

Cazoo Holdings Limited

Registered number: 12450682

CAZOO HOLDINGS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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Cazoo Holdings Limited

COMPANY INFORMATION

Directors	Alex Edward Chesterman Stephen Morana
Company secretary	Ned Staple
Registered number	12450682
Registered office	Cazoo Holdings Limited 41 Chalton Street London NW1 1JD
Auditors	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 2020

The Directors present their strategic report of Cazoo Holdings Limited ("the Company") and its subsidiaries (together "the Group" or "Cazoo"). This is the first-time consolidated statements have been prepared for the Group.

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 aims to transform the car buying experience across the UK and Europe. The Group makes getting your next car no different to buying any other product online today where consumers can simply and seamlessly buy, finance or subscribe to a car entirely online for either delivery or collection in as little as 72 hours.

Business model and strategy

Cazoo operates the UK's leading e-commerce platform for online car buying by offering better selection, value, quality, flexibility, and convenience.

Cazoo has created a unique, best in-class customer experience and has built a brand with market leading execution, proprietary data and technology and a world class team. It gives consumers a fully end-to-end digital buying experience with the entire purchasing journey taking place online and is benefiting from the acceleration and permanent consumer shift from offline to online.

Cazoo owns and fully reconditions all its cars and carries out a 300 point inspection before offering them for sale on its website. Cazoo has thousands of cars available at any time for either delivery or collection in as little as 72 hours. Every Cazoo car comes with a full 7-day money back guarantee and a free 90-day warranty.

During the period the Group began the roll out of its Customers Centres across the UK which form a key part of its storage and distribution infrastructure as well as providing its customers with a local collection option and servicing facilities.

Since the end of the reporting period, Cazoo has expanded its business to include car subscription, brought vehicle refurbishment inhouse and entered the European market through the acquisitions of Drover, Smart Fleet Solutions and Cluno, which completed in 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 Group figures and comparatives presented in this annual report have been presented on the basis that Cazoo Holdings Limited was in existence from the incorporation of Cazoo Limited.

The Group reported revenue of £162.2m (2019: £1.2m, 2018: £nil) after a successful launch of the Cazoo platform in December 2019. The reported revenue has increased significantly since the comparative 12 month and 3 month periods contains only a single month of post-launch trading.

The Group reported an adjusted EBITDA of £(81.2m), 2019: £(16.7m), 2018 £(0.2m).

The Group reported a loss after tax of £102.7m, 2019: £18.0m, 2018: £0.2m

The Group reported an unadjusted EPS of £(0.69), 2019: £(0.18), 2018: £(0.00).

The Group reported an adjusted EPS of £(0.66), 2019: £(0.18), 2018p: £(0.00).

Cazoo Holdings Limited (Registered No. 12450682)

STRATEGIC REPORT (continued)

For the year ended 31 December 2020

Business and finance review (continued)

Cazoo Holdings Limited acquired Imperial Car Supermarkets Limited ("Imperial Cars") on 15 July 2020 for a total consideration, net of cash acquired, of £26.9m. Imperial Cars was one of the largest independent used car retailers adding significant infrastructure and expertise to the Group. The acquisition of Imperial Cars allowed the Group to accelerate its roll out of customer centres by obtaining a portfolio of suitable leasehold and freehold properties. The Imperial Cars business was closed on 1 October 2020. The revenue and costs arising from the Imperial business post-acquisition have been treated as a discontinued operation. See note 11 of the consolidated financial statements for further details.

On 23 March 2020 the Group completed its Series C funding round initially raising £99.8m followed by an extension to the funding round on 23 June 2020 raising an additional £25.3m. The Series C extension marked Cazoo joining the exclusive list of companies known as unicorns, with valuations in excess of \$1 billion.

On 1 October 2020 the Group completed its Series D funding round raising £231.6m. The Series D funding round took the total funds raised in the two years since Cazoo was founded to a record setting £445.0m.

The results of the Group are included in the financial statements from page 21 onwards. No dividends were paid during the year. The Directors do not recommend a final dividend in respect of the year.

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 our audited consolidated financial statements and related notes included elsewhere in this report.

	Year ended 31 December		Variance	
	2020	2019	Change	%
Retail units sold	12,097	107	11,990	11,206%
Gross profit/(loss) per unit	£(229)	£(9,883)	£9,654	98%
Average monthly unique users	763,000	195,000	568,000	291%
Inventory units available on website	4,628	2,028	2,600	128%

Retail units sold

Retail units sold is defined as the number of vehicles sold through our website and delivered to customers, net of returns under our 7-day money back guarantee program. Retail units sold excludes vehicles sold through our wholesale channel. Our retail business is the core proposition of our business and as we continue to expand, we expect that the retail units sold will be the primary driver of our revenue growth. Additionally, each 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.

Cazoo Holdings Limited (Registered No. 12450682)

STRATEGIC REPORT (continued)

For the year ended 31 December 2020

Key performance indicators (continued)

Retail units sold for the year ended 31 December 2020 was 12,097 units compared to 107 retail units sold for the year ended 31 December 2019. The increase of 11,990 units was due to a full year of sales in 2020 in comparison to one month of post-launch sales in 2019.

Retail units sold increased throughout 2020, which was primarily a result of our continued investment in brand and marketing, increasing inventory available on the website and our continued website optimization since launch.

Gross profit/(loss) per unit

This metric is defined as the aggregate retail sales price and ancillary revenues (including financing commission, warranty commission, paint protection and any add-ons) from all vehicles sold through our website in a given period, less the aggregate costs to acquire those vehicles, the aggregate costs of inbound transportation to the vehicle preparation centers, 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 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 refurbishment, days to sale, our finance attachment rate and the number of new ancillary products.

For the year ended 31 December 2020, the gross loss per unit was £229 compared to gross loss per unit of £9,883 for the year ended 31 December 2019. The significant gross loss per unit in 2019 was due to the low number of retail units sold and the impairment of inventory purchased in the pre-launch period. The decrease in gross loss per unit in 2020 was primarily due to a significant increase in retail units sold, refurbishment efficiencies, reducing days to sale and growing ancillary services.

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

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 average monthly unique users during the year ended 31 December 2020 was 763,000 users compared to 195,000 users during the year ended 31 December 2019. The increase in the average monthly unique visitors is primarily due to our investment in marketing and the increased brand recognition.

Inventory units available on website

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 - purchase, finance or subscribe.

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.

Cazoo Holdings Limited (Registered No. 12450682)

STRATEGIC REPORT (continued)

For the year ended 31 December 2020

Key performance indicators (continued)

Our inventory units available on website increased to 4,628 units in 2020 from 2,028 units in 2019. The 2,600 increase in units was primarily driven by the increased demand from our customers in 2020, driving the need for a larger depth and breadth of vehicles on offer on our website.

Financial position

The Group's total assets as at 31 December 2020 are £507.7m, 2019: £106.7m, 2018: £31.4m and net assets of £330.5m, 2019: £63.6m, 2018: £31.3m. This is as a result of the Series B funding round in the year ended 31 December 2019 and the Series C and Series D funding rounds in the year ended 31 December 2020.

Risk Management

Principal risks and uncertainties

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 2020 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 Group 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 Group.

Strategic & Commercial Risk

As with all businesses, we are 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 our KPIs, market research, sensitivity analysis and the maintenance of close relationships with key suppliers and partners.

Operational Risk

Similarly to the Group's strategic and commercial risks, 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 (including COVID-19).

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 have proven resilient in supporting the growth through the COVID-19 pandemic and Cazoo is continuously reviewing the business continuity plans.

Cazoo Holdings Limited (Registered No. 12450682)

STRATEGIC REPORT (continued)

For the year ended 31 December 2020

Regulatory

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.

COVID-19 pandemic

As Cazoo functions primarily as an end-to-end digital platform, the impact of the COVID-19 pandemic on its business operations has been limited. In line with government advice, the Group is continuing to deliver cars to customers' homes and customers still have the option to collect cars from one of the Group's customer centres. All Cazoo cars are thoroughly sanitised inside and out and all handovers are conducted at a safe distance. The Group's service centres also remain open for essential servicing, MOTs and repairs.

The Group has implemented COVID-secure procedures to ensure the safety of both its customers and employees. The COVID-19 pandemic has helped to accelerate the shift from offline to online, as more customers are now looking to purchase cars online.

Brexit

Since the end of the 2020 financial year the Group has entered the European market through the acquisitions of Drover and Cluno. However, the withdrawal of the UK from the European Union is not expected to have a material impact on the Group's business since the trade of goods and services between the British and European markets of the Group is expected to be minimal.

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 30 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.

Cazoo Holdings Limited (Registered No. 12450682)

STRATEGIC REPORT (continued)

For the year ended 31 December 2020

Section 172 statement (continued)

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 a working Group to measure and explore solutions to reducing any adverse impact.
- COVID-19 - the impact of the Coronavirus pandemic is constantly under review. The focus being on the health, safety, and wellbeing of employees, customers, and business partners.

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.

This report was approved by the board on 19 October 2021 and signed on its behalf.

DocuSigned by:

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S Morana
Director
19 October 2021

Cazoo Holdings Limited (Registered No. 12450682)

DIRECTORS REPORT

For the year ended 31 December 2020

The Directors present their report of Cazoo Holdings Limited (the Company) and its subsidiaries (together "the Group") for the year ended 31 December 2020.

Directors

Alex Edward Chesterman
Stephen Morana (appointed 13 July 2020)
Fred Destin (resigned 26 August 2021)
Lord Viscount Rothermere (resigned 26 August 2021)
David Hobbs (appointed 9 October 2020 and resigned 26 August 2021)
Alex Gersh (resigned 10 March 2020)

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 after tax was £102.7m (2019: £18.0m, 2018: £0.2m). 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 2020 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 and Europe.

