

Cazoo Limited (Registered No. 11624245)

**Registered number: 11624245**

**CAZOO LIMITED**  
**UNAUDITED ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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Cazoo Limited (Registered No. 11624245)

## COMPANY INFORMATION

<b>Directors</b>	Alex Edward Chesterman Stephen Morana David Palmer (appointed 15 August 2022) Paul Adrian Whitehead
<b>Company secretary</b>	Ned Staple
<b>Registered number</b>	11624245
<b>Registered office</b>	Cazoo Limited 41 Chalton Street London NW1 1JD

Cazoo Limited (**Registered No.** 11624245)

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Cazoo Limited (Registered No. 11624245)

## **STRATEGIC REPORT**

**For the year ended 31 December 2021**

The Directors present their Strategic report of Cazoo Limited ("the Company").

The Strategic report has been prepared to provide shareholders of the Company with additional information to assess the Company'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.

### **Business and finance review**

The Company reported revenue of £622.2 million for the year ended 31 December 2021 (2020: £162.2 million).

The Company reported a loss after tax of £193.3 million for the year ended 31 December 2021 (2020: £92.4 million).

The results of the Company are included in the financial statements from page 12 onwards. No dividends were paid during the year. The Directors do not recommend a final dividend in respect of the year.

### **Financial position**

The Company's total assets as at 31 December 2021 are £515.7 million (2020: £422.8 million) and net liabilities of £89.7 million (2020: net assets of £74.7 million).

Cazoo Limited (Registered No. 11624245)

## **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 Company are identified and continually assessed, mitigated and monitored. The Board is accountable for the risk management practices of the Company 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.

The risks described below are not an exhaustive list of the risks faced by the Company but are a consolidation of those to be of principal significance to Cazoo. 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 Company.

### **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 Company'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 Company 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 Company. Likewise, the Company 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 Company's operations have proven 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, the Company 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 Company 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.

Cazoo Limited (Registered No. 11624245)

## **STRATEGIC REPORT (continued)**

**For the year ended 31 December 2021**

### **Section 172 statement**

The Directors of Cazoo Limited consider, in the context of a constitution of a Board, that they have acted in good faith to promote the success of the Company 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 Company 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 Company 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 Company 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 Company works closely with its suppliers through regular meetings and updates in order to control the quantity and fulfilment of vehicles.

#### *Social responsibility*

- The Company recognises the impact it may have on the environment as a business and as individuals and the Cazoo Group, of which the Company is a member, 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 Company’s performance and put questions to the Board of Directors.

Cazoo Limited (Registered No. 11624245)

## **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  
6 October 2022

Cazoo Limited (Registered No. 11624245)

## **DIRECTORS REPORT**

**For the year ended 31 December 2021**

The Directors present their report of Cazoo Limited ("the Company") for the year ended 31 December 2021.

### **Directors**

Alex Edward Chesterman  
Stephen Morana  
David Palmer (appointed 15 August 2022)  
Paul Adrian Whitehead

### **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 Company's total comprehensive loss for the year ended 31 December 2021 was £193.3 million (2020: £92.4 million). Refer to the Strategic Report for further discussions of the Company's results and performance for the year. No dividends were paid during the year. 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 Limited is well positioned to continue in its aim to transform the car buying experience across the UK.

Please refer to post balance sheet events section below.

### **Financial risk management**

The Company'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 Company. The Company is exposed to interest rate risk through its stocking loans and subscription facilities where interest is charged in reference to a base interest rate. The Company 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.

#### **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or bank ("counterparty") fails to meet its contractual obligations resulting in a financial loss to the Company. The Company'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 Company'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 Company'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.



Cazoo Limited (Registered No. 11624245)

## **DIRECTORS REPORT (continued)**

**For the year ended 31 December 2021**

Credit risk from balances with banks and financial institutions is managed in accordance with the Company's treasury policy. It is the Company'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 Company'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 Company to meet the obligations associated with its financial liabilities that are settled as they fall due. The treasury strategy of the Company 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.

### **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. Certain key suppliers invoice in Euros and US dollars. The Company does not currently hedge against currency risk through the use of financial instruments such as foreign currency swaps.

### **Going concern**

The financial statements have been prepared on a going concern basis. In assessing the going concern position of the Company, the Directors have taken into account the support available from Cazoo Holdings Limited. Further detail of the Cazoo Group's going concern assessment is disclosed in the Cazoo Holdings Limited accounts for the year ended 31 December 2021.

