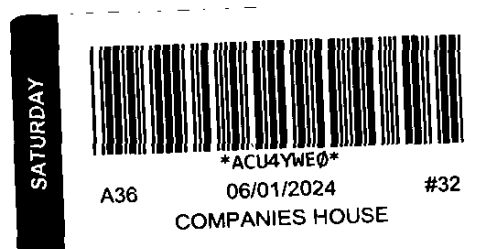


**Constellation Automotive Group Limited**  
**Annual Report and Accounts**  
**for the year ended 2 April 2023**



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## **COMPANY INFORMATION**

### **CONSTELLATION AUTOMOTIVE GROUP LIMITED**

#### **Directors**

J A Mullins

M A Stephens

#### **Registered office**

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England

RG27 9XA

#### **Company registration number**

12042162

#### **Independent auditors**

PricewaterhouseCoopers LLP

40 Clarendon Road

Watford

WD17 1JJ

#### **Website**

[www.constellationautomotive.com](http://www.constellationautomotive.com)

## STRATEGIC REPORT

The Directors present their Strategic Report for Constellation Automotive Group Limited for the year ended 2 April 2023.

### COMPANY BACKGROUND

Constellation Automotive Group Limited ('CAGL', or the 'Company') along with its subsidiary, Constellation Automotive Limited ('CAL'), are holding companies to the BCA Marketplace Limited Group ('BCAM Group'). CAGL and its subsidiaries are referred to in this report as 'Constellation Group' or the 'Group'. The Company's immediate parent company is Constellation Automotive Holdings Limited ('CAHL'), a UK Limited Company registered in England and Wales.

The Constellation Group represents the group of companies that were party to the leveraged financing following the delisting of the BCAM Group from the FTSE 250 in November 2019, and is a component of the wider Constellation group of companies that includes cinch and Marshall Motors. The Constellation Group results are included in CAHL's consolidated financial statements, and this Annual Report and Accounts is therefore prepared on a voluntary basis, to a standard in line with statutory requirements for the benefit of the Group's finance providers and other relevant stakeholders.

The Company's ultimate controlling party is TDR Capital LLP ('TDR'), a UK Limited Liability Partnership registered in England and Wales. TDR is an international private equity firm, managing capital on behalf of institutional, government and private investors worldwide. TDR has an experienced team of investment professionals and operating partners and has a low volume investment strategy based on principles developed by the investment team over the past two decades.

The consolidated financial statements are presented on pages 66 to 126.

### ABOUT CONSTELLATION GROUP

Constellation Group is part of the broader Constellation group of companies which together form the largest vertically integrated digital car marketplace in Europe, combining leading digital brands across the consumer to business and business to business marketplaces.

The Group operates with the BCA and WeBuyAnyCar brands in the post-factory automotive value chain, providing physical and digital solutions at scale to our customers.

Once a new vehicle leaves its place of manufacture, the Constellation Group provide a comprehensive range of services including single and bulk vehicle logistics, inspection checks, customs management, storage, refurbishment, vehicle preparation, dealer finance, pricing data and used vehicle buying. Our auction platforms bring together OEMs, leasing companies, fleet operators, retail dealers and buyers to efficiently transfer the ownership of vehicles while protecting value.

We are a key facilitator and link to the entire value chain in automotive, whether that is the manufacturer, the dealer, the vehicle financier or the end consumer. Constellation Group digitally and physically connects the UK and European vehicle market, enabling vehicles to be moved, bought and sold, thereby providing liquidity and choice.

## CONSTELLATION GROUP AT A GLANCE

### VEHICLE REMARKETING

BCA Vehicle Remarketing facilitates efficient changes of vehicle ownership through auctions in the UK and Europe. Our marketplace brings together vendors and buyers. It provides speed of vehicle disposal, access to the latest market pricing for vendors and an unrivalled choice of consistently graded available stock for buyers.

### VEHICLE BUYING

WeBuyAnyCar provides a trusted, convenient disposal channel for consumers in the UK, operating from 505 sites at March 2023.

Across Europe, International Vehicle Buying provides efficient disposal of batches of vehicles for OEMs, dealers and other partners.



### AUTOMOTIVE SERVICES

#### Vehicle processing centres

Automotive Services' processing centres provide reconditioning, management, storage, valeting and imaging of vehicles for retail partners and fleet operators.

The processing centres provide cosmetic and mechanical reconditioning to a manufacturer accredited standard.

The division's expertise also covers all aspects of fleet management including demonstration, press, VIP events, and pool and company cars.

#### New vehicle sites

The port and factory compounds support manufacturers with storage, fitment and pre-delivery inspection services. Using technologies including drones, RFID and active lane management we are able to securely store and load vehicles for fulfilment.

#### Logistics services

Connecting the automotive industry through bulk and single vehicle movements.

BCA Automotive's fleet of transporters, the largest in the UK, connect the physical marketplace and link the physical integration between divisions.

BCA Logistics' same day inspect and collect service streamlines the process of vehicle inspection, handover, collection and delivery of single vehicle movements for our customers.

## GROUP OPERATING REVIEW

### Challenging market conditions driving business underperformance

Scarcity of vehicle volumes in the market significantly suppressed activity and profitability as the Group's strength in physical assets could not be efficiently utilised. The Group generated revenue of £7.0bn (year ended 3 April 2022: £8.3bn), down 16.3%, and adjusted EBITDA of £201.6m (year ended 3 April 2022: £336.3m), down 40.1%. The integrated capabilities of the Group provided some protection to the abnormally poor market conditions. WeBuyAnyCar continued its excellent performance contributing 491,000 units for auction customers, comfortably maintaining its position as the UK consumers' preferred car buying service. Consumer website engagement for quotes was more than double pre-pandemic levels. WeBuyAnyCar's new 'Just Sold My Car' advertising campaign, launched in December 2022, received a fantastic reception, resonating with a broad cross section of the public and generating high levels of valuation interaction. Automotive Services transporters, plated drivers and refurbishment sites continued to be deployed on less profitable internal work to protect capacity for the future.

Challenges deriving from the ongoing war in Ukraine, both in the supply chain of new vehicles and macroeconomic implications of increased energy prices, high inflation and rising interest rates, saw the focus diverted from continuing the acceleration out of the covid impacted trading periods to right sizing for conditions and protection of liquidity. The Group has ended the year with improved liquidity of £271.4m (as at 3 April 2022: £247.1m) through a combination of reduced inventory holding and actions taken following a property review.

For the third year in succession new vehicle supply to the UK was heavily restricted with 1.6m new registrations, 30% below the typical pre-pandemic level of 2.3m vehicles. In 2020, covid-19 disrupted factory production; in 2021 a lack of semiconductors limited component supply; and in 2022, the war in Ukraine further impacted the component and chip shortage, limited the availability of neon gas, halted metal supplies including palladium and nickel, and cut intrinsic supply routes. The continued absence of new car supply caused three major auction vendor groups to temporarily change their practices:

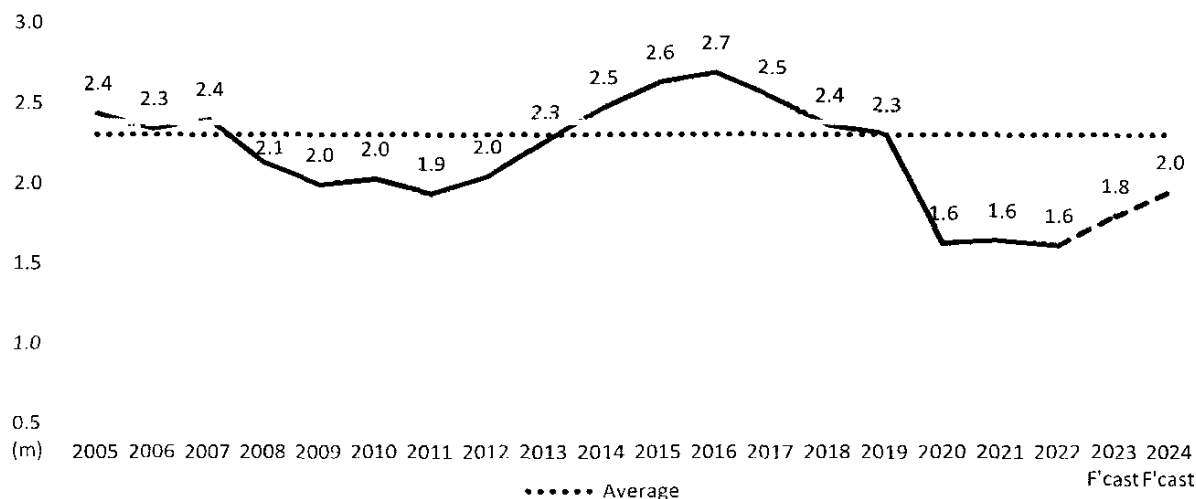
- Franchise dealers have fewer part exchanges available and are choosing to trade further down in categories of used car given spare capacity on their retail estate
- Leasing companies have extended vehicle terms with drivers to 4 or 5 years as newer replacements have been unavailable. The British Vehicle Rental and Leasing Association are reporting leasing company order banks have never been so large principally due to delays in supply
- OEM and rental fleets have been deprioritised as available new car has been channelled to retail customers at undiscounted prices

The Group remains confident that as new car volumes return these vendor groups will refocus on their historic strategies as auctions provide the most efficient source of liquidity. Overall, UK Vehicle Remarketing ('UKVR') volumes from third party vendors of 455,000 were 14% down on the prior year and 39% down on the 741,000 units seen in the largely pre-pandemic FY20.

## GROUP OPERATING REVIEW *continued*

Challenging market conditions driving business underperformance *continued*

### CONSTRAINED UK NEW CAR REGISTRATIONS



Note: Average UK New Registrations is based on the period 2005 to 2019 calendar year  
Source: [smmr.co.uk](https://www.smmr.co.uk)

Constrained supply resulted in the UKVR estate operating at c.60-70% of capacity during the first three quarters of the year with a corresponding negative impact on operational leverage and profitability. UKVR fourth quarter volumes rebounded to 97% of FY20 levels and demonstrate that with more normal operational leverage the profitability of the model remains, delivering the Group's highest ever Q4 EBITDA performance.

Through 2021 and early 2022 the Retail Ready estate was established, comprising former Fleet Solutions sites and specifically identified new properties. The Fleet Solutions properties were underutilised following the reduction in fleet churn from low availability of new cars. The sites were re-equipped and re-skilled to allow the refurbishment of any vehicle from any manufacturer to a Retail Ready standard that included an MOT. Traditionally, auction vehicles are transacted in a wholesale condition requiring the buyer to perform preparation work before onward sale to the end customer. These ready to sell vehicles improved inventory churn for dealers and, with limited preparation capacity in the market, demand initially grew quickly. The identified Retail Ready estate had capacity for 250,000 units to be refurbished per year and approximately half of that capacity was brought online. With the cost of living crisis slowing retail demand and the growth of online dealers flattened, traditional physical dealers had longer hold times in which to perform vehicle preparation themselves. Throughput of fewer units saw unabsorbed overhead of £11.7m in the year. As market demand changed, the economics on which vehicles to select for the programme evolved. Supply chain disruptions for parts and paints resulted in longer lead times for refurbishment, and consequently the potential return on units changed, leading to £11.1m of additional out of programme vehicle costs. The right sizing of the estate combined with operational performance improvements around the selection and processing of vehicles saw Retail Ready operating at a break even run rate at the end of March 2023.

As a result of the Retail Ready changes the Sandwich site was closed in Q2 using a break option in the lease, and the Bristol Avonmouth facility was redeployed as a dedicated remarketing site in Q3. During Q3, the Group sold a land banked facility in Corby, Amaray House, for gross proceeds of £13.8m offset by associated legal fees of £0.2m. This site was acquired for gross proceeds of £12.6m in April 2021. Towards the end of the year Fleet Solutions customers at the Upper Heyford site were relocated to an existing Corby based facility.

During the first half of the year, there were non-core auction site closures at Derby, Peterborough, and Brentwood. These smaller sites were less efficient for online auction.

## GROUP OPERATING REVIEW *continued*

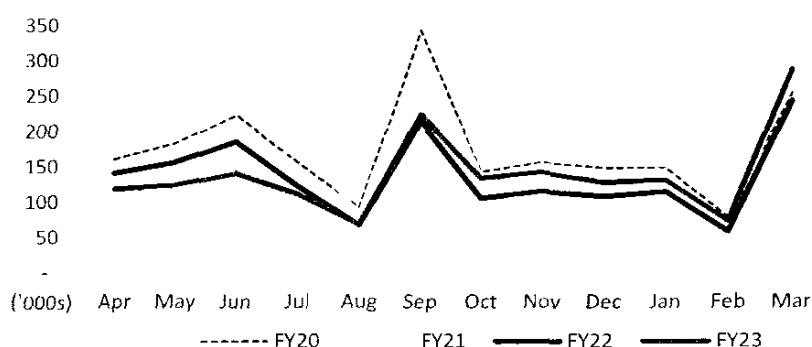
### Challenging market conditions driving business underperformance *continued*

Following year end the International Vehicle Remarketing division completed a sale and leaseback of the Barneveld site in the Netherlands for sales proceeds of €18.5m. Additionally, the Group disposed of further land in Corby for sales proceeds of £22.9m in conjunction with a series of smaller auction property disposals totalling £2.1m in the UK Vehicle Remarketing division.

## UK NEW AND USED CAR TRANSACTIONS

### New car registrations – up 3.1% vs. FY22

The impact of covid-19, semiconductor chip shortages and the war in Ukraine have led to severely suppressed new car supply in the last three years. Year on year improvement in new car registrations began in August 2022, ending the year up 3.1% on FY22 as new car supply gradually began improving. March 2023 represented eight consecutive months of year on year registration growth.