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 facility where interest is charged in reference to LIBOR. The Group does not hedge against interest rate risk (detailed note 24).

Credit risk

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 (detailed note 18) represents customer funds to be received from our consumer finance partners and payment gateway provider. No provision in relation to the recoverability of receivables has been recognised.

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 (detailed note 27).

Cazoo Holdings Limited (Registered No. 12450682)

DIRECTORS REPORT (continued)

For the year ended 31 December 2020

Credit risk (continued)

The acquisition of Drover and Cluno in 2021 will result in the Group increasing its credit exposure with receivables arising directly from consumers through subscription contracts. The Group is in the process of developing its policies and procedures to manage this risk.

Liquidity risk

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 Group forecasts cash flow on a rolling weekly basis to ensure that sufficient funds are available to cover future expenses and capital expenditure.

Currency risk

Following the acquisitions of Drover and Cluno in early 2021, the Group now receives a proportion of its revenue in foreign currency. In addition, certain key suppliers' invoice in Euros and US dollars. The Group aims to naturally hedge these transactions by incurring operating expenses in the same currency where the associated revenue arises. The Group does not currently hedge against currency risk through the use of financial instruments such as foreign currency swaps. However, the Group may look to do this in future as appropriate.

Going concern

The financial statements have been prepared on a going concern basis as the Directors' are satisfied that the Group will continue in operational existence for the foreseeable future. In assessing the going concern position of the Group, the Directors have considered the Group's cash flows, liquidity and business activities. As at 31 December 2020, the Group had net assets of £330.5m and a cash balance of £243.5m following the successful completion of the Series D funding round in October 2020.

The Group raised additional capital in the third quarter of 2021 through a business combination with Ajax I a special purpose acquisition company listed on the New York Stock Exchange (the "business combination"). The completion of the business combination raised proceeds of \$836m, net of fees to fund Cazoo's growth strategy in the UK and across Europe. The Directors have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than the period to 31 October 2022. On this basis the Directors have prepared the financial statements on a going concern basis.

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 period.

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 in the UK and Europe, 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.

Cazoo Holdings Limited (Registered No. 12450682)

DIRECTORS REPORT (continued)

For the year ended 31 December 2020

Employees (continued)

Overall employee engagement is measured via regular employee surveys to gather feedback and benchmark results against leading employers within the UK and Europe, 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.

Environmental matters

For its financial year ended December 2020, the Group has measured its carbon emissions for the first time, 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 and from its purchased services, which are a significant emissions source from its core operational activity. 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. Its emissions impacts are all UK based and the basis of reporting is the financial control approach. Energy and Carbon outputs for the Group are:

Scope 1- Direct GHG emissions	CO2e	kwh
Gas	119.02	647,323
Transport	1,201.34	4,630,430
Total	1,320.36	5,277,753
Scope 2- Indirect GHG emissions	CO2e	kwh
Electricity	350.26	1,502,341
Total Scope 1 & 2	1,670.62	6,780,094
Scope 3- Other value chain GHG emissions	CO2e	
Total	1,961.86	N/A
Total	3,632.46	

Cazoo Holdings Limited (Registered No. 12450682)

DIRECTORS REPORT (continued)

For the year ended 31 December 2020

Environmental matters (continued)

The company's carbon intensity per revenue and FTE intensity is derived from all reported UK operations impacts, show above.

Company Intensity Measures

Tonnes CO2e per £100,000 of Revenue	2.270
Tonnes CO2e per FTE	4.501

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

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 period.

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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Cazoo Holdings Limited (Registered No. 12450682)

DIRECTORS REPORT (continued)

For the year ended 31 December 2020

Directors' responsibilities statement (continued)

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.

Financial risk management objectives

Details of the Group's risk management objectives are included within note 24.

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

On 25 January 2021, Cazoo Holdings Limited acquired 100% of the share capital of Drover Limited ("Drover"), a leading UK car subscription service, for total consideration of £58.8m. The consideration was £21.0m in cash, £4.5m of debt assumed and discharged and £33.3m through the issue of Cazoo Holdings Limited shares and warrants.

Drover is car subscription service with operations in the United Kingdom and France. Founded in 2016, Drover had grown to a team of over 100 employees across London, Lisbon, Paris and Bucharest. Drover provides 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 acquisition combined Cazoo's brand, platform and funding with Drover's expertise and relationships in car subscription services. 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 nascent subscriber base in France along with the associated recurring revenues.

On 11 February 2021, Cazoo Holdings Limited acquired Smart Fleet Solutions Limited for consideration of £23.1m. Consideration was £13.1m in cash, £9.0m of debt assumed and discharged and £1.0m through the issue of Cazoo Holdings Limited shares. The final consideration is dependent upon completion accounts which are not yet finalised. The Group also acquired £15.9m of freehold property relating to reconditioning sites operated by Smart Fleet Solutions Limited in the same transaction.

Smart Fleet Solutions Limited is a vehicle refurbishment business operating four state-of-the-art vehicle refurbishment centres across the UK and provides the Group with the capacity to refurbish approximately 200,000 cars per year across all its sites, reducing its reliance on any third-party providers. Smart Fleet's team of over 500 vehicle refurbishment and logistics staff also provide significant expertise. In addition, Smart Fleet has 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 refurbishment of used cars, which is expected to enhance the Group's ability to operate at scale.

On 23 February 2021, Cazoo Holdings Limited acquired Cluno GmbH ("Cluno"), a leading German car subscription service, for consideration of £60.4m. Consideration was £29.4m in cash and £31.0m through the issue of Cazoo Holdings Limited shares.

Cazoo Holdings Limited (Registered No. 12450682)

DIRECTORS REPORT (continued)

For the year ended 31 December 2020

Post balance sheet events (continued)

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 offers a monthly subscription that includes 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 has 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 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 22 March 2021, Cazoo Limited entered into an additional £25 million stocking facilities for the financing of Group inventory.

On 12 April 2021, Cazoo Limited entered into a £25 million facility for the financing of the Group's subscription fleet of vehicles.

During August 2021, the Group entered into a €20m stocking facility to finance the purchase of retail cars in Europe.

On 27 August 2021, Cazoo Holdings Limited and Ajax I, a publicly traded special purpose acquisition company, completed a business combination which resulted in the public listing of the Group. Under the terms of the business combination agreement, the Group and Ajax combined under a new holding company domiciled in the Cayman Islands ("Listco"). Cazoo Group Limited is listed on the New York Stock Exchange under the symbol "CZOO", which resulted in proceeds of \$836m, net of fees. The transaction shall be treated as a "reverse acquisition" where Cazoo Holdings Limited is identified as accounting acquirer. The operations of the Group substantially comprise the ongoing operations of the combined company.

On 2 September 2021, Cazoo Holdings Limited acquired Cazana Limited ('Cazana') for a cash consideration of £25m.

Founded in 2012, Cazana had grown to a team of more than 50 staff including data scientists and engineers headquartered in London. Cazana has built an extensive dataset of over 500 million historic vehicle transactions from over 40 countries including the UK, Germany, France, Spain and Italy and its tools are 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 will combine its brand, proposition and platform with Cazana's extensive data, products and expertise. This deal will enhance the Group's data team and capabilities and allow it to further optimise its car buying and pricing across the UK and Europe for the benefit of consumers.

On 15 September 2021, Cazoo Holdings Limited acquired SMH Fleet Solutions Limited ('SMH') for a cash consideration of approximately £70m.

Established in 2003, SMH has a team of over 500 expert staff currently processing more than 70,000 vehicle refurbishments annually from 6 vehicle preparation sites across 136 acres in Bedford, Gloucester, Throckmorton, Worcester and St Helens. SMH also carries out over 150,000 vehicle movements per year with a team of over 300 logistics specialists as well as operating an online wholesale platform for used cars.

The combination of Cazoo's online retail platform and brand with SMH's leading infrastructure and expertise will double Cazoo's overall vehicle reconditioning, logistics and storage capabilities in the UK with 11 total sites across more than 265 acres, as well as providing it with an experienced team of hundreds of additional vehicle preparation and logistics specialists and its own digital wholesale platform.

Cazoo Holdings Limited (Registered No. 12450682)

DIRECTORS REPORT (continued)

For the year ended 31 December 2020

Post balance sheet events (continued)

On 18 October 2021, Cazoo agreed to acquire Vans365 Limited ("Vans365") for £6.5m in cash. The transaction is subject to FCA approval, anticipated in the coming weeks.

Vans365 is an independent online commercial vehicle retailer in the UK with a team of experienced in-house technicians and customer service specialists based in Bristol, buying and selling hundreds of vans monthly and achieving excellent customer feedback with a 4.8 Trustpilot score.

The deal will combine Cazoo's platform and brand with Vans365's expertise and relationships in the commercial vehicle market and will enhance Cazoo's customer offering and team and accelerate its planned launch into buying and selling commercial vehicles online later this year.

As of the date of this report, management has not completed its purchase price allocation exercise for the above acquisitions. Full details of the fair value of assets and liabilities acquired are not available yet and will be provided in the Group's results for the year ended 31 December 2021.

There have been no other reportable subsequent events at the date of signing of this report.

This report was approved by the board on 19 October 2021 and signed on its behalf.

DocuSigned by:

8325323FC521496

S Morana
Director
19 October 2021

Cazoo Holdings Limited (Registered No. 12450682)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAZOO HOLDINGS LIMITED

For the year ended 31 December 2020

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 2020 which comprise the Group Profit and Loss Account, the Group and Parent company Balance Sheet, Group statement of cash flows, the Group statement of comprehensive income, the Group and Parent statement of changes in equity and the related notes 1 to 29 (10 for Parent Company financial statements), 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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 the period to 31st October 2022.

