
Lease payments	20	(18,597)	(6,294)
		<b>729,146</b>	<b>361,197</b>
<b>Net cash from financing activities</b>			
		<b>729,146</b>	<b>361,197</b>
<b>Net increase in cash and cash equivalents</b>		<b>(50,123)</b>	<b>208,985</b>
Cash and cash equivalents at the beginning of the year		243,524	34,539
Net foreign exchange difference		(772)	-
<b>Cash and cash equivalents at the end of the year</b>	25	<b>192,629</b>	<b>243,524</b>

Cazoo Holdings Limited (Registered No. 12450682)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 1. Reporting entity

Cazoo Holdings Limited (registered no. 12450682) ("the Company") is a private limited company incorporated in the United Kingdom incorporated on 7 February 2020. On 10 June 2020, the Company was inserted as a parent of Cazoo Limited in a group reorganisation. The Company's registered office is at 41 Chalton Street, London, NW1 1JD. The Group's principal activity is the operation of an e-commerce platform for buying and selling used cars.

The consolidated financial statements incorporate the accounts of the Company and entities controlled by the Company ("its subsidiaries"). The term "Group" means Cazoo Holdings Limited and its subsidiaries.

### The Transaction

On 29 March 2021, Ajax I, a Cayman Islands exempted company ("Ajax"), the Company and Capri Listco, a Cayman Islands exempted company ("Listco"), entered into the Business Combination Agreement, as amended by the First Amendment thereto, dated as of 14 May 2021 (the "Business Combination Agreement," and the transactions contemplated thereby, the "Transaction") which, among other things, provided that (i) Ajax would merge with and into Listco, with Listco continuing as the surviving company, (ii) Listco would acquire all of the issued and outstanding shares of the Company via exchange for a combination of shares of Listco and cash consideration and (iii) Listco would become tax resident in the United Kingdom following the consummation of the Transaction.

Pursuant to the Business Combination Agreement, (a) on 23 August 2021 (the "Listco Closing Date"), MaplesFS Limited, a company incorporated under the laws of the Cayman Islands, as the sole shareholder of Listco ("MaplesFS Limited"), transferred to Ajax all of the issued and outstanding equity securities of Listco and, as a result of such transfer, Listco became a wholly-owned subsidiary of Ajax, (b) Ajax, as the sole shareholder of Listco, adopted Listco's amended and restated memorandum and articles of association (the "Articles") (which became effective as of the closing of the Transaction on 26 August 2021 (the "Closing")) and (c) on 24 August 2021, Ajax merged with and into Listco, with Listco continuing as the surviving entity (the "Merger" and, together with the other transactions contemplated by the foregoing, the "Reorganisation"). At the Closing, pursuant to the Business Combination Agreement, and subject to the terms and conditions therein, Listco acquired all of the issued and outstanding shares of the Company (the "Cazoo Shares") from the holders thereof (the "Cazoo Shareholders").

Upon Closing, the Company issued one ordinary share to Cazoo Group Ltd with a nominal value of £0.0000000167 at a price of \$836.1 million (£610.3 million equivalent) in exchange for cash.

The Transaction is not considered a business combination in accordance with IFRS 3 because Listco is not considered a business, and instead is accounted for as a reverse acquisition. Under this method of accounting, Cazoo Holdings Limited has been considered the accounting acquirer and predecessor entity. This determination was primarily based on current shareholders of the Company having a relative majority of the voting power of the combined entity, the operations of the Company prior to the acquisition comprising the only ongoing operations of the combined entity, and senior management of the Company comprising the majority of the senior management of the combined entity.

Cazoo Holdings Limited (Registered No. 12450682)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2021**

### **2. Significant accounting policies**

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

These consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). They were authorised for issue by the Company's Board of Directors on 4 October 2022.

Details of the Group's accounting policies are included in Note 3.

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The areas where judgements and estimates have been made in preparing the financial statements and their effect are disclosed in Note 5.

#### **2.2 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The results of subsidiaries acquired are included from the date the Group obtained control of the subsidiary.

During the year ended 31 December 2020, the Group was subject to a restructuring where Cazoo Holdings Limited was inserted at the top of the Group as a new parent company. Cazoo Limited became a wholly owned direct subsidiary of Cazoo Holdings through a share for share exchange. Such Group reorganisations are outside the scope of IFRS 3. The 2020 comparatives have been presented on the basis that Cazoo Holdings Limited was in existence since the initial incorporation of Cazoo Limited.

#### **2.3 Basis of measurement**

The financial statements have been prepared on the historical cost basis, except for financial assets, financial liabilities (including warrants) and share-based payments that have been measured at fair value.

Cazoo Holdings Limited (Registered No. 12450682)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

### 2.4 New and amended standards and interpretations

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2021, but do not have an impact on the consolidated financial statements of the Group.

#### Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

In 2021 base rate references to LIBOR have been replaced with the Bank of England base rate. These loans are disclosed in Note 22. These amendments had no material impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

### 2.5 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of the issuance of the Group's financial statements are listed below. The Group intends to adopt these new and amended standards, if applicable, when they become effective. The new standards and amendments are not expected to have a material impact on the Group.

Effective for annual reporting periods beginning on or after 1 January 2022:

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

Effective for annual reporting periods beginning on or after 1 January 2023:

- IFRS 17 Insurance Contracts
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- IAS 41 Agriculture – Taxation in fair value measurements
- Definition of Accounting Estimates – Amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

### 2.6 Presentational currency

These financial statements are presented in Pounds Sterling, which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.



Cazoo Holdings Limited (Registered No. 12450682)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

### 2.7 Going concern

The financial statements have been prepared on a going concern basis.

The Board of Directors have approved an operating plan through to 31 December 2023 which combines continued top line growth with ongoing operational improvements which move the business towards breakeven, targeted in December 2023. This plan achieves those goals without the need for further fund raising and has a forecast cash balance of over £100 million at 31 December 2023. The Directors have considered the Company's ability to continue as a going concern for the 15-month period to 31 December 2023.

The operating plan includes the on-going exit of existing operations in Europe which management of the Group ("Management") believes will result in cash savings of over £100 million by the end of 2023 compared to that incurred if the Group continued with its European businesses. Other actions to increase liquidity included in the plan are a prospective sale and leaseback of owned property and the continued financing of UK retail inventory. The Group had available cash in excess of £400 million at 30 June 2022, together with self-financed inventory of over £100 million.

Given the stage of evolution of the Group, there are certain inherent uncertainties in forecasting operating performance. Therefore, in assessing the appropriateness of the going concern assumption, Management have assumed a combined downside scenario to the above base case whereby the most sensitive assumptions have been flexed. These are limiting gross profit margin to 5% (i.e., -3% to the base case), increasing overhead costs by £1 million per month (i.e., +7% to the base case), and reducing the proceeds from the planned sale and leaseback transactions by 50%. In this scenario the going concern assumption is still appropriate as Management believes the Group would still have cash in excess of over £50 million at 31 December 2023 even before any mitigating actions were applied. Sales in 2021 increased by 187% year on year with a gross profit margin of 3.7%. In addition, the gross profit margin assumptions have been considered against peers, historical margins and are within the range of margins achieved.

The majority of the Group's future spend is not committed. In the event that further actions to manage liquidity were to be necessary, Management may seek to reduce discretionary marketing spend, capex and/or headcount, as well as pursuing various other options to reduce cash outflow which Management believes, in combination, could give rise to additional savings of approximately £80 million in the period from 1 January to 31 December 2023. In this scenario, Management's strategic objectives are materially unchanged.

Management have reverse stress tested gross margin and operating expenses as a percentage of sales as compared to the base case. In isolation, reductions of gross margin to 1% and an increase of operating expenses as a percentage of revenue to 24% would be required to eliminate cash at 31 December 2023.

The Group utilises stocking finance to support inventory purchasing. In the UK, the business works with five lenders and had total stocking facilities at 30 June 2022 with a maximum of £250 million of availability, of which £174 million was utilised. The stocking facilities have no fixed end date but are subject to annual review. Management believes that current levels of stocking remain appropriate to fund the business and that additional facilities will be available as the business continues to grow. There are no financial covenants attached to these facilities. Certain facilities have triggers to revise the terms if cash falls below a certain level. If facilities were reduced, Management could choose to cash finance inventory in the short term or reduce overall levels of inventory held, both scenarios being under Management's control and this has been modelled in one of the downside scenarios.

The Group's parent company, Cazoo Group Ltd, also has debt in the form of convertible notes which bear regular interest at a rate of 2.00% per year. Holders of the convertible notes have the right to require Cazoo Group Ltd to repurchase for cash all or a portion of their convertible notes at 100% of their principal amount, plus any accrued and unpaid special interest, upon the occurrence of a Fundamental Change (as defined in the Indenture, dated 16 February 2022, between Cazoo Group Ltd and U.S. Bank Trust Company, National Association, as trustee (the "Indenture")). As at the date of authorisation of these financial statements, no Fundamental Change was expected.

The Board believes that the Group's existing available cash, financing facilities and the approved operating plan are adequate to meet the Group's forecasted cash requirements for the period to 31 December 2023. Therefore, the accompanying unaudited condensed consolidated interim financial statements have been prepared on a going concern basis.

Cazoo Holdings Limited (Registered No. 12450682)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****2.8 Subsidiaries exempt from audit under section 479A of the Companies Act 2006**

The Company's subsidiaries set out below are exempt from the requirements of the Companies Act relating to the audit of the individual accounts under section 479A of the Companies Act 2006. Cazoo Holdings Limited has given a guarantee under section 479C and all members of the subsidiaries agree to the exemption of an audit for the year ended 31 December 2021. Below are the subsidiaries exempt under this Act:

<b>Name</b>	<b>Registration Number</b>
Cazoo Limited	11624245
Cazoo Subscription Services Limited	09829742
Fantastic Cars Limited	11358375
Cazoo Data Services Limited	09671692
Imperial Car Supermarkets Limited	09637404
Cazoo Properties Limited	08526325
Carsaz Limited	11666043
Imperial Cars of Swanwick Limited	05740108
Vans 365 Limited	10506325
Project Chicago Newco Limited	11328349
Arctos Holdings Limited	09382555
Cazoo Support Services Limited	03633817
Moorgate House (Newco) Limited	10808367
Ensco 1109 Limited	09382142
GBJ Developments Limited	09327894
SMH Fleet Solutions Limited	04526612
CD Auction Group Limited	02354629
Cazoo Wholesale Services Limited	13090429

Cazoo Holdings Limited (Registered No. 12450682)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

### 3. Accounting policies

#### 3.1 Revenue

The Group evaluates revenue from contracts with customers based on the five-step model under IFRS 15: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the separate performance obligations; and (5) recognise revenues when (or as) each performance obligation is satisfied.

Revenue is measured based on the consideration the Group expects to be entitled to in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

#### (i) Sale of goods

##### *Retail*

The Group sells reconditioned vehicles directly to its customers, primarily through its online platform. The prices of vehicles are set forth in the customer contracts at stand-alone selling prices, which are agreed prior to delivery. The Group satisfies its performance obligations for vehicle sales upon delivery when the transfer of title, risks, and rewards of ownership and control pass to the customer. The Group recognises revenue at the agreed-upon purchase price stated in the contract less an estimate for returns. Estimates for returns are based on an analysis of historical experience, trends and sales data. Changes in these estimates are reflected as an adjustment to revenue in the period identified. The amount of consideration received for vehicles includes non-cash consideration representing the value of part exchange vehicles, if applicable. The value of part exchange vehicles is agreed by the customer at the time of purchase and is stated in the contract. Prior to the delivery of the vehicle, the payment is received, or financing has been arranged. Revenue is recognised net of sales tax.

Retail revenue also includes the fixed commission from the sale of a small number of vehicles where Cazoo acts as an agent. Under IFRS 15 only the net commission received from these sales is recorded within revenue, with 100% of that revenue contributing towards gross profit. Any ancillary revenue earned on the transaction continues to be recognised separately; see 'Other sales' below.

Contract liabilities relate to undelivered retail orders. Contract liabilities are recognised at the point when cash is received for the order and are derecognised into revenue upon delivery to the customer.

##### *Wholesale*

The Group also sells vehicles through car auctions to trade and other buyers. The vehicles sold via auction are primarily acquired from customers as part-exchanges or through our direct car buying channel that do not meet the Group's quality standards to list and sell as retail vehicles. The Group satisfies its performance obligation for wholesale sales when the purchaser obtains control of the underlying vehicle which is at the point the vehicle is sold at auction.

Cazoo Holdings Limited (Registered No. 12450682)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

### 3.1 Revenue (continued)

#### (II) Rendering of services

##### *Other sales*

Other sales comprises ancillary products, including financing and warranty, subscription, servicing, third-party reconditioning and data services.

Customers purchasing vehicles from the Group may enter into a contract for finance or enter a contract to extend their warranty after the initial 90-day inclusive period through the Group's platform. The Group acts as an agent and receives a commission for the arrangement of these contracts from the principal. The Group recognises commission revenue at the time of sale, net of a reserve for estimated contract cancellations. The reserve for cancellations is estimated based upon historical experience and recent trends and is reflected as a reduction in revenue. Changes in these estimates are reflected as an adjustment to revenue in the period identified.

Contract assets relate to commission revenue earned but not invoiced at the period end. The commission earned is conditional upon the delivery of the vehicle to the customer and no return being made by the customer.

At the Group's customer centres, vehicle servicing products are offered including interim, full and major servicing, MOT tests, general repairs and one-off checks and treatments. The Group satisfies its performance obligations at the point the agreed work is completed. The Group recognises revenue at the agreed purchase price net of sales tax.

The Group provided third-party reconditioning services during the year. The Group satisfies its performance obligations at the point the agreed work is completed.

Revenue from the Cazoo Subscription Service (including Cluno, Drover and Swipcar) is recognised under IFRS 16 and as such is recognised on a straight-line basis over the contract period. The Cazoo Subscription Service allows customers to subscribe for a vehicle over a period of time for a monthly fee as an alternative to ownership. Revenue from the provision of related services such as maintenance and breakdown are recognised separately in accordance with IFRS 15 – over time, as the service is provided.

The Group also provides data services whereby customers access selected Cazoo vehicle data for a monthly fee. Revenue is recognised in accordance with IFRS 15 based on actual data usage for these contracts.