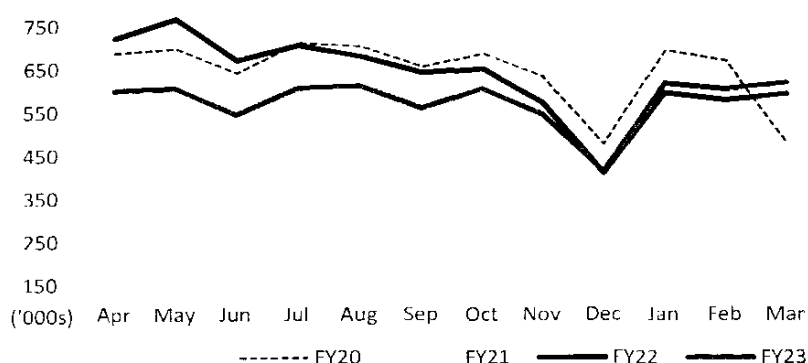
In the UK, the Society of Motor Manufacturers and Traders ('SMMT') reported new car registrations fell to 1.61 million units for the 2022 calendar year, the lowest level since 1992. While economic challenges remain unpredictable, vehicle production continues to show signs of improvement. The SMMT forecast new car registrations for the 2023 calendar year of 1.83 million units.

### Used car transactions – down 8.6% vs. FY22 but up 4.1% in Q4

The lack of new car supply results in fewer vehicles entering the used car market, where the Group predominantly operates.

The impact is most prominent for nearly-new vehicles, including those supplied by the leasing and contract hire sector, as vehicle owners extend contracts rather than renew their fleets.

Following three consecutive quarters of decline, used car transactions were up 4.1% on FY22 Q4 but remained down 8.6% against FY22.



Source: smmt.co.uk

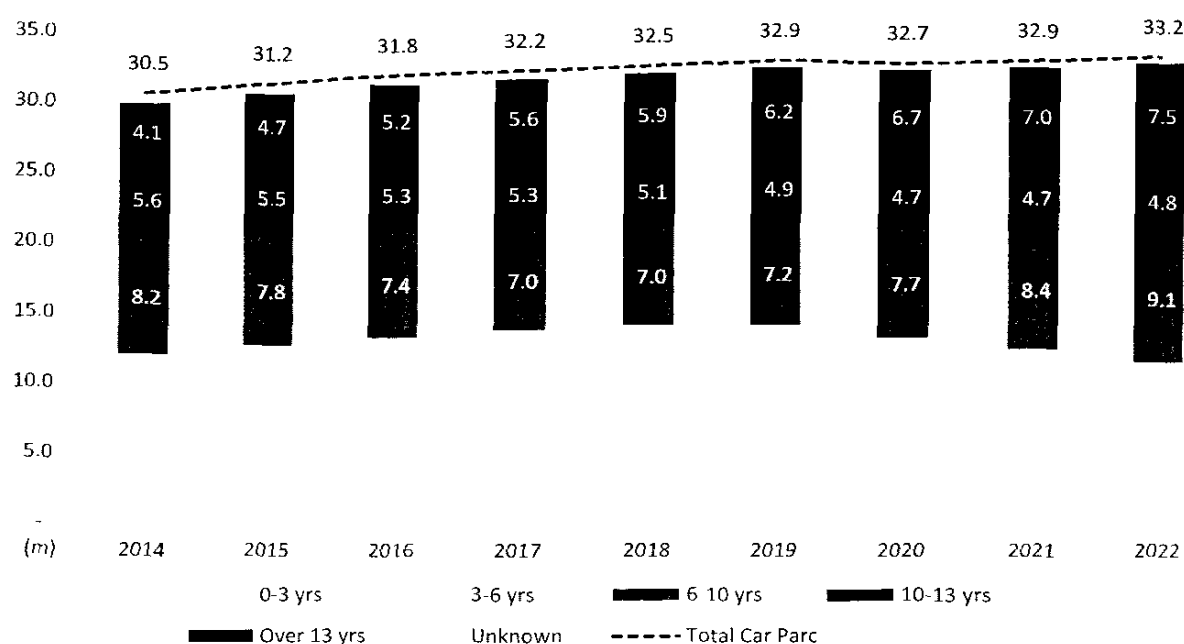


## GROUP OPERATING REVIEW *continued*

### Outlook

OEMs and industry commentators predict new vehicle supply to begin recovery in 2023, with forecasts of 1.8-1.9 million units, a 13-20% increase in volume. In the UK there have been more than 2.5 million lost new car transactions between 2020 and 2022 from covid-19 and supply constraints. Despite 3 years of exceptionally low new car availability, the UK car parc has not contracted. The proportion of vehicles between 3 and 6 years old is relatively consistent with historic levels, while the percentage of those in the 6 to 10 year age range and greater than 13 years old have expanded.

### UK CAR PARC 2014 TO 2022 – AGEING BUT NOT SHRINKING



Note: Total may not cast due to rounded sub totals and 'Unknown' category total not presented above  
Source: <https://www.gov.uk>

Auctions are heavily dependent on vehicle churn, and there are several factors that could drive a faster transaction rate, including the expiry of consumer financing agreements, changes in the cost of financing agreements, a greater proportion of cars reaching the end of their economic life, changing consumer preferences, and in recession, distressed companies and individuals needing to liquidate assets efficiently. Owners of large fleets require remarketing partners that provide physical facilities at scale to store and move vehicles through the change of ownership period.

The rising interest rate environment will see the Group continue to prioritise liquidity, with tight controls on operational spend and reduced capital expenditure. The strength of Vehicle Buying will continue to be reinforced with tactical marketing spend and further expansion of the 7 day a week retail estate. As the leading consumer to business and business to business marketplaces for used vehicles, the Group is well placed to benefit from the return of new car supply. As supply and volumes improve, greater opportunities arise that allow the Group to benefit from the strength of its brands and the physical scale it possesses.

## GROUP OPERATING REVIEW *continued*

### **Non-GAAP measures**

#### **Key Performance Indicator – adjusted EBITDA**

Management uses an adjusted profit measure to monitor the ongoing profitability of the Group, which is defined as Earnings before interest, taxation, depreciation and amortisation ('EBITDA') adjusted for significant or non-recurring items ('SONR'). The SONR items that are excluded from EBITDA to calculate adjusted EBITDA are as follows:

- income and expenses that are significant, non-recurring or non-trading in nature, including business closure costs, restructuring costs, refinancing costs and share based payment related charges;
- impairment charges and accelerated depreciation and amortisation on property, plant and equipment, right of use assets, intangibles and goodwill;
- amortisation of intangible assets arising on acquisition;
- fair value gains and losses on financial assets measured at fair value through profit or loss;
- acquisition expenses and gains and losses on business combinations, disposals and changes in ownership.

The Directors primarily use the adjusted EBITDA measure when making decisions about the Group's activities as it is the most reliable and relevant profit measure across all segments. Amortisation of intangible assets arising on acquisition are excluded because they reflect the nature of the acquisition accounting, and are not reflective of underlying business performance. Share based payment related charges are excluded as the initial implementation and ongoing costs are significant or non-recurring and are not reflective of underlying business performance. As this is a non-GAAP measure, adjusted EBITDA measures used by other entities may not be calculated in the same way and hence may not be directly comparable.

All non-GAAP measures are reconciled back to statutory equivalents on page 17. They are provided with the clear intention to aid understanding of performance.

#### **Key Performance Indicator – IAS 17 adjusted EBITDA**

The Group's financing arrangements include frozen GAAP reporting for certain accounting areas including leases. IAS 17 adjusted EBITDA is presented to aid comparison, and remains the most meaningful measure of performance.

## GROUP OPERATING REVIEW *continued*

### DIVISIONAL RESULTS SUMMARY

	IFRS 16				IAS 17			
	Year ended 2 April 2023		Year ended 3 April 2022		Year ended 2 April 2023		Year ended 3 April 2022	
	Revenue £m	Adjusted EBITDA £m	Revenue £m	Adjusted EBITDA £m	Revenue £m	Adjusted EBITDA £m	Revenue £m	Adjusted EBITDA £m
UK Vehicle Remarketing	2,901.7	87.8	2,596.2	138.1	2,901.7	57.7	2,596.2	110.2
International Vehicle Remarketing	242.0	29.4	240.1	40.2	242.0	24.4	240.1	35.6
Vehicle Buying	3,557.7	89.9	5,250.3	162.3	3,557.7	89.5	5,250.3	162.0
Automotive Services	259.3	8.8	227.4	8.6	259.3	(11.8)	227.4	(13.8)
Group Costs	0.7	(14.3)	0.5	(12.9)	0.7	(14.3)	0.5	(13.0)
<b>Total</b>	<b>6,961.4</b>	<b>201.6</b>	<b>8,314.5</b>	<b>336.3</b>	<b>6,961.4</b>	<b>145.5</b>	<b>8,314.5</b>	<b>281.0</b>

Divisional results are presented in this section on both an IFRS 16 basis and IAS 17 basis ('frozen GAAP') for comparison as the Group's financing arrangements include frozen GAAP reporting, particularly for leases.

Adjusted EBITDA under IFRS 16 of £201.6m is reconciled to the statutory operating profit for the year ended 2 April 2023 of £19.5m on page 17.

The year ended 2 April 2023 represents a 52 week trading period. The prior year was a 53 week trading period, which was required for the Group's financial year end to remain aligned with accounting and tax legislation.

### DIVISIONAL PERFORMANCE REVIEW

#### UK Vehicle Remarketing

The division underperformed expectations in the year with adjusted EBITDA down 36.4% to £87.8m (year ended 3 April 2022: £138.1m), while revenue was up 11.8% to £2,901.7m (year ended 3 April 2022: £2,596.2m). Growth in revenue was mainly driven by increased sales volumes from the outsource solutions channel, where the division takes title of the vehicle and recognised the full value of the sale as revenue. Revenue is dependent on the mix between auction sales, for which the Group acts as agent and recognises a fee as revenue, and the outsourced remarketing and Retail Ready sales channels, for which the Group acts as principal. When acting as agent, changes in auction revenues are primarily driven by changes in volume, rather than changes in hammer prices, as auction fee income is based on a tiered pricing model. Under both agency and principal sales models, the Group collects the hammer price of the vehicle and the fees from the buyer.

Adjusted EBITDA fell due to significantly reduced auction entry volumes and higher unabsorbed overheads caused by overcapacity in retail operations, with the division operating at c.60-70% of capacity for the first three quarters of the year, adversely impacting operating leverage, efficiency and profitability. Auction volumes fell 15% to 950,000 units (year ended 3 April 2022: 1,100,000). Third party volumes have been severely impacted by the knock-on effects of new car supply shortages, as leasing companies held vehicles for longer and franchised dealers continued to trade older vehicles to replace new car sales.

## **GROUP OPERATING REVIEW *continued***

### **DIVISIONAL PERFORMANCE REVIEW *continued***

#### **UK Vehicle Remarketing *continued***

Growth in demand for Retail Ready vehicles slowed during the year, resulting in excess refurbishment capacity and leading to unabsorbed production overheads of £11.7m in the year. As the cost of living crisis impacted market demand and consumer preferences, previously selected vehicles became less favourable for refurbishment. This was exacerbated by supply chain disruptions that extended lead times for parts and paints, leading to total out of programme vehicles costing £11.1m. Correcting for Retail Ready losses, adjusted EBITDA for UK Vehicle Remarketing would be £22.8m higher at £110.6m, a 20% decline on prior year.

As set out in the Operating Review from page 6 a review of the production facilities led to a reduction of the Retail Ready estate to a size more appropriate for near term production. The four remaining sites were operating at a break even run rate at the end of March and out of programme vehicles have been reduced through operational changes to the process of identifying and selecting vehicles. As part of the property review the auction sites at Derby, Peterborough and Brentwood were vacated. These were smaller sites less well suited to the Group's online auction model.

The division continued to trade fully online during the year using the BCA Buyer mobile app, BCA Live Online and BCA Buy Now platforms. The live auction programme runs 7 days a week, maximising buying opportunities for new and existing auction participants. Investments in sites have been made to support the digital model and changing vehicle preferences, including more charging points for electric vehicles, which now represent 5% of all vehicles sold at auction, up from 2% in FY20.

Despite lower auction volumes, the division has seen costs rise during the year. Personnel costs increased from inflationary pressures impacting lower paid workers' salaries in line with rising national living wage requirements, and investment in support functions including IT and HR to support expected growth. The Group has the leading online auction capability, but further development was slowed towards the end of the year to protect profitability. In slowing development, a non-recurring charge of £4.2m has been taken against two specific pieces of software where the Group expects to receive lower future benefit. Mid-way through the year, eight properties in the ongoing auction estate received a five-yearly RPI based rent adjustment, raising the IAS 17 leasing cost by £1m per quarter. To help offset these cost pressures a buyers fee increase of 4% for vehicles under £3,000, and 8% for all other vehicles was introduced on 1 March 2023. The increase did not impact trading levels with volumes and conditions improving through Q4 and buyer numbers remained strong. Significant efficiencies remain available within the business model to protect and enhance profitability beyond FY23.

After unprecedented used car price increases during the prior year, pricing reduced slightly and overall was more stable during the year. The average selling price ('ASP') for the year was down 8% to £8,600 (year ended 3 April 2022: £9,300). Due to the lack of new car supply, the vehicle parc has aged, with the proportion of vehicles seen in the division over four years old growing to 83% from 72% in the prior year. The Ford Fiesta remains the most common vehicle for sale at auction, with a Rolls Royce Ghost attracting the highest hammer price of £285,000 during the year.

BCA Partner Finance continues to support buyer demand, with average penetration at 11.7% of UK Vehicle Remarketing sales funded by Partner Finance (year ended 3 April 2022: 10.1%). The Partner Finance proposition, which includes branded auctions, part exchange financing and funding 100% of the hammer price plus fees and transport, continues to support dealer customers through the liquidity it provides. As at 2 April 2023, the resultant asset backed loan book stood at £248.3m (as at 3 April 2022: £291.0m).

## **GROUP OPERATING REVIEW *continued***

### **DIVISIONAL PERFORMANCE REVIEW *continued***

#### **International Vehicle Remarketing**

International Vehicle Remarketing ('IVR') delivered revenue of £242.0m (year ended 3 April 2022: £240.1m), up 0.8%, and adjusted EBITDA of £29.4m (year ended 3 April 2022: £40.2m), down 26.9%. The results reflect lower auction volumes and challenging market conditions similar to those in the UK, with the European market also experiencing new car shortages, lower consumer confidence, and rising inflation, fuel and energy costs.

Divisional revenue was comparable with the prior year as declines in volumes were partly offset by a higher ASP, up 9% to €11,500 due to a change in country mix with Denmark and Sweden providing a greater proportion of the total volume. The division continued to increase cross border penetration to 25% (year ended 3 April 2022: 23%). As a result transport revenue increased with 19,000 (11%) more moves being arranged on behalf of customers. The EU transport market was challenging, especially in the second half of the year, as bursts of high demand for new car movements increased transporter pricing. Transport is a low margin activity and while the division was able to successfully pass on some of these higher costs to customers, the delay between higher expense being incurred and price rises taking effect resulted in a margin loss of £0.7m for the year.