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 MEMBERS OF CAZOO HOLDINGS LIMITED (continued)

For the year ended 31 December 2020

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information 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 there is 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 13, 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 MEMBERS OF CAZOO HOLDINGS LIMITED (continued)

For the year ended 31 December 2020

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 Group and Parent 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).
- We obtained a understanding of the policies and procedures in place to ensure compliance with laws and regulations 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 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.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. 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.

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.

Cazoo Holdings Limited (Registered No. 12450682)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAZOO HOLDINGS LIMITED (continued)

For the year ended 31 December 2020

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.

DocuSigned by:

274D85FAB9BF46F

Richard Addison (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
19 October 2021

Cazoo Holdings Limited (Registered No. 12450682)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

		Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
	Notes			
Continuing operations				
Revenue	6	162,208	1,176	-
Cost of sales		(165,082)	(2,246)	-
Gross loss		(2,874)	(1,070)	-
Marketing expenses		(36,110)	(3,899)	-
Selling and distribution expenses		(17,693)	(2,059)	-
Administrative expenses		(42,358)	(10,650)	(179)
Loss from operations	7	(99,035)	(17,678)	(179)
Finance income	9	486	170	-
Finance expense	9	(1,298)	(456)	-
Loss before tax from continuing operations		(99,847)	(17,964)	(179)
Tax credit	10	969	-	-
Loss for the year from continued operations		(98,878)	(17,964)	(179)
Discontinued operations				
Loss after tax for the year from discontinued operations	11	(3,809)	-	-
Loss for the year		(102,687)	(17,964)	(179)
Other comprehensive income		-	-	-
Total comprehensive loss		(102,687)	(17,964)	(179)
Earnings per share:				
Net loss per ordinary share, basic and diluted		£(0.69)	£(0.18)	£(0.00)
Earnings per share from continuing operations:				
Net loss from continuing operation per ordinary share, basic and diluted		£(0.66)	£(0.18)	£(0.00)

No items have been recognised as other comprehensive income during the year ending 31 December 2020, 31 December 2019 and 31 December 2018.

Cazoo Holdings Limited (Registered No. 12450682)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000	2018 £'000
Assets				
Non-current assets				
Property, plant and equipment	15	85,934	8,794	-
Intangible assets	16	26,660	3,188	20
Trade and other receivables	18	7,511	3,974	5,000
		120,105	15,956	5,020
Current assets				
Inventory	17	114,694	42,970	-
Trade and other receivables	18	29,358	13,255	49
Cash and cash equivalents	27	243,524	34,539	26,366
		387,576	90,764	26,415
Total assets		507,681	106,720	31,435
Current liabilities				
Trade and other payables	19	35,569	4,237	114
Loans and borrowings	20	94,617	33,987	-
Provisions	21	-	30	-
		130,186	38,254	114
Non-current liabilities				
Loans and borrowings	20	43,634	4,358	-
Provisions	21	3,363	552	-
Total liabilities		177,183	43,164	114
Net assets		330,498	63,556	31,321
Share capital	23	-	-	-
Share premium	23	266,120	81,500	31,500
Merger reserve		181,250	-	-
Retained earnings		(116,872)	(17,944)	(179)
Total equity		330,498	63,556	31,321

The financial statements on pages 21 to 69 were approved and authorised for issue by the board of Directors on 19 October 2021 and were signed on its behalf by:

DocuSigned by:

 B325323FC52149B
 S Morana
 Director
 19 October 2021

Cazoo Holdings Limited (Registered No. 12450682)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the year ended 31 December 2020**

	Note	Share capital	Share premium	Merger reserve	Retained earnings	Total equity
		£'000	£'000	£'000	£'000	£'000
At October 15 2018		-	-	-	-	-
Comprehensive income for the Period						
Loss for the period		-	-	-	(179)	(179)
Contributions by and distributions to owners						
Issue of share capital	23	-	31,500	-	-	31,500
At 31 December 2018		-	31,500	-	(179)	31,321
Comprehensive income for the year						
Loss for the year		-	-	-	(17,964)	(17,964)
Other comprehensive income		-	-	-	-	-
Contributions by and distributions to owners						
Issue of share capital	23	-	50,000	-	-	50,000
Share based payments	26	-	-	-	199	199
At 31 December 2019		-	81,500	-	(17,944)	63,556
Comprehensive income for the year						
Loss for the year		-	-	-	(102,687)	(102,687)
Other comprehensive income		-	-	-	-	-
Contributions by and distributions to owners						
Issue of share capital	23	-	365,870	-	-	365,870
Group restructuring ¹	2.2		(181,250)	181,250	-	-
Share based payments	26	-	-	-	3,759	3,759
At 31 December 2020		-	266,120	181,250	(116,872)	330,498

¹ During the year 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. Note 2.2 provides more detail on the basis of consolidation. The 2018 and 2019 balances are stated as though the transactions occurred within Cazoo Holdings Limited. In addition, the issue of share capital balance of £365.9m includes £99.8m of shares that were issued by the previous parent company, Cazoo Limited.

The notes on pages 25 to 69 form part of these financial statements.

Cazoo Holdings Limited (Registered No. 12450682)

CONSOLIDATED STATEMENT OF CASH FLOWS**For the year ended 31 December 2020**

	Note	2020 £'000	2019 £'000	2018 £'000
Cash flows from operating activities				
Loss for the year		(102,687)	(17,964)	(179)
Adjustments for:				
Depreciation of property, plant and equipment		11,759	705	-
Amortisation of intangible fixed assets		1,361	76	-
Finance income	9	(486)	(170)	-
Finance expense	9	1,298	456	-
Share-based payment expense	26	3,759	199	-
Tax credit	10	(969)	-	-
		(85,965)	(16,698)	(179)
Movements in working capital:				
Increase in trade and other receivables	18	(4,789)	(12,158)	(49)
Increase in inventory	17	(36,961)	(42,970)	-
Increase in trade and other payables	19	10,394	4,123	114
Total working capital movements		(31,356)	(51,005)	65
Other cash flows from operating activities:				
Interest received		478	149	-
Tax credit received		969	-	-
Net cash used in operating activities		(115,874)	(67,554)	(114)
Cash flows from investing activities				
Purchases of property, plant and equipment	15	(17,919)	(2,422)	-
Purchases and development of intangible fixed assets	16	(1,889)	(3,244)	(20)
Acquisition of subsidiary, net of cash acquired	13	(16,530)	-	-
Net cash used in investing activities		(36,338)	(5,666)	(20)
Cash flows from financing activities				
Issue of ordinary shares	23	348,870	50,000	26,500
Proceeds from stocking loans	20	216,444	42,825	-
Repayment of stocking loans	20	(196,082)	(10,348)	-
Repayment of mortgages	20	(443)	-	-
Interest paid on loans and borrowings	20	(1,298)	(456)	-
Lease payments	22	(6,294)	(628)	-
Net cash from financing activities		361,197	81,393	26,500
Net cash increase in cash and cash equivalents		208,985	8,173	26,366
Cash and cash equivalents at the beginning of the year		34,539	26,366	-
Cash and cash equivalents at the end of the year		243,524	34,539	26,366

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. Reporting entity

Cazoo Holdings Limited (registered no. 12450682) (the 'Company') is a 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 Company's principal activity is the operation of an e-commerce platform for buying used cars.

The consolidated financial statements incorporate the accounts of the Company and entities controlled by the Company ("its subsidiaries").

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 in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006). They were authorised for issue by the Company's board of Directors on 13 May 2021.

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 2020. 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 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. Such Group reorganisations are outside the scope of IFRS 3.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

2.2 Basis of consolidation (continued)

In accordance with IAS 8 management has used its judgement to develop a relevant and reliable accounting treatment, applying the principles of merger accounting. The current year and comparatives have been disclosed on the basis that Cazoo Holdings Limited has been in existence since the initial incorporation of Cazoo Limited. The comparatives are based upon those presented in the Cazoo Limited financial statements for the year ended 31 December 2019 and period ended 31 December 2018. The share capital issued by Cazoo Limited prior to the restructure is presented as a merger reserve in the statement of changes in equity.

2.3 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.

2.4 New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 9 and IAS 39 Financial Instruments

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

2.4 New and amended standards and interpretations (continued)

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

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.

- IFRS 17 Insurance Contracts
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- 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
- IAS 41 Agriculture – Taxation in fair value measurements

2.6 LIBOR reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as GBP LIBOR and other inter-bank offered rates ('IBORs') has become a priority for global regulators. There remains some uncertainty around the timing and precise nature of these changes. The Group currently has a number of stocking loans which reference GBP LIBOR. These loans are disclosed in note 24. Subsequent to the year-end the UK stocking loans have been rebased to the Bank of England base rate. LIBOR reform is not expected to have a significant impact on the Group.

2.7 Presentational currency

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

2.8 Going Concern

The financial statements have been prepared on a going concern basis as the Directors' are satisfied that the Group will continue in operational existence for the foreseeable future. In assessing the going concern position of the Group, the Directors have considered the Group's cash flows, liquidity and business activities. As at 31 December 2020, the Group had net assets of £330.5m and a cash balance of £243.5m following the successful completion of the Series D funding round in October 2020.