### 3.2 Cost of sales

Cost of sales primarily relates to vehicle acquisition costs and reconditioning costs, as well as any necessary adjustments to reflect vehicle inventory at the lower of cost and net realisable value. Vehicle reconditioning costs are the direct and indirect costs associated with preparing the vehicles for resale and typically include the cost of parts, labour and inbound transportation costs. Cost of sales also includes the cost of providing drive-away insurance, fuel, vehicle warranty, buyers fees, and other costs incurred in providing ancillary products and services. Cost of sales also includes the depreciation of cars out on subscription.

Cazoo Holdings Limited (Registered No. 12450682)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

### 3.3 Leases

#### Group acting as a lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group classifies assets with value less than £5,000 as low-value. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### (i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold property	1 – 96 years
Fixtures and fittings	5 years
Subscription vehicles	1 – 3 years
Other motor vehicles	4 years

Depreciation of right-of-use subscription vehicles is recognised within cost of sales in the statement of profit or loss. Depreciation of other right-of-use assets is recognised within operational expenses in the statement of profit or loss.

#### (ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventory) in the period in which the event or condition that triggers the payment occurs.

Interest on lease liabilities is recognised within finance expense in the statement of profit or loss.

Cazoo Holdings Limited (Registered No. 12450682)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

### **3.3 Leases (continued)**

#### **Group acting as a lessor**

The subscription of vehicles to customers is recognised under IFRS 16. When the Group acts as a lessor, it determines at the lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the short-term lease exemption, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as revenue on a straight-line basis over the lease term as part of "Other sales".

The Group recognises finance income over the lease term, reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

### **3.4 Employee benefits**

#### **Short-term and long-term employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

#### **Defined contribution schemes**

Contributions to defined contribution pension schemes are charged to the statement of comprehensive income in the period to which they relate.

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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

### **3.5 Share-based payments**

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the statement of profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the retained earnings.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

### **3.6 Government grants**

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Amounts received are recognised net within the statement of profit or loss as income or a reduction to expenses. In the current year, the Group has received funds in connection to the Job Retention Scheme launched as part of the UK Government's response to the COVID-19 pandemic. Amounts received are recognised net within the statement of profit or loss as income or a reduction to expenses.

The Group has also received subsidies for electric subscription vehicles from the German government during the year. Amounts received are initially recognised as deferred income and then recognised in the statement of profit or loss over the useful life of the asset.

### **3.7 Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

### **3.7 Taxation (continued)**

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax assets are recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle balances on a net basis.

#### **(iii) Current and deferred tax**

Current and deferred tax are recognised in the statement of profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### **3.8 Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprises cash at banks and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to insignificant risk of change in value.

### **3.9 Business combinations**

The acquisition of subsidiaries and businesses is accounted for using the acquisition method in accordance with IFRS 3. The consideration for each acquisition is measured at the aggregate of fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs other than those associated with the issue of debt or equity securities, are recognised in the consolidated statement of comprehensive income as incurred.

At the acquisition date the identifiable assets acquired and liabilities assumed are recognised at their fair value with the exception of deferred tax assets and liabilities, which are measured in accordance with IAS 12 - income taxes. Identifiable net assets include the recognition of any separately identifiable intangible assets.

Deferred and contingent consideration are measured at fair value at the date of acquisition. Where the amounts payable are classified as a financial liability any subsequent change in the fair value is charged/credited to the Group's consolidated statement of comprehensive income. Amounts classified as equity are not subsequently remeasured. Where consideration to management shareholders is contingent on their continued employment the amount is recognised as a remuneration expense in the statement of comprehensive income over the deferral period.

### **3.10 Property, plant and equipment**

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in the statement of profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

### 3.10 Property, plant and equipment (continued)

Depreciation is provided on items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following range:

Leasehold improvements	5 – 50 years
Fixtures and fittings	3 – 15 years
Computer equipment	1 – 5 years
Subscription vehicles	1 – 13 years
Other motor vehicles	1 – 5 years
Plant and machinery	3 – 15 years

The residual values and economic lives of assets are reviewed on an annual basis. Freehold land is not depreciated.

### 3.11 Intangible assets and goodwill

#### (i) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. Amortisation is recognised within operating expenses in the statement of profit or loss. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Domain names	1 – 5 years
Development costs and software	3 – 10 years
Customer relationships	1 year
Brand	1 year

#### (ii) Internally-generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Expenditure includes both employees of the Group and external contractors contributing to the development projects. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the statement of profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

### **3.11 Intangible assets and goodwill (continued)**

#### **(iii) Goodwill**

Goodwill arising on a business combination represents the difference between the fair value of the consideration paid and the fair value of assets and liabilities acquired and is recorded as an intangible asset. Goodwill is not subsequently subject to amortisation but is tested for impairment annually and whenever the Directors have an indication that it may be impaired. For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the combination. Any impairment in carrying value is charged to the consolidated statement of comprehensive income.

### **3.12 Impairment of tangible and intangible assets other than goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss.

### **3.13 Inventory**

*Inventory consists of vehicles purchased, direct and indirect vehicle reconditioning costs, including parts and labour and inbound transportation costs.*

Inventory is stated at the lower of cost and net realisable value. The costs of inventory are determined by specific identification. Net realisable value is the estimated selling price less costs to complete and transport the vehicles. Selling prices are derived from historical data and trends, such as sales price and inventory turn times of similar vehicles, as well as independent market data. Each reporting period the Group recognises any necessary adjustments to reflect vehicle inventory at the lower of cost or net realisable value through cost of sales.

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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

### **3.14 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

### **3.15 Financial instruments**

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

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 statement of profit or loss.

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

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### **Classification of financial assets**

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

### 3.15 Financial instruments (continued)

#### Amortised cost and effective interest method

Interest income is recognised using the effective interest method for financial assets measured at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset. Interest income is recognised in the statement of profit or loss within finance income.

#### Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables, other receivables, and accrued income. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

The Group recognises lifetime expected credit losses ("ECL") for trade receivables, other receivables, and amounts due from customers under contracts. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

#### Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable.

#### (ii) Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at fair value through profit or loss ("FVTPL").

##### *Financial liabilities subsequently measured at amortised cost*

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

##### *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss.

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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

### **3.15 Financial Instruments (continued)**

#### **Fair value measurement**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

### **3.16 Business segments**

The Board of Directors has been identified as the Group's chief operating decision maker. The monthly reporting pack provided to the Board to enable the assessment of the performance of the business has been used as the basis for determining the Group's operating segments.

The monthly reporting pack presents the performance of the business on a consolidated basis. The key financial performance metrics monitored by the chief operating decision maker include revenue, gross profit, operating expenses, adjusted EBITDA and exceptional items on a consolidated basis. Assets and liabilities are also managed on a consolidated basis and are not reported to the chief operating decision maker in a disaggregated format within the monthly reporting pack.

Management has therefore determined that there exists a single consolidated segment for the 2021 financial statements.

The chief operating decision maker monitors three individual revenue streams within the consolidated revenue metric, as set out in Note 6. The revenue streams are monitored under the geographical markets UK and Europe. For a disaggregation of revenue see Note 6.

### **3.17 Foreign currency**

#### **Foreign currency transactions**

Transactions in foreign currencies are translated into the Group's functional currency (Pounds Sterling) at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are recognised in the statement of profit or loss and presented within finance costs.

#### **Foreign operations**

The assets and liabilities of foreign (non-UK) operations, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates at the reporting date. The income and expenses of foreign operations are translated at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****4. Adjusted EBITDA**

In the analysis of the Group's financial performance, Management uses adjusted performance measures derived from amounts calculated in accordance with IFRS but not itself an expressly permitted GAAP. These measures are reported in line with how financial information is analysed by Management.

The key non-GAAP measure presented by the Group is adjusted EBITDA which is defined as loss for the year from continuing operations adjusted for tax, finance income, finance expense, depreciation, amortisation and impairment of intangible assets, share-based payment expense and exceptional items which do not relate to our core operations.

The Group exceptional items include costs and income which Management believes to be exceptional in nature by virtue of their size or incidence. Such items would include costs associated with business combinations, one-off gains and losses on disposal, reorganisation costs and similar items of a non-recurring nature.

The performance measure adjusted EBITDA provides additional information for Management assess the underlying performance of the business as it strips out deal related costs and gives a close approximation to the Group's cashflows.

The table below presents a reconciliation of loss for the year to adjusted EBITDA:

	<b>Year ended 31 December 2021</b>	<b>Year ended 31 December 2020</b>
	<b>£'000</b>	<b>£'000</b>
Loss for the year	(328,971)	(102,687)
Loss for the year from discontinued operations	-	3,809
<b>Loss for the year from continuing operations</b>	<b>(328,971)</b>	<b>(98,878)</b>
Tax credit	(5,704)	(969)
Finance income	(233)	(486)
Finance expense	5,716	1,298
Depreciation	28,791	5,897
Amortisation and impairment of intangible assets	35,995	1,292
Share-based payment expense	43,871	3,759
Exceptional items	40,685	6,883
<b>Adjusted EBITDA</b>	<b>(179,850)</b>	<b>(81,204)</b>

Exceptional items in 2021 included transaction costs of £37.8 million in relation to the Transaction and the remainder are primarily related to transaction costs in relation to the acquisition of subsidiaries.

Exceptional items in 2020 included transaction costs incurred on acquisition of Imperial Car Supermarkets Limited ("Imperial Cars") (£0.9 million) and restructuring costs incurred in relation to the discontinuation of the acquired Imperial Cars business (£6.0 million).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

### 5. Accounting judgements and estimates

#### 5.1 Judgements

##### Identifying the accounting acquirer in the Transaction

Determining the accounting acquirer in the Transaction required significant judgement. The Company has been considered as the accounting acquirer and predecessor entity in accordance with IFRS 3. This determination was primarily based on current shareholders of the Company having a relative majority of the voting power of the combined entity, the operations of the Company prior to the acquisition comprising the only ongoing operations of the combined entity, and senior management of the Company comprising the majority of the senior management of the combined entity.

##### Recognition of acquired intangibles on acquisition

The process of recognising intangibles assets acquired in an acquisition requires a judgement in assessing the intangibles that exist in the acquired business and assessing fair value. An intangible asset acquired as part of a business combination is recognised if it can be separately identified and it is a probable source of economic benefits.

The Group has acquired the following subsidiaries in the year ended 31 December 2021: Drover Limited, Smart Fleet Solutions Limited, Cluno GmbH, UK Vehicle Limited, SMH Fleet Solutions Limited, Swipcar 2017, S.L and Vans 365 Limited. For each acquisition, the Group has recognised goodwill and a number of separately identifiable intangibles. The Group engaged a third-party valuation expert for the purchase price allocation exercise in relation to each acquisition to mitigate the risk associated with the recognition and valuation of assets and liabilities at the acquisition date. The details of all assets and liabilities recognised upon acquisition of subsidiaries is set out in Note 12.

##### Capitalisation of development time

Time spent by the Group's employees, and external contractors under the direction of the Group's employees, in software development is capitalised as an internally generated intangible asset when the requirements of IAS 38 and of Group policy are both met. Management judgement is applied in the assessment of the project against the development criteria of IAS 38 in the following areas:

- Assessment of whether the project meets the six requirements of IAS 38 to be considered an internally generated asset, as set out in Note 3.11.
- Assessment of the point in time when the project moved from an exploratory phase into a development phase.
- Assessment of the proportion of employee and contractor output that is directly attributable to developmental activities.

The Group capitalised £13.8 million of employee and contractor development expenditure in the year ended 31 December 2021 (2020: £1.6 million).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

### 5.1 Judgements (continued)

#### Determination of cash-generating units ("CGUs")

Judgement is applied in the determination of CGUs for impairment testing. Management have carefully considered the cash inflows of each group of assets and how they are monitored. As a result, management have identified four CGUs (UK, Europe, Cazana and Swipcar) based on the lowest level at which largely independent cash flows are generated. Management have also considered secondary factors such as monitoring by management and how management makes decisions about continuing or disposing of assets and operations in helping to identify its CGUs. Further information on the four CGUs and impairment testing are disclosed in Note 14.

#### Revenue recognition – Principal / agent arrangements

The process of determining whether Cazoo acts as a principal or agent in certain transactions requires detailed analysis of the specific facts and circumstances of the transaction concerned. Management judgement is applied in the assessment of the transaction against the three indicators in IFRS 15.

- Assessment of whether the Group is primarily responsible for fulfilling the promise to provide the specified good or service.
- Assessment of whether the Group has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer.
- Assessment of whether the Group has discretion in establishing the price for the specified good or service.

In 2021, revenue includes the fixed commission from the sale of a small number of vehicles where Cazoo acts as an agent.

### 5.2 Estimates

#### Impairment of intangible assets and goodwill

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 14.

#### Net realisable value of inventory

Vehicles held in inventory are stated at the lower of cost and net realisable value. The calculation of net realisable value requires an estimate of the expected selling price of each vehicle held in inventory. This estimate is made using a combination of historical data of the Group and independent market data. Independent market data provide a view to recent market activity for vehicles with similar attributes to those held in stock. This, combined with recent sales data of the Group, is used to estimate the expected selling prices of inventory. At each reporting period the Group recognises any necessary adjustments to reflect vehicle inventory at the lower of cost or net realisable value through cost of sales. See Note 15 for further details of the inventory provision, including a sensitivity analysis.



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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

### **5.2 Estimates (continued)**

#### **Share-based payments**

Estimating fair value of equity settled employee share options requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses either a Black-Scholes or Monte-Carlo model for Unapproved grants prior to the Transaction and a Monte-Carlo model for Executive director grants after the Transaction. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 24.

#### **Leases - Estimating the incremental borrowing rate**

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****6. Revenue****6.1 Disaggregated revenue information**

The following is an analysis of the Group's revenue for the year from continuing operations. Management assesses and monitors the revenue performance of the Group as a single segment.