### **Research and development**

The Company continues to incur expenditure on research and development in order to develop new products and enhance its existing technology platform. The Company accounting policies on research and development are disclosed in Note 2 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 Company as we continue to grow at pace and strive to become a market leading employer in the UK, 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.

Cazoo Limited (Registered No. 11624245)

## **DIRECTORS REPORT (continued)**

**For the year ended 31 December 2021**

### **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 Company 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.

### **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 company 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 company and of the profit or loss of 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 company financial position and financial performance;
- in respect of the company 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 will not continue in business.

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

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 Limited (Registered No. 11624245)

## **DIRECTORS REPORT (continued)**

**For the year ended 31 December 2021**

### **Post balance sheet events**

#### *Stocking loans*

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

#### *Business Realignment Plan*

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

As a result of implementation of the Business Realignment Plan, the Company expects to incur charges in the year ending 31 December 2022, including amounts for restructuring.

### **Audit exemption**

For the year ending 31 December 2021, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476.

The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

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



Stephen Morana  
Director  
6 October 2022

Cazoo Limited (Registered No. 11624245)

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

		<b>Year ended 31 December 2021 £'000</b>	<b>Year ended 31 December 2020 £'000</b>
	<b>Notes</b>		
<b>Continuing operations</b>			
<b>Revenue<sup>1</sup></b>	<b>5</b>	<b>622,151</b>	<b>162,208</b>
Cost of sales		<u>(608,578)</u>	<u>(165,082)</u>
<b>Gross profit/(loss)</b>		<b>13,573</b>	<b>(2,874)</b>
Marketing expenses		(62,234)	(36,110)
Selling and distribution expenses		(42,680)	(17,693)
Administrative expenses		<u>(100,360)</u>	<u>(35,677)</u>
<b>Loss from operations</b>	<b>6</b>	<b>(191,701)</b>	<b>(92,354)</b>
Finance income	8	50	320
Finance expense	8	<u>(2,179)</u>	<u>(1,298)</u>
<b>Loss before tax from continuing operations</b>		<b><u>(193,830)</u></b>	<b><u>(93,333)</u></b>
Tax credit	9	<u>501</u>	<u>969</u>
<b>Loss for the year</b>		<b><u>(193,329)</u></b>	<b><u>(92,364)</u></b>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive loss</b>		<b><u>(193,329)</u></b>	<b><u>(92,364)</u></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 Limited (Registered No. 11624245)

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

	Note	At 31 December 2021 £'000	At 31 December 2020 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	74,064	18,758
Right-of-use assets	17	15,353	16,206
Intangible assets	11	13,286	3,606
Trade and other receivables	13	6,487	30,105
		<b>109,190</b>	<b>68,674</b>
<b>Current assets</b>			
Inventory	12	282,746	114,694
Trade and other receivables	13	77,442	24,877
Cash and cash equivalents	20	46,296	214,570
		<b>406,484</b>	<b>354,142</b>
<b>Total assets</b>		<b>515,674</b>	<b>422,816</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	413,506	245,694
Loans and borrowings	15	161,092	86,709
Lease liabilities	17	12,937	3,994
		<b>587,535</b>	<b>336,397</b>
<b>Non-current liabilities</b>			
Loans and borrowings	15	11,014	-
Lease liabilities	17	5,377	10,656
Provisions	16	1,432	1,063
		<b>17,823</b>	<b>11,719</b>
<b>Total liabilities</b>		<b>605,358</b>	<b>348,116</b>
<b>Net (liabilities)/assets</b>		<b>(89,684)</b>	<b>74,700</b>
<b>Equity</b>			
Share capital	18	-	-
Share premium reserve	18	181,250	181,250
Retained earnings		(270,934)	(106,550)
<b>Total equity</b>		<b>(89,684)</b>	<b>74,700</b>

For the year ending 31 December 2021 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006. The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006. The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

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



Stephen Morana  
Director  
6 October 2022

The notes on pages 15 to 39 form part of these financial statements.