The Group raised additional capital in the third quarter of 2021 through a business combination with Ajax I a special purpose acquisition company listed on the New York Stock Exchange (the "business combination"). The completion of the business combination raised proceeds of \$836m, net of fees to fund Cazoo's growth strategy in the UK and across Europe. The Directors have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than the period to 31 October 2022. On this basis the Directors have prepared the financial statements on a going concern basis.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****2.9 Restatement of comparatives**

The figures for the year ended 31 December 2019 have been restated in relation to:

i. Retrospective change to the accounting policies for the recognition of internally generated intangible assets.

In the year ended 2019 a 20% discount was applied to the capitalisation of external contractor costs in the development of internally generated intangible assets. The discount was applied to take into account inefficiencies and uncertainties inherent in the development of bespoke software. In 2020 this accounting policy was found to be inconsistent with the requirements of IAS 38 and as a result has been retrospectively adjusted. The change in accounting policy resulted in an additional £0.6m of development costs being capitalised in the year ended 31 December 2019.

ii. Over-accrual of marketing production costs

In the year ended 31 December 2019 an accrual was made for expected unbilled advertising production expenses incurred. Upon finalisation of billing of these costs during the year ended 31 December 2020 the accrual was overstated by £0.2m. An adjustment has been applied to the comparative financials to correct for this over-accrual.

iii. Unrecognised transporter lease

In December 2019 a lease for two single car transporters entered into was omitted from financial reporting. The correction of the omission has resulted in an additional £0.1m in motor vehicle right of use assets and an equivalent lease liability for the year ended 31 December 2019.

Impact on equity, increase/(decrease)	31 December 2019 £'000
Intangible assets	629
Property, plant and equipment	84
Total assets	713
Trade and other payables	150
Loans and borrowings	(84)
Total liabilities	66
Net impact on equity	779
Impact on statement of profit or loss, increase/(decrease)	31 December 2019 £'000
Marketing expenses	150
Administrative expenses	629
Net impact on profit for the year	779

The change did not have an impact on OCI or the Group's operating, investing and financing cash flows for the year ended 31 December 2019.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****2.10 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 2020. Below are the subsidiaries exempt under this Act:

Name	Registration number
Cazoo Limited	11624245
Cazoo Properties Limited (previously ICVM Holdings Limited)	08526325
Imperial Car Supermarkets Limited	09637404
Imperial Cars of Swanwick Limited	05740108
Carsaz Limited	11666043

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 vehicles directly to its customers through its 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 VAT.

Wholesale

The Group sells vehicles through car auctions to trade buyers. The vehicles sold to trade buyers are primarily acquired from customers as part-exchanges that do not meet the Group's quality standards to list and sell through its platform. The Group satisfies its performance obligation for wholesale sales when the purchaser obtains control of the underlying vehicle through the car auction which is when the transfer of title, risks, and rewards of ownership and control pass to the purchaser.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

3.1 Revenue (continued)

(ii) Rendering of services

Other sales

Customers purchasing vehicles from the Group may enter into a contract for finance through the Group's platform. The Group 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.

Customers purchasing vehicles from the Group may enter into a contract to extend their warranty after the initial 90-day inclusive period. The Group 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.

At the Group's Customer Centres vehicle servicing products for vehicles 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 VAT.

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.

Contract liabilities relate to undelivered retail orders. Contract liabilities are recognised at the point of customer order on the platform and are derecognised into revenue upon delivery to the customer.

3.2 Cost of Sales

Cost of sales includes the cost to acquire vehicles as well as direct and indirect reconditioning costs associated with preparing the vehicles for resale. Vehicle reconditioning costs include parts, labour and inbound transportation costs. Cost of sales includes any necessary adjustments to reflect vehicle inventory at the lower of cost and net realisable value. It also includes the cost of providing drive-away insurance and vehicle warranty to the retail customer, and costs incurred in providing servicing and MOT's.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****3.3 Leasing**

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

Right-of-use assets recognised are presented within Property, Plant and Equipment on the statement of financial position. 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	2 to 20 years
Motor vehicles	4 years
Fixtures and fittings	5 years

Depreciation of right-of-use assets is recognised within operational expenses on the statement of profit or loss and other comprehensive income.

The right-of-use assets are also subject to impairment in accordance with the accounting policy set out in note 3.9.

ii) Lease liabilities

Lease liabilities recognised are presented within Loans and borrowings on the statement of financial position.

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.

The accretion of interest on lease liabilities is recognised within financial expense in the statement of profit or loss and other comprehensive income.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

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.

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 income statement 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.

The group has not taken advantage of any other government assistance during the year.

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 profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the retained earnings.

3.6 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.

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.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

3.6 Taxation (continued)

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 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.

3.7 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.

3.8 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, net of cash acquired. 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.

3.9 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 Group.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****3.9 Property, plant and equipment (continued)**

Leased assets are depreciated on a straight-line basis over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Depreciation is provided on all other 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
Platform development and computer software	3 years

(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.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****3.10 Intangible assets (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.

3.11 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 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 profit or loss.

3.12 Inventory

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

Inventory are 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.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

3.13 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).

3.14 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 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

Debt instruments 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.

Debt instruments 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.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

3.14 Financial instruments (continued)

Amortised cost and effective interest method

The effective interest method is a method for calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised costs of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVOCI. 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 a financial asset. Interest income is recognised in profit or loss and is included in the 'finance income' line item.

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 always 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 instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instrument 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 exactly 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.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

3.14 Financial Instruments (continued)

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 profit or loss.

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

3.15 Defined contribution schemes

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

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 and therefore the Board of Directors monitor the performance of the business on a consolidated basis only. The key financial performance metrics monitored by the chief operating decision maker include revenue, gross profit, operating expenses, Adjusted EBITDA and exceptional items. 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.

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 segments UK and Europe. For the financial year ended 31 December 2020 all revenue and costs were incurred within the UK segment. For a disaggregation of revenue see note 6.

For a disaggregation of revenue by the three streams see note 6.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

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 measures presented by the Group are:

- Adjusted EBITDA defined as profit/loss for the Period after adding back Income tax expense, financial income, finance costs, depreciation, amortisation, share based payments and exceptional items.
- Adjusted basic EPS defined as profit for the Period, excluding exceptional items and amortisation of intangibles arising on acquisitions, adjusted for tax and divided by the weighted average number of shares in issue for the year (note 13).

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 Period to adjusted EBITDA:

	Year ended 31 December 2020	Year ended 31 December 2019	Period ended 31 December 2018
	£'000	£'000	£'000
Loss after tax from continuing operations	(98,878)	(17,964)	(179)
Income tax credit	(969)	-	-
Finance income	(486)	(170)	-
Finance costs	1,298	456	-
Depreciation	5,897	705	-
Amortisation	1,292	76	-
Amortisation on acquired intangibles	-	-	-
Share based payments	3,759	199	-
Exceptional items	6,883	-	-
Adjusted EBITDA	(81,204)	(16,698)	(179)

Exceptional items include:

- Transaction costs incurred on acquisition of Imperial Car Supermarkets Limited ("Imperial Cars") (£0.9m).
- Restructuring costs incurred in relation to the discontinuation of the acquired Imperial Cars business (£6.0m). See note 11 and 13 for details of the details of the acquired Imperial Cars business.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

5. Accounting estimates and judgements

5.1 Judgements

Discontinued operations

Cazoo Holdings Limited acquired Imperial Cars on 15 July 2020. Prior to the acquisition, Imperial Cars had been one of the largest independent used car retailers in the UK. Imperial operated as a wholly offline retailer. Imperial operated from 18 retail dealership locations in the UK. Imperial offered approximately 2,500 nearly new and used cars, supported by 14 service centres and two vehicle preparation centres.

The Group acquired Imperial in order to obtain its infrastructure and properties, including Imperial's main refurbishment facility with the capacity to recondition up to 50,000 cars per year, rather than to continue Imperial's physical retailing operation. Two months after the acquisition, the Imperial Cars onsite dealership business ceased operations. Eleven of the existing dealership centres were converted to Cazoo Customer Centres in order to align with the Group's online strategy.

A key accounting judgement was made in recognising the post-acquisition performance of the Imperial dealerships as a discontinued operation. The assessment against the criteria of IFRS 5 concluded that the dealerships was a business component which represented a separate major line of the Group's business and was fully discontinued during the year.

Management determined that Imperial Cars was a business component because its operations were managed entirely separately from the remainder of the Group. Management concluded that this component represented a separate major line of business since sales of the Imperial retailing operations were conducted on-site at various locations across the country rather than through the central online platform that generates sales for the remainder of the Group.

Accordingly, management consider it appropriate to present the performance of the dealerships as a discontinued operation.

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 recognised £22.6m of goodwill in respect of the acquisition of the Imperial Cars and no other separately identifiable intangibles. The Group engaged a third-party valuation expert for the purchase price allocation exercise in relation to the Imperial Cars acquisition to mitigate the risk associated with the recognition and valuation of assets and liabilities upon acquisition. The purchase price allocation exercise was performed separately for the two cash generating units of the acquired business:

- The reconditioning centres
- The customer facing dealerships (see discontinued operations, note 11)

The Imperial business was acquired during the COVID-19 pandemic where customer facing dealerships were forced to close to prevent the further spread of the virus. Market analysis concluded that during the crisis no premium to net assets was being paid by market participants in transactions involving car dealership businesses. Accordingly, the purchase price, in excess of net assets acquired, was fully allocated to the reconditioning centre CGU.

The reconditioning centre CGU was analysed for the existence of separately identifiable intangibles, none were noted. The Imperial Cars purchase price allocation exercise, therefore, concluded there exists no separately identifiable intangible assets aside from Goodwill. Goodwill is attributable to the expertise and synergies expected to be achieved from integrating the existing infrastructure of Imperial Cars into the Group's business.