	<b>Year ended 31 December 2021 £'000</b>	<b>Year ended 31 December 2020 £'000</b>
<b>Type of goods</b>		
Retail	500,607	150,420
Wholesale	104,150	8,667
Other sales	63,057	3,121
	<b>667,814</b>	<b>162,208</b>
<b>Geographical markets</b>		
UK	655,423	162,208
Europe	12,391	-
	<b>667,814</b>	<b>162,208</b>
<b>Recognition of revenue</b>		
Revenue from contracts with customers	647,043	162,208
Other revenue	20,771	-
	<b>667,814</b>	<b>162,208</b>

**6.2 Contract balances**

	<b>At 31 December 2021 £'000</b>	<b>At 31 December 2020 £'000</b>
Trade receivables	14,797	7,243
Contract assets	3,451	599
Contract liabilities	(7,911)	(9,059)

All contract assets and liabilities are short term in nature and are derecognised within one month of the reporting period end across both 2021 and 2020 financial years.

Revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the year-end is summarised as below.

	<b>Within one month as at 31 December 2021 £'000</b>	<b>Within one month as at 31 December 2020 £'000</b>
Undelivered vehicles	7,911	9,059

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

### 7. Operating expenses

Operating loss from continuing operations is stated after charging:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Depreciation of property, plant and equipment and right-of-use assets	21,269	5,897
Amortisation and impairment of intangible assets	35,995	1,292
Expensed research and development costs	8,476	6,697

Fees payable to the Group's auditors and their associates are below:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Audit fees	2,300	1,280
Audit related fees	580	-
Other fees	67	-
	<b>2,947</b>	<b>1,280</b>

Audit fees consist of fees for the audit of the consolidated financial statements of the Group. The fees reported include reimbursements of out-of-pocket expenses. No tax fees were paid to our auditor during the year.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****8. Employee benefit expenses**

Employee benefit expenses, including Directors, comprise:

	<b>Year ended 31 December 2021 £'000</b>	<b>Year ended 31 December 2020 £'000</b>
Wages and salaries	78,641	10,913
Employer's national insurance	9,172	2,092
Short-term non-monetary benefits	535	416
Defined contribution pension cost	3,408	871
Share-based payment expenses	43,871	3,759
	<b>135,627</b>	<b>18,051</b>

Average number of employees, including Directors, comprise:

	<b>Year ended 31 December 2021</b>	<b>Year ended 31 December 2020</b>
Commercial	53	9
Customer	296	69
Executive	17	11
Finance	107	20
Marketing	34	21
Operations and logistics	1,764	239
People	47	9
Technology	295	87
	<b>2,613</b>	<b>465</b>

Employee benefit expenses for Directors comprise:

	<b>Year ended 31 December 2021 £'000</b>	<b>Year ended 31 December 2020 £'000</b>
Wages and salaries	681	546
Employer's national insurance	91	83
Short-term non-monetary benefits	6	2
Defined contribution pension cost	49	23
Share-based payment expenses	14,712	-
	<b>15,539</b>	<b>654</b>

One director exercised share options during the year (2020: one).

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****8. Employee benefit expenses (continued)**

Employee benefit expenses for the highest paid director comprise:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Wages and salaries	394	282
Employer's national insurance	56	39
Short-term non-monetary benefits	3	1
Defined contribution pension cost	29	13
Share-based payment expenses	8,345	-
	<b>8,827</b>	<b>335</b>

No options were exercised in respect of the highest paid Director (2020: nil).

**9. Finance income and expense****Recognised in profit or loss**

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
<b>Finance income</b>		
Interest on bank deposits	233	486
<b>Total finance income</b>	<b>233</b>	<b>486</b>
<b>Finance expense</b>		
Interest on loans and borrowings	(4,378)	(1,000)
Interest on lease liabilities	(1,338)	(298)
<b>Total finance expense</b>	<b>(5,716)</b>	<b>(1,298)</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****10. Taxation****Tax credit**

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
<b>Current tax:</b>		
Adjustments in respect of prior year	190	-
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(7,409)	(969)
Adjustment in respect of prior years	191	-
Effect of tax rate change on opening balance	1,324	-
<b>Tax credit</b>	<b>(5,704)</b>	<b>(969)</b>

The tax credit for the year can be reconciled to the statement of profit and loss as follows:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Loss before tax from continuing operations	(334,675)	(99,847)
Current corporation tax rate of 19%	(63,588)	(18,971)
Impact of difference in overseas tax rates	(3,146)	-
Expenses not deductible for tax purposes	9,602	1,238
Adjustment in respect of previous periods	381	-
Impact of rate change	1,402	-
Deferred tax asset not recognised	69,488	17,733
Utilisation of deferred tax previously unrecognised	(23,862)	-
Difference between corporation tax and deferred tax rate	(423)	-
Benefit of tax incentives	(625)	-
Research and development claim – prior year	-	(969)
Group relief surrendered	5,067	-
<b>Tax credit</b>	<b>(5,704)</b>	<b>(969)</b>

The tax credit is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Deferred taxation is determined using tax rates that are substantively enacted at the balance sheet date and are expected to apply when the asset is realised. Deferred tax assets are recognised to the extent it is probable that they will be recoverable against future taxable profits.

Cazoo Holdings Limited (Registered No. 12450682)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****10. Taxation (continued)****Deferred tax**

	<u>£'000</u>
<b>Deferred tax assets</b>	
Share-based payments	10,822
IFRS conversion	67
Short-term timing differences	119
Losses	<u>2,081</u>
<b>Total deferred tax assets recognised</b>	<b>13,089</b>
<b>Deferred tax liabilities</b>	
Fixed asset temporary differences	(5,280)
Intangible asset differences	(6,632)
IFRS conversion / capital gains	<u>(1,263)</u>
<b>Total deferred tax liabilities</b>	<b>(13,175)</b>
<b>Net deferred tax (liabilities)</b>	<u><b>(86)</b></u>

**Reconciliation of net deferred tax liabilities:**

	<u>£'000</u>
<b>At 1 January 2021</b>	<b>-</b>
Income tax recognised in the income statement	6,084
Prior year adjustments	(191)
Business combinations	(13,404)
Equity	<u>7,425</u>
<b>At 31 December 2021</b>	<b>(86)</b>
At 31 December 2020	<b>-</b>

The Group has unutilised tax losses of £448.3 million (2020: £123.5 million) which are available against future taxable profits for an indefinite period.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****11. Discontinued operations**

For the comparative year ended 31 December 2020 the Imperial Car Supermarkets Limited ("Imperial") dealership centres were treated as a discontinued operation in accordance with IFRS 5. The dealership centres were converted to Cazoo Customer Centres in order to align with the Group's online strategy. There were no discontinued operations in 2021.

**Results of discontinued operations**

	<b>Year ended 31 December 2020 £'000</b>
<b>Revenue</b>	<b>27,194</b>
<b>Expenses</b>	<b>(30,315)</b>
<b>Operating loss</b>	<b>(3,121)</b>
Finance expense	(688)
<b>Loss before tax from discontinued operations</b>	<b>(3,809)</b>
Tax expense	-
<b>Loss for the year from discontinued operations</b>	<b>(3,809)</b>
<b>Net cash flows from/(used in) discontinued operations:</b>	
Operating	23,581
Investing	-
Financing	(34,987)
<b>Net cash (outflow)/inflow</b>	<b>(11,406)</b>



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****12. Acquisitions****12.1 Drover Limited**

On 25 January 2021, the Group acquired 100% of the share capital of Drover Limited ("Drover") for a total consideration of £65.4 million, as measured in accordance with IFRS 3. The acquisition balance sheet includes £4.0 million of cash on balance sheet. Total consideration net of cash acquired was £61.4 million.

Drover was a car subscription service with operations in the United Kingdom and France. Founded in 2016, Drover provided a monthly car subscription service, including maintenance, servicing, tax, breakdown cover and optional insurance, allowing its customers to choose from over 50 different models, all available online. The Group acquired Drover to accelerate its entry into the car subscription market and the acquisition provided the Group an existing customer base of over 2,000 active subscribers in the UK as well as a small subscriber base in France along with the associated recurring revenues.

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. The consolidated financial statements include the results of Drover for the period from the acquisition date.

In calculating goodwill arising from the acquisition, the fair value of net assets acquired was assessed and no material adjustments from book value were made to existing assets and liabilities. The Group has recognised a number of separately identifiable intangible assets as part of the acquisition, details of the amounts are set out in the table below.

	<b>£'000</b>
Property, plant and equipment	3,943
Trade and other receivables	4,868
Cash and cash equivalents	3,975
Trade and other payables	(4,819)
Lease liabilities	(3,791)
Deferred tax liabilities	(44)
<b>Total net assets acquired</b>	<b>4,132</b>
<b>Intangible assets recognised on acquisition:</b>	
Software	19,558
Brand	1,303
Deferred tax arising on intangible assets	(3,985)
<b>Total intangible assets recognised on acquisition</b>	<b>16,876</b>
<b>Total identifiable net assets at fair value</b>	<b>21,008</b>
Goodwill	44,356
<b>Purchase consideration transferred</b>	<b>65,364</b>
<b>Satisfied by:</b>	
Cash	20,996
Debt assumed and discharged	4,463
Shares issued	33,339
Warrants issued	6,566
<b>Purchase consideration transferred</b>	<b>65,364</b>

At the date of the acquisition, the carrying amount of trade and other receivables was £4.9 million and all of this was expected to be collectible in the short term. As such, there was no difference between the carrying amount and fair value of trade and other receivables at the date of acquisition.

Cazoo Holdings Limited (Registered No. 12450682)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

### 12.1 Drover Limited (continued)

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the unfavourable terms of the lease relative to market terms.

Software acquired represents Drover's subscription platform system that had been developed in-house and is considered to be Drover owned intellectual property. The platform underpins Drover's business allowing customers to book, pay and manage their subscriptions.

During the year ended 31 December 2021, the Group launched the Cazoo Subscription Service, bringing the technology and subscription offering previously provided by Drover under the Cazoo brand. Accordingly, the Drover brand was fully amortised during the year in the statement of profit or loss.

Goodwill is attributable mainly to the skills and technical talent of Drover's workforce, and the synergies expected to be achieved from integrating the company into the Group's existing standard car business.

The fair value of the ordinary shares issued at the date of acquisition was determined as £10.60 per ordinary share, derived from the Group's most recent funding round at the time of acquisition.

Upon acquisition, warrants were issued as consideration giving the holders the right to purchase ordinary share capital of Cazoo Holdings Limited at the next funding round at a 20 percent discount to the equity share price of that round. The benefit gained by the warrant holders is a fixed value and therefore the warrants were recorded as a financial liability. The warrants were exercised in August 2021 prior to the closing of the Transaction.

From the date of acquisition to 31 December 2021, Drover has contributed £8.3 million of revenue and £11.1 million to the Group's loss before tax. If the acquisition had occurred on 1 January 2021, management estimates that the Group's revenue from continuing operations attributable to Drover would have been £9.2 million and the loss from continuing operations for the year attributable to Drover would have been £11.5 million.

Transaction costs of £0.8 million have been expensed and are included in administrative expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

### 12.2 Smart Fleet Solutions Limited

On 11 February 2021, the Group acquired 100% of the share capital of Smart Fleet Solutions Limited ("Smart Fleet") for consideration of £23.2 million, as measured in accordance with IFRS 3. The acquisition balance sheet includes £0.7 million of cash on balance sheet. Total consideration net of cash acquired was £22.5 million for the equity of Smart Fleet.

At the same time as the acquisition, the Group acquired £15.9 million of freehold property relating to vehicle preparation centres operated by Smart Fleet owned by the previous shareholders. The initial acquisition and purchase of freehold property have been treated as a linked transaction and have therefore been accounted for as a single transaction. Total consideration recognised in accordance with IFRS 3 for both transactions combined is £39.1 million.

Smart Fleet was a vehicle reconditioning business that operated four state-of-the-art vehicle preparation centres across the UK, which reduced its reliance on any third-party providers. Smart Fleet's team of over 500 vehicle reconditioning and logistics staff also provide significant expertise. In addition, Smart Fleet had in place a number of third-party contracts which are strategically beneficial to the Group. The Group acquired Smart Fleet for its UK-wide infrastructure and expertise in the reconditioning of used cars, which is expected to enhance the Group's ability to operate at scale. The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. The consolidated financial statements include the results of Smart Fleet for the period from the acquisition date.

In calculating goodwill arising from the acquisition, the fair value of net assets acquired was determined. Adjustments to book value were made in the recognition of market value of real estate leases and the fair value of freehold property. The Group has also recognised a number of separately identifiable intangible assets as part of the acquisition, details of the amounts are set out in the table below.

Cazoo Holdings Limited (Registered No. 12450682)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****12.2 Smart Fleet Solutions Limited (continued)**

	<b>£'000</b>
Property, plant and equipment	25,101
Inventory	333
Trade and other receivables	7,335
Cash and cash equivalents	669
Trade and other payables	(2,160)
Lease liabilities	(2,766)
Provisions	(253)
Deferred tax liabilities	(88)
<b>Total net assets acquired</b>	<b>28,171</b>
<b>Intangible assets recognised on acquisition:</b>	
Customer relationships	7,300
Deferred tax arising on intangible assets	(1,387)
<b>Total intangible assets recognised on acquisition</b>	<b>5,913</b>
<b>Total identifiable net assets at fair value</b>	<b>34,084</b>
Goodwill	5,041
<b>Purchase consideration transferred</b>	<b>39,125</b>
<b>Satisfied by:</b>	
Cash	29,125
Debt assumed and discharged	9,000
Shares issued	1,000
<b>Purchase consideration transferred</b>	<b>39,125</b>

At the date of the acquisition, the carrying amount of trade and other receivables was £7.3 million and all of this was expected to be collectible in the short term. As such, there was no difference between the carrying amount and fair value of trade and other receivables at the date of acquisition.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the unfavourable terms of the lease relative to market terms.

An intangible asset has been recognised for significant customer relationships as future economic benefit is expected to arise from Smart Fleet existing customer relationships. Smart Fleet provides vehicle refurbishment to a small number of customers for which it holds long term relationships.

Goodwill is attributable mainly to the skills and technical talent of Smart Fleet's workforce, and the synergies expected to be achieved from integrating the company into the Group's existing car reconditioning process, significantly increasing in-house capacity.

The fair value of the ordinary shares issued at the date of acquisition was determined as £10.60 per ordinary share, derived from the Group's most recent funding round at the time of acquisition.

From the date of acquisition to 31 December 2021, Smart Fleet has contributed £17.4 million of revenue and £25.7 million to loss before tax to the Group. If the acquisition had occurred on 1 January 2021, management estimates that the Group's revenue from continuing operations attributable to Smart Fleet would have been £21.1 million and the loss from continuing operations attributable to Smart Fleet for the year would have been £25.1 million.