Adjusted EBITDA declined with reduced auction volumes of 306,000 units (year ended 3 April 2022: 342,000), down 11%, and significantly below the largely pre-covid levels of FY20 (down 24%). The most notable declines in volumes were seen in OEM centric markets in France and Germany; down 19% and 22% respectively on the prior year, and down 31% and 48% on the largely pre-pandemic FY20. This has resulted in poorer operational leverage for the division, adversely impacting profitability.

Despite having fewer units available, strong ties remain with key external customers. All the top 10 vendors have relationships exceeding five years, with many in place for more than 10 years. Due to the scarcity of supply across European markets, the International Vehicle Buying ('IVB') division increased activity to support auction supply and partially offset the reduction in OEM and leasing volumes. IVB ended the year as the largest single vendor across IVR auctions, contributing 23% (year ended 3 April 2022: 18%) of all volume. Challenging trading conditions led to lower demand and a decline in pricing, particularly for electric vehicles and IVR provided £8.5m of incentivised unit support to IVB to secure this volume. The auction gross margin on these units substantially exceeded the support provided.

The European business traditionally operated in the OEM and dealer vendor market. After year end, the division was able to secure a contract with ALD, providing additional volume for FY24 and a significant entry point into the leasing vendor segment.

A commercial restructuring took place in Germany during the year to control costs in that market and reduce overheads, involving a reduction in headcount of close to 30 heads. The division has continued to manage costs by leveraging the Portuguese shared service centre to manage European buyers and increase cross-border export penetration. Since it began in 2019, the scale of operations has grown from seven to more than 70 employees. Through process standardisation and comparatively lower operating costs, the centre is well placed to fulfil client requirements and capitalise on potential growth opportunities going forward.

## **GROUP OPERATING REVIEW *continued***

### **DIVISIONAL PERFORMANCE REVIEW *continued***

#### **Vehicle Buying**

Vehicle Buying includes WeBuyAnyCar in the UK and International Vehicle Buying ('IVB') operations in Europe.

The division delivered excellent results against an outstanding prior year comparative, which benefited from exceptional market dynamics. In the year, the division produced revenue of £3,557.7m (year ended 3 April 2022: £5,250.3m) and adjusted EBITDA of £89.9m (year ended 3 April 2022: £162.3m), down 32.2% and 44.6% respectively. Performance was led by WeBuyAnyCar which achieved its second highest annual EBITDA result.

WeBuyAnyCar volumes reduced 13% to 491,000 units (year ended 3 April 2022: 565,000) but remained significantly up on the largely pre-pandemic FY20, growing 169,000 units (53%), with corresponding revenues up £2,119.3m (152.2%). With increasing economic uncertainty during the year, WeBuyAnyCar targeted vehicle buying to match auction demand, focusing on lower value vehicles. As a result, average revenue per vehicle fell to £7,100 (year ended 3 April 2022: £9,100).

Superminis remain the most common class of car, accounting for 28% of all vehicle purchases, up from 22% in the prior year. 4x4s represented 13% of vehicle purchases, down from 17%, and Supercar purchases decreased to 303, down from 434 in the prior year. The division continues to buy any car, with purchases during the year including a 1984 Volvo S60, and three vehicles each with a value of over £200,000.

The expansion of the retail estate was slowed during the year to manage the cost base and profitability. At the end of the year, WeBuyAnyCar traded from 505 sites (as at 3 April 2022: 501 sites), with an average customer drive time of only 13 minutes. The focus continues to be on switching to 'off-grid' PODs, which are sites that operate on solar panels and HVO fuels. As at 2 April 2023, 40% of the branches were 'off-grid' PODs (as at 3 April 2022: 26%). WeBuyAnyCar provides customers a compelling offering and the ability to transact flexibly on their terms, at a location and time convenient for them, resulting in record high repeat customer volumes and appointment to purchase conversions during the year. Strong consumer trust, and excellent customer service, has earned WeBuyAnyCar a 4.8\* Excellent rating on Trustpilot.

Marketing spend was reduced over the first three quarters as the previous campaign material was run down. A new advertising creative was launched on Christmas Day, featuring TikTok creator Mufasa, in a promotion designed to celebrate the 'feel good' moment associated with selling a car with ease. This received a tremendous response, helping generate strong levels of valuation interaction.

The tightening of estate costs and reduced marketing spend helped deliver adjusted IAS 17 EBITDA per unit of £188 (year ended 3 April 2022: £286), well above expected levels for the year.

WeBuyAnyCar continues to be the UK's largest car buying service and has purchased more than 3.2 million vehicles since 2006. It continues to focus on providing a simple, convenient and trusted way to sell a car. The average time taken to get a quote is just 30 seconds, offering customers true liquidity, with the option to have funds paid directly into their bank account in as little as 30 minutes, including those who wish to transact cars with outstanding finance. During 2023, WeBuyAnyCar settled over 84,000 finance agreements. On average 9,400 vehicles were sold a week (year ended 3 April 2022: 10,700).

Across Europe, buying volumes increased 12% to 69,000 units (year ended 3 April 2022: 62,000), generating an adjusted IAS 17 EBITDA loss of £2.9m having broken even in the prior year. The Netherlands, Denmark and France continue to be the key markets for volume buying activity generating 68% of sales (year ended 3 April 2022: 69%). The division focused on supporting IVR to benefit the Group as a whole, by providing additional auction volume to offset the reduction in supply from OEMs, dealers and leasing companies. As the largest single vendor in Europe, supplying 23% (year ended 3 April 2022: 18%) of all IVR volume, the change in scale of buying can be seen by the 677% rise in inventory to £28.1m when compared to FY20. The losses in IVB resulted from pricing volatility particularly on EVs and insufficient discipline on inventory holding times as volumes scaled. After peaking at 34 days in Q3, stronger inventory disciplines that are aligned with our more established buying markets are now in place, targeting a 14 day churn. Inventory churn dropped to 13 days by the end of the year.

## **GROUP OPERATING REVIEW *continued***

### **DIVISIONAL PERFORMANCE REVIEW *continued***

#### **Automotive Services**

Automotive Services provide a comprehensive range of solutions, including single and bulk vehicle collections and deliveries, inspection checks, customs management, storage, refurbishment, and vehicle preparation, enabling the Group to offer integrated solutions to its customers. The division reported revenue of £259.3m (year ended 3 April 2022: £227.4m) and adjusted EBITDA of £8.8m (year ended 3 April 2022: £8.6m), up 14.0% and 2.3% respectively

BCA Automotive revenue benefited from higher external volumes in 2023, which grew 8%, resulting in revenue growth of £15.2m (12%) on the prior year. The proportion of work for third parties increased to more than 50% for the first time since Q4 FY21. The rising costs of consumables such as tyres, maintenance parts and ad-blue have eroded profitability along with driver pay increases. Active contract negotiations with customers and inflationary price increases have been completed to help mitigate the impact of rising costs across the division beyond FY23.

In anticipation of new car volume growth returning to the market, BCA Automotive has continued to maintain and invest in skilled labour and transporter capacity, operating a transporter fleet of 1,026 at year end. Following a group reorganisation on 2 April 2023, Cold Fell Group Limited and its subsidiary E. C. M. (Vehicle Delivery Service) Limited (together referred to as 'ECM') joined the division, bringing with it a number of long term OEM transport relationships. This increases the bulk movement capacity of the division by bringing over 450 additional transporters to the fleet, better equipping the Group to service higher volumes in the future as the automotive market continues to recover. As set out in note 18, consideration totalled £18.6m including £3.1m of Goodwill that is largely attributable to the workforce, and a merger reserve of £0.7m arising from the acquisition accounting. While ECM was acquired on the last trading day of the year and therefore did not contribute to the trading result of the Group, it is expected to generate between £5m and £6m of adjusted IAS 17 EBITDA per annum.

BCA Logistics has seen revenues grow £14.6m (16%) as vehicle collections activity increased 71,000 units (up 9% on prior year) including additional delivery work for cinch, an affiliate company. The more profitable inspections services work has remained suppressed, down 54,000 units (17%). Cost inflation related to national living wage requirements and utility costs eroded margins. To protect profitability, inflationary price increases have been agreed to help mitigate the impact of rising costs.

The volume of work at BCA Vehicle Services' port locations, including pre-delivery inspections, enhancements, storage and customs management, began to increase towards the end of the year, with Q4 arrivals of 172,000 vehicles comparable with the 180,000 seen in the largely pre-covid FY20 Q4. While activity levels have exceeded those in the prior year, they have been skewed towards lower margin services. Supply chain disruption continued to create unpredictability in the timing and volume of work performed, generating operational inefficiencies and reducing opportunities to deliver higher margin activities and enhancement services.

BCA Fleet Solutions ('BCAFS') sites are split between 'Retail Operations' production for the outsourced remarketing and Retail Ready sales channels in UKVR, and 'Fleet Operations' which refurbishes and stores vehicles for OEM, defleet, leasing and rental clients. The costs associated with running dedicated Retail Operations sites are recharged to UKVR as BCAF5 continues to produce vehicles for these sales channels. The underlying performance of the traditional fleet solutions storage and refurbishment business began to see the benefits of restructuring activities taken during the year, and the impact of higher volumes towards the end of the year. The BCAF5 estate has undergone considerable change throughout the year, including the closure of the Sandwich and Bristol Retail Ready sites. Additionally, BCAF5 relocated Fleet Operations customers from the Upper Heyford site to a Corby based facility, in preparation of the lease expiry in April 2023.

## **GROUP OPERATING REVIEW *continued***

### **DIVISIONAL PERFORMANCE REVIEW *continued***

#### **Automotive Services *continued***

Towards the end of 2023, divisional performance showed signs of improvement as new car supply constraints began to ease. During the year, BCA Automotive moved 817,000 vehicles for third parties, compared to 1,456,000 to the largely pre-covid FY20. BCA Logistics completed 258,000 inspections, down from 440,000. Arrivals in BCA Vehicle Services were 596,000, down from 659,000. Arrivals and dispatches in BCA Fleet Solutions were 181,000 and 198,000 respectively, compared to 316,000 and 319,000. As new car supply continues to recover, Automotive Services remains well positioned to respond profitably to additional increases in activity levels.

#### **Group Costs**

Group costs reflect the management capacity required to deliver joined up solutions across divisions for OEMs and major corporates. This also includes operating costs of the Rockingham site, which is used to host various internal training and events. Group revenue represents income on strategic sites where Constellation Group is the landlord.



## GROUP OPERATING REVIEW *continued*

### FINANCIAL PERFORMANCE REVIEW

The following table sets out the statutory financial performance of the Group (reported under IFRS 16).

	For the year ended 2 April 2023 £m	For the year ended 3 April 2022 £m
<b>Revenue</b>	<b>6,961.4</b>	<b>8,314.5</b>
<b>Adjusted EBITDA</b>		
UK Vehicle Remarketing	87.8	138.1
International Vehicle Remarketing	29.4	40.2
Vehicle Buying	89.9	162.3
Automotive Services	8.8	8.6
Group Costs	(14.3)	(12.9)
<b>Adjusted EBITDA</b>	<b>201.6</b>	<b>336.3</b>
Depreciation and other amortisation	(81.0)	(76.7)
Significant or non-recurring items:		
Amortisation of acquired intangibles	(72.7)	(74.1)
Restructuring costs	(20.0)	(0.6)
Impairment of intangible assets and related costs	(6.2)	-
Share based payment related charges	(2.2)	(1.3)
Aborted transaction costs	-	(0.7)
Non-recurring system costs	-	0.1
Profit on sale and leaseback	-	3.3
<b>Operating profit</b>	<b>19.5</b>	<b>186.3</b>
Finance income	5.4	3.4
Finance costs	(165.4)	(124.6)
Non-recurring refinance costs	-	(29.5)
Share of loss of equity-accounted investments	(0.2)	(1.3)
<b>(Loss)/profit before income tax</b>	<b>(140.7)</b>	<b>34.3</b>
Income tax	36.8	(35.1)
<b>Loss for the year</b>	<b>(103.9)</b>	<b>(0.8)</b>

#### Significant or non-recurring items

As defined in the non-GAAP measures, management exclude significant or non-recurring ('SONR') items from adjusted operating profit as these are not representative of underlying trading performance.

During the year the Group recognised £72.7m (year ended 3 April 2022: £74.1m) of amortisation on acquisition related intangible assets, a £6.2m (year ended 3 April 2022: £nil) impairment of IT related intangible assets along with associated costs and share based payment related charges of £2.2m (year ended 3 April 2022: £1.3m) relating to a Management Incentive Plan ('MIP').

The Group incurred restructuring costs of £20.0m (year ended 3 April 2022: £0.6m) in UK Vehicle Remarketing (£12.7m), Automotive Services (£6.7m), and International Vehicle Remarketing (£0.6m). The restructuring costs included impairment of right of use assets of £11.8m mainly in UK Vehicle Remarketing as non-core auction sites were closed. The restructuring costs in Automotive Services mainly related to site closures as Retail Ready capacity requirements were reduced.

## **GROUP OPERATING REVIEW *continued***

### **FINANCIAL PERFORMANCE REVIEW *continued***

#### **Finance income**

Finance income of £5.4m (year ended 3 April 2022: £3.4m) principally relates to interest income from affiliates and includes £0.1m (year ended 3 April 2022: £0.2m charge) of net interest on the retirement benefit obligations.

#### **Finance costs**

Finance costs of £165.4m (year ended 3 April 2022: £154.1m) includes £117.3m (year ended 3 April 2022: £90.5m) of finance facility interest, £26.4m (year ended 3 April 2022: £25.0m) of lease interest costs, £12.5m (year ended 3 April 2022: £2.4m gain) of foreign exchange losses primarily recognised on retranslation of Euro denominated facilities, and £9.2m (year ended 3 April 2022: £7.5m) amortisation of debt issue costs and original issue discount. The prior year included £29.5m non-recurring refinance costs.

#### **Taxation**

The tax credit of £36.8m includes a £19.3m tax credit in relation to SONR items. This comprises a tax credit of £14.7m relating to amortisation of acquired intangible assets and a £4.6m credit in relation to other SONR items.