The details of all assets and liabilities recognised upon acquisition is set out in note 13.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

5.1 Judgements (continued)

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. A 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 Group capitalised £1.6m of employee and contractor development expenditure in the year ended 31 December 2020 (2019: £3.2m, 2018: £nil).

Segmental information

In preparing the segmental disclosures in the Group financial statements of Cazoo Holdings Limited it is necessary for management to determine the number and nature of each segment. Management has determined for the 2020 financial statements there exists a single consolidated segment encompassing the performance of the UK business.

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.

Whilst the chief operating decision maker monitors the performance of the business at a revenue, gross profit, Adjusted EBITDA, depreciation and amortisation, share-based payments, exceptional items, finance income and costs and income tax are all monitored on a consolidated basis.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

5.2 Estimate

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.

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

	31 December 2020 £'000	31 December 2019 £'000	31 December 2018 £'000
Gross inventory	118,203	43,969	-
Inventory provision	(3,509)	(999)	-
Inventory	114,694	42,970	-

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 2020 £'000	Change in inventory provision 2019 £'000
Inventory provision	+2	882	354
Inventory provision	-2	(1,132)	(558)

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 a Black-Scholes valuation method. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 26.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****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.

Revenue recognised has arisen entirely within the United Kingdom.

Other sales includes commission revenue from finance and warranty sales where the Group is not the principal of the transaction and revenue is recognised on a net basis.

	2020 £'000	2019 £'000	2018 £'000
Type of goods			
Retail	150,420	1,078	-
Wholesale	8,667	90	-
Other sales	3,121	8	-
	162,208	1,176	-
Timing of revenue recognition			
	2020 £'000	2019 £'000	2018 £'000
Goods and services transferred at point in time	162,208	1,176	-
	162,208	1,176	-

6.2 Contract balances

	31 December 2020 £'000	31 December 2019 £'000	31 December 2018 £'000
Trade receivables	7,243	291	-
Contract assets	599	8	-
Contract liabilities	(9,059)	(385)	-

All contract assets and liabilities are short term in nature and are derecognised within one month of the reporting period end across both 2020 and 2019 financial periods.

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 2020 £'000	Within one month as at 31 December 2019 £'000	Within one month as at 31 December 2018 £'000
Undelivered vehicles	9,059	385	-
	9,059	385	-

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****7. Operating expenses**

Operating loss from continuing operations is stated after charging:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Depreciation of property, plant and equipment	5,897	705	-
Amortisation of Intangibles	1,292	76	-
Expensed research and development cost	6,697	1,010	-
	13,886	1,791	-

Fees payable to the Group's auditors and their associates for the audit of the Group's annual accounts were £140,000 (2019: £50,000, 2018: £nil). No other fees were payable to the Group's auditor.

8. Employee benefit expenses

Employee benefit expenses (including Directors) comprise:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Wages and salaries	10,913	5,164	-
Employer's national insurance	2,092	599	-
Short-term non-monetary benefits	416	69	-
Defined contribution pension cost	871	215	-
Share-based payment expenses	3,759	199	-
	18,051	6,246	-

The average number of employees, including Directors, during the Period:

Vehicle preparation	53	-	-
Marketing	17	10	-
Selling and Distribution	187	11	-
Administrative	190	28	-
Total	448	49	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****8. Employee benefit expenses (continued)**

Employee benefit expenses in respect of the highest paid Director:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Wages and salaries	282	271	-
Employers national insurance	39	37	-
Short-term non-monetary benefits	1	1	-
Defined contribution pension cost	13	9	-
	335	318	-

No options were exercised in respect of the highest paid Director.

Refer to note 29 for details of total Directors' remuneration.

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

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Finance income			
Interest on:			
Bank deposits	486	170	-
Total finance income	486	170	-
Finance expense			
Bank interest payable	(1,000)	(392)	-
Lease interest accretion	(298)	(64)	-
Total finance expense	(1,298)	(456)	-
Net finance income recognised in profit or loss	(812)	(286)	-

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****10. Taxation**

No deferred tax assets or deferred tax liabilities were recognised in the Period ended 31 December 2020 (2019: nil, 2018: nil). The charge for the Period can be reconciled to the statement of profit and loss as follows:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Loss before tax from continuing operations	(99,847)	(17,964)	(179)
Current corporation tax rate of 19%	(18,971)	(3,413)	(34)
Expenses not deductible for tax purposes	1,238	64	10
Research and development claim – prior year	(969)	-	-
Deduction for research and development claim	969	-	-
Losses surrendered for research and development claim	(969)	-	-
Deferred tax asset not recognised	17,733	3,349	24
Tax credit	(969)	-	-

The Group has unutilised tax losses of £123.5m (2019: £18.5m, 2018: £0.1m) 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.

On 11 March 2020 the government published a policy paper announcing that the Finance Bill 2020 intends to maintain the Corporation Tax rate at 19% for the 2020 and 2021 tax years.

11. Discontinued operations

On 15 July 2020 the Group completed its acquisition of Imperial Cars. Prior to the acquisition, Imperial Cars had been one of the largest independent used car retailers in the UK. Imperial operated as a wholly offline retailer.

Imperial operated from 18 retail dealership locations in the UK. Imperial offered approximately 2,500 nearly new and used cars, supported by 14 service centres and two vehicle preparation centres.

The Group acquired Imperial in order to obtain its infrastructure and properties, including Imperial's main refurbishment facility with the capacity to recondition up to 50,000 cars per year, rather than to continue Imperial's physical retailing operation. Two months after the acquisition, the Imperial Cars onsite dealership business ceased operations. Eleven of the existing dealership centres were converted to Cazoo Customer Centres in order to align with the Group's online strategy.

In accordance with IFRS 5 the revenue and costs arising from the on-site dealership businesses from the date of acquisition through to the date of closure has been treated as a discontinued operation.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****11. Discontinued operations (continued)**

	Year ended 31 December 2020 £'000
Revenue	27,194
Expenses	<u>(30,315)</u>
Operating loss	(3,121)
Finance expense	<u>(688)</u>
Loss before tax from discontinued operations	(3,809)
Tax expense	<u>-</u>
Loss for the year from discontinued operations	(3,809)

The net cash flows incurred by the Imperial Car Dealerships are, as follows:

	2020 £'000
Operating	23,581
Investing	-
Financing	<u>(34,987)</u>
Net cash outflow	(11,406)

Earnings per share:	2020 £'000
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Basic, loss for the year from discontinued operations	£(0.03)
Diluted, loss for the year from discontinued operations	£(0.03)

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****12. Earnings per share**

	2020	2019	2018
	£'000	£'000	£'000
Earnings for the purposes of basic and diluted earnings per share , being loss for the year from continuing operations	(98,878)	(17,964)	(179)
Exceptional items, note 4	6,883	-	-
Amortisation of intangibles arising from the acquisition of subsidiaries	-	-	-
Adjustment for tax	-	-	-
Adjusted earnings	(91,995)	(17,964)	(179)
Dilutive effect of share options, note 25	-	-	-
Dilutive earnings per share denominator	149,109,163	97,769,783	70,681,818
Basic earnings per share	£(0.66)	£(0.18)	£(0.00)
Diluted earnings per share	£(0.66)	£(0.18)	£(0.00)
Adjusted earnings per share	£(0.62)	£(0.18)	£(0.00)
Adjusted diluted earnings per share	£(0.62)	£(0.18)	£(0.00)

13. Acquisitions

On 15 July 2020 Cazoo Holdings Limited completed its acquisition of Imperial Cars through the purchase of 100% of share capital of Imperial Car Supermarkets Limited for a total consideration of £26,904 (net of cash acquired) as measured in accordance with IFRS 3.

Prior to the acquisition Imperial Cars had been one of the UK's largest independent used car retailers. The acquisition allowed the Group to accelerate its roll out of Customer Centres by obtaining a portfolio of suitable leasehold and freehold properties. Goodwill represents the strategic value of obtaining a portfolio of freehold and leasehold properties and adding the expertise of the Imperial Cars workforce into the Group.

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. The Group has completed its provisional assessment of fair value of assets acquired as set out below.

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 not identified any separately identifiable intangibles as part of the acquisition.

	£'000
Property, plant and equipment	50,758
Intangible assets	251
Inventory	34,763
Trade and other receivables	5,599
Trade and other payables	(19,561)
Lease liabilities	(27,972)
Dilapidation provision	(1,820)
Other loans and borrowings	(37,807)
Total net assets acquired	4,211

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****Intangibles assets recognised on acquisition:**

Goodwill	22,693
	26,904
Satisfied by:	
Cash consideration, net of cash acquired	16,530
Shares issued	8,999
Contingent consideration	1,375
Total consideration	26,904

Contingent consideration represents the expected sales proceeds of a long lease with peppercorn rent that was acquired through the purchase of Imperial Cars. The lease is held at a net book value of £1.4m and is presented within freehold property in note 15. The payment of the consideration is contingent upon the long lease being sold and the amount payable will be equal to the proceeds from the sale.

From the date of acquisition, Imperial Cars contributed £27.2m of revenue and £3.8m to loss before tax from discontinued operations of the Group. The impact of the acquisition on discontinued revenue and profit before tax had the combination occurred on 1 January 2020 has not been quantified due to significant and material GAAP difference in the historical reporting of Imperial Cars.

14. Disposals

On 6 August 2020 C New Co 2, a direct wholly owned subsidiary of Cazoo Holdings Limited was incorporated. C New Co 2 was incorporated to be used as a vehicle to enable the subletting of four leasehold properties acquired in the acquisition of Imperial Cars that did not meet the Group's requirements for conversion into customer centres. C New Co 2 purchased property, plant and equipment associated with the properties from the Imperial Car entities.