Cazoo Limited (Registered No. 11624245)

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2021

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
<b>At 31 December 2019</b>		-	81,500	(17,944)	63,556
<b>Comprehensive loss for the year</b>					
Loss for the year		-	-	(92,364)	(92,364)
Other comprehensive income		-	-	-	-
<b>Contributions by and distributions to owners</b>					
Issue of share capital	18	-	99,750	-	99,750
Share-based payments	19	-	-	3,758	3,758
<b>At 31 December 2020</b>		-	181,250	(106,550)	74,700
<b>Comprehensive loss for the year</b>					
Loss for the year		-	-	(193,329)	(193,329)
Other comprehensive income		-	-	-	-
<b>Contributions by and distributions to owners</b>					
Share-based payments	19	-	-	28,945	28,945
Taxation on share-based payments		-	-	-	-
<b>At 31 December 2021</b>		-	181,250	(270,934)	(89,684)

Cazoo Limited (Registered No. 11624245)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 1. Reporting entity

Cazoo Limited ("the Company") is a limited company incorporated and domiciled in the United Kingdom. The Company's registered office is at 41 Chalton Street, London, NW1 1JD. The Company's principal activity is the operation of an e-commerce platform for buying and selling used cars.

### 2. Significant accounting policies

#### 2.1 Basis of preparation

These standalone financial statements have been prepared in accordance with Companies Act 2006 applicable to companies using Financial Reporting Standards 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company has taken advantage of the following disclosure exemptions under FRS 101 in respect of:

- a) The requirement of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because:
  - i. The share based payment arrangement concerns the instruments of another group entity; and
  - ii. The equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated
- b) The requirements of IFRS 7 Financial Instruments: Disclosures
- c) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- d) The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - i. Paragraph 79(a)(iv) of IAS 1
  - ii. Paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
  - iii. Paragraph 118(e) of IAS 38 Intangible Assets
- e) The requirements of paragraphs 10(d), 10(f), 16, 38(a), 38(b), 38(c), 38(d), 40(a), 40(b), 40(c), 40(d), 111 and 134-136 of IAS 1 Presentation of Financial Statements
- f) The requirements of IAS 7 Statement of Cash Flows
- g) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- h) The requirements of paragraph 17 and 18(a) of IAS 24 Related Party Disclosures;
- i) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that an subsidiary which is a part to the transaction is wholly owned by such a member; and
- j) The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets
- k) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers

The basis for all of the above exemptions is because the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

Details of the Company'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 Company'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.

Cazoo Limited (Registered No. 11624245)

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2021**

### **2.2 Basis of measurement**

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

### **2.3 Presentational currency**

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

### **2.4 Going concern**

The financial statements have been prepared on a going concern basis. In assessing the going concern position of the Company, the Directors have taken into account the support available from Cazoo Holdings Limited. Further detail of the Cazoo Group's going concern assessment is disclosed in the Cazoo Holdings Limited accounts for the year ended 31 December 2021.

## **3. Accounting policies**

### **3.1 Revenue**

The Company 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 Company expects to be entitled to in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a product or service to a customer.

The Company 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 Company does not adjust any of the transaction prices for the time value of money.

#### **(i) Sale of goods**

##### *Retail*

The Company 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 Company 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 Company 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.



Cazoo Limited (Registered No. 11624245)

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2021**

### **3.1 Revenue (continued)**

#### *Wholesale*

The Company 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 Company's quality standards to list and sell as retail vehicles. The Company 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.

#### **(ii) Rendering of services**

##### *Other sales*

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

Customers purchasing vehicles from the Company may enter into a contract for finance or enter a contract to extend their warranty after the initial 90-day inclusive period through the Company's platform. The Company acts as an agent and receives a commission for the arrangement of these contracts from the principal. The Company 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 Company'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 Company satisfies its performance obligations at the point the agreed work is completed. The Company recognises revenue at the agreed purchase price net of sales tax.

Revenue from the Cazoo Subscription Service 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.

### **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.

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 3.3 Leases

The Company 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 Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company classifies assets with value less than £5,000 as low-value. The Company 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 Company 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	2 – 20 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 Company 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.

### 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.

Cazoo Limited (Registered No. 11624245)

## **NOTES TO THE 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 Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company 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 profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the retained earnings.

### **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 Company 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 Company 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

### **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 Company'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 Company 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.

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.

Cazoo Limited (Registered No. 11624245)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 3.7 Taxation (continued)

#### (iii) Current and deferred tax

Current and deferred tax are recognised in 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 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 Company.