In addition, under Regulation 3 of The Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2004, foreign exchange losses of £14.8m arising on the translation of external Euro debt have been matched and treated as non-deductible in the period.

This resulted in an effective tax rate ('ETR') for the period of 26.2%. Excluding the impact of the amortisation of the acquired intangibles and other SONR items in the period, the Group had an underlying effective tax rate of 44.2%. Excluding the impact of the non-deductible foreign exchange movements results in an adjusted underlying effective tax rate of 70.7%.

The underlying ETR is higher than the standard rate of corporation tax in the UK of 19.0%. This is primarily as a result of the impact of the prior year adjustment for the payment for group relief of £9.8m from other UK tax resident entities from outside of the Group at less than 19.0%, reflecting the cash tax benefit of the losses to the Group.

The Group is subject to the UK's Corporate Interest Restriction regime on interest payable on the Group's debt facilities. This results in a disallowance of £63.7m in the period with a net current tax charge of £12.1m. The restricted interest is available to carry forward, and therefore an additional deferred tax asset of £16.0m, including the impact of the rate change to 25% in the UK, has been recognised in respect of these tax attributes to the extent that it offsets against deferred tax liabilities created in the accounting for business combinations.

The ETR is also reflective of the Group's geographic mix of profits, with a combination of higher rates in our European markets and lower rates in the UK, and the effect of permanently disallowable items. Permanently disallowable items comprise expenditure incurred that does not qualify for a tax deduction in the territory in which it arises, and includes depreciation on assets not qualifying for tax deductions and current period movements on provisions for uncertain tax positions.

## **GROUP OPERATING REVIEW *continued***

### **FINANCIAL PERFORMANCE REVIEW *continued***

#### **Tax framework**

The Group is committed to paying the right amount of tax, when it is due, in the jurisdictions in which it arises, and views the payment of its tax liabilities as an integral part of maintaining high standards of corporate social responsibility. The Group is included in the published tax strategy of CAHL, which covers tax compliance, tax planning and risk management.

The Group is committed to being fully compliant with all statutory obligations and ensuring an appropriate relationship with the tax authorities.

The Chief Financial Officer has executive responsibility for tax matters. The Group seeks to structure its affairs on sound commercial principles and in accordance with relevant tax legislation. Where there are areas of uncertainty, the Group has strong relationships with professional advisers and utilises in-house specialists to ensure that tax risks are appropriately considered.

#### **Loss after tax**

The loss after tax of £103.9m (year ended 3 April 2022: £0.8m) was stated after charging £101.1m of SONR costs (year ended 3 April 2022: £73.3m), £0.2m of share of loss of equity-accounted investments (year ended 3 April 2022: £1.3m), less tax credit of £36.8m (year ended 3 April 2022: tax charge of £35.1m). On an adjusted basis, excluding SONR, adjusted loss before income tax was £39.4m (year ended 3 April 2022: adjusted profit before income tax was £138.4m).

#### **Financing and liquidity**

In July 2021, the Group refinanced with new debt in the form of £695m High Yield Bond, £400m and €400m Senior Term Facilities, £325m Second Lien Facility and £250m ancillary facilities.

The facilities are repayable on dates between January 2027 and July 2029. The facilities are denominated in GBP and Euros, and attract fixed interest or variable interest based on SONIA / EURIBOR plus margin, with customary margin ratchets and prepayment options. The Revolving Credit Facility ('RCF') is subject to a covenant test only if, at the end of a quarter, more than 40% of the total RCF facility is drawn in revolving loans.

The Group continues to hold an asset backed finance facility to fund the Partner Finance business. In November 2021 the facility was renewed. The facility of £300m expires in January 2025.

The Group manages its liquidity through a mix of long term and short term (revolving) debt, and the use of an overdraft and cash pool to manage its day-to-day liquidity. At the year end, £70m was drawn on the RCF (as at 3 April 2022: £75m).

As at 2 April 2023, the Group had available liquidity of £271.4m based on the reported balance sheet cash and cash equivalents and available facilities, increased from £247.1m at 3 April 2022. This includes £3.1m held in certain entities classified as unrestricted subsidiaries for Group banking purposes.

#### **Cash flow**

The Group generated operating cash in the year of £244.7m (year ended 3 April 2022: £310.7m). After accounting for finance costs of £108.6m (year ended 3 April 2022: £96.2m), lease interest of £26.4m (year ended 3 April 2022: £25.0m) and income tax of £8.7m (year ended 3 April 2022: £21.1m), offset by an inflow in respect of the Partner Finance loan book of £42.7m (year ended 3 April 2022: £83.6m outflow), the Group delivered a net cash inflow from operating activities of £143.7m (year ended 3 April 2022: £84.8m).

## **GROUP OPERATING REVIEW *continued***

### **FINANCIAL PERFORMANCE REVIEW *continued***

#### **Cash flow *continued***

During the year the Group had cash outflows of £53.8m (year ended 3 April 2022: £214.7m) from investing activities, including the acquisition of the ECM transporter business for £17.7m net of cash acquired. Capital expenditure of £80.0m (year ended 3 April 2022: £162.0m) includes investment in software and IT systems (£29.3m), transporters (£20.6m) and land and buildings (£9.8m). This is partially offset by proceeds from the sale of assets of £20.2m (year ended 3 April 2022: £31.9m) including the sale of Amaray House in Corby, for gross proceeds of £13.8m. The Group invested £0.4m (year ended 3 April 2022: £4.5m) in equity-accounted investments, through further debt funding to existing associates and joint ventures. The loan receivable from an entity in the wider Constellation group reduced by £24.1m (year ended 3 April 2022: loan increase of £80.1m).

After accounting for the principal element of lease payments of £42.1m (year ended 3 April 2022: £44.5m), proceeds from sale and leaseback of transporters of £7.5m (year ended 3 April 2022: £9.9m), a net decrease in borrowings against the Partner Finance facility of £32.0m (year ended 3 April 2022: £83.2m increase), and a net decrease in cash borrowings of £5.0m (year ended 3 April 2022: £442.1m increase) the Group delivered a net cash outflow from financing activities of £71.6m (year ended 3 April 2022: £95.1m inflow).

The Group held net cash and cash equivalents of £96.4m as at 2 April 2023 (as at 3 April 2022: £77.1m).

### **STRATEGIC REPORT AND GROUP OPERATING REVIEW**

The Strategic Report (which comprises the Company background, About Constellation Group, Constellation Group at a glance, Group operating review, Business model, Strategy, Stakeholder information and Risk management sections) was approved by the Board of Directors on 14 July 2023 and signed on its behalf.



J A Mullins

## BUSINESS MODEL

### OUR DIGITAL AND DATA RESOURCES

#### Online auctions and remarketing services

Remarketing services are central to the Group's business model, facilitating vehicle transactions between vendors and buyers. The fully online operating model for vehicle sales includes Auction View, the BCA Buyer app and the Bid Now Buy Now platform. This is complemented by a comprehensive range of value enhancing services. At each touch point throughout the business, the Group's systems capture vehicle information. The data and analytics provide insight enabling us to optimise our services and achieve improved results for our customers. Knowledge of a vehicle's history and condition allows for efficient scheduling of refurbishment, repair and remarketing, enhancing the change of ownership for all participants.

Vehicle information	Grade and condition	Vehicle pricing	Inventory management
Through the BCA Buyer app and Auction View all customers have a sophisticated digital experience to help them search, find, review, track and ultimately buy vehicles.	Using machine learning to optimise refurbishment decisions and data driven algorithms to provide consistent and accurately graded vehicles.	Using the latest data captured through auction transactions and multiple vehicle touch points to provide predictive valuations based on age, mileage and condition.	BCA Dealer Pro designed to make the part exchange process efficient and predictable with integrated inventory management.

### OUR PHYSICAL RESOURCES

Our physical sites provide a nationwide network of processing centres that support the fully online auction remarketing model. Each site undertakes the core activities of vehicle receipt, appraisal, valet, imaging, storage and despatch.

Processing centres	Transport	New vehicle services	Car retail estate
Supporting our online platform, our processing centres appraise, image, recondition and store vehicles at scale; the variety and consistency of inventory ensures we attract the greatest number and variety of buyers.	Moving new and fleet vehicles for customers, transporting vehicles to and from refurbishment centres and providing transport for Vehicle Remarketing customers.	Inspecting, storing, managing and preparing new vehicles at storage locations around the UK prior to distribution.	Our expanded network of accessible, convenient and trusted local car buying locations make it easy for consumers to transact with WeBuyAnyCar.

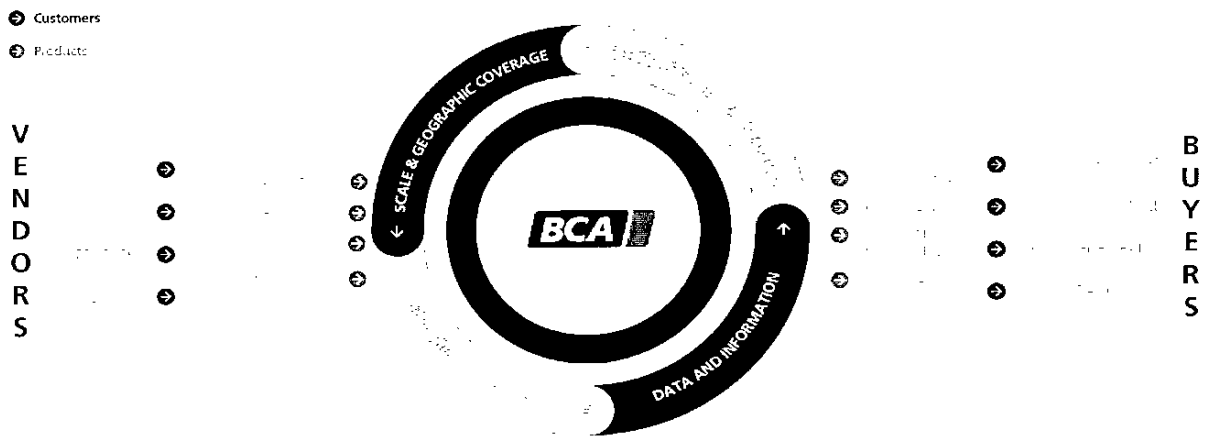
# VEHICLE REMARKETING BUSINESS MODEL

Vehicle Remarketing is the marketplace for vehicles through auctions in the UK and Europe. Our locations are strategically placed across the UK and Europe, close to accessible transport routes.

BCA's marketplace brings together vendors and buyers. It provides vendors access to the latest market pricing, speed of vehicle disposal and an unrivalled choice of consistently graded available stock for buyers.

The Vehicle Remarketing divisions facilitate the sale of vehicles operating in two distinct markets: the UK trading right-hand drive vehicles and the international markets trading primarily left-hand drive vehicles.

In the UK, dealers and corporates utilise online auctions as the primary volume disposal channel. In Europe, where auction is less well established, there is a significant opportunity to increase market penetration. Across Europe buyers can source cars from all BCA auction markets as BCA 1Europe Transport manages quick, reliable, cross-border vehicle re-registrations and transport.



## VEHICLE REMARKETING BUSINESS MODEL *continued*

### Digital

Online auctions allow buyers to participate in multiple locations concurrently.

BCA offers a number of online auction solutions:

- BCA Buyer app and BCA Auction View operate online vehicle auctions
- Bid Now and Buy Now provide time limited auctions or the ability to instantly purchase vehicles from our catalogue

Digital vehicle information, available via the BCA Buyer app and electronic sales guides, gives buyers the capability to search for and track vehicles, notifying them prior to the vehicle being offered for sale. A dedicated messaging service generates engagement with the auction clerk during the sale, along with instant visibility of the proxy bid.

Within Europe the digital model has also been widely adopted with limited physical auctions still taking place in line with customer requirements.

### Services

BCA provides a range of services that enhance the marketability of vehicles by improving the information available to buyers, offering clarity regarding the vehicle's condition:

- inspection and grading
- valuation
- imaging and video
- collection and delivery
- BCA Assured
- BCA Partner Finance

### Remarketing solutions

BCA's remarketing solutions enable OEMs, fleet and leasing companies to choose from a range of services to remarket their vehicle fleets, selecting the elements of vehicle processing that they wish to undertake. Other remarketing channels include:

- white label platforms allowing franchised dealers to view, access and purchase available stock from the franchise network
- closed auctions enabling vendors to offer vehicles to a closed group of selected buyers
- driver sales supporting direct sales of vehicles coming off lease

### Outsource solutions

BCA's outsourced remarketing solutions provides fleet owners with the ability to sell all vehicles or significant batches of vehicles to BCA directly, leaving BCA to manage inspection, damage estimation, handover, refurbishment, multi channel digital marketing and onward sale.

### Retail Ready

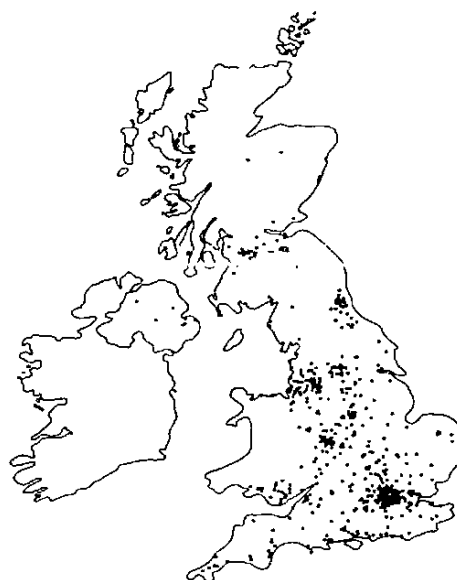
Utilising the expertise in wholesale vehicle storage and refurbishment within BCA's Automotive Services division has enabled the division to introduce and define 'Retail Ready' as a new vehicle condition standard. This digital channel hosts vehicles prepared cosmetically and mechanically, covering the repair of bodywork, wheels, interior upholstery, tire condition and compatibility checks. This enables customers to immediately place these vehicles onto their forecourt with no preparation time and cost required.

## VEHICLE BUYING BUSINESS MODEL

BCA offers a simple route of vehicle disposal for consumers in the UK, through WeBuyAnyCar, and for corporates in Europe.

Within the UK, WeBuyAnyCar is the largest car buying service, purchasing more than 3.2 million vehicles since 2006, continuing to grow both volume, market share and customer base in spite of the efforts of new participants within the market.