Transaction costs of £2.0 million have been expensed and are included in administrative expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

Cazoo Holdings Limited (Registered No. 12450682)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****12.3 Cluno GmbH**

On 23 February 2021, the Group acquired 100% of the share capital of Cluno GmbH ("Cluno") for a total consideration of £60.4 million (€69.7 million), as measured in accordance with IFRS 3. The acquisition balance sheet includes £8.6 million of cash. Total consideration net of cash acquired was £51.8 million.

Cluno is a German car subscription services company, with a business similar to Drover and a team of approximately 100 employees based in Munich. Cluno offered a monthly subscription that included all car expenses other than fuel, with a six-month minimum term per car in Germany with 100 different models from 15 different brands. Cluno had an experienced team and strong supplier and EU-partner relationships. The Group acquired Cluno to accelerate its entry into the EU market and the acquisition provided the Group with an existing customer base of over 3,000 active subscribers in Germany along with the associated recurring revenues and a strong team to help launch the Cazoo proposition in Germany and across Europe.

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. The consolidated financial statements include the results of Cluno for the period from the acquisition date. In accordance with IFRS 3, for convenience the acquisition date has been designated as 28 February 2021 and the opening balance sheet has been prepared as at 28 February 2021.

In calculating goodwill arising from the acquisition, the fair value of net assets acquired was assessed and no material adjustments from book value were made to existing assets and liabilities. The Group has recognised a number of separately identifiable intangible assets as part of the acquisition, details of the amounts are set out in the table below.

	<b>£'000</b>
Property, plant and equipment	27,181
Trade and other receivables	5,493
Cash and cash equivalents	8,589
Trade and other payables	(5,982)
Loans and borrowings	(19,879)
Lease liabilities	(3,830)
Deferred tax liabilities	(16)
<b>Total net assets acquired</b>	<b>11,556</b>
<b>Intangible assets recognised on acquisition:</b>	
Software	4,445
Brand	1,444
Deferred tax arising on intangible assets	(1,905)
<b>Total intangible assets recognised on acquisition</b>	<b>3,984</b>
<b>Total identifiable net assets at fair value</b>	<b>15,540</b>
Goodwill	44,814
<b>Purchase consideration transferred</b>	<b>60,354</b>
<b>Satisfied by:</b>	
Cash	28,722
Shares issued	31,009
Voluntary employee share option plan	623
<b>Purchase consideration transferred</b>	<b>60,354</b>

Cazoo Holdings Limited (Registered No. 12450682)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

### **12.3 Cluno GmbH (continued)**

At the date of the acquisition, the carrying amount of trade and other receivables was £5.5 million and all of this was expected to be collectible in the short term. As such, there was no difference between the carrying amount and fair value of trade and other receivables at the date of acquisition.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the unfavourable terms of the lease relative to market terms.

Software acquired represents Cluno's subscription platform system that had been developed in-house and is considered to be Cluno owned intellectual property. The platform underpins Cluno's business allowing customers to book, pay and manage their subscriptions.

Prior to the acquisition, Cluno was Germany's leading car subscription provider. The brand was considered to be highly recognisable in Germany.

Goodwill is attributable mainly to the skills and technical talent of Cluno's workforce, and the synergies expected to be achieved from integrating the company into the Group's existing standard car business.

The fair value of the ordinary shares issued at the date of acquisition was determined as £10.6 per ordinary share, derived from the Group's most recent funding round at the time of acquisition.

From the date of acquisition to 31 December 2021, Cluno has contributed £11.1 million of revenue and £17.7 million to loss before tax to the Group. If the acquisition had occurred on 1 January 2021, management estimates that the Group's revenue from continuing operations attributable to Cluno would have been £14.9 million and the loss from continuing operations attributable to Cluno for the year would have been £20 million.

Transaction costs of £1.1 million have been expensed and are included in administrative expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

Cazoo Holdings Limited (Registered No. 12450682)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****12.4 UK Vehicle Limited**

On 2 September 2021, the Group acquired 100% of the share capital of UK Vehicle Limited ("Cazana"), including its subsidiaries Car and Classic Holdings Limited and Car and Classic Limited ("Car and Classic"), for consideration of £29.7 million. On the same date, a subset of the sellers immediately repurchased Car and Classic for consideration of £6.0 million. Total consideration recognised in accordance with IFRS 3 is therefore £23.7 million. The acquisition balance sheet includes £0.7 million of cash. Total consideration net of cash acquired was £23.0 million.

Founded in 2012, Cazana had grown to a team of more than 50 staff including data scientists and engineers headquartered in London. Cazana had built an extensive dataset of over 500 million historic vehicle transactions from a range of countries including the UK, Germany, France, Spain and Italy and its tools were used by car manufacturers, lenders, fleet owners and insurers.

Cazana's products include real-time vehicle valuation, pricing and stock management tools, and the acquisition by the Group combined its brand, proposition and platform with Cazana's extensive data, products and expertise. This deal enhanced the Group's data team and capabilities and allows it to further optimise its car buying, selling and pricing across the UK and Europe for the benefit of consumers.

The initial acquisition of Cazana and immediate sale of Car and Classic have been treated as a linked transaction and have therefore been accounted for as a single transaction. The net assets acquired which are presented below exclude Car and Classic.

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. The consolidated financial statements include the results of Cazana for the period from the acquisition date.

In calculating goodwill arising from the acquisition, the fair value of net assets acquired was assessed and no material adjustments from book value were made to existing assets and liabilities. The Group has recognised a number of separately identifiable intangible assets as part of the acquisition, details of the provisional amounts are set out in the table below.

	<b>£'000</b>
Property, plant and equipment	81
Trade and other receivables	788
Cash and cash equivalents	704
Trade and other payables	(1,535)
<b>Total net assets acquired</b>	<b>38</b>
<b>Intangible assets recognised on acquisition:</b>	
Software	10,287
Deferred tax arising on intangible assets	(2,131)
<b>Total intangible assets recognised on acquisition</b>	<b>8,156</b>
<b>Total identifiable net assets at fair value</b>	<b>8,194</b>
Goodwill	15,496
<b>Purchase consideration transferred</b>	<b>23,690</b>
<b>Satisfied by:</b>	
Cash	23,570
Deferred consideration	120
<b>Purchase consideration transferred</b>	<b>23,690</b>

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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

### **12.4 UK Vehicle Limited (continued)**

*At the date of the acquisition, the carrying amount of trade and other receivables was £0.8 million and all of this was expected to be collectible in the short term. As such, there was no difference between the carrying amount and fair value of trade and other receivables at the date of acquisition.*

Software acquired represents Cazana's data assets and tools which underpin Cazana's business operations.

Goodwill is attributable mainly to the skills and technical talent of Cazana's workforce, and the synergies expected to be achieved from integrating the company into the Group's existing standard car business.

Following the acquisition, UK Vehicle Limited was renamed Cazoo Data Services Limited.

*From the date of acquisition to 31 December 2021, Cazana has contributed £0.9 million of revenue and £0.8 million to loss before tax to the Group. If the acquisition had occurred on 1 January 2021, management estimates that the Group's revenue from continuing operations attributable to Cazana would have been £2.7 million and the loss from continuing operations attributable to Cazana for the year would have been £4.9 million.*

Transaction costs of £0.7 million have been expensed and are included in administrative expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****12.5 SMH Fleet Solutions Limited**

On 15 September 2021, the Group acquired 100% of the share capital of SMH Fleet Solutions Limited ("SMH") for total consideration of £76.5 million, as measured in accordance with IFRS 3. The acquisition balance sheet includes £8.2 million of cash. Total consideration net of cash acquired was £68.3 million.

Established in 2003, SMH had a team of over 500 expert staff that reconditioned more than 70,000 vehicles annually from five vehicle preparation centres across 136 acres in Bedford, Gloucester, Throckmorton, Worcester and St Helens. SMH also carried out over 150,000 vehicle movements per year with a team of over 300 logistics specialists as well as operated an online wholesale platform for used cars.

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. The consolidated financial statements include the results of SMH for the period from the acquisition date.

In calculating goodwill arising from the acquisition, the fair value of net assets acquired was assessed and no material adjustments from book value were made to existing assets and liabilities. The Group has recognised a number of separately identifiable intangible assets as part of the acquisition, details of the provisional amounts are set out in the table below.

	<b>£'000</b>
Property, plant and equipment	29,062
Financial investments	3
Inventory	1,247
Trade and other receivables	7,972
Cash and cash equivalents	8,161
Trade and other payables	(7,727)
Lease liabilities	(25,749)
Provisions	(3,224)
Deferred tax assets	(335)
<b>Total net assets acquired</b>	<b>9,410</b>
<b>Intangible assets recognised on acquisition:</b>	
Software	1,489
Customer relationships	7,574
Deferred tax arising on intangible assets	(1,765)
<b>Total intangible assets recognised on acquisition</b>	<b>7,298</b>
<b>Total identifiable net assets at fair value</b>	<b>16,708</b>
Goodwill	59,770
<b>Purchase consideration transferred</b>	<b>76,478</b>
<b>Satisfied by:</b>	
Cash	61,105
Debt assumed and discharged	15,373
<b>Purchase consideration transferred</b>	<b>76,478</b>

At the date of the acquisition, the carrying amount of trade and other receivables was £8.0 million and all of this was expected to be collectible in the short term. As such, there was no difference between the carrying amount and fair value of trade and other receivables at the date of acquisition.



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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

### **12.5 SMH Fleet Solutions Limited (continued)**

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities.

Software acquire represents the online auction platform and software applications to facilitate internal job processes which have been developed in-house.

An intangible asset has been recognised for significant customer relationships as future economic benefit is expected to arise from SMH existing customer relationships. SMH provides vehicle reconditioning to a small number of customers for which it holds long term relationships.

Goodwill is attributable mainly to the skills and technical talent of SMH's workforce, and the synergies expected to be achieved from integrating the company into the Group's existing car reconditioning process, significantly increasing in-house capacity.

From the date of acquisition to 31 December 2021, SMH has contributed £7.3 million of revenue and £12.5 million to loss before tax to the Group. If the acquisition had occurred on 1 January 2021, management estimates that the Group's revenue from continuing operations attributable to SMH would have been £36.4 million and the loss from continuing operations attributable to SMH for the year would have been £15.1 million.

Transaction costs of £1.1 million have been expensed and are included in administrative expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

### **12.6 Swipcar 2017, S.L.**

On 15 November 2021, the Group acquired 100% of the share capital of Swipcar 2017, S.L. ("Swipcar") for total consideration of £23.6 million, with £15.6 million paid in cash, £2.6 million of deferred consideration and £5.4 million through the issue of Cazoo Group Ltd Class A Shares, as measured in accordance with IFRS 3. The acquisition balance sheet includes £0.4 million of cash. Total consideration net of cash acquired was £23.2 million.

Founded in 2018, Swipcar offered a wide selection of cars available from various leasing company partners for an all-inclusive single monthly subscription payment which included the car, insurance, maintenance, service and tax.

As well as operating in Spain, Swipcar had also recently launched in Italy and Portugal. The transaction combined Cazoo's brand and platform with Swipcar's expertise and relationships in southern Europe and accelerates the launch of Cazoo's full proposition into these markets.

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. The consolidated financial statements include the results of Swipcar for the period from the acquisition date.

In calculating goodwill arising from the acquisition, the fair value of net assets acquired was assessed and no material adjustments from book value were made to existing assets and liabilities. The Group has recognised a number of separately identifiable intangible assets as part of the acquisition, details of the provisional amounts are set out in the table below.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****12.6 Swipcar 2017, S.L. (continued)**

	<b>£'000</b>
Property, plant and equipment	249
Trade and other receivables	658
Cash and cash equivalents	377
Trade and other payables	(1,186)
Loans and borrowings	(1,468)
Lease liabilities	(215)
<b>Total net assets acquired</b>	<b>(1,585)</b>
<b>Intangible assets recognised on acquisition:</b>	
Software	603
Customer relationships	6,235
Deferred tax arising on intangible assets	(1,709)
<b>Total intangible assets recognised on acquisition</b>	<b>5,129</b>
<b>Total identifiable net assets at fair value</b>	<b>3,544</b>
Goodwill	20,025
<b>Purchase consideration transferred</b>	<b>23,569</b>
<b>Satisfied by:</b>	
Cash	15,644
Debt assumed and discharged	2,560
Shares issued	5,365
<b>Purchase consideration transferred</b>	<b>23,569</b>

At the date of the acquisition, the carrying amount of trade and other receivables was £0.7 million and all of this was expected to be collectible in the short term. As such, there was no difference between the carrying amount and fair value of trade and other receivables at the date of acquisition.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the unfavourable terms of the lease relative to market terms.

Software acquired represents Swipcar's subscription platform system and website, which had been developed in-house and are considered to be Swipcar owned intellectual property.

An intangible asset has been recognised for significant customer relationships as future economic benefit is expected to arise from Swipcar's existing customer relationships.

Goodwill is attributable mainly to the skills and technical talent of Swipcar's workforce, and the synergies expected to be achieved from integrating the company into the Group's existing standard car business.

The fair value of the Class A shares issued at the date of acquisition was determined as £6.87 per Cazoo Group Ltd Class A share, which was the closing share price of Cazoo Group Ltd's Class A Shares on the acquisition date. This has been recognised within the capital contribution reserve in Cazoo Holdings Limited's financial statements.

From the date of acquisition to 31 December 2021, Swipcar has contributed £0.6 million of revenue and £6.5m to loss before tax to the Group. If the acquisition had occurred on 1 January 2021, management estimates that the Group's revenue from continuing operations attributable to Swipcar would have been £3.6 million and the loss from continuing operations attributable to Swipcar for the year would have been £9.0 million.

Transaction costs of £0.5 million have been expensed and are included in administrative expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

Cazoo Holdings Limited (Registered No. 12450682)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****12.7 Vans 365 Limited**

On 22 December 2021, the Group acquired Vans 365 Limited ("Vans 365") for total consideration of £7.9 million, as measured in accordance with IFRS 3. The acquisition balance sheet includes £1.6 million of cash. Total consideration net of cash acquired was £6.3 million.