On 10 September 2020 100% of the issued share capital of C New Co 2 was sold for a consideration of £1. There was no gain or loss associated with the sale of C New Co 2.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

15. Property, plant and equipment

	Leasehold property	Freehold property	Leasehold improvements	Fixtures and Fittings	Computer equipment	Motor vehicles	Plant and machinery	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 December 2018	-	-	-	-	-	-	-	-
Additions	5,450	-	1,191	832	235	1,791	-	9,499
At 31 December 2019	5,450	-	1,191	832	235	1,791	-	9,499
Additions	13,902	-	11,784	2,892	363	9,198	-	38,139
Acquisition of a subsidiary	30,367	14,907	2,576	1,375	252	116	1,165	50,758
Disposals	(1,387)	-	(1,849)	(1,076)	(252)	(116)	(506)	(5,186)
At 31 December 2020	48,332	14,907	13,702	4,023	598	10,989	659	93,210
Accumulated depreciation								
At 31 December 2018	-	-	-	-	-	-	-	-
Depreciation charge for the year	(421)	-	(54)	(113)	(35)	(82)	-	(705)
At 31 December 2019	(421)	-	(54)	(113)	(35)	(82)	-	(705)
Depreciation charge for the year	(4,561)	-	(620)	(345)	(154)	(1,076)	(79)	(6,835)
Disposals	143	-	40	25	21	7	28	264
At 31 December 2020	(4,839)	-	(634)	(433)	(168)	(1,151)	(51)	(7,276)
Net book value								
At 31 December 2020	43,493	14,907	13,068	3,590	430	9,838	608	85,934
At 31 December 2019	5,029	-	1,137	719	200	1,709	-	8,794
At 31 December 2018	-	-	-	-	-	-	-	-

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****15. Property, plant and equipment (continued)****Right of use assets recognised within property, plant and equipment**

The net book value of right-of-use assets held under leases included above, are as follows:

	2020	2019	2018
	£'000	£'000	£'000
Leasehold property	43,493	5,029	-
Motor vehicles	7,171	1,670	-
Furniture, fittings and equipment	56	70	-
	50,720	6,769	-

16. Intangible assets

	Domain names	Development assets	Goodwill	Total
	£'000	£'000	£'000	£'000
Cost				
At 15 October 2018	-	-	-	-
Additions	20	-	-	20
At 31 December 2018	20	-	-	20
Additions	-	3,244	-	3,244
At 31 December 2019	20	3,244	-	3,264
Additions	31	1,858	-	1,889
Acquisition of a subsidiary	-	251	22,693	22,944
At 31 December 2020	51	5,353	22,693	28,097
Accumulated amortisation				
At 15 October 2018	-	-	-	-
Charge for the Period	-	-	-	-
At 31 December 2018	-	-	-	-
Charge for the Period	(4)	(72)	-	(76)
At 31 December 2019	(4)	(72)	-	(76)
Charge for the Period	(5)	(1,356)	-	(1,361)
At 31 December 2020	(9)	(1,428)	-	(1,437)
Net book value				
At 31 December 2020	42	3,925	22,693	26,660
At 31 December 2019	16	3,172	-	3,188
At 31 December 2018	20	-	-	20

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****17. Inventory**

	2020	2019	2018
	£'000	£'000	£'000
Finished goods and goods for resale	114,694	42,970	-

During the year the group recognised a provision of £2.5m (2019: £1.0m, 2018: £nil) for the impairment of inventory within cost of sales.

During the year £161.2m (2019: £1.2m, 2018: £nil) was recognised as an expense for inventory carried at net realisable value. This is recognised in cost of sales.

As at 31 December 2020 inventory of £96.3m (2019: £36.6m, 2018: £nil) was held as a security against stocking loans.

18. Trade and other receivables

	2020	2019	2018
	£'000	£'000	£'000
Trade receivables	7,243	291	-
Prepayments	20,278	10,260	5,014
Contract assets	599	8	-
VAT recoverable	4,533	4,983	35
Other receivables	4,216	1,687	-
Total trade and other receivables	36,869	17,229	5,049
Due within one year	29,358	13,255	49
Due within two to five years	7,511	3,974	5,000
	36,869	17,229	5,049

There is no expected credit loss on trade receivables.

The carrying value of trade and other receivables classified as loans and receivables approximates fair value. As at 31 December 2020 none (2019: none, 2018: none) of the trade receivables balance was aged over 30 days. During the year ended 31 December 2020 a £4.0m prepayment was written off to 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 2020****19. Trade and other payables**

	2020	2019	2018
	£'000	£'000	£'000
Trade payables	12,668	1,867	107
Accruals and other creditors	10,348	1,632	7
Tax and social security payables	2,119	353	-
Contract liabilities	9,059	385	-
Deferred consideration	1,375	-	-
Total trade and other payables	35,569	4,237	114
Due within one year	35,569	4,237	114
Due within two to five years	-	-	-
	35,569	4,237	114

Trade and other payables are measured at amortised cost.

20. Loans and borrowings

The book value of loans and borrowings are as follows:

	31 December	31 December	31 December
	2020	2019	2018
	£'000	£'000	£'000
Current			
Stocking loans	86,709	32,477	-
Mortgages	1,368	-	-
Lease liabilities	6,540	1,510	-
	94,617	33,987	-
Non-Current			
Mortgages	2,126	-	-
Lease liabilities	41,508	4,358	-
	43,634	4,358	-
Total loans and borrowings	138,251	38,345	-

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 24.

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

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****20. Loans and borrowings (continued)**

Set out below are the movements in lease liabilities during the Period:

	Loans and Borrowings
	£'000
As at 31 December 2018	-
Additions	6,496
Accretion of interest	65
Payments	(693)
As at 31 December 2019	5,868
Additions	19,850
Acquisition of a subsidiary	27,972
Accretion of interest	652
Payments	(6,294)
As at 31 December 2020	48,048

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****21. Provisions**

	Dilapidation Provisions £'000
At 31 December 2018	-
At 1 January 2019	-
Recognised during the year	582
At 31 December 2019	582
At 1 January 2020	582
Acquisition of a subsidiary	1,820
Recognised during the year	961
At 31 December 2020	3,363
Current	-
Non-current	3,363

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 Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****22. Leases**

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 is set out in note 15. The carrying amount and movement in the lease liabilities is set out in note 22.

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

	2020	2019	2018
	£'000	£'000	£'000
Depreciation expense	5,429	506	-
Accretion of interest	652	64	-
Total	6,081	570	-

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

	2020 Number '000	2019 Number '000	2018 Number '000	2020 £'000	2019 £'000	2018 £'000
Ordinary shares of £0.0000000167 each	62,604	61,250	61,250	-	-	-
Series A shares of £0.0000000167 each	30,250	30,250	30,250	-	-	-
Series B shares of £0.0000000167 each	29,412	29,412	-	-	-	-
Series C shares of £0.0000000167 each	31,679	-	-	-	-	-
Series D shares of £0.0000000167 each	22,501	-	-	-	-	-
	176,446	120,912	91,500	-	-	-

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****23. Share capital (continued)**

	Share capital £'000	Share premium £'000	Merger reserve £'000
As at 15 October 2018	-	-	-
Ordinary share issuance	-	1,250	-
Series A share issuance	-	30,250	-
As at 31 December 2018	-	31,500	-
Series B share issuance	-	50,000	-
As at 31 December 2019	-	81,500	-
Series C share issuance	-	99,750	-
Group restructuring	-	(181,250)	181,250
Series C extension	-	25,250	-
Acquisition of subsidiary	-	8,999	-
Series D share issuance	-	231,634	-
Other share issuances	-	237	-
As at 31 December 2020	-	266,120	181,250

On 6 December 2018 the Group completed its Series A funding round raising £31.5m. The Series A share issue was partially settled by a £5m media advertising and marketing commitment. The £5.0m recognised represents the fair value of the media advertising and marketing commitment.

On 12 September 2019 the Group completed its series B funding round raising £50.0m.

On 23 March 2020 the Group completed its Series C funding round initially raising £99.8m followed by an extension to the funding round on 23 June 2020 raising an additional £25.2m. The Series C share issue was partially settled by a £8m media advertising and marketing commitment. The 8.0m recognised represents the fair value of the 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 as set out in note 2.2.

On 15 July 2020 the acquisition of Imperial Cars was partially settled through the issuance of £9.0m of shares, as set out in note 13.

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

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

24. Financial instruments**24.1 Financial assets**

	31 December 2020	31 December 2019	31 December 2018
	£'000	£'000	£'000
Debt instruments at amortised cost			
Trade receivables	7,243	291	-
Contract assets	599	8	-
Lease deposits	2,653	1,675	-
Total financial assets	10,495	1,974	-

24.2 Financial liabilities: Interest bearing loans and borrowings

	Interest rate %	Maturity	31 December 2020	31 December 2019	31 December 2018
			£'000	£'000	£'000
Current					
Lease liabilities	1 – 7%	Within one year	6,540	1,510	-
Stocking loan	Base rate + 1 – 3.75%	On earlier of sale of underlying vehicle or 120/180 days	86,709	32,477	-
Mortgages	2 – 4%	Within one year	1,368	-	-
Non-Current					
Lease liabilities	1 – 6%	2022 - 2040	41,508	4,358	-
Mortgages	2 – 4%	2022 – 2025	2,126	-	-

The stocking loans are secured against the inventory of the Group. The stocking loans become due upon the sooner of a sale of a vehicle by the Group to a customer or 120/180 term from the inception of the individual loan. The stocking loans base rates are in reference to 7-day GBP LIBOR and the Bank of England base rate.