WeBuyAnyCar was introduced as an alternative channel for the disposal of used vehicles (the third disposal channel) freeing consumers from the inconvenience of private sale and the potential inefficiency of part exchange (particularly when consumers are changing vehicle make). WeBuyAnyCar purchases used vehicles in the UK direct from the consumer and disposes of them through the UK Vehicle Remarketing division. With the third disposal channel only accounting for a small proportion of used car transactions there is significant potential to increase market share.



As the market leader in consumer vehicle buying, WeBuyAnyCar continues to attract new customers and provide a positive user experience with a 4.8\* Trustpilot rating. The number of repeat customers continues to grow, demonstrating the consumer trust in the brand and the satisfaction around the value attached to the vehicle disposal process.

The new advertising creative, unveiled by WeBuyAnyCar from Christmas Day 2022, featuring TikTok creator Mufasa, has been well received and is part of a campaign designed to celebrate the 'feel good' moment associated with selling a car with ease.

Through a varied auction programme, the average WeBuyAnyCar vehicle is typically sold within around 12 calendar days of purchase, minimising the Group's exposure to the risk of price changes.

WeBuyAnyCar strive to be the most hassle-free car buying service. At year end, WeBuyAnyCar was trading from 505 sites (at 3 April 2022: 501 sites), all of which were open seven days a week, helping provide a convenient, accessible and safe service for customers. The retail estate has been focused on switching to 'off-grid' PODs, which are sites that operate on solar panels and HVO fuels. At 2 April 2023, 40% of the branches were now 'off-grid' PODs (at 3 April 2022: 26%).

In Europe, vehicle buying focuses on purchasing batches of vehicles from corporates, adding mix and diversity to auction inventory in the International Vehicle Remarketing division.



## AUTOMOTIVE SERVICES BUSINESS MODEL

With our national network of sites and significant physical infrastructure, including the UK's largest transporter fleet, BCA operates the largest automotive transport, refurbishment, storage and fulfilment capability in the UK through:

- BCA Automotive
- BCA Logistics
- BCA Vehicle Services
- BCA Fleet Solutions

BCA has industry leading capacity and the ability to provide solutions and economies of scale spanning new vehicle, fleet solutions and de-fleet services.

### BCA Automotive

BCA Automotive handles bulk vehicle movements with a fleet of 1,026 transporters, moving 1.9m vehicles in FY23. BCA Automotive delivers vehicles to and from ports, manufacturing centres, PDI facilities, storage and refurbishment centres, auction sites and dealerships.

Continued investment has resulted in a modern and efficient fleet of transporters, improving operational comfort for our employees and reliability for our customers.

On 2 April 2023, following a wider group reorganisation, the Group acquired the ECM transporter business with a fleet of over 450 transporters further extends the Group's bulk vehicle movement capability.

### BCA Logistics

BCA Logistics offers:

- Single vehicle movements
- Customer handover specialists
- Vehicle inspection and collection services
- LCV trade plate movements

### BCA Vehicle Services

Provides new vehicle support to customers from port of entry or factory gate to fleet or retail availability. Services include:

- Reception, customs management and handling at port or factory gate
- Pre-delivery inspection ('PDI') and new vehicle preparation
- Accessory fitment and customisation
- Warranty and servicing
- Storage and compound management

### BCA Fleet Solutions

Specialises in mechanical and cosmetic reconditioning up to Retail Ready standard along with fleet management, de-fleet and wholesale refurbishment.

De-fleet and refurbishment are delivered at scale to exacting and consistent standards, allowing BCA to be cost effective. We provide:

- Inspection and estimating services
- Refurbishment to wholesale or Retail Ready standards
- Service, warranty and MOT
- Studio quality imaging
- Valet and secure storage
- Wheel refurbishment

Our fleet management expertise gives us the capabilities to offer customers full-service fleet management solutions, providing consistently high levels of customer service and peace of mind for fleet customers, including:

- Booking, management and administration
- Preparation, maintenance and storage
- Document management
- Handover, inspection and collection services

## STRATEGY

Constellation Group is part of the broader Constellation group of companies which together form the largest vertically integrated digital used car marketplace in Europe, combining the leading digital brands across the consumer to business and business to business marketplaces.

The Group's strategy is to create value for stakeholders through organic growth, acquisitions and partnerships in the automotive industry in the UK and Europe. We continue to work with all major market participants to develop and adapt integrated solutions to solve and meet the needs of the participants across the automotive sector, maximising value for all stakeholders.

### Short term

Constellation Group will build upon the strengths of our fulfilment capabilities, physical real estate, knowledge and automotive relationships to enhance our operations and integrated solutions in both the UK and Europe. We continue to focus on reducing costs by optimising efficiency at each of our locations, integrating and streamlining operations for improved operating performance underpinned by connected data. Our vehicle processing centres will continue to play an increasing role in our strategy as we offer a greater variety of refurbished stock. Innovation will continue to be embraced to bring further insightful trusted information in a convenient manner to vehicle sellers and buyers. We will continue to create a winning culture, investing in our people to create and maintain high performing, technically specialist and data-orientated teams.

### Medium term

The Group will continue to develop our operations through both organic growth and tactical acquisitions, with a focus on the intelligent use of data and other innovations. Our International Vehicle Remarketing business will look to develop deeper customer relationships across an expanded geographical footprint.

### Long term

Constellation Group will focus on activities that are non-core to OEMs, vehicle sellers and vehicle owners, providing solutions at scale. Opportunities arising out of change in the automotive industry will continue to be a fundamental pillar of the Group's success.

Our divisions each have a detailed dashboard of key performance indicators that we use to track and evaluate our performance. These cover commercial, operations, health & safety, people, costs and digital footprint. Certain operational KPIs, such as specific volume information, have been disclosed in the Group Operating Review on pages 6 to 20. Given the commercial sensitivity, not all operational KPIs are published, but they are designed to support the financial KPIs that we focus on in this report.

The Group continues to evaluate the impact of climate change and its long term effects on the automotive industry. By increasing our focus on environmental factors, the Group is seeking to lessen the impact on the environment by managing waste and emissions, and by monitoring utilities usage including water, electricity and gas. The environmental impact of divisional operations is a key consideration in all strategic plans made by the Group.

## STAKEHOLDER INFORMATION

### SECTION 172 STATEMENT

The Group's strategy is to create value for stakeholders through organic growth, acquisitions and partnerships in the automotive industry in the UK and Europe. Constellation Group recognises the full range of stakeholders in the business and categorise these as customers, suppliers and business partners, employees, community and charity, environment, and shareholders and finance providers. The board of Directors provide leadership and policy frameworks, but delegate day to day engagement with stakeholders to operational teams. The Directors consider they have acted in good faith to promote the success of the Group for the benefit of its stakeholders with specific reference to section 172 of the Companies Act 2006, in the decisions taken in the year including those decisions in relation to its stakeholders, covered in further detail below.

### CUSTOMERS, SUPPLIERS AND BUSINESS PARTNERS

#### Defining the way we engage with customers and create value

##### As Integrators:

Bringing together critical support services and products

##### As Enablers:

Putting ourselves in our customers' shoes

##### As Specialists:

Recognised experts in what we do

##### As Guardians:

Taking care to protect the value of our customers' products and relationships

#### Connecting the marketplace

The Group provides joined up, aggregated solutions to support the efficient change of vehicle ownership. Our solutions include:

	OEM's	Leasing, Fleet & Rental Companies	Dealers	Private	Consumer
Transport	✓	✓	✓	✓	✓
Storage and dock facilities	✓	✓	✓	✓	✓
Inspection	✓	✓	✓	✓	✓
Preparation	✓	✓	✓	✓	✓
Remarketing	✓	✓	✓	✓	
Vehicle buying	✓	✓			✓
Fleet & inventory management	✓	✓	✓		
Vehicle enhancement & refurbishment	✓	✓			

- Vehicles typically diminish in value throughout their life and have high holding costs. The Group provides connected integrated services to our customers, reducing the remarketing cycle time, shortening our customers' working capital cycle, increasing liquidity and maximising their return from remarketed vehicles.
- Our remarketing buyer fees are tiered and do not hold a 1:1 relationship with vehicle value, thereby minimising the commercial impact of marginal changes in vehicle values on the business.
- The Group only takes title to vehicles through our outsourced remarketing contracts and within the vehicle buying businesses. Our exposure to residual pricing risks is minimised due to the short holding period of the vehicles and the accuracy of our pricing tools.

## STAKEHOLDER INFORMATION *continued*

### CUSTOMERS, SUPPLIERS AND BUSINESS PARTNERS *continued*

#### How we add value for customers, suppliers, and business partners

##### Remarketing buyers

Fulfilling sourcing needs via the largest aggregation of stock, providing choice, convenience and value.

- Availability of a wide choice of stock across marques, models, ages and conditions
- Clarity of vehicle condition providing buying confidence
- Market leading aggregator showing all stock with comprehensive vehicle information including guide pricing, giving confidence to buy online
- Excellent vehicle presentation
- Full calendar of sales throughout the year
- Stock funding service, through BCA Partner Finance, for managing cash flow and as an additional source of lending
- Delivery of vehicles
- Assistance with onward vehicle marketing e.g. imagery
- Fully online auctions, allowing buyers to have the best view of the market
- BCA Autobid enables buyers to easily participate in multiple auctions

##### Remarketing vendors

Optimised price performance and sale conversion rates of used vehicles through a method that maximises financial return, speed and convenience.

- Integrated services optimising returns to vendors
- Promotion of vehicles including BCA Search and online aggregation of all vehicles
- Comprehensive vehicle descriptions including age, mileage, specification, condition, guide pricing and images
- Full portfolio of auction services for best presentation of vehicles including appraisal, valeting and BCA Assured
- Bidding/buying demand achieved through buyer base diversity
- Efficient valuation, collection and refurbishment services
- Marque specific sales to a targeted profile of buyers

##### Corporate owners

(OEMs, fleet operators and lease providers)

Ability to fully outsource vehicle management, conditioning, driver contact and logistical moves.

- Large scale physical estate for storage
- Integrated real-time tracking of vehicles
- Geographical coverage reducing logistics costs
- Reduced time and depreciation to vehicle sale
- Transportation network allowing efficient collection and delivery
- Refurbishment and preparation capabilities to retain value

##### WeBuyAnyCar customers

An alternative disposal option to part exchange or private sale.

- Trusted service
- Accessible, online used vehicle valuation
- Transparent process
- Any make, model or condition purchased
- 30 second car valuations
- Quick and efficient on-site process
- Convenient locations and opening hours, with average drive times under 13 minutes
- Secure payment available within 30 minutes

##### Suppliers and business partners

Working with suppliers and business partners in the manner in which we would expect to be treated.

- Operate in a fair, reasonable and trusted manner
- Interact with transparency, honesty and integrity
- Co-operation with suppliers and business partners leading to confidence and respect

## **STAKEHOLDER INFORMATION *continued***

### **EMPLOYEES**

Constellation Group has over 9,500 employees who have continued to work collectively to drive the Group's performance. The Group is a dynamic, innovative and diverse place to work where people can work together as one team. We continue to leverage the collective strengths of our people across the Group and drive a winning culture through our Group values.

Our people focus remains on ensuring our people 'thrive' knowing that thriving people drive a thriving business. To achieve that, we have continued our focus on people capability and performance through quality external recruitment and stronger internal people development and progression. In the current economic environment we have also continued to prioritise people engagement and retention with greater focus on wellbeing, communication, reward and recognition, and the development of our overall people proposition.

During the year, the Board and operational management have continued to engage with employees about the business and decisions including through conferences, town halls and employee communications.

#### **Improving people capability and performance**

Improving people capability and performance has continued to be crucial this year to support the ongoing development of the Group during a year of challenging market and macro-economic conditions.

##### *Talent acquisition*

The Group's internal talent acquisition team has continued to grow and develop, resulting in the majority of external recruits being sourced directly. Not only have quality people continued to be recruited at all levels and across a broad range of roles, our recruitment effectiveness continued to improve. Our time to hire has continued to be very positive despite turbulent external labour market conditions and change in the automotive sector.

Our conscious focus on managing our employer brands is supported through clear people value propositions for each of our brands. These propositions form an essential part of our recruitment and internal people engagement approaches. These have been developed with a mix of people from multiple business areas and provide consistency and clarity of who we are as an employer, what it is like to work here, why people should join us and who is likely to thrive.

Our recruitment quality, effectiveness and candidate experience continues to improve through refined and standardised recruitment processes and the continued development of some of our careers websites.

##### *Improving people performance*

"Quality conversations" continue to be promoted as our approach to managing people and driving individual performance levels. The approach and training provides managers with a clear and flexible framework to best manage people and, with line manager and employee conversations being at the heart of the employment relationship, the approach further enables improved people engagement and retention.

#### **Learning and development**

To meet our growing people capability requirements, there remains a focus on growing and developing more of our people internally. This continues to be demonstrated through a larger learning and development agenda and provision to our people, growing our learning and development function, whilst maintaining our strong existing commitments to our Graduate Development Programmes and apprenticeships. Important work has taken place to develop our Training Academy to meet our long term technical skill gaps and requirements.

## STAKEHOLDER INFORMATION *continued*

### EMPLOYEES *continued*

#### Learning and development *continued*

##### *Leadership and management development*

Leadership development has remained very important due to the growth ambitions of the Group. We have developed and launched our leadership behaviours framework to leaders at every level along with a self assessment tool and a suite of development offerings to support them.

We have continued to rollout and embed our in-house Manager Fundamentals programme across many business areas. By year end, over 600 managers have attended a series of workshops, designed to give them the skills, knowledge, and confidence to manage their team's engagement, development and performance. Through a series of blended learning, managers recognise the pivotal role they have in improving the capability and engagement of their people. The programme has become the 'gold standard' for any newly promoted or recruited managers and will form part of our standard learning and development offer going forward.

##### *Graduate Development Programmes*

The Group continued developing new Graduate Development Programmes this year, to provide a structured opportunity for commercially, operationally, financially or IT technically minded graduates from a variety of backgrounds to gain in-depth experience across different areas of our business.

The graduate programmes include structured induction and onboarding, management training, workshops and frequent engagement with senior management. All graduates are assigned a senior mentor and a previous graduate buddy to provide personalised support. On the programme, there is a commitment to further learning opportunities from day one. As part of this commitment, all graduates have the option to complete a nationally recognised apprenticeship during the year.