Vans 365 was an independent online commercial vehicle retailer in the UK with a team of experienced in-house technicians and customer service specialists based in Bristol, which bought and sold hundreds of vans monthly and, prior to the acquisition, had achieved positive customer feedback with an "excellent" Trustpilot score.

The deal combined Cazoo's platform and brand with Vans 365's expertise and relationships in the commercial vehicle market and enhanced Cazoo's customer offering and team and has accelerated its launch into buying and selling commercial vehicles online.

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. The consolidated financial statements include the results of Vans 365 for the period from the acquisition date. In accordance with IFRS 3, for convenience the acquisition date has been designated as 31 December 2021 and the opening balance sheet has been prepared as at 31 December 2021.

In calculating goodwill arising from the acquisition, the fair value of net assets acquired was assessed and no material adjustments from book value were made to existing assets and liabilities. The Group has recognised a number of separately identifiable intangible assets as part of the acquisition, details of the provisional amounts are set out in the table below.

	<b>£'000</b>
Property, plant and equipment	25
Inventory	566
Trade and other receivables	49
Cash and cash equivalents	1,581
Trade and other payables	(1,090)
Provisions	(72)
<b>Total net assets at fair value</b>	<b>1,059</b>
<b>Intangible assets recognised on acquisition:</b>	
Software	205
Deferred tax arising on intangible assets	(39)
<b>Total intangible assets recognised on acquisition</b>	<b>166</b>
<b>Total identifiable net assets at fair value</b>	<b>1,225</b>
Goodwill	6,645
<b>Purchase consideration transferred</b>	<b>7,870</b>
<b>Satisfied by:</b>	
Cash	3,205
Deferred consideration	1,500
Debt assumed and discharged	3,165
<b>Purchase consideration transferred</b>	<b>7,870</b>

Cazoo Holdings Limited (Registered No. 12450682)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

### **12.7 Vans 365 Limited (continued)**

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the unfavourable terms of the lease relative to market terms.

Software acquired represents Vans 365's website, which was developed in-house and is considered to be Vans 365 owned intellectual property.

Goodwill is attributable mainly to the skills and technical talent of Vans 365's workforce, and the synergies expected to be achieved from integrating the company into the Group's existing standard car business.

From the date of acquisition to 31 December 2021, Vans 365 contributed £nil revenue and £nil loss before tax to the Group. If the acquisition had occurred on 1 January 2021, management estimates that the Group's revenue from continuing operations attributable to Vans 365 would have been £14.0 million and the loss from continuing operations attributable to Vans 365 for the year would have been £0.8 million.

Transaction costs of £0.2 million have been expensed and are included in administrative expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

Cazoo Holdings Limited (Registered No. 12450682)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****13. Property, plant and equipment**

	Freehold property £'000	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Subscription vehicles £'000	Other motor vehicles £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>								
<b>At 31 December 2019</b>	-	1,191	758	235	-	40	-	2,244
Additions	-	11,784	2,892	363	-	2,702	-	17,741
Acquisition of a subsidiary	14,907	2,576	1,375	252	-	116	1,165	20,391
Disposals	-	(1,849)	(1,076)	(252)	-	(116)	(506)	(3,799)
<b>At 31 December 2020</b>	14,907	13,702	3,949	598	-	2,742	659	36,557
Additions	-	12,419	5,210	2,245	82,314	8,011	810	111,009
Acquisition of subsidiaries	15,921	4,081	1,418	1,013	25,346	367	2,692	50,838
Disposals	-	-	-	(3)	(963)	-	(17)	(983)
Transfers	-	-	-	-	(1,713)	791	-	(922)
FX revaluation	-	-	-	-	(736)	-	-	(736)
<b>At 31 December 2021</b>	30,828	30,202	10,577	3,853	104,248	11,911	4,144	195,763
<b>Accumulated depreciation</b>								
<b>At 31 December 2019</b>	-	(54)	(109)	(35)	-	(1)	-	(199)
Depreciation charge for the year	-	(620)	(331)	(154)	-	(81)	(79)	(1,265)
Disposals	-	40	25	21	-	7	28	121
<b>At 31 December 2020</b>	-	(634)	(415)	(168)	-	(75)	(51)	(1,343)
Depreciation charge for the year	-	(4,247)	(1,495)	(830)	(5,938)	(1,630)	(542)	(14,682)
Disposals	-	-	-	-	1,244	-	-	1,244
Transfers	-	-	-	-	43	(66)	-	(23)
FX revaluation	-	-	-	-	(4)	-	-	(4)
<b>At 31 December 2021</b>	-	(4,881)	(1,910)	(998)	(4,655)	(1,771)	(593)	(14,808)
<b>Net book value</b>								
<b>At 31 December 2021</b>	30,828	25,321	8,667	2,855	99,593	10,140	3,551	180,955
<b>At 31 December 2020</b>	14,907	13,068	3,534	430	-	2,667	608	35,214

Cazoo Holdings Limited (Registered No. 12450682)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2021

**14. Intangible assets and goodwill**

	Domain names £'000	Development costs and software £'000	Customer relationships £'000	Brand £'000	Goodwill £'000	Total £'000
<b>Cost</b>						
<b>At 31 December 2019</b>	<b>20</b>	<b>3,244</b>	-	-	-	<b>3,264</b>
Additions	31	1,858	-	-	-	1,889
Acquisition of a subsidiary	-	251	-	-	22,693	22,944
<b>At 31 December 2020</b>	<b>51</b>	<b>5,353</b>	-	-	<b>22,693</b>	<b>28,097</b>
Additions	22	14,237	-	-	-	14,259
Acquisition of subsidiaries	-	36,588	21,109	2,746	196,147	256,590
<b>At 31 December 2021</b>	<b>73</b>	<b>56,178</b>	<b>21,109</b>	<b>2,746</b>	<b>218,840</b>	<b>298,946</b>
<b>Accumulated amortisation</b>						
<b>At 31 December 2019</b>	<b>(4)</b>	<b>(72)</b>	-	-	-	<b>(76)</b>
Charge for the year	(5)	(1,356)	-	-	-	(1,361)
<b>At 31 December 2020</b>	<b>(9)</b>	<b>(1,428)</b>	-	-	-	<b>(1,437)</b>
Charge for the year	(25)	(6,622)	(21,109)	(2,746)	-	(30,502)
Impairment loss	-	(5,493)	-	-	-	(5,493)
<b>At 31 December 2021</b>	<b>(34)</b>	<b>(13,543)</b>	<b>(21,109)</b>	<b>(2,746)</b>	-	<b>(37,432)</b>
<b>Net book value</b>						
<b>At 31 December 2021</b>	<b>39</b>	<b>42,635</b>	-	-	<b>218,840</b>	<b>261,514</b>
<b>At 31 December 2020</b>	<b>42</b>	<b>3,925</b>	-	-	<b>22,693</b>	<b>26,660</b>

**Impairment testing**

For the purposes of impairment testing, intangible assets and goodwill have been allocated to the Group's CGUs as below.

	At 31 December 2021 £'000	At 31 December 2020 £'000
UK	169,529	26,660
Europe	87,103	-
Cazana	4,304	-
Swipcar	578	-
	<b>261,514</b>	<b>26,660</b>

The Group performed its annual impairment test in December 2021 which considered both qualitative and quantitative factors.

**UK**

The recoverable amount of the UK CGU of £1,658.6 million as at 31 December 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a seven-year period. The pre-tax discount rate applied to cash flow projections is 15.7% and cash flows beyond the seven-year period are extrapolated using a 2.0% growth rate. As a result of the analysis, there is headroom of £1,004.7 million and management did not identify an impairment for this CGU.

Cazoo Holdings Limited (Registered No. 12450682)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

### 14. Intangible assets and goodwill (continued)

#### *Europe*

The recoverable amount of the Europe CGU of £300.1 million as at 31 December 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a nine-year period. The pre-tax discount rate applied to cash flow projections is 22.0% and cash flows beyond the nine-year period are extrapolated using a 2.0% growth rate. As a result of the analysis, there is headroom of £106.5 million and management did not identify an impairment for this CGU.

#### *Cazana*

The recoverable amount of the Cazana CGU of £4.6 million as at 31 December 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a seven-year period. The pre-tax discount rate applied to cash flow projections is 23.3% and cash flows beyond the seven-year period are extrapolated using a 2.0% growth rate. As a result of this analysis, management has recognised an impairment charge of £5.5 million in the current year against intangible assets. This reflects a shift to increasing the provision of data services to internal stakeholders and away from external customers. The impairment charge is recorded within administrative expenses in the statement of profit or loss.

#### *Swipcar*

The recoverable amount of the Swipcar CGU of £25.8 million as at 31 December 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a nine-year period. The pre-tax discount rate applied to cash flow projections is 19.6% and cash flows beyond the nine-year period are extrapolated using a 2.0% growth rate. As a result of the analysis, there is headroom of £21.0 million and management did not identify an impairment for this CGU.

For value in use calculations, cash flows are typically forecast for a five-year period. Management has used a longer period of seven years for the UK and Cazana CGUs and nine years for the EU and Swipcar CGUs to better reflect the medium-term growth expectations for these CGUs.

### Key assumptions and sensitivity analysis

The key assumptions used in the estimation of the recoverable amount are set out below.

#### *Discount rates*

The discount rate calculation is based on the specific circumstances of the Group and its CGUs and is derived from its weighted average cost of capital (WACC). A rise in the pre-tax discount rate above 26.8% (i.e. +11.1%) in the UK CGU would result in impairment. A rise in the pre-tax discount rate above 24.9% (i.e. +2.9%) in the EU CGU would result in impairment. A rise in the pre-tax discount rate above 30.6% (i.e. +11.0%) in the Swipcar CGU would result in impairment. A rise in the pre-tax discount rate to 24.3% (i.e. +1.0%) in the Cazana CGU would result in an additional impairment charge of £0.2 million.

#### *Gross margins*

Gross margins increase over the budget period to reflect anticipated efficiency improvements. A decrease in the gross margin by 1.0% in the UK CGU, EU CGU and Swipcar CGU would reduce the headroom but not result in impairment. Any decrease in the gross margin in the Cazana CGU would result in further impairment.

#### *Terminal growth rate*

The terminal growth rate is used to extrapolate cash flows beyond the forecast period. A decrease in the terminal growth rate by 1.0% in the UK CGU, EU CGU and Swipcar CGU would reduce the headroom but not result in impairment. Any decrease in the terminal growth rate in the Cazana CGU would result in further impairment.

Cazoo Holdings Limited (Registered No. 12450682)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****15. Inventory**

	At 31 December 2021 £'000	At 31 December 2020 £'000
Finished goods and work in in progress	336,501	114,694
Goods in transit	28,084	-
<b>Inventory</b>	<b>364,585</b>	<b>114,694</b>

At each reporting period the Group recognises any necessary adjustments to reflect vehicle inventory at the lower of cost or net realisable value. Further detail on the estimates made in the calculation of net realisable value is set out in Note 5.2.

As at 31 December, the inventory provision is stated as follows:

	At 31 December 2021 £'000	At 31 December 2020 £'000
Gross inventory	369,532	118,203
Inventory provision	(4,947)	(3,509)
<b>Inventory</b>	<b>364,585</b>	<b>114,694</b>

During the year £447.2 million (2020: £161.2 million) was recognised as an expense for inventory carried at net realisable value. This is recognised in cost of sales.

The sensitivity of the inventory provision, based upon a 2% change in the expected selling price of inventory input, is as follows:

	Change in expected selling price estimate %	Change in inventory provision 2021 £'000	Change in inventory provision 2020 £'000
Inventory provision	+2	1,417	882
Inventory provision	-2	(1,904)	(1,132)

As at 31 December 2021 inventory of £273.3 million (2020: £96.3 million) was held as a security against stocking loans.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****16. Trade and other receivables**

	At 31 December 2021 £'000	At 31 December 2020 £'000
Trade receivables	14,796	7,243
Prepayments	28,124	20,278
Contract assets	3,451	599
VAT recoverable	30,499	4,533
Other receivables	10,982	4,216
<b>Total trade and other receivables</b>	<b>87,852</b>	<b>36,869</b>
Current	77,884	29,358
Non-current	9,968	7,511

No prepayments (2020: £4.0 million) were written off to the statement of profit or loss during the year.

**17. Trade and other payables**

	At 31 December 2021 £'000	At 31 December 2020 £'000
Trade payables	29,224	12,668
Payables to related parties	11,881	-
Accruals and other creditors	24,693	10,348
Tax and social security payables	11,316	2,119
Contract liabilities	7,911	9,059
Deferred consideration	5,554	1,375
<b>Total trade and other payables</b>	<b>90,579</b>	<b>35,569</b>
Current	90,579	35,569
Non-current	-	-

Trade and other payables are measured at amortised cost.

Cazoo Holdings Limited (Registered No. 12450682)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****18. Loans and borrowings**

The book value of loans and borrowings are as follows:

	At 31 December 2021 £'000	At 31 December 2020 £'000
<b>Current</b>		
Bank loans	635	-
Stocking loans	169,170	86,709
Subscription facilities	10,188	-
Mortgages	547	1,368
	<b>180,540</b>	<b>88,077</b>
<b>Non-current</b>		
Bank loans	815	-
Stocking loans	8,809	-
Subscription facilities	56,987	-
Mortgages	1,502	2,126
	<b>68,113</b>	<b>2,126</b>
<b>Total loans and borrowings</b>	<b>248,653</b>	<b>90,203</b>

The carrying value of loans and borrowings classified as financial liabilities measured at amortised cost approximates fair value. Details of the interest rates, maturity and security details of loans and borrowings are set out in Note 22.

The Group's loans and borrowings are mainly denominated in Pounds Sterling.