Depreciation is provided on all 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 years
Fixtures and fittings	1 – 5 years
Computer equipment	3 years
Motor vehicles	4 to 8 years
Plant and machinery	4 years

The residual values and economic lives of assets are reviewed on an annual basis.

### 3.10 Intangible assets

#### (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	5 years
Development costs and software	3 years

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 3.10 Intangible assets (continued)

#### (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 Company 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.

### 3.11 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company 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 Company 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 Company 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.

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## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2021**

### **3.12 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 Company recognises any necessary adjustments to reflect vehicle inventory at the lower of cost or net realisable value through cost of sales.

### **3.13 Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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).

### **3.14 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

### 3.14 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 Company 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 Company 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 Company'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 Company 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 Company 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 Company derecognises financial liabilities when, and only when, the Company'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**

### **3.14 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



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## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2021**

### **4. Accounting judgements and estimates**

#### **4.1 Judgements**

##### **Capitalisation of development time**

Time spent by the Company's employees, and external contractors under the direction of the Company's employees, in software development is capitalised as an internally generated intangible asset when the requirements of IAS 38 and of Company 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 3.10.
- 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 Company capitalised £11.6 million of employee and contractor development expenditure in the year ended 31 December 2021 (2020: £1.6 million).

##### **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 Company is primarily responsible for fulfilling the promise to provide the specified good or service.
- Assessment of whether the Company 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 Company 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.

#### **4.2 Estimates**

##### **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 Company 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 Company, is used to estimate the expected selling prices of inventory. At each reporting period the Company recognises any necessary adjustments to reflect vehicle inventory at the lower of cost or net realisable value through cost of sales. See Note 16 for further details of the inventory provision, including a sensitivity analysis.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2021****4.2 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 Company 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 Company 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 Company 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 Company '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 Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

**5. Revenue****5.1 Disaggregated revenue information**

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

Revenue recognised has arisen entirely within the United Kingdom.

	<b>Year ended 31 December 2021 £'000</b>	<b>Year ended 31 December 2020 £'000</b>
<b>Type of goods</b>		
Retail	500,465	150,420
Wholesale	103,436	8,667
Other sales	18,250	3,121
	<b>622,151</b>	<b>162,208</b>
<b>Recognition of revenue</b>		
Revenue from contracts with customers	603,901	162,208
Other revenue	18,250	-
	<b>622,151</b>	<b>162,208</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2021

**5.2 Contract balances**

	At 31 December 2021 £'000	At 31 December 2020 £'000
Trade receivables	4,940	7,048
Contract assets	2,531	599
Contract liabilities	(5,862)	(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.

	Within one month as at 31 December 2021 £'000	Within one month as at 31 December 2020 £'000
Undelivered vehicles	5,862	9,059

**6. 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	12,095	5,897
Amortisation of intangible assets	2,390	1,259
Expensed research and development cost	7,881	6,697

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2021****7. Employee benefit expenses****Employee expenses**

Employee benefit expenses, including Directors, comprise:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Wages and salaries	41,821	10,955
Employer's national insurance	5,248	2,060
Short-term non-monetary benefits	394	415
Defined contribution pension cost	2,177	871
Share-based payment expenses	28,945	3,759
	<b>78,585</b>	<b>18,060</b>

Average number of employees, including Directors, comprise:

	Year ended 31 December 2021	Year ended 31 December 2020
Vehicle preparation	1,124	53
Marketing	27	17
Selling and distribution	233	187
Administrative	337	190
<b>Total</b>	<b>1,721</b>	<b>447</b>

**Directors' remuneration**

From 1 August 2020 the Directors' remuneration was paid by Cazoo Holdings Limited.

Cazoo Limited (Registered No. 11624245)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2021

**8. Finance income and expense**

Recognised in profit or loss

	Year ended 31 December 2021 £'000	Year ended 31 December 2021 £'000
<b>Finance income</b>		
Interest on bank deposits	50	320
<b>Total finance income</b>	<b>50</b>	<b>320</b>
<b>Finance expense</b>		
Bank interest payable	(1,913)	(1,000)
Lease interest accretion	(266)	(298)
<b>Total finance expense</b>	<b>(2,179)</b>	<b>(1,298)</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2021****9. Taxation**