Previous members of the Graduate Development Programme are now in integral roles within operations, business efficiency, resourcing and recruitment, digital auctions, customer support, business analysis and data analytics. We continue to see our graduate development programmes as an important element of developing the Group's future leadership capability and will continue to expand these programmes in the future.

##### *Apprenticeships*

At 2 April 2023, over 250 of our people were studying for apprenticeships, including a large number studying practical vehicle-related apprenticeships (as at 3 April 2022: over 200). A large focus on the LGV apprenticeship remains to help bridge the driver skills gap throughout the country. During the year, 69 people successfully completed their apprenticeships (during the year ended 3 April 2022: 45 people).

Constellation Group offers over 60 different apprenticeship qualifications spanning across the entire business; ranging from Level 2 (equivalent to GCSE standard) to Level 7 (equivalent to professional qualifications standard) supplied by leading training providers. We welcomed five new employees studying for a three-year Management Degree (Level 6) apprenticeship in conjunction with Arden University, all of whom have now successfully progressed to the second year of their degree. We had a total of 21 Chartered Manager Degree Apprenticeships in progress with four apprentices completing the full programme this year.

Apprenticeships are not only open to new joiners. We are committed to supporting people throughout their careers. We currently have a number of experienced employees undertaking apprenticeships as an integral part of their ongoing career development in areas including LGV driving, technical vehicle refurbishment, legal, leadership, coaching and project management.

## **STAKEHOLDER INFORMATION *continued***

### **EMPLOYEES *continued***

#### **Learning and development *continued***

##### *Apprenticeships continued*

We also launched a company-wide initiative for National Apprenticeship Week with a big focus on developing 'Skills for Life' where we ran several careers fairs, internal events across our sites and hosted an Apprenticeship recognition awards ceremony for outstanding performance

##### *Core learning and development*

Group-wide inductions are held for new joiners at all levels with enhanced induction, on-boarding tools and processes enabling managers to take more ownership and improve inductions. Training has been developed and provided to support virtual inductions, with mandatory information security training in place for new starters to educate our people and manage a key business risk. Our core learning and development offer has increased through more training being provided to our people in areas such as coaching, personal resilience, wellbeing and unconscious bias.

##### *Other learning and development improvements*

Our learning and development platforms continue to be updated with new content and functionality. Improvements have been made in learning and development insight and reporting, to better assess the volume, quality and overall effectiveness of training.

#### **Improving people engagement and retention**

Improving people engagement and retention has continued to be a key focus due to levels of ongoing internal and external people change.

##### *Business change*

As a part of progressing the Group's overall business model, many of our working environments, structures, roles and general ways of working have evolved. The new 'where you work' approach, implemented across multiple business areas in the prior year, continues to support flexible, hybrid working which has enabled the business to access and attract more diverse external talent pools. Several of our existing physical work locations have been improved for people who work 'onsite' with various new, modern and dynamic office refurbishments being completed in the year. The capacity of the Group's physical estate is reviewed regularly to ensure the estate is fit for the business model. *General engagement and internal communications*

The Group held a virtual leadership conference during the year. The conference brought leaders across the Group together for key updates on business strategy and performance, raised awareness of new internal and external Group initiatives and provided a forum to recognise and celebrate outstanding individual and team contributions in the year.

From a general people perspective, and linked to our Group values, many areas across the Group continue to run engagement pulse checks and people forums to gather key people insight, ideas and make changes. Improved monthly people data and insight has also been produced to better understand our people and improve people decision making more generally.

## **STAKEHOLDER INFORMATION *continued***

### **EMPLOYEES *continued***

#### **Improving people engagement and retention *continued***

##### *Wellbeing*

Wellbeing has remained high on the agenda through ongoing communications and training, promotion of our wellbeing platforms, and our employee assistance programme. A further 84 line managers have received Mental Health Awareness training and we have partnered with Mental Health England to train a further 16 people as Mental Health First Aiders. We have delivered several wellbeing initiatives to support the physical and mental health of our employees. Free flu vaccine vouchers are now embedded as an employee wellbeing benefit and there was improved holiday management and reporting in many areas.

##### *Reward and recognition*

Along with continuing to offer competitive base salaries and variable pay opportunities, the broader reward package and people proposition has moved forwards. The revamped 'Constellation Hub' was re-launched across the Group in the prior year, consolidating employee benefits into one easy-to-access location, with new discounts and offers being introduced. An increase in holiday entitlement, enhanced family pay and new pay structures continue to be a key focus to ensure the salaries of our skilled employees are aligned across the country and remain attractive in a competitive market. The framework clearly defines at which level an employee is currently operating and supports managers in creating more robust employee development plans.

The Group continues to offer employees the opportunity to apply for free tickets to several sporting and music events sponsored by affiliate companies, and continue to offer discounts to employees and their families on services provided by the group and its affiliates. The festive prize draw programme successfully ran for the second year, with the highlight being two employees each receiving a free, fully expensed electric vehicle for one year.

The Group built upon its recognition culture by continuing to encourage leaders to drive recognition across all local business areas, including recognising significant individual and team contributions at the Group conference. Several values related recognition schemes continue to be run and were introduced across several additional business areas this year.

The Group has always appreciated long service which demonstrates that the Group has market leading people and is a thriving place to work. As at the end of the year, we had the following service levels and numbers:

40 years and over – 4 employees  
35 to 39 years – 18 employees  
30 to 34 years – 43 employees  
25 to 29 years – 100 employees

##### **Gender pay**

On 4 April 2023 the Group filed its gender pay gap report at 5 April 2022 for its qualifying subsidiary companies. The Equality Act 2010 (Gender Pay Gap Information Regulations 2017) sets out how information should be reported for companies with 250 employees or more and is a measure of the difference between men's and women's average earnings across an organisation regardless of their role or seniority. It is not the same as equal pay, as the gender pay gap does not show difference in pay for comparable groups of employees. The report can be accessed on the Company's website at <https://www.constellationautomotive.com/corporate-responsibility/gender-pay-gap-report>.



## STAKEHOLDER INFORMATION *continued*

### EMPLOYEES *continued*

#### Employment policies

All applications for employment with the Group are considered equally based on their merits, and the Group seeks to provide appropriate facilities to help applicants with a disability with their application and attendance for interview, such that they have an equal opportunity to be selected. An employee's needs can change whilst employed by the Group and, where this is the case, the Group will investigate, in consultation with the employee, the possibility of making reasonable and appropriate adjustments to enable them to remain in the Group's employment and to undertake their role in accordance with those needs.

#### Employee diversity

We aim to make working for Constellation Group rewarding in every sense, providing a positive work environment and exciting career opportunities. Constellation Group always aims to recruit competence and potential and then support this with the training and development necessary for the employee to reach their full potential.

The Group encourages diversity and recognises the benefits it brings to the organisation. Constellation Group is committed to providing equal opportunities within the workplace with a genuinely inclusive culture, maintaining a workplace that is fair, respectful and free from discrimination. Constellation Group treats its employees and job applicants fairly and equally in accordance with its employment practices, policies and procedures and irrespective of age, disability, sex, sexual orientation, gender reassignment, race, colour, ethnic or national origin, religion or belief, marriage or civil partnership, pregnancy and maternity or paternity, or membership or non-membership of a trade union.

The table below sets out the gender diversity as at 2 April 2023:

	Female	Male	Total
Board of Directors <sup>1</sup>	1	3	4
Senior managers	4	31	35
Other senior staff	42	146	188
All other employees	2,217	7,135	9,352
Total employees	2,264	7,315	9,579

Senior managers are employees who report directly to the Board of Directors. Other senior staff includes department heads, unit and regional managers who report directly to Senior managers.

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<sup>1</sup> See Governance section

## **STAKEHOLDER INFORMATION *continued***

### **EMPLOYEES *continued***

#### **Whistleblowing**

At Constellation Group we are committed to a culture of openness and honesty. Our Group Whistleblowing Policy outlines our commitment to conducting our business with honesty and integrity, and we expect all employees to maintain high standards in accordance with our Code of Conduct. For straightforward queries or concerns, staff are encouraged to talk to their line manager or HR. Specialists are available should employees have a technical question about what the right thing to do is in a specific situation. If these options are not appropriate, a confidential whistleblowing hotline is available. The hotline is specifically set up to respond to genuine concerns regarding suspected ethical breaches and/or where there is a need for an issue to be handled confidentially.

#### **ANTI-BRIBERY AND ANTI-CORRUPTION**

The Group operates to high professional standards and requires all officers, employees, agents and others acting on behalf of Constellation Group to act with integrity in all interactions with customers, suppliers and third parties. Constellation Group takes a zero-tolerance approach to bribery and corruption and requires any suspicion of bribery or corruption to be reported to management or escalated via the confidential helpline.

#### **MODERN SLAVERY**

Constellation Group has a zero-tolerance approach to modern slavery. We act ethically and with integrity. We have systems and procedures to try to ensure modern slavery and human trafficking does not take place within our business or our suppliers. To help facilitate compliance with this practice employees, contractors and suppliers are encouraged to use the confidential helpline to report any activity that they are concerned about in any part of the Group's business or its suppliers. The Group's statement in respect of the Modern Slavery Act 2015 is published on the website.

For more information visit [www.constellationautomotive.com](http://www.constellationautomotive.com).

## **STAKEHOLDER INFORMATION *continued***

### **COMMUNITY AND CHARITY**

#### **Action for A-T**

In September 2022, a group of over 130 riders from across Constellation Group set off from BCA Blackbushe, embarking on a 220 mile ride over 3 consecutive days crossing the South Downs, Southampton, the Isle of Wight and the New Forest. This event marked the sixth year that this cycle challenge has been completed in support of Action for A-T, a children's charity that aids families suffering from this rare, genetic degenerative childhood disease.

Additionally, the first ever charity walk was completed in September 2022 where walkers covered either the distance of a full (26.2 miles) or half marathon (13.1 miles) in the Surrey Hills.

Together these collective efforts have raised an incredible £128,000 for our charity Action for A-T, contributing to a combined total of over £600,000 since the annual ride's inception in 2017. Further details can be found at [actionforat.org](http://actionforat.org).

#### **Ben**

The annual Bangers4Ben sale continued in November 2022 at BCA Blackbushe to help raise money for the industry charity, Ben. Ben is a not-for profit organisation supporting automotive industry employees and their families with challenges they are facing. Ben provides a wide range of confidential services, including information, advice and support at no cost including highly regarded care centres at various locations throughout the UK. Further details can be found at [ben.org.uk](http://ben.org.uk).

#### **1948 Challenge**

A group of 22 staff members raised £3,500 to mark the formation of the NHS.

#### **Computers for Charities**

During the year the Group supported the international charity, Computers for Charity ('CFC'). CFC's mission is to support new and small charities within the increasingly digital world, whilst balancing the environmental impact of waste and landfill usage. The Group donated a total of 428 items of computer equipment (PC's, laptops and monitors) which were then purposed either for reuse or for complete and responsible recycle. Further details can be found at [www.computersforcharities.org](http://www.computersforcharities.org).

## STAKEHOLDER INFORMATION *continued*

### ENVIRONMENT

The Group strives to conduct business in a safe, secure, legal and ethical manner, for all interested stakeholders. The Group aims to maintain its assets, properties, land and boundaries in a condition that does not adversely affect or endanger its neighbours and the surrounding communities. The Group abides by the law and local planning requirements, and considers and responds promptly to issues or concerns raised by its neighbours regarding the operation of its business.

The Group's locations integrate environmental management into their operational systems and procedures. *Environmental performance, in relation to the emission and discharge of pollutants into the air and water, is monitored as part of the Group's operations.*

#### Energy and environmental efficiency actions taken

We continue to take measures to reduce energy consumption and related carbon emissions, and reduce our environmental impact. During the period the Group has continued working to improve energy efficiency and make staff more aware of environmental sustainability. This includes a growing list of initiatives to reduce consumption of gas, electricity and water, including:

- Supplying a 100% online sales model for UK auctions reducing inter-site vehicle movements and allowing access for buyers with reduced travel requirements
- 40% of WeBuyAnyCar sites have transitioned to 'off-grid pods' which are powered by solar panels and have been moving to hydro vegetable oil fuel for heating
- Utilising technology to provide paperless processes including the use of Robotic Process Automation
- 100% electricity generated from renewable sources across sites
- Light fixtures continue to be fitted with low-energy LED lighting across key sites
- 100% wash recycling technology implemented at 5 sites, saving in excess of 8.9m litres (8,900m<sup>3</sup>) of water
- Rainwater harvesting feasibility study commissioned for wash areas

We have researched and trialled alternative fuels to reduce well-to-wheel emissions within our Automotive business. This included a trial on hydrotreated vegetable oil fuel ('HVO'). HVO has significant low carbon credentials and is manufactured from 100% renewable and sustainable waste derived raw materials. During the year the use of HVO as an alternative fuel was introduced on a selection of routes.

During the year we have installed new paint booths to evaluate the effectiveness of new paint technology in reducing energy consumption and environmental impact at our Fleet Solutions sites.

Continued progress is being made on initiatives linked to a major waste reduction project within our businesses, driven by setting optimised recycling targets and measuring against them. As part of the increased focus on sustainability, the Group intends to recruit additional employees with specialist capability to improve our environmental assessment and performance, and to support the business in future tendering and projects.

### GREENHOUSE GAS REPORTING

Direct greenhouse gas ('GHG') emissions are from sources that are owned or controlled by the Group. Indirect GHG emissions are a consequence of the activities of the Group that occur from sources owned or controlled by other entities.

## STAKEHOLDER INFORMATION *continued*

### GREENHOUSE GAS REPORTING *continued*

Scope 1 emissions: Direct emissions from sources controlled by the Group arising from the combustion of fuel in owned or controlled boilers, from the Automotive Services fleet and company cars. This is regardless of whether the vehicles are owned or leased as the Group is responsible for their emissions.

Scope 2 emissions: Indirect emissions attributable to the Group due to its consumption of purchased electricity and other energy sources.

Scope 3 emissions: Indirect emissions attributable to the Group, which occur at sources which are not owned or controlled and which are not classed as Scope 2 emissions. These emissions arise from business travel in employee-owned vehicles where Constellation Group is responsible for purchasing the fuel.

The report sets out the Group's emissions for the current and prior year.