**19. Provisions**

	Dilapidation provisions £'000
<b>At 31 December 2019</b>	<b>582</b>
Acquisition of a subsidiary	1,820
Recognised during the year	961
<b>At 31 December 2020</b>	<b>3,363</b>
Acquisition of subsidiaries	3,549
Recognised during the year	1,073
<b>At 31 December 2021</b>	<b>7,985</b>
Current	-
Non-current	7,985

The dilapidation provisions relate to the expected reinstatement costs of leased office buildings, collection centres and vehicles back to the conditions required by the lease. Cash outflows associated with the dilapidation provision are to be incurred at the end of the relevant lease term, between 4 and 20 years.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2021

**20. Leases****Group acting as a lessee**

The Group has lease contracts for its offices, customer collection centres, transporter motor vehicles and furniture and fittings. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The carrying amounts and movement in the right-of-use assets are set out below:

	<b>Leasehold property £'000</b>	<b>Fixtures and fittings £'000</b>	<b>Subscription vehicles £'000</b>	<b>Other motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
<b>At 31 December 2019</b>	<b>5,450</b>	<b>74</b>	<b>-</b>	<b>1,751</b>	<b>7,275</b>
Additions	13,902	-	-	6,496	20,398
Acquisition of a subsidiary	30,367	-	-	-	30,367
Disposals	(1,387)	-	-	-	(1,387)
<b>At 31 December 2020</b>	<b>48,332</b>	<b>74</b>	<b>-</b>	<b>8,247</b>	<b>56,653</b>
Additions	13,271	-	2,942	9,048	25,261
Acquisition of subsidiaries	29,268	-	5,536	-	34,804
Disposals	(5,096)	-	(624)	(220)	(5,940)
Transfers	-	-	-	(791)	(791)
FX revaluation	-	-	(151)	-	(151)
<b>At 31 December 2021</b>	<b>85,775</b>	<b>74</b>	<b>7,703</b>	<b>16,284</b>	<b>109,836</b>
<b>Accumulated depreciation</b>					
<b>At 31 December 2019</b>	<b>(421)</b>	<b>(4)</b>	<b>-</b>	<b>(81)</b>	<b>(506)</b>
Depreciation charge for the year	(4,561)	(14)	-	(995)	(5,570)
Disposals	143	-	-	-	143
<b>At 31 December 2020</b>	<b>(4,839)</b>	<b>(18)</b>	<b>-</b>	<b>(1,076)</b>	<b>(5,933)</b>
Depreciation charge for the year	(8,108)	(15)	(3,157)	(2,829)	(14,109)
Disposals	2,251	-	-	143	2,394
Transfers	-	-	-	66	66
<b>At 31 December 2021</b>	<b>(10,696)</b>	<b>(33)</b>	<b>(3,157)</b>	<b>(3,696)</b>	<b>(17,582)</b>
<b>Net book value</b>					
<b>At 31 December 2021</b>	<b>75,079</b>	<b>41</b>	<b>4,546</b>	<b>12,588</b>	<b>92,254</b>
<b>At 31 December 2020</b>	<b>43,493</b>	<b>56</b>	<b>-</b>	<b>7,171</b>	<b>50,720</b>

Cazoo Holdings Limited (Registered No. 12450682)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****20. Leases (continued)****Group acting as a lessee (continued)**

The carrying amount and movement in the lease liabilities are set out below:

	<b>Lease liabilities £'000</b>
<b>At 31 December 2019</b>	<b>5,868</b>
Additions	19,850
Acquisition of a subsidiary	27,972
Interest	652
Payments	(6,294)
<b>At 31 December 2020</b>	<b>48,048</b>
Additions	26,228
Acquisition of subsidiaries	36,352
Interest	1,338
Payments	(18,597)
Terminations	(2,969)
<b>At 31 December 2021</b>	<b>90,400</b>

The following are the amounts recognised in the statement of profit and loss in respect of lease agreements:

	<b>Year ended 31 December 2021 £'000</b>	<b>Year ended 31 December 2020 £'000</b>
Depreciation expense	14,109	5,429
Interest on lease liabilities	1,338	652
<b>Total</b>	<b>15,447</b>	<b>6,081</b>

**Group acting as a lessor**

The Group has entered into operating leases on its subscription vehicles. These leases have terms of between one and three years.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	<b>At 31 December 2021 £'000</b>	<b>At 31 December 2020 £'000</b>
Within one year	1,602	-
Within one year but not more than five years	469	-
<b>Total</b>	<b>2,072</b>	<b>-</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****21. Share capital****Issued and fully paid share capital**

	<b>2021 Number '000</b>	<b>2020 Number '000</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
Ordinary shares of £0.0000000167 each	67,232	62,604	-	-
Series A shares of £0.0000000167 each	30,250	30,250	-	-
Series B shares of £0.0000000167 each	29,412	29,412	-	-
Series C shares of £0.0000000167 each	31,679	31,679	-	-
Series D shares of £0.0000000167 each	29,127	22,501	-	-
	<b>187,700</b>	<b>176,446</b>	<b>-</b>	<b>-</b>

All classes of share presented above carry one vote per share and equal rights to dividends.

	<b>Share capital £'000</b>	<b>Share premium £'000</b>	<b>Merger reserve £'000</b>	<b>Capital contribution reserve £'000</b>
<b>At 31 December 2019</b>	-	<b>81,500</b>	-	-
Series C share issuance	-	99,750	-	-
Group restructuring	-	(181,250)	181,250	-
Series C extension	-	25,250	-	-
Acquisition of subsidiary	-	9,000	-	-
Series D share issuance	-	231,634	-	-
Other share issuances	-	236	-	-
<b>As at 31 December 2020</b>	-	<b>266,120</b>	<b>181,250</b>	-
Acquisition of subsidiaries <sup>1</sup>	-	-	65,348	5,365
Warrants exercised	-	11,967	-	-
Other share issuances	-	610,284	-	-
<b>As at 31 December 2021</b>	-	<b>888,371</b>	<b>246,598</b>	<b>5,365</b>

<sup>1</sup> Prior to the Transaction, the merger relief section of the Companies Act required that the difference between the nominal value and issued value of the shares issued for the acquisitions for Drover, SFS and Cluno should be credited to the merger reserve in equity.

Cazoo Holdings Limited (Registered No. 12450682)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

### **21. Share capital (continued)**

On 23 March 2020, the Group completed its Series C funding round initially raising £99.8 million followed by an extension to the funding round on June 23, 2020 raising an additional £25.2 million. The Series C share issue was partially settled by a £8.0 million media advertising and marketing commitment.

On 10 June 2020, Group was subject to a restructuring where Cazoo Holdings Limited was inserted at the top of the Group as a new parent company resulting in a merger reserve.

On 15 July 2020, the acquisition of Imperial Cars was partially settled through the issuance of £9.0 million of shares.

On 1 October 2020, the Group completed its Series D funding round raising £231.6 million. The equity raised included a deduction of £7.4 million in relation to fund raising costs incurred.

On 25 January 2021, the acquisition of Drover was partially settled through the issuance of £33.3 million of shares, as set out in Note 12.

On 11 February 2021, the acquisition of Smart Fleet was partially settled through the issuance of £1.0 million of shares, as set out in Note 12.

On 23 February 2021, the acquisition of Cluno was partially settled through the issuance of £31.0 million of shares, as set out in Note 12.

In August 2021, £12.0 million of warrants from the acquisition of Drover were exercised prior to the closing of the Transaction.

On 26 August 2021, Cazoo Group Ltd closed the Transaction, as set out in Note 1. Upon Closing, the Company issued one ordinary share to Cazoo Group Ltd with a nominal value of £0.0000000167 at a price of \$836.1 million (£610.3 million equivalent) in exchange for cash.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2021

**22. Financial instruments****22.1 Financial assets**

	At 31 December 2021 £'000	At 31 December 2020 £'000
<b>Financial assets at amortised cost</b>		
Trade receivables	14,796	7,243
Contract assets	3,451	599
Lease deposits	5,124	2,653
<b>Total financial assets</b>	<b>23,371</b>	<b>10,495</b>
Current	18,247	10,495
Non-current	5,124	-

**22.2 Financial liabilities****Financial liabilities: Interest-bearing loans and borrowings**

	Interest rate %	Maturity	At 31 December 2021 £'000	At 31 December 2020 £'000
<b>Current</b>				
Lease liabilities	1 – 8% Base rate + 3.25% – 3.75%	Within one year	18,827	6,540
Bank loans	2.5% – 7.67%	Within one year	635	-
Stocking loans	Base rate + 0.5% – 3% Base rate + 1.7% – 3.7%	On earlier of sale or 180 days / Within one year	169,170	86,709
Subscription facilities	+3.15 – 6%	Within one year	10,188	-
Mortgages	Base rate + 2%	Within one year	547	1,368
			<b>199,367</b>	<b>94,617</b>
<b>Non-current</b>				
Lease liabilities	1 – 8% Base rate + 3.25% – 3.75%	2023 – 2117	71,574	41,508
Bank loans	2.5% – 7.67%	2023 – 2025	815	-
Stocking loans	Base rate + 3% Base rate + 1.7% – 3.7%	2023	8,809	-
Subscription facilities	4.05% – 6%	2023 – 2025	56,987	-
Mortgages	Base rate + 2%	2023 – 2025	1,502	2,126
			<b>139,687</b>	<b>43,634</b>

Cazoo Holdings Limited (Registered No. 12450682)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

### **22. Financial instruments (continued)**

#### **22.2 Financial liabilities (continued)**

"Base rate" refers to the Bank of England base rate, Sterling Overnight Interest Benchmark ("SONIA") or Euro Interbank Offered Rate ("EURIBOR"). In 2021 base rate references to LIBOR have been replaced with the Bank of England base rate.

The bank loans are due between 2022 and 2025 and have a mix of fixed interest rates and base rates.

The stocking loans are secured against the inventory of the Group. The stocking loan facilities have varying due dates, ranging from the earlier of a sale of a vehicle by the Group to a customer or 180 day term from the inception of the individual loan and within 720 days of drawdown. The stocking loans rates are in reference to the Bank of England base rate, SONIA or EURIBOR.

The subscription facilities are secured against the subscription vehicles owned by the Group. The subscription facilities have a mixture of fixed due dates and others are for a maximum of 24 months after drawdown, with monthly instalments. The interest rates are a mixture of fixed interest rates and those which are in reference to the Bank of England base rate or EURIBOR.

The mortgages are secured against certain freehold property of the Group.

#### **22.3 Fair value**

Management assessed that the fair value of trade receivables, other receivables, stocking loans, subscription facilities and trade and other payables approximate their carrying value due to the short-term maturities of these instruments.

The fair value of trade receivables, other receivables, stocking loans, subscription facilities and trade and other payables has been measured using Level 3 valuation inputs.

#### **22.4 Interest rate risk management**

Interest rate risk is the risk that changes in interest rates will affect the income and financial management of the Group. The Group is exposed to interest rate risk through its stocking loans and subscription facilities where interest is charged in reference to a base interest rate. However, the exposure to interest rate risk is minimal since the Group is in a net cash position as at 31 December 2021 and 31 December 2020 and is therefore able to reduce exposure through repayment of the facilities. The Group is not exposed to interest rate risk on its mortgages where interest rates are fixed. The Group does not hedge against interest rate risk. In 2021 the UK stocking loans and subscription facilities have been rebased from GBP LIBOR to the Bank of England base rate. Certain European stocking loans and subscription facilities reference EURIBOR.



Cazoo Holdings Limited (Registered No. 12450682)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****22. Financial instruments (continued)****22.4 Interest rate risk management**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the stocking loans and subscription facilities, the only element of loans and borrowings impacted by variable interest rates. With other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	<b>Increase/decrease in basis points</b>	<b>Effect on profit before tax 2021 £'000</b>	<b>Effect on profit before tax 2020 £'000</b>
Loans and borrowings	+100	(1,393)	(298)
Loans and borrowings	-100	95	200

A 100 basis points decrease in interest rates would have less effect on profit before tax than a 100 basis points increase in interest rates because the Group's stocking loans and subscription facilities are generally subject to reference rate floors.

**22.5 Foreign currency risk management**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk through its operating activities in Europe (when revenue and expenses is denominated in Euros) and through certain expenses denominated in US dollars. The Group does not currently hedge against currency risk through the use of financial instruments such as foreign currency swaps.

The following tables demonstrate the sensitivity to a reasonably possible change in EUR exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	<b>Increase/decrease in EUR rate</b>	<b>Effect on profit before tax £'000</b>	<b>Effect on pre-tax equity £'000</b>
2021	+5%	(1,336)	(1,170)
	-5%	1,336	1,170
2020	+5%	-	-
	-5%	-	-

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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

### **22. Financial Instruments (continued)**

#### **22.6 Credit risk management**

Credit risk is the risk of financial loss to the Group if a customer or bank ("counterparty") fails to meet its contractual obligations resulting in a financial loss to the Group. The Group's maximum exposure to credit risk at the year end was equal to the carrying amount of trade receivables as set out in Note 16.

For retail and wholesale sales, the Group's exposure to credit risk is minimal since the settlement of amounts due for the sale of a vehicle to a consumer is completed prior to the delivery of the vehicle. The trade receivables balance represents customer funds to be received from our consumer finance partners and payment gateway provider.

For subscription sales, the expected credit losses are estimated using a provision matrix based on the Group's *historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions* and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's treasury policy. *It is the Group's policy to only hold cash and cash equivalent with banks which have at least an A rating and an A-1 rating for short term deposits, as per Standard and Poor's credit rating system.* The Group's maximum exposure to credit risk on cash and cash equivalents is the carrying amount of cash and cash equivalents on the statement of financial position.

Cazoo Holdings Limited (Registered No. 12450682)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****22. Financial instruments (continued)****22.7 Liquidity risk management**

Liquidity risk refers to the ability of the Group to meet the obligations associated with its financial liabilities that are settled as they fall due.

The treasury strategy of the Group is to retain cash on the balance sheet by financing the purchase of inventory and to maximise interest received whilst maintaining liquidity and flexibility in the availability of funds.