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

24.3 Fair value

Management assessed that the fair value of trade receivables, other receivables, stocking loans 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 and trade and other payables has been measured using level 3 valuation inputs.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

24.4 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 facilities where interest is charged in reference to LIBOR. However, the exposure to interest rate risk is minimal since the Group is in a net cash position as at 31 December 2020 and 31 December 2019 and is therefore able to reduce exposure through repayment of the facility. 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.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the stocking loans, 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:

	Increase/decrease in basis points	Effect on profit before tax 2020 £'000	Effect on profit before tax 2019 £'000
LIBOR	+10	44	10
LIBOR	-10	(44)	(10)

24.5 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 Period end was equal to the carrying amount of trade receivables as set out in note 18.

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. No provision in relation to the recoverability of receivables has been recognised.

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.

24.6 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:

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

24.6 Liquidity risk management (continued)

2020	Less than one year £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
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
Total	108,365	27,473	21,052	156,890

2019	Less than one year £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Stocking loans	32,477	-	-	32,477
Lease liabilities	1,429	4,943	-	6,372
Trade payables	1,867	-	-	1,867
Total	35,773	4,943	-	40,716

2018	Less than one year £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Stocking loans	-	-	-	-
Lease liabilities	-	-	-	-
Trade payables	107	-	-	107
Total	107	-	-	107

24.7 Changes in liabilities arising from financial activities

	Stocking loans £'000	Lease liabilities £'000	Mortgages £'000	Total £'000
15 October 2018	-	-	-	-
New leases	-	-	-	-
Issue of debt	-	-	-	-
Repayment	-	-	-	-
Accretion of interest	-	-	-	-
31 December 2018	-	-	-	-
New leases	-	6,496	-	6,496
Issue of debt	42,825	-	-	42,825
Repayment	(10,348)	(693)	-	(11,041)
Accretion of interest	-	65	-	65
31 December 2019	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)
Accretion of interest	-	652	-	652
31 December 2020	86,709	48,048	3,494	138,251

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

24.8 Hedge accounting

The Group has not entered into any agreements designed to hedge financial risk in the Year ended 31 December 2020 (2019: none, 2018: none).

24.9 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 Period ended 31 December 2020 (2019: none, 2018: none).

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

24.10 Capital management

For the purposes of the Group's capital management, capital includes cash raised through the issue of share capital and stocking 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.

	2020 £'000	2019 £'000	2018 £'000
Inventory	114,694	42,970	-
Stocking loans	(86,709)	(32,477)	-
Net inventory	27,985	10,493	-
Cash and cash equivalents	243,524	34,539	26,366

25. Group information**Subsidiaries**

As at 31 December 2020 the consolidated financial statements of the Group include:

Name	Registration number	Registered address and country of incorporation	Principal activities	Equity interest
Cazoo Holdings Limited	12450682	41 Chalton Street, London, NW1 1JD, United Kingdom	Activities of other holding companies	100%
Cazoo Limited	11624245		Sale of used cars and light motor vehicles	- 61,600,000 Ordinary shares - 100% -30,250,000 Series A shares - 100% -29,411,765 Series B shares - 100% -23,470,589 Series C shares - 100%
Cazoo Properties Limited (previously ICVM Holdings Limited)	08526325		Activities of other holding companies	100,000 Ordinary shares-100%
Imperial Car Supermarkets Limited	09637404		Sale of used cars and light motor vehicles	900 Ordinary shares - 100%
Imperial Cars of Swanwick Limited	05740108		Sale of used cars and light motor vehicles	1000 Ordinary shares-100%
Carsaz Limited (owned by Imperial Car Supermarkets Limited)	11666043		Sale of used cars and light motor vehicles	25 Ordinary shares-100%

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****26. Share based payments****Details of the employee share option of the Group**

The Group 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 Group before the options vest. During the year share options were granted under an unapproved scheme.

On 10 June 2020 Cazoo Holdings 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. The replacements were granted as if they had been granted on the same date as the original Cazoo Limited option at the same exercise price with the same vesting schedule. The fair value of the Cazoo Holding Limited option was equal to the fair value of the Cazoo Limited option immediately prior to the replacement. The share option replacement was treated as a modification in accordance with IFRS 2 and accordingly the initial share-based payment charge profile has not been impacted.

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

	2020	2019	2018
	£'000	£'000	£'000
EMI – Pre-modification grants	182	152	-
Unapproved – Pre-modification grants	1,763	47	-
Unapproved – Post-modification grants	1,814	-	-
	3,759	199	-

The following options were granted during the year ended 31 December 2020:

Scheme	Number	Grant date	Expiry date
Unapproved	1,566,584	01/01/2020	01/01/2030
Unapproved	1,422,500	01/04/2020	01/04/2030
Unapproved	2,215,381	01/07/2020	01/07/2030
Unapproved	1,594,720	01/10/2020	01/10/2030
Total 2020	6,799,185		
Unapproved	2,079,500	01/06/2019	31/05/2029
EMI	7,102,500	01/10/2019	30/09/2029
Total 2019	9,182,000		

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****26. 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. The movement schedule is presented as if the options granted in 2019 and prior to the restructure were granted by Cazoo Holdings Limited.

	EMI Number of options	Unapproved Number of options
As at 15 October 2018	-	-
Granted during the Period	-	-
Forfeited during the Period	-	-
As at 31 December 2018	-	-
Granted during the Year	7,102,500	2,079,500
Forfeited during the Year	(15,000)	(20,000)
As at 31 December 2019	7,087,500	2,059,500
Granted during the Year	-	6,799,185
Exercised during the Year	(1,353,817)	-
Forfeited during the Year	(1,050,000)	(737,292)
As at 31 December 2020	4,683,683	8,121,393

10,625 options were exercisable as at 31 December 2020 (2019: nil, 2018: nil).

Employee share option fair value assessment

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

	Unapproved
Valuation method	Black-Scholes
Share valuation	£0.72 - £4.47
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.

The following information is relevant in determining the fair value of the employee share options granted during 2019:

	EMI	Unapproved
Valuation method	Black-Scholes	Black-Scholes
Share valuation	£0.10	£0.17
Exercise price	£0.10	£nil
Expected volatility	66%	62%
Dividend yield	Nil	Nil
Risk free interest rate	0.80%	0.75%
Fair value per share	£0.17	£0.17

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****27. Notes supporting statement of cash flows**

	2020	2019	2018
	£'000	£'000	£'000
Cash at bank available on demand	52,742	19,508	1,366
Cash held in short-term deposit accounts	190,782	15,031	25,000
Cash and cash equivalents in the statement of financial position	243,524	34,539	26,366
 Cash and cash equivalents in the statement of cash flows	 243,524	 34,539	 26,366

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****28. Events after the reporting date**

On 25 January 2021, Cazoo Holdings Limited acquired 100% of the share capital of Drover Limited ("Drover"), a leading UK car subscription service, for total consideration of £58.8m. The consideration was £21.0m in cash, £4.5m of debt assumed and discharged and £33.3m through the issue of Cazoo Holdings Limited shares and warrants.

Drover is car subscription service with operations in the United Kingdom and France. Founded in 2016, Drover had grown to a team of over 100 employees across London, Lisbon, Paris and Bucharest. Drover provides 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 acquisition combined Cazoo's brand, platform and funding with Drover's expertise and relationships in car subscription services. 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 nascent subscriber base in France along with the associated recurring revenues.

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.

	£'000
Property, plant and equipment	3,943
Trade and other receivables	4,868
Cash	3,975
Trade and other payables	(4,819)
Loans and borrowings	(3,791)
Total net assets acquired	4,176
Intangible assets recognised on acquisition:	
Software	19,558
Brand	1,303
Deferred tax arising on intangible assets	(3,983)
Total intangible assets arising on acquisition	16,878
Total identifiable net assets at fair value	21,054
Goodwill	44,310
Purchase consideration transferred	65,365
Satisfied by:	
Cash	20,997
Debt assumed and discharged	4,463
Shares issued	33,339
Warrants issued	6,566
Purchase consideration transferred	65,365

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****28. Events after the reporting period (continued)**

On 11 February 2021, Cazoo Holdings Limited acquired Smart Fleet Solutions Limited for consideration of £23.1m. Consideration was £13.1m in cash, £9.0m of debt assumed and discharged and £1.0m through the issue of Cazoo Holdings Limited shares. The final consideration is dependent upon completion accounts which are not yet finalised. The Group also acquired £15.9m of freehold property relating to reconditioning sites operated by Smart Fleet Solutions Limited in the same transaction.

Smart Fleet Solutions Limited is a vehicle refurbishment business operating four state-of-the-art vehicle refurbishment centres across the UK and provides the Group with the capacity to refurbish approximately 200,000 cars per year across all its sites, reducing its reliance on any third-party providers. Smart Fleet's team of over 500 vehicle refurbishment and logistics staff also provide significant expertise. In addition, Smart Fleet has 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 refurbishment of used cars, which is expected to enhance the Group's ability to operate at scale.

The Group has also 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.

	£'000
Property, plant and equipment	25,101
Inventory	333
Trade and other receivables	7,335
Cash	669
Trade and other payables	(2,161)
Loans and borrowings	(3,019)
Total net assets acquired	28,259
Intangible assets recognised on acquisition:	
Customer relationships	7,300
Deferred tax arising on intangible assets	(1,600)
Total intangible assets arising on acquisition	5,700
Total identifiable net assets at fair value	33,959
Goodwill	5,166
Purchase consideration transferred	39,125
Satisfied by:	
Cash	29,125
Debt assumed and discharged	9,000
Shares issued	1,000
Purchase consideration transferred	39,125

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****28. Events after the reporting period (continued)**

On 23 February 2021, Cazoo Holdings Limited acquired Cluno GmbH ("Cluno"), a leading German car subscription service, for consideration of £60.4m. Consideration was £29.4m in cash and £31.0m through the issue of Cazoo Holdings Limited shares.