	For the		For the	
	year ended		year ended	
Absolute carbon emissions (tonnes of CO <sub>2</sub> )	2 April 2023		3 April 2022	
Scope 1	75,309		76,126	
Scope 2	6,404		6,945	
Scope 3	729		472	
	82,442		83,543	

Carbon intensity (tonnes of CO <sub>2</sub> per £m/employee)				
Revenue	£6,961.4	11.8	£8,314.5	10.0
Adjusted EBITDA	£201.6	408.9	£336.3	248.4
Average employees	9,398	8.8	8,324	10.0

The methodology used to calculate emissions is based on the GHG Protocol's Corporate Accounting and Reporting Standard approach. Emission factors used are from UK government ('DEFRA') conversion factor guidance applicable to the period reported. These emission factors do not take into account the Group's reduced emissions as a result of using sustainable energy providers across the business.

Total energy consumption for the year used to calculate the above emissions was 355,671,852kWh (year ended 3 April 2022: 352,894,615kWh).

The Group measures carbon intensity against revenue, adjusted EBITDA and employees as these are common business metrics for the automotive industry. Absolute carbon emissions have reduced from an overall perspective in part due to the prior year being a 53 week trading period. However, the Group remains carbon intensive and with the decline in revenue and adjusted EBITDA, along with the increase in average employees, the Group's financial carbon intensity ratios have worsened compared to the prior year. The Group continues to work on lowering overall emissions in order to decrease its environmental impact by targeting waste and energy usage reductions where practicable through the implementation of environmental initiatives.

### HEALTH AND SAFETY

The health and safety of our employees, contractors, suppliers and visitors to our premises is treated with utmost seriousness by the Group.

The Group's Vehicle Remarketing divisions operate from over 53 locations across the UK and Europe, selling over 1 million vehicles per annum. In addition, the Group operates at 505 locations in the UK to support the Vehicle Buying division. With large numbers of vehicles stored and prepared for sale at these sites and at the auction centres, the Group's employees and members of the public come into close contact with vehicles as they move to and from the auction hall.

**STAKEHOLDER INFORMATION *continued***

**HEALTH AND SAFETY *continued***

The Group’s employed and contracted drivers collect and deliver vehicles across both the UK and continental Europe and operated a fleet of 1,481 vehicle transporters, including those acquired in the newly acquired ECM transporter business on 2 April 2023. Consequently, the Group’s operations are subject to stringent regulations requiring adequate precautions to prevent injuries arising from collisions and impacts with obstacles or other vehicles moving within the Group’s locations and on public roads.

Constellation Group is committed to providing a safe working environment wherever it operates, employing a proactive network of health and safety personnel, who share knowledge and experience with the aim of fostering best practice and ensuring consistently high standards of safety across the Group. Divisional leaders are responsible for the appointment and management of appropriately qualified health and safety managers within their operating division, as well as for reporting health and safety matters to the Board on a regular basis.

The Health and Safety Executive Committee monitors health and safety management across the Group by meeting with divisional health and safety managers at regular intervals, and receives and reviews monthly reports from the divisional leaders.

**SHAREHOLDERS AND FINANCE PROVIDERS**

TDR acquired the Group in 2019 taking the company private for the first time since 2015. Working in partnership with management, TDR focuses on operational excellence to drive returns by combining ambitious operational plans with a rigorous focus on capital preservation.

The Company has a number of unique and compelling credit strengths for its finance providers, including:

Market leading positions in all divisions which underpins multiple high barriers to achieving scale for new entrants

Strong and resilient financial profile as evidenced by increased volumes and profitability during the 2008 global financial crisis

Superior business model supported by extensive data collection and insights

Attractive, historically stable and underpenetrated market with consistent growth

Unique platform for accelerated growth supported by key strategic initiatives

Experienced management consistently delivering organic and inorganic growth

The Group has provided quarterly presentations to shareholders and lenders giving updates on the Group’s performance.

## GOVERNANCE

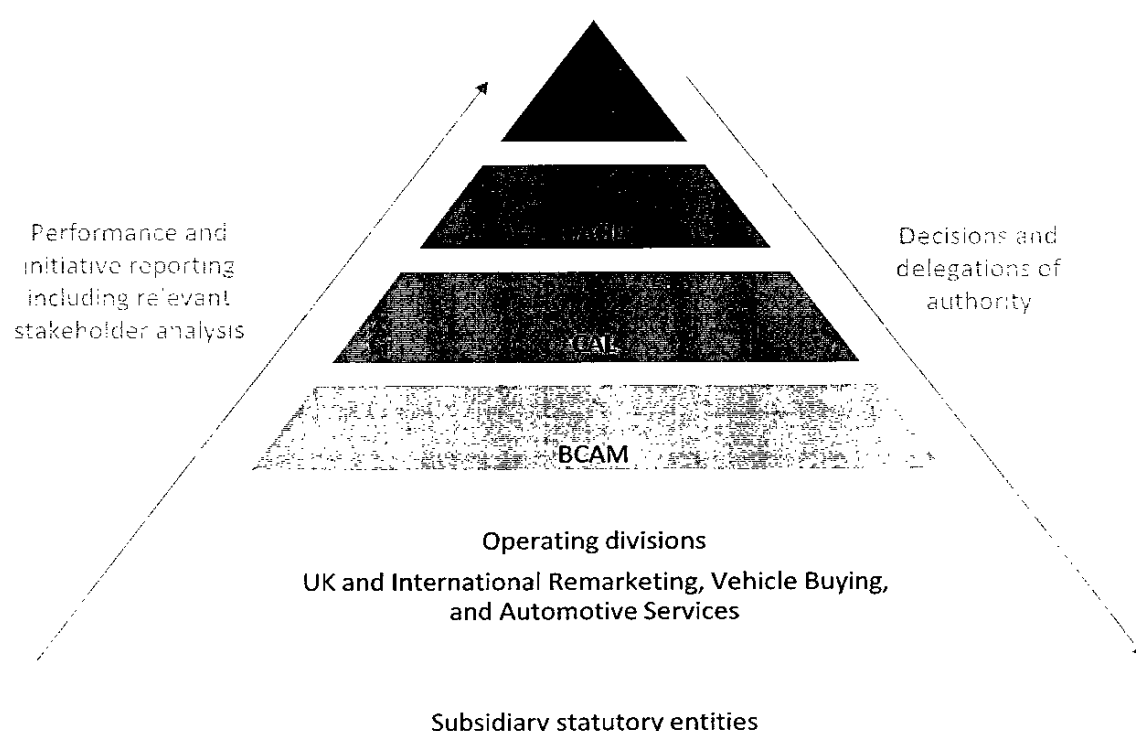
The Group continues to voluntarily present this Annual Report and Accounts in accordance with the enhanced annual reporting disclosure obligations placed upon portfolio companies and private equity in conformity with the Guidelines for Disclosure and Transparency in Private Equity 'The Walker Guidelines'. Disclosures have been included throughout this Annual Report.

Regulation 14 of The Companies (Miscellaneous Reporting) Regulations 2018 requires companies of a certain size to make a statement in the Directors' report summarising the corporate governance arrangements that have been applied. While CAGL does not fall into scope for this regulation it does have one subsidiary, British Car Auctions Limited, which meets the criteria. Given the structure of the Group's governance arrangements, the expectations of users of the accounts as to where they may see such disclosures and the overlap with certain Walker Guideline disclosures an outline of arrangements is included below.

### STRUCTURE OVERVIEW

Constellation Automotive Group Limited ('CAGL', or the 'Company') was incorporated on 10 June 2019 along with its subsidiary, Constellation Automotive Limited ('CAL'). On 6 November 2019 CAL acquired BCA Marketplace plc ('BCAM') and its subsidiaries (the 'BCAM Group') and subsequently CAGL and CAL are holding companies to the BCAM Group. CAGL and its subsidiaries are referred to in this report as 'Constellation Group' or the 'Group'.

Constellation Automotive Holdings Limited ('CAHL') was incorporated on 21 September 2021 and acquired CAGL and its subsidiaries on 4 October 2021. Subsequently CAHL acts as a holding company to CAGL and the Governance considerations within the structure incorporate this change, reflecting that some elements of the Corporate Governance framework are now undertaken by CAHL or delegated to CAGL.



The CAGL board is a subset of the broader CAL 'Board'.

## **GOVERNANCE *continued***

The Group's core values underpin a robust framework of governance and compliance. Our values drive a culture of openness and transparency and, by promoting trust and fairness in the marketplace, we approach our business ethically and in the right way. In turn, we expect the same high standards from those we work with including suppliers, contractors and our business partners.

The Board meets regularly and standing matters considered by the Board are: business and financial performance, outlook, health & safety, key initiatives and strategy. Where, by exception, the Board does not meet, written reports giving updates on the performance of the business and operational matters are provided.

Guidance on policies over key areas are provided by the board to the operating divisions. Such policies include the following:

- Risk & Compliance policy
- Health & Safety policy
- Anti-Bribery & Corruption policy
- Business Entertainment & Gifts policy
- Conflict of Interest policy
- Whistleblowing policy
- Anti-Money Laundering/Counter Terrorist Financing policy
- Data Protection policy

The Group comprises a number of operating divisions, all of which have extensive engagement with their own unique stakeholders as well as other businesses in the wider Group. The governance framework delegates authority for local decision making at business unit level up to defined levels of cost and impact which allows the individual businesses to take account of the needs of their own stakeholders in their decision making. This delegation includes the practical implementation and monitoring of the policies over key areas.

Active trading subsidiary statutory entity boards contain representation from the operating division's leadership team. The leadership teams are charged with making decisions in line with the Group values and with a long term view in mind. On significant decisions the Board and operating division leadership take care to consider the likely consequences of the decisions and actions taken for all stakeholders.

On an annual basis the boards of large active trading subsidiaries formally reflect on operating division matters and ensure their own local stakeholder relationship and engagement needs have been appropriately considered.

## **FRAMEWORK**

The revised structures, policies and procedures the Company and Group have in place are summarised below using the framework principles identified in the Wates Principles published by the Financial Reporting Council in December 2018. These structures, policies and procedures are adhered to by the Group in line with guidance from CAHL.



## GOVERNANCE *continued*

### PRINCIPLE ONE: PURPOSE AND LEADERSHIP

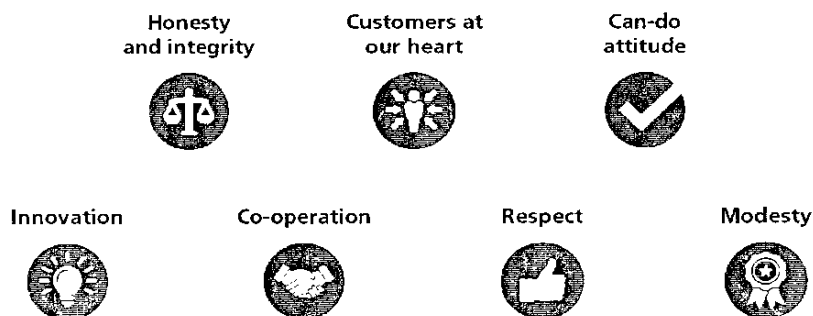
#### *Purpose*

Constellation Group's purpose is to provide trusted innovative solutions to facilitate the change of ownership of vehicles.

Vehicle remarketing services are at the core of the Group's business model, facilitating vehicle transactions between vendors and buyers. This is complemented by a broad range of value enhancing services. For consumers, WeBuyAnyCar provides the quickest and most hassle-free car buying service available. At every physical and digital touch point through the business, the Group's systems capture vehicle information. The data and analytics provide insight to optimise our services to achieve improved results for our customers. Knowledge of a vehicle's history and condition allows for efficient scheduling of refurbishment, repair and remarketing, enhancing the change of ownership for participants.

#### *Values and culture*

We aim for excellence in what we do through the application of the following core values:



These values are key to how we interact with our stakeholders to build a clear sense of purpose and collective vision. For further details see the stakeholder information section on pages 27 to 38.

#### *Strategy*

The Group's strategy is to create value for stakeholders through organic growth and supplemental tactical acquisitions in the automotive sectors in the UK and Europe. We continue to work with all major market participants to develop and adapt integrated solutions to solve and meet the needs of the participants across the automotive sector, maximising value for all stakeholders. For further details see the strategy information on page 26.

#### *Effective ownership*

The Company's ultimate controlling party is TDR Capital LLP ('TDR'), a UK Limited Liability Partnership registered in England and Wales.

The ultimate parent entity is Constellation Automotive Topco Sarl (formerly BBD Topco Sarl) which has effective ownership of 68.5% of the immediate parent CAHL. CAHL acts as a holding company to CAGL and the Governance considerations within the structure reflect that some elements of the Corporate Governance framework are undertaken by CAHL and delegated to CAGL.

## GOVERNANCE *continued*

### PRINCIPLE TWO: BOARD COMPOSITION

CAGL is controlled by the board of Directors on behalf of CAHL, the immediate parent company, and the Board provides leadership. The board comprises two Directors operating in a flat structure, one of whom represents TDR. Matters reserved to the board include financing, reporting and putting in place key policy frameworks.

### CONSTELLATION AUTOMOTIVE GROUP LIMITED DIRECTORS

	Appointment date	Career and experience	Skills and competencies
James Mullins Chief Financial Officer	31 March 2023	James started his career with Grant Thornton LLP gaining extensive experience working with Automotive clients in M&A, turnaround and restructuring services. He joined Cambria Automobiles in 2007 while the business was held under private equity ownership, serving as a board member while listed on the London Stock Exchange in 2010, and was instrumental in the subsequent take private process. James is a fellow of the Association of Chartered Accountants.	James is an experienced automotive executive with history of leading technology driven automotive retail businesses. James has a proven track record of delivering profitable growth and value for investors in quoted and private equity backed businesses.
Mark Stephens TDR	10 June 2019	Mark joined TDR Capital in September 2012. Prior to joining TDR, Mark worked at Morgan Stanley in London as an Associate in its Private Equity fund and previously as an Analyst in its UK Investment Banking team.	Mark received a degree in Business and Legal Studies, with first class honours, from University College Dublin.

### ADDITIONAL CONSTELLATION AUTOMOTIVE LIMITED DIRECTORS

The Company's immediate subsidiary CAL has a Board comprising the same Directors and two further Directors, Avril Palmer-Baunack and Manjit Dale. The combined Board, led by Avril Palmer-Baunack, is an industry-leading management team with significant experience in the automotive sector, operations and M&A. T G Lampert, a former director of CAGL and CAL, resigned on 31 March 2023.