The table below summarises the maturity profile of the Group's financial liabilities based upon contractual undiscounted payments:

<b>At 31 December 2021</b>	<b>Less than one year £'000</b>	<b>1 to 5 years £'000</b>	<b>Over 5 years £'000</b>	<b>Total £'000</b>
Bank loans	741	869	-	1,610
Stocking loans	169,170	8,809	-	177,979
Subscription facilities	12,155	65,797	-	77,952
Lease liabilities	18,917	46,772	34,526	100,215
Mortgages	600	1,653	-	2,253
Trade payables	29,224	-	-	29,224
Payables to related parties	11,881	-	-	11,881
<b>Total</b>	<b>242,688</b>	<b>123,900</b>	<b>34,526</b>	<b>401,114</b>

<b>At 31 December 2020</b>	<b>Less than one year £'000</b>	<b>1 to 5 years £'000</b>	<b>Over 5 years £'000</b>	<b>Total £'000</b>
Stocking loans	86,709	-	-	86,709
Lease liabilities	7,603	25,243	21,052	53,898
Mortgages	1,385	2,230	-	3,615
Trade payables	12,668	-	-	12,668
<b>Total</b>	<b>108,365</b>	<b>27,473</b>	<b>21,052</b>	<b>156,890</b>

Cazoo Holdings Limited (Registered No. 12450682)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2021

**22. Financial instruments (continued)****22.8 Changes in liabilities arising from financial activities**

	Bank loans £'000	Stocking loans £'000	Subscription facilities £'000	Lease liabilities £'000	Mortgages £'000	Total £'000
<b>At 31 December 2019</b>	-	32,477	-	5,868	-	38,345
New leases	-	-	-	19,850	-	19,850
Acquisition of subsidiary	-	33,870	-	27,972	3,937	65,779
Issue of debt	-	216,444	-	-	-	216,444
Repayment	-	(196,082)	-	(6,294)	(443)	(202,819)
Interest on lease liabilities	-	-	-	652	-	652
<b>At 31 December 2020</b>	-	86,709	-	48,048	3,494	138,251
New leases	-	-	-	26,228	-	26,228
Acquisition of subsidiaries	1,468	-	19,878	36,352	-	57,698
Issue of debt	30	665,325	107,683	-	-	773,038
Repayment	(48)	(574,055)	(60,386)	(18,597)	(1,445)	(654,531)
Terminations	-	-	-	(2,969)	-	(2,969)
Interest on lease liabilities	-	-	-	1,338	-	1,338
<b>At 31 December 2021</b>	1,450	177,979	67,175	90,400	2,049	339,053

**22.9 Hedge accounting**

The Group has not entered into any agreements designed to hedge financial risk in the year ended 31 December 2021 (2020: none).

**22.10 Derecognition of financial instruments**

The Group has not recorded any gains or losses arising through the derecognition of financial assets or financial liabilities in the year ended 31 December 2021 (2020: none).

The Company is not subject to any externally imposed capital requirements.

Cazoo Holdings Limited (Registered No. 12450682)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****22. Financial Instruments (continued)****22.11 Capital management**

For the purposes of the Group's capital management, capital includes cash raised through the issue of share capital and stocking and subscription loans. The primary objective of the Group's capital management is to finance operational and developmental activities. Stocking loans are used specifically by the Group to finance the purchase of inventory.

	At 31 December 2021 £'000	At 31 December 2020 £'000
Inventory	364,585	114,694
Stocking loans	(177,979)	(86,709)
<b>Net inventory</b>	<b>186,606</b>	<b>27,985</b>
<b>Cash and cash equivalents</b>	<b>192,629</b>	<b>243,524</b>

**23. Group information****Subsidiaries**

As at 31 December 2021 the consolidated financial statements of the Group include:

<b>Name</b>	<b>Country of Incorporation</b>	<b>Principal activities</b>	<b>Equity interest</b>
Cazoo Limited	United Kingdom	Sale of motor vehicles	100%
Cazoo Properties Limited	United Kingdom	Activities of other holding companies	100%
Imperial Car Supermarkets Limited	United Kingdom	Sale of motor vehicles	100%
Imperial Cars of Swanwick Limited	United Kingdom	Sale of motor vehicles	100%
Carsaz Limited	United Kingdom	Sale of motor vehicles	100%
Cazoo Subscription Services Limited (previously Drover Limited)	United Kingdom	Renting and leasing of motor vehicles	100%
Fantastic Cars Limited	United Kingdom	Renting and leasing of motor vehicles	100%
CZO Data Services, Unipessoal, Lda (previously Drover Technologies Lda)	Portugal	Other business support service activities not elsewhere classified	100%
CSS Mobility France SaS (previously Drover France SaS)	France	Renting and leasing of motor vehicles	100%
Cazoo Trading France SaS	France	Sale of motor vehicles	100%
Cazoo Properties France SaS	France	Activities of other holding companies	100%
Cazoo Wholesale Services Limited (previously Smart Fleet Solutions Limited)	United Kingdom	Maintenance and repair of motor vehicles	100%
Cluno GmbH	Germany	Renting and leasing of motor vehicles	100%

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2021

**23. Group information (continued)**

<b>Name</b>	<b>Country of incorporation</b>	<b>Principal activities</b>	<b>Equity Interest</b>
Cluno Fintech 1 GmbH	Germany	Acquisition, leasing and financing of motor vehicles	100%
Cluno Fintech 2 GmbH	Germany	Acquisition, leasing and financing of motor vehicles	100%
Cazoo Trading Germany GmbH	Germany	Sale and rental of motor vehicles and related intermediation activities	100%
Cazoo Properties Germany GmbH	Germany	Activities of other holding companies	100%
CSS Mobility Germany GmbH & Co. KG	Germany	Rental of motor vehicles and related intermediation activities	100%
Cazoo Data Services Limited (previously UK Vehicle Limited)	United Kingdom	Other business support service activities not elsewhere classified	100%
Project Chicago Newco Limited	United Kingdom	Non-trading company	100%
Arctos Holdings Limited	United Kingdom	Activities of other holding companies	100%
Moorgate House (Newco) Limited	United Kingdom	Dormant company	100%
GBJ Developments Limited	United Kingdom	Non-trading company	100%
CD Auction Group Limited	United Kingdom	Sale of motor vehicles	100%
Cazoo Support Services Limited (previously Hudson Kapel Limited)	United Kingdom	Maintenance and repair of motor vehicles	100%
Ensco 1109 Limited	United Kingdom	Activities of other holding companies	100%
SMH Fleet Solutions Limited	United Kingdom	Renting and leasing of motor vehicles	100%
Swipcar 2017, S.L.	Spain	Sale and rental of motor vehicles and related intermediation activities	100%
Swipcar 2017 SL	France	Sale and rental of motor vehicles and related intermediation activities	100%
Cazoo Trading Italy SARL	Italy	Sale of motor vehicles	100%
Cazoo Trading Spain, S.L.	Spain	Sale of motor vehicles	100%
Cazoo Properties Spain, S.L.	Spain	Activities of other holding companies	100%
Vans 365 Limited	United Kingdom	Sale of vans	100%

**Parent company**

The Group's legal parent company is Cazoo Group Ltd, a limited company incorporated under the laws of the Cayman Islands on 24 March 2021. Their registered office is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and their principal executive office is at 41 Chalton Street, London, NW1 1JD, United Kingdom.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

### 24. Share-based payments

#### Prior to the Transaction

Prior to the Transaction, the Group operated two equity-settled share-based incentive schemes. Options were granted under both the government approved Enterprise Management Incentive ("EMI") scheme and as Unapproved share options. The options vested in instalments over four years with expiry after ten years. Unvested options were forfeited if the employee left the Group before the options vested.

#### The Transaction

##### (i) EMI options

Pursuant to the Business Combination Agreement, the Group established the Incentive Equity Plan. At the closing of the Transaction, 34,690 vested EMI options were exercised for Cazoo Holdings shares and sold for cash at a value of £0.4 million.

Any vested EMI options which were not exercised were replaced by options to purchase Class C Shares of Cazoo Group Ltd under the Incentive Equity Plan. The replacement options were granted as if they had been granted on the same date as the original Cazoo Holdings option at the same exercise price with the same vesting schedule. The fair value of the Cazoo Group Ltd options was equal to the fair value of the Cazoo Holdings options immediately prior to the replacement. Therefore, the initial share-based payment charge profile has not been impacted.

The Group permitted unvested EMI options to be accelerated and exercised in connection with the Transaction. Under a 'reverse vesting' agreement, participants were only able to receive Listco shares in connection with the exercise, with any cash arising from the mix and match process being reinvested in further Listco shares. All shares acquired from the unvested EMI options continued under their initial EMI vesting schedules, subject to forfeiture in accordance with the reverse vesting agreement.

##### (ii) Unapproved options

At the closing of the Transaction, 44,114 vested Unapproved options were exercised for Cazoo Holdings shares and sold for cash at a value of £0.4 million. The cash settled options were treated as a modification in accordance with IFRS 2. The modification date fair value of the share-based payment was greater than the grant date fair value given the increase in the fair value of Cazoo shares since the grant date. As a result, the increase in fair value of £1.1 million was recognised as an additional share-based charge in the statement of profit or loss.

The vested Unapproved options which were not cash-settled and the unvested Unapproved options were replaced by options to purchase Class C Shares of Cazoo Group Ltd under the Incentive Equity Plan. The replacements were granted as if they had been granted on the same date as the original Cazoo Holdings option at the same exercise price with the same vesting schedule. The fair value of the Cazoo Group Ltd options was equal to the fair value of the Cazoo Holdings options immediately prior to the replacement. Therefore, the initial share-based payment charge profile has not been impacted.

#### After the Transaction

Under the Incentive Equity Plan, the Group operates an equity settled share-based incentive scheme whereby options are granted under Unapproved share options for UK-based employees and Restricted Stock Units for Europe-based employees. The options vest in instalments over four years with expiry after ten years. Unvested options are forfeited if the employee leaves the Group before the options vest.

Certain executive directors received awards, equally split between time-based and performance-based awards. Under the terms of the Incentive Equity Plan, the time-based awards will be eligible to vest in equal annual instalments on each of the first four anniversaries of the grant date, subject to continued employment through each such anniversary, and market performance criteria. Any portion of the performance-based awards that remain unvested as of the fifth anniversary of the grant will be forfeited.

Cazoo Holdings Limited (Registered No. 12450682)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****24. Share-based payments (continued)**

The Group recognised a share-based charge for the year as follows:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
EMI prior to the Transaction	73	182
Unapproved prior to the Transaction	29,096	3,577
Modification at the Transaction	1,103	-
Incentive Equity Plan after the Transaction	13,599	-
	<b>43,871</b>	<b>3,759</b>

The following options were granted during the year ended 31 December 2021:

Scheme	Number	Grant date	Expiry date
Unapproved prior to the Transaction	469,000	01/01/2021	01/01/2031
Unapproved prior to the Transaction	2,023,516	01/04/2021	01/04/2031
Incentive Equity Plan after the Transaction <sup>1</sup>	23,915,248	01/10/2021	01/10/2031
<b>Total 2021</b>	<b>26,407,764</b>		
Unapproved prior to the Transaction	1,566,584	01/01/2020	01/01/2030
Unapproved prior to the Transaction	1,422,500	01/04/2020	01/04/2030
Unapproved prior to the Transaction	2,215,381	01/07/2020	01/07/2030
Unapproved prior to the Transaction	1,594,720	01/10/2020	01/10/2030
<b>Total 2020</b>	<b>6,799,185</b>		

<sup>1</sup> The number of share options granted after the Transaction is not on a like-for-like basis to the number of options granted in Cazoo Holdings prior to the Transaction.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****24. Share-based payments (continued)****Movements in share options during the year**

The following reconciles the share options outstanding at the beginning and end of the year.

	<b>EMI Number of options</b>	<b>Unapproved Number of options</b>	<b>Incentive Equity Plan Number of options</b>
<b>At 31 December 2019</b>	<b>7,087,500</b>	<b>2,059,500</b>	<b>-</b>
Granted during the year	-	6,799,185	-
Exercised during the year	(1,353,817)	-	-
Forfeited during the year	(1,050,000)	(737,292)	-
<b>At 31 December 2020</b>	<b>4,683,683</b>	<b>8,121,393</b>	<b>-</b>
Granted prior to the Transaction	-	2,492,516	-
Forfeited prior to the Transaction	(66,413)	(579,713)	-
Cash settled at the Transaction	(34,690)	(44,114)	-
Replacements at the Transaction <sup>1</sup>	(4,582,580)	(9,990,082)	50,347,491
Granted after the Transaction	-	-	23,915,248
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>74,262,739</b>

<sup>1</sup> The replacements granted at the Transaction reflect the exchange ratio established in the Business Combination Agreement. Refer to Note 1 for further details.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****24. Share-based payments (continued)****Employee share option fair value assessment**

The following information is relevant in the determination of fair value of the employee share options granted during 2021:

	<b>Unapproved</b>	<b>Incentive Equity Plan</b>	<b>Incentive Equity Plan – Executive Directors</b>
Valuation method	Monte-Carlo	N/A <sup>1</sup>	Monte-Carlo
Exercise price	£nil	£nil	£nil
Expected volatility	50%	N/A	53%
Dividend yield	Nil	Nil	Nil
Risk free interest rate	0.00%	N/A	1.15%
Fair value per share	£8.27 - £23.74	£5.33	£2.93

<sup>1</sup> Considering that the Incentive Equity Plan awards vest over time without any further restrictions, the fair value is equal to Cazoo Group Ltd's closing stock price as of the grant date.

The following information is relevant in the determination of fair value of the employee share options granted during 2020:

	<b>Unapproved</b>
Valuation method	Black-Scholes
Exercise price	£nil
Expected volatility	46%
Dividend yield	Nil
Risk free interest rate	0.00%
Fair value per share	£0.72 - £4.47

The expected volatility was estimated with references to listed companies with a similar business model.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****25. Cash and cash equivalents**

	At 31 December 2021 £'000	At 31 December 2020 £'000
Cash at bank available on demand	181,818	52,742
Cash held in short-term deposit accounts	10,811	190,782
<b>Cash and cash equivalents in the statement of financial position</b>	<b>192,629</b>	<b>243,524</b>
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>192,629</b>	<b>243,524</b>

**26. Events after the reporting date****26.1 Acquisition of brumbrum**

On 31 January 2022, the Group acquired brumbrum for €80 million in a mix of cash and Cazoo Group Ltd shares. Founded in 2016, brumbrum was based in Milan and grew to a team of over 180 staff, including at its 40,000 square meter vehicle preparation centre in Reggio Emilia, which has the potential to recondition over 15,000 cars annually. The business offered hundreds of vehicles for sale, finance or subscription for delivery across Italy.

**26.2 Issuance of convertible senior notes**

On 16 February 2022, the Group's parent company, Cazoo Group Ltd, issued \$630.0 million in aggregate principal amount of 2.00% Convertible Senior Notes due 2027 (the "convertible notes") pursuant to the Indenture, dated 16 February 2022 (the "Indenture"), between Cazoo Group Ltd and U.S. Bank Trust Company, National Association, as trustee.