No deferred tax assets or deferred tax liabilities were recognised in the year ended 31 December 2021 (2020: nil). The charge for the year can be reconciled to the statement of profit and loss as follows:

	<b>Year ended 31 December 2021 £'000</b>	<b>Year ended 31 December 2020 £'000</b>
Loss before tax from continuing operations	<b>(193,830)</b>	(93,333)
Current corporation tax rate of 19%	<b>(36,828)</b>	(17,733)
Expenses not deductible for tax purposes	<b>1,032</b>	1,221
Research and development claim – prior year	<b>(501)</b>	(969)
Deduction for research and development claim	-	969
Losses surrendered for research and development claim	-	(969)
Deferred tax asset not recognised	<b>35,796</b>	16,512
<b>Tax credit</b>	<b>(501)</b>	(969)

The Company has unutilised tax losses of £356.8 million (2020: £123.5 million) which are available against future taxable profits for an indefinite period. No deferred tax assets have been recognised due to uncertainty of future taxable profits in the upcoming financial years against which to utilise the losses.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2021

**10. Property, plant and equipment**

	Leasehold improve- ments £'000	Fixtures and fittings £'000	Computer equipment £'000	Sub- scription vehicles £'000	Other motor vehicles £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>							
<b>At 31 December 2019</b>	<b>1,191</b>	<b>757</b>	<b>235</b>	<b>-</b>	<b>40</b>	<b>-</b>	<b>2,224</b>
Additions	11,785	2,967	363	-	2,702	-	17,817
<b>At 31 December 2020</b>	<b>12,976</b>	<b>3,724</b>	<b>598</b>	<b>-</b>	<b>2,742</b>	<b>-</b>	<b>20,041</b>
Additions	2,169	2,597	1,239	50,827	7,324	275	64,432
Disposals	-	-	-	-	-	(17)	(17)
Transfers	-	-	-	(1,715)	791	-	(924)
<b>At 31 December 2021</b>	<b>15,145</b>	<b>6,321</b>	<b>1,838</b>	<b>49,112</b>	<b>10,857</b>	<b>259</b>	<b>83,532</b>
<b>Accumulated depreciation</b>							
<b>At 31 December 2019</b>	<b>(54)</b>	<b>(109)</b>	<b>(35)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(199)</b>
Depreciation charge for the year	(560)	(318)	(133)	-	(74)	-	(1,084)
<b>At 31 December 2020</b>	<b>(614)</b>	<b>(427)</b>	<b>(167)</b>	<b>-</b>	<b>(75)</b>	<b>-</b>	<b>(1,283)</b>
Depreciation charge for the year	(2,972)	(1,070)	(384)	(2,151)	(1,558)	(28)	(8,162)
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	43	(66)	-	(23)
<b>At 31 December 2021</b>	<b>(3,585)</b>	<b>(1,497)</b>	<b>(551)</b>	<b>(2,108)</b>	<b>(1,699)</b>	<b>(28)</b>	<b>(9,468)</b>
<b>Net book value</b>							
<b>At 31 December 2021</b>	<b>11,560</b>	<b>4,824</b>	<b>1,286</b>	<b>47,004</b>	<b>9,158</b>	<b>231</b>	<b>74,064</b>
<b>At 31 December 2020</b>	<b>12,362</b>	<b>3,297</b>	<b>431</b>	<b>-</b>	<b>2,667</b>	<b>-</b>	<b>18,758</b>

Cazoo Limited (Registered No. 11624245)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2021

**11. Intangible assets**

	<b>Domain names £'000</b>	<b>Development costs and software £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
<b>At 31 December 2019</b>	<b>20</b>	<b>3,244</b>	<b>3,264</b>
Additions	31	1,646	1,677
<b>At 31 December 2020</b>	<b>51</b>	<b>4,890</b>	<b>4,941</b>
Additions	23	12,047	12,070
<b>At 31 December 2021</b>	<b>74</b>	<b>16,937</b>	<b>17,011</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)	(1,254)	(1,259)
<b>At 31 December 2020</b>	<b>(9)</b>	<b>(1,326)</b>	<b>(1,335)</b>
Charge for the year	(25)	(2,365)	(2,390)
<b>At 31 December 2021</b>	<b>(34)</b>	<b>(3,691)</b>	<b>(3,725)</b>
<b>Net book value</b>			
<b>At 31 December 2021</b>	<b>40</b>	<b>13,246</b>	<b>13,286</b>
<b>At 31 December 2020</b>	<b>42</b>	<b>3,564</b>	<b>3,606</b>



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2021

**12. Inventory**

	At 31 December 2021 £'000	At 31 December 2020 £'000
Finished goods and work in in progress	282,746	114,694

At each reporting period the Company 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 4.2.