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 offers a monthly subscription that includes 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 has 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 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 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.

	£'000
Property, plant and equipment	27,181
Cash	8,589
Trade and other receivables	5,493
Trade and other payables	(5,982)
Loans and borrowings	(23,708)
Total net assets acquired	11,573
Intangible assets recognised on acquisition:	
Software	4,445
Brand	1,444
Deferred tax arising on intangible assets	(1,767)
Total intangible assets recognised on acquisition	4,122
Total identifiable net assets at fair value	15,695
Goodwill	44,659
Purchase consideration transferred	60,354
Satisfied by:	
Cash	28,722
Shares issued	31,009
Voluntary employee share option plan	623
Purchase consideration transferred	60,354

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

28. Events after the reporting period (continued)

On 22 March 2021, Cazoo Limited entered into an additional £25 million stocking facilities for the financing of Group inventory.

On 12 April 2021, Cazoo Limited entered into a £25 million facility for the financing of the Group's subscription fleet of vehicles.

During August 2021, the Group entered into a €20m stocking facility to finance the purchase of retail cars in Europe.

On 27 August 2021, Cazoo Holdings Limited and Ajax I, a publicly traded special purpose acquisition company, completed a business combination which resulted in the public listing of the Group. Under the terms of the business combination agreement, the Group and Ajax combined under a new holding company domiciled in the Cayman Islands ("Listco"). Cazoo Group Limited is listed on the New York Stock Exchange under the symbol "CZOO", which resulted in proceeds of \$836m, net of fees. The transaction shall be treated as a "reverse acquisition" where Cazoo Holdings Limited is identified as accounting acquirer. The operations of the Group substantially comprise the ongoing operations of the combined company.

On 2 September 2021, Cazoo Holdings Limited acquired Cazana Limited ('Cazana') for a cash consideration of £25m.

Founded in 2012, Cazana had grown to a team of more than 50 staff including data scientists and engineers headquartered in London. Cazana has built an extensive dataset of over 500 million historic vehicle transactions from over 40 countries including the UK, Germany, France, Spain and Italy and its tools are 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 will combine its brand, proposition and platform with Cazana's extensive data, products and expertise. This deal will enhance the Group's data team and capabilities and allow it to further optimise its car buying and pricing across the UK and Europe for the benefit of consumers.

On 15 September 2021, Cazoo Holdings Limited acquired SMH Fleet Solutions Limited ('SMH') for a cash consideration of approximately £70m.

Established in 2003, SMH has a team of over 500 expert staff currently processing more than 70,000 vehicle refurbishments annually from 6 vehicle preparation sites across 136 acres in Bedford, Gloucester, Throckmorton, Worcester and St Helens. SMH also carries out over 150,000 vehicle movements per year with a team of over 300 logistics specialists as well as operating an online wholesale platform for used cars.

The combination of Cazoo's online retail platform and brand with SMH's leading infrastructure and expertise will double Cazoo's overall vehicle reconditioning, logistics and storage capabilities in the UK with 11 total sites across more than 265 acres, as well as providing it with an experienced team of hundreds of additional vehicle preparation and logistics specialists and its own digital wholesale platform.

On 18 October 2021, Cazoo agreed to acquire Vans365 Limited ("Vans365") for £6.5m in cash. The transaction is subject to FCA approval, anticipated in the coming weeks.

Vans365 is an independent online commercial vehicle retailer in the UK with a team of experienced in-house technicians and customer service specialists based in Bristol, buying and selling hundreds of vans monthly and achieving excellent customer feedback with a 4.8 Trustpilot score.

The deal will combine Cazoo's platform and brand with Vans365's expertise and relationships in the commercial vehicle market and will enhance Cazoo's customer offering and team and accelerate its planned launch into buying and selling commercial vehicles online later this year.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2020****28. Events after the reporting period (continued)**

As of the date of this report, management has not completed its purchase price allocation exercise for the above acquisitions. Full details of the fair value of assets and liabilities acquired are not available yet and will be provided in the Group's results for the year ended 31 December 2021.

There have been no other reportable subsequent events at the date of signing of this report.

29. Related party transactions**29.1 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 2020 £	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Wages and salaries	546	411	-
Employer's national insurance	83	57	-
Short-term non-monetary benefits	2	2	-
Defined contribution pension cost	23	16	-
	654	486	-

29.2 Other related party transactions

No other reportable related party transactions occurred during the Year ended 31 December 2020 (2019: nil, 2018: nil).

Cazoo Holdings Limited (Registered No. 12450682)

COMPANY STATEMENT OF FINANCIAL POSITION**For the period ended 31 December 2020**

	Note	2020 £'000
Assets		
Non-current assets		
Intangible assets	5	180
Investment in subsidiaries	6	163,071
		<u>163,251</u>
Current assets		
Trade and other receivables	7	214,342
Cash and cash equivalents	8	27,923
		<u>242,265</u>
Total assets		<u><u>405,516</u></u>
Liabilities		
Current liabilities		
Trade and other payables	9	2,399
		<u>2,399</u>
Total liabilities		
Net assets		<u><u>403,117</u></u>
Share capital		-
Share premium		266,120
Merger reserve		135,598
Retained earnings		1,399
Total equity		<u><u>403,117</u></u>

The profit for the year ended 31 December 2020 of the Company is £494.3k.

The financial statements on pages 70 to 76 were approved and authorised for issue by the board of Directors on 19 October 2021 and were signed on its behalf by:

S Morana
Director
19 October 2021

Cazoo Holdings Limited (Registered No. 12450682)

COMPANY STATEMENT OF CHANGES IN EQUITY**For the period ended 31 December 2020**

	Share capital	Share premium	Merger reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
At 7 February 2020	-	-	-	-	-
Comprehensive income for the period					
Total comprehensive loss for the period	-	-	-	(494)	(494)
Contributions by and distributions to owners					
Purchase of Cazoo Limited	-	-	135,598	-	135,598
Issue of share capital	-	266,120	-	-	266,120
Share based payments	-	-	-	1,893	1,893
At 31 December 2020	-	266,120	135,598	1,399	403,117

The merger reserve represents the investment recognised on the share for share purchase of Cazoo Limited.
See note 23 of the consolidated financial statements.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the period ended 31 December 2020

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 and presents its first financial statements for the period ended 31 December 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 13 to the consolidated financial statements.

The movements in Share Capital are disclosed in note 23 to the consolidated financial statements.

The principal accounting policies adopted are the same as those set out in note 1 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 period

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 period ended 31 December 2020****4. Employee benefit expenses**

Employee benefit expenses (including Directors) comprise:

	Year ended 31 December 2020 £'000
Wages and salaries	233
Employer's national insurance	18
Short-term non-monetary benefits	1
Defined contribution pension cost	11
Share-based payment expenses	-
	<u>263</u>

The average number of employees during the Period:

Administrative	2
Total	2

Employee benefit expenses in respect of the highest paid Director:

	Year ended 31 December 2020 £'000
Wages and salaries	120
Employer's national insurance	17
Short-term non-monetary benefits	-
Defined contribution pension cost	5
Share-based payment expenses	-
	<u>263</u>

No options were exercised in respect of the highest paid Director.

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.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)**For the period ended 31 December 2020****4. Employee benefit expenses (continued)**

	Year ended 31 December 2020 £'000
Wages and salaries	233
Employer's national insurance	18
Short-term non-monetary benefits	1
Defined contribution pension cost	11
Share-based payment expenses	-
	<u>263</u>

5. Intangible assets

	Software £'000
Cost	
At 7 February 2020	-
Additions	<u>213</u>
At 31 December 2020	213
Accumulated amortisation	
At 7 February 2020	-
Charge for the Period	<u>(33)</u>
At 31 December 2020	(33)
Net book value	
At 31 December 2020	<u>180</u>

6. Investment in subsidiaries

	2020 £'000
Investment in Imperial Car Supermarkets Limited	25,580
Investment in Cazoo Limited	137,491
	<u>163,071</u>

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)**For the period ended 31 December 2020****6. Investment in subsidiaries (continued)**

	£'000
Investment in subsidiaries	
At 7 February 2020	-
Investment in Imperial Cars (note 13)	25,580
Restructuring	135,598
Share options charge	1,893
At 31 December 2020	163,071

The initial investment in Cazoo Limited was recognised when Cazoo Holdings Limited was inserted a parent of Cazoo Limited in a share for share exchange. The investment in Cazoo Limited was initially recognised at £135.6m, the net assets of Cazoo Limited at the time of restructuring.

Subsequently £1.9m of additional investment in Cazoo Limited was recognised due to Cazoo Holdings Limited share options issued to Cazoo Limited employees.

7. Trade and other receivables

	2020 £'000
VAT recoverable	95
Other receivables	88
Intercompany receivable	214,159
Total trade and other receivables	214,342

8. Cash and cash equivalents

	2020 £'000
Cash at bank available on demand	27,923
Total cash and cash equivalents	27,923

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)**For the period ended 31 December 2020****9. Trade and other payables**

	2020
	£'000
Accruals	446
Intercompany payables	544
tax and social security payments	34
Deferred consideration	1,375
Total trade and other payables	<u>2,399</u>

Deferred consideration of £1.4m has arisen through the acquisition of Imperial Cars, see note 13 of the consolidated financial statements.

10. Events after the reporting date

Details of events after the reporting date are disclosed in note 28 of the consolidated financial statements.