The convertible notes bear regular interest at a rate of 2.00% per year. Interest accrues from 16 February 2022 and is payable quarterly in arrears on 16 February, 16 May, 16 August and 16 November of each year, beginning on 16 May 2022. The convertible notes will mature on 16 February 2027, unless earlier redeemed, repurchased or converted in accordance with the terms of the convertible notes. The principal amount of the convertible notes does not accrete.

The convertible notes will be convertible at the option of the holders at any time after 6 November 2022 and prior to the close of business on the second scheduled trading day immediately preceding 16 February 2027. In addition, the Cazoo Group Ltd may force the conversion of the convertible notes on or after 16 February 2025, if the trading price of the Class A Shares exceeds 150% of the conversion price for at least 20 trading days (whether or not consecutive) in any consecutive 30 trading day period.

If the convertible notes have not been converted, repurchased or redeemed at or prior to 16 February 2027, holders of the convertible notes will be entitled to payment of a premium at maturity of the convertible notes, equal to 50% of the principal amount of the convertible notes. The premium is payable in cash, Class A Shares, or a combination of cash and Class A Shares at the option of Cazoo Group Ltd. The premium will not be payable if the trailing 10 trading day volume weighted average price of the Class A Shares is above \$6.75 for any trading day beginning on (and excluding) 4 March 2024 and ending on (and including) 18 March 2024 (the "premium fall-away trigger"), provided that in connection with a share exchange event on or prior to 4 March 2024 involving a third party acquirer, the premium fall-away trigger shall be tested using the fair market value of the consideration paid per Class A Share on the date of the share exchange event or if resulting in less consideration, the date on which any lock-up applicable to holders of the Class A Shares expires after the share exchange event. For the avoidance of doubt, this premium will not be payable by Cazoo Group Ltd (i) in the event of a mandatory conversion on or prior to the maturity date, (ii) in the event of a voluntary conversion by a holder on or prior to the maturity date, (iii) in connection with the redemption of the convertible notes on or prior to the maturity date, or (iv) in connection with a make-whole Fundamental Change or an offer to purchase Notes upon a Fundamental Change.

Cazoo Holdings Limited (Registered No. 12450682)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

### **26. Events after the reporting date (continued)**

The convertible notes were not guaranteed or secured upon issuance but will receive the benefit of any guarantees or security provided at any time for the benefit of certain other indebtedness of Cazoo Group Ltd for borrowed money issued or incurred in the future, other than indebtedness incurred to purchase, finance or refinance the purchase of vehicles, vehicle parts, supplies and inventory and certain other indebtedness. The Indenture also contains covenants, events of default and other provisions which are customary for offerings of convertible notes.

#### **26.3 Sale and leaseback**

In February 2022, the Group sold two of its customer collection centres for proceeds of £13.7 million and leased them back for 20 years.

#### **26.4 UK stocking loans**

On 22 March 2022, the Group increased its UK stocking facilities by £25 million with an existing lender.

#### **26.5 Asset-backed securitization with BNP Paribas**

On 28 March 2022, the Group entered into a €50 million asset-based securitization facility with BNP Paribas (the "BNP Facility") to help accelerate the expansion of the Group's car subscription platform in Europe.

#### **26.6 Business realignment plan**

On 7 June 2022, in response to the current economic climate, the Group announced a business realignment plan (the "Business Realignment Plan") designed to de-risk its path to profitability and to maximise its liquidity by right-sizing the business and conserving cash in the short-term, and by focusing on delivering improved and sustainable profit margins.

The Group's key goals from the Business Realignment Plan are to:

- lower selling, general and administrative costs per unit while minimising the impact on growth;
- achieve UK cash-flow breakeven at lower retail unit sales with a stronger focus on GPU and working capital; and
- manage costs and expenditure to become self-funding in the UK without needing further capital.

The key actions the Group are undertaking in connection with implementation of the Business Realignment Plan consist of:

- reducing our existing employee headcount by approximately 15% and slowing the pace of new hiring;
- lowering our brand marketing spend and focusing more on performance marketing;
- limiting our capital expenditure and delaying a number of planned investment projects;
- rationalising our vehicle preparation and customer support sites to drive more efficiency;
- increasing focus on driving GPU growth through more efficient buying and reconditioning;
- modifying our consumer proposition to drive costs down and improve operating efficiencies;
- increasing procurement efficiencies across our entire supply chain to reduce overhead costs; and
- slowing our near-term growth aspirations in both the UK and EU to focus on profitable growth.

As part of the actions being taken, the Group will no longer be offering our subscription service to new subscribers from the end of June 2022, given the cash consumptive nature of this business model, but will continue to benefit from a sourcing perspective in the short term as existing subscription contracts come to an end.

As a result of implementation of the Business Realignment Plan, the Group expects to incur charges in the year ended 31 December 2022, including amounts for restructuring and the evaluation of goodwill and intangible assets.

Cazoo Holdings Limited (Registered No. 12450682)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

### 26.7 Strategic review of mainland Europe

On 2 August 2022, the Group announced that it was conducting a strategic review of its business in mainland Europe, with the aim of further preserving cash and positioning the Group to achieve profitability without the need for further external capital.

On 8 September 2022, the Group announced the conclusion of its strategic review. Following a review of a range of strategic options, Management concluded that Cazoo would focus exclusively on its core opportunity in the UK.

As a result, the Group has commenced an orderly wind down of its operations in Germany and Spain and is in consultation with its employee representatives in France and Italy. Cazoo will facilitate a structured closure for its customers, employees and suppliers and has notified the relevant employee representatives and unions in each market.

The Group expects to incur charges as a result of the implementation in the second half of 2022, including amounts for restructuring. The amount of these charges is yet to be determined.

### 27. Related party transactions

#### 27.1 Key management personnel

The Directors are considered to be key management personnel of the Group. The amounts disclosed in the table are the amounts recognised as an expense during the year related to key management personnel.

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Short-term employee benefits	778	631
Post-employment benefits	49	23
Share-based payment transactions	14,712	-
	<b>15,539</b>	<b>654</b>

#### 27.2 Other related party transactions

	Payable to Cazoo Group Ltd £'000
At 1 January 2021	-
Additions at the Transaction	(11,881)
At 31 December 2021	<b>(11,881)</b>
At 31 December 2020	-

No other reportable related party transactions occurred during the year ended 31 December 2021 (2020: £nil).

Cazoo Holdings Limited (Registered No. 12450682)

**COMPANY STATEMENT OF FINANCIAL POSITION**

For the year ended 31 December 2021

		At 31 December 2021 £'000	At 31 December 2020 £'000
<b>Note</b>			
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	5	108	180
Investment in subsidiaries	6	370,468	163,071
		<b>370,576</b>	<b>163,251</b>
<b>Current assets</b>			
Trade and other receivables	7	596,479	214,342
Cash and cash equivalents	8	101,984	27,923
		<b>698,463</b>	<b>242,265</b>
<b>Total assets</b>		<b>1,069,039</b>	<b>405,516</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	23,501	2,399
<b>Total liabilities</b>		<b>23,501</b>	<b>2,399</b>
<b>Net assets</b>		<b>1,045,538</b>	<b>403,117</b>
<i>Share capital</i>		-	-
Share premium		888,371	266,120
Merger reserve		200,946	135,598
Capital contribution reserve		5,365	-
Retained earnings		(49,144)	1,399
<b>Total equity</b>		<b>1,045,538</b>	<b>403,117</b>

The loss for the year ended 31 December 2021 of the Company is £65,100k (2020: £494k).

The financial statements on pages 94 to 100 were approved and authorised for issue by the Board of Directors on 4 October 2022 and were signed on its behalf by:



Stephen Morana  
Director  
4 October 2022

Cazoo Holdings Limited (Registered No. 12450682)

**COMPANY STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2021

	Share capital	Share premium	Merger reserve	Capital contribution reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 7 February 2020</b>	-	-	-	-	-	-
<b>Comprehensive income for the period</b>						
Total comprehensive loss for the period	-	-	-	-	(494)	(494)
<b>Contributions by and distributions to owners</b>						
Purchase of Cazoo Limited <sup>1</sup>	-	-	135,598	-	-	135,598
Issue of share capital	-	266,120	-	-	-	266,120
Share-based payments	-	-	-	-	1,893	1,893
<b>At 31 December 2020</b>	-	266,120	135,598	-	1,399	403,117
<b>Comprehensive income for the year</b>						
Total comprehensive loss for the year	-	-	-	-	(65,100)	(65,100)
<b>Contributions by and distributions to owners</b>						
Acquisition of subsidiaries	-	-	65,348	5,365	-	70,713
Exercise of warrants from Drover acquisition	-	11,967	-	-	-	11,967
Issue of share capital	-	610,284	-	-	-	610,284
Exercise of options	-	-	-	-	(369)	(369)
Share-based payments	-	-	-	-	14,926	14,926
<b>At 31 December 2021</b>	-	888,371	200,946	5,365	(49,144)	1,045,538

<sup>1</sup> The merger reserve represents the investment recognised on the share for share purchase of Cazoo Limited.

Cazoo Holdings Limited (Registered No. 12450682)

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 1. Accounting policies and basis of accounting

The financial statements of Cazoo Holdings Limited (Registered No. 12450682) (the "Company") have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The Company is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown in Note 1 of the consolidated financial statements. The Company was incorporated on 7 February 2020.

The Company's principal activity is to act as an investment holding company that provides management services to its subsidiaries.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, presentation of a cash flow statement, standards not yet effective, and certain related party transactions.

Investments in subsidiaries are valued at cost less any provision for impairment. Further information about subsidiaries is provided in Note 23 to the consolidated financial statements.

The movements in share capital are disclosed in Note 21 to the consolidated financial statements.

The principal accounting policies adopted are the same as those set out in Note 2 to the consolidated financial statements.

### 2. Critical accounting judgements or key sources of estimation uncertainty

There were no critical accounting judgements that would have a significant effect on the amounts recognised in the parent company financial statements or key sources of estimation uncertainty at the balance sheet date that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### 3. Profit for the year

As permitted by s408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent company. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

The auditor's remuneration for audit and other services is disclosed in Note 7 to the consolidated financial statements.



Cazoo Holdings Limited (Registered No. 12450682)

**NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2021

**4. Employee benefit expenses**

Employee benefit expenses (including Directors) comprise:

	Year ended 31 December 2021 £'000	Period ended 31 December 2020 £'000
Wages and salaries	801	233
Employer's national insurance	116	18
Short-term non-monetary benefits	6	1
Defined contribution pension cost	49	11
Share-based payment expenses	14,926	-
	<b>15,898</b>	<b>263</b>

The average number of employees are as follows:

	Year ended 31 December 2021 £'000	Period ended 31 December 2020 £'000
Administrative	2	2
	<b>2</b>	<b>2</b>

Employee benefit expenses in respect of all Directors:

	Year ended 31 December 2021 £'000	Period ended 31 December 2020 £'000
Wages and salaries	681	233
Employer's national insurance	91	18
Short-term non-monetary benefits	6	1
Defined contribution pension cost	49	11
Share-based payment expenses	14,712	-
	<b>15,539</b>	<b>263</b>

One director exercised share options during the year (2020: one).

Cazoo Holdings Limited (Registered No. 12450682)

**NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2021

**4. Employee benefit expenses (continued)**

Employee benefit expenses in respect of the highest paid Director:

	Year ended 31 December 2021 £'000	Period ended 31 December 2020 £'000
Wages and salaries	394	120
Employer's national insurance	56	17
Short-term non-monetary benefits	3	-
Defined contribution pension cost	29	5
Share-based payment expenses	8,345	-
	<b>8,827</b>	<b>142</b>

No options were exercised in respect of the highest paid Director (2020: nil).

**5. Intangible assets**

	Software £'000
<b>Cost</b>	
<b>At 7 February 2020</b>	-
Additions	213
<b>At 31 December 2020</b>	<b>213</b>
Additions	-
<b>At 31 December 2021</b>	<b>213</b>
<b>Accumulated amortisation</b>	
<b>At 7 February 2020</b>	-
Charge for the period	(33)
<b>At 31 December 2020</b>	<b>(33)</b>
Charge for the year	(72)
<b>At 31 December 2021</b>	<b>(105)</b>
<b>Net book value</b>	
<b>At 31 December 2021</b>	<b>108</b>
<b>At 31 December 2020</b>	<b>180</b>

Cazoo Holdings Limited (Registered No. 12450682)

**NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2021****6. Investment in subsidiaries**

	At 31 December 2021 £'000	At 31 December 2020 £'000
Investment in Imperial Car Supermarkets Limited	25,580	25,580
Investment in Drover Limited	60,902	-
Investment in Cazoo Wholesale Services Limited	14,200	-
Investment in Cluno GmbH	60,376	-
Investment in Cazoo Trading France SaS	21	-
Investment in Cazoo Limited	137,491	137,491
Investment in SMH Fleet Solutions Limited	17,494	-
Investment in Cazoo Data Services Limited	23,690	-
Investment in Swipcar 2017, S.L.	23,569	-
Investment in Vans 365 Limited	7,121	-
Investment in Cazoo Trading Germany GmbH	24	-
	<b>370,468</b>	<b>163,071</b>

**Details of subsidiary undertakings**

These are disclosed in Note 23 of the Group accounts.

**7. Trade and other receivables**

	At 31 December 2021 £'000	At 31 December 2020 £'000
Prepayments	3,639	-
VAT recoverable	406	95
Other receivables	101	88
Receivables from related parties	592,333	214,159
	<b>596,479</b>	<b>214,342</b>

**8. Cash and cash equivalents**

	At 31 December 2021 £'000	At 31 December 2020 £'000
Cash at bank available on demand	101,973	27,923
Cash held in short-term deposits	11	-
	<b>101,984</b>	<b>27,923</b>

Cazoo Holdings Limited (Registered No. 12450682)

**NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2021

**9. Trade and other payables**

	At 31 December 2021 £'000	At 31 December 2020 £'000
Payables to related parties	12,350	544
Accruals and other creditors	3,596	446
Tax and social security payables	2,001	34
Deferred consideration	5,554	1,375
	<b>23,501</b>	<b>2,399</b>

**10. Events after the reporting date**

Details of events after the reporting date are disclosed in Note 26 of the Group accounts.