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

	At 31 December 2021 £'000	At 31 December 2020 £'000
Gross inventory	286,373	118,203
Inventory provision	(3,627)	(3,509)
<b>Inventory</b>	<b>282,746</b>	<b>114,694</b>

During the year £451.4 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	1,180	882
Inventory provision	-2	(1,605)	(1,132)

As at 31 December 2021 inventory of £215.2 million (2020: £96.3 million) was held as a security against stocking loans.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2021

**13. Trade and other receivables**

	At 31 December 2021 £'000	At 31 December 2020 £'000
Trade receivables	4,939	7,048
Prepayments	21,111	20,205
Contract assets	2,531	599
VAT recoverable	12,978	8,890
Other receivables	2,462	2,149
Intercompany receivables	39,908	16,092
<b>Total trade and other receivables</b>	<b>83,929</b>	<b>54,982</b>
Current	77,442	24,877
Non-current	6,487	30,105

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

**14. Trade and other payables**

	At 31 December 2021 £'000	At 31 December 2020 £'000
Trade payables	11,517	12,573
Accruals and other creditors	11,262	7,562
Intercompany payables	381,869	215,210
Tax and social security payables	2,996	1,289
Contract liabilities	5,862	9,059
<b>Total trade and other payables</b>	<b>413,506</b>	<b>245,694</b>
Current	413,506	245,694
Non-current	-	-

Trade and other payables are measured at amortised cost.

Cazoo Limited (Registered No. 11624245)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2021

**15. Loans and borrowings**

	At 31 December 2021 £'000	At 31 December 2020 £'000
<b>Current</b>		
Stocking loans	156,766	86,709
Subscription facilities	4,326	-
	<b>161,092</b>	<b>86,709</b>
<b>Non-current</b>		
Subscription facilities	11,014	-
	<b>11,014</b>	<b>-</b>
<b>Total loans and borrowings</b>	<b>172,106</b>	<b>86,709</b>

The carrying value of loans and borrowings classified as financial liabilities measured at amortised cost approximates fair value.

The Company's loans and borrowings are denominated in Pound Sterling.

**16. Provisions**

	Dilapidation provisions £'000
<b>At 31 December 2019</b>	<b>582</b>
Recognised during the year	481
<b>At 31 December, 2020</b>	<b>1,063</b>
Recognised during the year	369
<b>At 31 December 2021</b>	<b>1,432</b>
Current	-
Non-current	1,432

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.

Cazoo Limited (Registered No. 11624245)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2021****17. Leases**

The Company has lease contracts for its offices, transporter motor vehicles and furniture and fittings. The Company'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:

	Leasehold property £'000	Fixtures and fittings £'000	Subscription vehicles £'000	Other motor vehicles £'000	Total £'000
<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	6,917	-	-	6,496	13,413
<b>At 31 December 2020</b>	<b>12,367</b>	<b>74</b>	<b>-</b>	<b>8,247</b>	<b>20,688</b>
Additions	-	-	1,255	6,025	7,280
Disposals	(4,530)	-	-	(220)	(4,751)
Transfers	-	-	-	(791)	(791)
<b>At 31 December 2021</b>	<b>7,837</b>	<b>74</b>	<b>1,255</b>	<b>13,261</b>	<b>22,427</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	(2,966)	(14)	-	(995)	(3,976)
Disposals	-	-	-	-	-
<b>At 31 December 2020</b>	<b>(3,387)</b>	<b>(18)</b>	<b>-</b>	<b>(1,076)</b>	<b>(4,482)</b>
Depreciation charge for the year	(2,193)	(15)	(18)	(2,716)	(4,942)
Disposals	2,142	-	-	143	2,285
Transfers	-	-	-	66	66
<b>At 31 December 2021</b>	<b>(3,438)</b>	<b>(33)</b>	<b>(18)</b>	<b>(3,583)</b>	<b>(7,073)</b>
<b>Net book value</b>					
<b>At 31 December 2021</b>	<b>4,399</b>	<b>41</b>	<b>1,237</b>	<b>9,677</b>	<b>15,353</b>
<b>At 31 December 2020</b>	<b>8,980</b>	<b>56</b>	<b>-</b>	<b>7,171</b>	<b>16,206</b>

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

	Lease liabilities £'000
<b>At 31 December 2019</b>	<b>5,868</b>
Additions	13,550
Interest	243
Payments	(5,011)
<b>At 31 December 2020</b>	<b>14,650</b>
Additions	10,386
Interest	332
Payments	(4,559)
Terminations	(2,495)
<b>At 31 December 2021</b>	<b>18,314</b>

Cazoo Limited (Registered No. 11624245)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2021

**17. Leases (continued)**

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

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Depreciation expense	2,591	3,976
Interest on lease liabilities	332	243
<b>Total</b>	<b>2,923</b>	<b>4,219</b>

**18. Share capital****Issued and fully paid share capital**

	2021 Number '000	2020 Number '000	2021 £'000	2020 £'000
Ordinary shares	61,600	61,600	-	-
Series A shares	30,250	30,250	-	-
Series B shares	29,412	29,412	-	-
Series C shares	23,471	23,471	-	-
	<b>144,732</b>	<b>144,732</b>	<b>-</b>	<b>-</b>

There were no share issuances during the year ended 31 December 2021.

Cazoo Limited (Registered No. 11624245)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2021****19. Share based payments****Details of the employee share option of the Company**

The Company operates an equity-settled share-based incentive scheme. The options vest in instalments over four years with expiry after ten years. Unvested options are forfeited if the employee leaves the Company before the options vest. During the year share options were granted under an unapproved scheme.

On 10 June 2020 Cazoo Holdings Limited was inserted as the parent company of Cazoo Limited in a Group reorganisation. All outstanding share options of Cazoo Limited were exchanged with replacement options in Cazoo Holdings Limited.

On 29 March 2021, Ajax I, a Cayman Islands exempted company ("Ajax"), Cazoo Holdings Limited and Capri Listco, a Cayman Islands exempted company ("Listco"), entered into the Business Combination Agreement (the "Business Combination Agreement"), as amended by the First Amendment thereto, dated as of 14 May 2021 which, among other things, provided that (i) Ajax would merge with and into the Company, with the Company continuing as the surviving company, (ii) the Company would acquire all of the issued and outstanding shares of Cazoo Holdings Limited via exchange for a combination of shares of the Company and cash consideration and (iii) the Company would become tax resident in the UK following the consummation of the Transaction. Upon consummation of the Transaction, shareholders of Ajax and Cazoo Holdings Limited became shareholders of Listco, and Listco changed its name to "Cazoo Group Ltd." Upon consummation of the Transaction Class A ordinary shares, par value \$0.001 per share (the "Class A Shares") and warrants of Cazoo Group Ltd became listed on the NYSE under the symbols "CZOO" and "CZOO WS," respectively. All outstanding share options of Cazoo Holdings Limited were exchanged with replacement options in Cazoo Group Ltd.

The expense recognised for share-based payments in respect of employee services received during the year ended 31 December 2022 was £28.9 million (2020: £3.8 million).

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>
Valuation method	Monte-Carlo	N/A <sup>1</sup>
Exercise price	£nil	£nil
Expected volatility	50%	N/A
Dividend yield	Nil	Nil
Risk free interest rate	0.00%	N/A
Fair value per share	£8.27 - £23.74	£5.33

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

Cazoo Limited (Registered No. 11624245)

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2021**

### **20. Events after the reporting date**

#### **Stocking loans**

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

#### **Business realignment plan**

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

As a result of implementation of the Business Realignment Plan, the Company expects to incur charges in the year ending 31 December 2022, including amounts for restructuring.

### **21. Ultimate parent company and controlling party**

The immediate parent company is Cazoo Holdings Limited, a company incorporated in the United Kingdom. The ultimate parent company and controlling party is Cazoo Group Ltd, a company incorporated in the Cayman Islands.

The smallest undertaking for which the Company is a member and for which group financial statements are prepared is Cazoo Holdings Limited and the largest group is Cazoo Group Ltd.

Copies of the financial statements of Cazoo Group Ltd and Cazoo Holdings Limited may be obtained from its registered office 41 Chalton Street, London, NW1 1JD.