This broader Board meets regularly and considers the Group's strategy, trading and financial performance, risk, outlook, stakeholder considerations and M&A opportunities. For those months where the Board does not meet face to face, monthly written reports giving updates on the performance of the business and operational matters are circulated.

## GOVERNANCE *continued*

### PRINCIPLE TWO: BOARD COMPOSITION *continued*

	Board appointment	Career and experience	Skills and competencies
Avril Palmer-Baunack Executive Chairman	7 November 2019	<p>Avril has over 20 years' executive experience with leading businesses in the automotive, support services, industrial engineering and insurance services sectors. Her automotive operational experience spans vehicle salvage, car hire, auctions, transportation, distribution, logistics, vehicle processing and infrastructure.</p> <p>Avril was previously Executive Chairman and Deputy CEO of Stobart Group plc, one of the largest British multimodal logistics companies with interests in transport, distribution and infrastructure. Prior to this, Avril was CEO of Autologic Holdings Plc, the largest finished vehicle logistics company in the UK and Europe. She joined Autologic from Universal Salvage plc, where she held the position of CEO from March 2005 until the sale of the company to Copart UK Ltd in June 2007.</p> <p>Avril is currently Non-Executive Chairman of Redde Northgate plc.</p>	Through a number of high profile industry roles, Avril has acquired significant experience of delivering operational improvements and implementing business turnarounds, executing organic and acquisitive growth strategies with a proven track record of delivering shareholder value in a public environment.
Manjit Dale TDR	7 November 2019	<p>Manjit founded TDR Capital with Stephen Robertson in 2002, with whom he had previously worked at DB Capital Partners. He has over 25 years' experience in private equity, leveraged finance and consulting. Previously Manjit was Managing Director and Head of DB Capital Partners Europe and predecessor firm BT Capital Partners, which he joined in 1994.</p>	He started his career in the Management Consultancy division of Arthur Andersen and moved into private equity in 1989 with 3i plc, and later with NM Rothschild. Manjit holds a Masters degree in Economics from Cambridge University.

## **GOVERNANCE *continued***

### **PRINCIPLE TWO: BOARD COMPOSITION *continued***

Day to day operational management of the Group is delegated to the executive Directors and the Group's businesses through their divisional and functional managers.

The Wates Principles outline that consideration should be given to separating the roles of the chair and chief executive to ensure a balance of power and effective decision making. Following the acquisition of the BCAM Group the role of Executive Chairman continues to be held by Avril Palmer-Baunack. Avril's engagement and relationships with the Group's major stakeholders, her significant and unique expertise, knowledge and industry relationships in the UK and Europe, demonstrably contribute to the successful integration, evolution and management of the Group's business.

The Board believes its flat structure, size and composition is the right approach at this stage of the Group's *development and remains in the best interests of the Company and its shareholders*. The Board is fully aware of the need for succession planning and appropriate plans are in place for the Board and the senior divisional and functional management team.

Board members may take independent professional advice at the Company's expense provided that they give notice to the Executive Chairman.

As the Company continues to evolve, the structure and composition of the Board will continue to be reviewed to ensure it remains fit for purpose.

#### *Diversity*

The Group encourages diversity and recognises the benefits that diversity brings to the organisation. The Board is generally opposed to the use of quotas. Arbitrary quotas restrict the pool of available talent for consideration with regard to a particular role and may therefore leave the business exposed. The Board considers that quotas do not pay due regard to the needs of the business and the development of its existing management and, as such, may not be in the best interests of its stakeholders.

The Company values the range of perspectives, ideas and experiences that diversity provides whether that diversity relates to gender, race, sexual orientation, disability, cultural background, religion or age. We believe that as an inclusive organisation we are able to attract and retain good people which adds value to our business. There is commitment to equal opportunities within the workplace with a genuinely inclusive culture, maintaining a workplace that is fair, respectful and free from discrimination.

For further details on gender diversity and gender pay see the stakeholder employee information on pages 29 to 34.

## **GOVERNANCE *continued***

### **PRINCIPLE THREE: DIRECTORS' RESPONSIBILITIES**

Our core values underpin a robust framework of governance and compliance. Each member of the Board has a clear understanding of their accountability and responsibilities.

#### *Integrity of information*

There is an established framework for internal control, the main elements of which comprise:

- Management of each division and Group function is responsible for maintaining adequate internal controls over financial reporting;
- The Group Accounting and Reporting Manual ('GARM') sets out the Group's accounting policies and expected controls;
- All business units provide monthly consolidated management accounts with relevant, reliable and up-to-date financial and non-financial information to management and are summarised in monthly reporting to the Board which analyses the differences between actual and budgeted results. Annual plans, forecasts, performance targets and long-range financial plans allow management to monitor the key business and financial activities, and progress towards achieving the financial objectives;
- There are clearly identified and defined lines of accountability;
- The Group's IT organisation is responsible for the establishment of IT controls and information security;
- Management have put in place business continuity planning, including preventative and contingency measures, back-up facilities and capabilities. In addition, the Group carries insurance to mitigate against a range of conceivable risk events;
- CAGL is included in the published tax strategy of CAHL which covers tax compliance, tax planning and risk management; and
- There are formal procedures by which staff can, in confidence, raise concerns about possible improprieties in financial administration and other matters, under the Group's whistleblowing policy.

## **GOVERNANCE *continued***

### **PRINCIPLE FOUR: OPPORTUNITY AND RISK**

#### *Opportunity*

The Board seeks out opportunity whilst mitigating risk.

#### *Risk*

Like all businesses, the Group faces a diverse range of risks and uncertainties which could have an adverse effect on its success if not managed. Successful management of our current and emerging risk is paramount to the long term sustainability of the Group's strategic objectives. To achieve these, and given the Group's growth plans, we are prepared to accept a certain level of risk in order to remain competitive and to continue operating in ever changing markets. The Board is clear about the specific risks faced by the business and the level of risk that it is prepared to accept in each part of the business.

#### *Responsibilities*

The Group's risk management process continues to be a core part of operations in the business. Risks are identified and reviewed at operational, functional and Group levels culminating in a Group risk register, which identifies the risk area, the likelihood of the risk occurring, the impact if it does occur and the actions being taken to manage the risk to the desired level. The Board reviews the principal risks identified and the heat maps prepared by management showing how these risks are being managed. The Group's principal risks and uncertainties are set out on pages 48 to 54.

### **PRINCIPLE FIVE: REMUNERATION**

#### *Setting remuneration*

In setting senior remuneration, the primary objective is to ensure the enhancement of the Group's resources by securing and retaining quality senior management who can deliver the Group's strategic ambitions in a manner consistent with both its purpose and the interests of shareholders.

A management incentive plan was established to ensure these objectives are met.

#### *Policy for remuneration of employees more generally*

The Group aims to provide a remuneration package that is competitive and which is appropriate to promote long term success. The Group intends to apply this policy fairly and consistently and does not intend to pay more than is necessary to attract and motivate staff.

In respect of senior remuneration, a greater proportion of the remuneration package is 'at risk' and is determined by shareholder value delivered. Key management remuneration is disclosed in the notes to the financial statements.

#### *Employment policies*

All applications for employment within the Group are considered equally based on their merits, and the Group seeks to provide appropriate facilities to help applicants with a disability with their application and attendance for interview, such that they have an equal opportunity to be selected. An employee's needs can change whilst employed by the Group and, where this is the case, the Group will investigate, in consultation with the employee, the possibility of making reasonable and appropriate adjustments to enable them to remain in the Group's employment to undertake their role in accordance with those needs. More information on employment policies is included in the Strategic Report on pages 29 to 34.

## **GOVERNANCE *continued***

### **PRINCIPLE SIX: STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT**

#### *External impacts*

The Group aims to conduct business in a safe, secure, legal and ethical manner, for all interested stakeholders.

#### *Stakeholders*

We categorise our stakeholders into the following groups:

- Customers, suppliers and partners
- Shareholders
- Employees including community and charity
- Environment and Health & Safety

Across pages 27 to 38 of the Annual Report you can learn more about how we engage with these parties for mutual long term benefit.

The Board is also advised of stakeholder views in a number of different ways, including:

- The monthly Board report
- Business updates
- Business development analysis and justifications
- Colleague Engagement Team updates
- The wider Group's annual conference
- Briefings during annual strategy meetings
- The annual budget and business planning process
- Corporate governance and regulatory development updates

Collectively these engagements ensure that information presented to all stakeholders represents a fair, balanced and understandable assessment of the Group's position and prospects.

## **RISK MANAGEMENT**

### **PRINCIPAL RISKS AND UNCERTAINTIES**

As with all businesses, the Group faces risks and uncertainties in the course of its operations. Risks continually evolve and new ones emerge and the Group's management of risk remains an integral component of business management and Corporate Governance. Though the disruption from covid-19 has lessened from previous years, the wider economic environment continues to be challenging and impacts the specific sectors that the Group trades in and the different regions of operation. The Group has a robust approach in the identification, analysis and response to all relevant current and potential risks and uncertainties, and develops mitigation plans to reduce the likelihood and/or impact of the risks to the lowest extent possible. The Board takes overall responsibility for overseeing the effectiveness of the risk management process, with a particular focus on determining the nature and extent of the risks it is willing to take to achieve its strategic objectives.

The previously reported risks associated with Brexit have been removed as the UK's exit from the European Union materialised without significant direct impact to the business.

#### **New car supply**

The supply of vehicles into the used car market, where the Group predominantly operates, is partially dependent on the supply of new cars. Furthermore, the Group has several business lines that focus on the preparation, storage and delivery of new cars. New car production and supply to the UK has been severely constrained over the last three years as a result of covid-related restrictions and global supply challenges including the semiconductor chip shortage and the war in Ukraine. The Group engages with manufacturers, vendors and customers to anticipate events and management regularly reviews internal processes and offerings to ensure that the Group can best respond and adapt.

#### **Our approach to principal and emerging risks**

The Board is responsible for risk management, sets the level of risk that it is prepared to accept in each part of the business and charges each operating division with identifying and evaluating risks faced by their day to day business and submitting their risk registers to inform the Group view which is reflected in our Principal Risks as appropriate.

Risk identification is carried out both from a top-down view following comprehensive assessment of the Group and its competitive environment, and is embedded within our operational divisions and forms an integral part of all activities. This bottom-up approach allows potential risks to be identified at an early stage and escalated as appropriate. Appropriate responses and controls for all risks have been determined to, where possible, eliminate, but more usually mitigate, the impact and likelihood of the risks. Mitigation may include the introduction of additional controls, changes in procedures, increased insurance cover and commercial changes. Each business unit has a designated risk representative and maintains a comprehensive risk register. Changes to the risk register are reviewed and we capture and monitor areas of emerging risk and uncertainty that do not currently present a significant risk but which have the potential for future adverse risk to the Group.



## RISK MANAGEMENT *continued*

Description	Management actions
<b>Economic environment</b>	
<p>The Group operates in the UK and European markets and is subject to the changes in both regional and global economic and geopolitical environments. Due to the relative size of the UK business, the Group is more exposed to the UK economic environment.</p> <p>Activity levels in the automotive industry can be affected by many factors such as the availability of consumer credit, the growth of average wages, the level of unemployment and challenges to supply chains amongst others, which in turn could impact the volume of vehicles handled by the Group over time.</p>	<p>Management continually analyses market conditions through the planning and reporting processes. The Group develops, implements and reviews actions to mitigate any adverse impact on the Group. Consideration is given to scalability, adaptability and the provision of a wide range of automotive services throughout the vehicle lifecycle to provide responsiveness and resilience.</p> <p>Management continues to monitor the impact on the supply chains, energy prices, inflation and consumer confidence that the war in Ukraine has had on all European countries.</p> <p>Used car sales are historically more stable than new car sales and the Group has some strong countercyclical characteristics in a downturn.</p> <p><b>Risk Tolerance</b></p> <p>In managing the challenging recent economic environment, we have a low to moderate tolerance.</p>
<b>Strategic</b>	
<p>The Group's future operating results are dependent, in part, on its success in implementing its strategic initiatives. The Group's strategic initiatives are focused on expanding its Vehicle Remarketing operations and platforms, its Vehicle Buying division and its Partner Finance business together with expanding the Group's Automotive Services businesses.</p> <p>The Group continually seeks to provide an increasingly digital and dynamic future by developing solutions that operate at scale. For more detail see Strategy on page 26. These initiatives require extensive planning and management attention and therefore entail execution risk.</p> <p>The Group's long term growth has, in part, been attributable to the acquisition of other businesses, and the Group may continue to expand its business through acquisitions and other business combinations in the future. Diversification of the Group through adding new business activities brings increased complexity and requires additional management resources and skills in order to execute the Group's strategy of developing a more extensive automotive support services business.</p>	<p>Management carries out extensive strategic planning, and conducts due diligence and integration modelling to ensure alignment and fit of acquisitions and new initiatives.</p> <p>All acquisition and organic business development are focused on services complementary to the Group's existing offerings.</p> <p>The Group invests in the appropriate technological, physical and people resources to deliver our strategies.</p> <p><b>Risk Tolerance</b></p> <p>In pursuit of our strategy to be innovative in our product offering we have a moderate to high tolerance for risk.</p>

## RISK MANAGEMENT *continued*

Description	Management actions
<b>Commercial</b>	
<p>The long term success of the Group's business depends on the flow of vehicles through its services. The Group's key customers provide significant volumes. The loss of a number of these customers, or a significant adverse change in the structure of the marketplace as regards the normal terms of business, could have a material negative impact on the Group's future performance.</p>	<p>The Group's experienced commercial team uses performance monitoring tools and key performance indicators alongside effective communication with our customers to maintain strong commercial relationships, enabling us to anticipate and solve issues as they arise.</p> <p>Management works to continually improve the digital and physical services required to meet expectations of its customers.</p> <p><b>Risk Tolerance</b></p> <p>In managing our commercial risk, we have a low to moderate tolerance for risk in this area.</p>
<b>Operational</b>	
<p>The Group incurs significant employment costs and competes with other employers to recruit and retain people. Within the UK, high employment levels could lead to a scarcity of staff. It may be necessary to increase the wages and salaries required to attract and retain suitable employees in the future. In addition, future legislative changes could lead to an increase in payroll costs.</p> <p>Availability of suitable land for the storage and handling of vehicles is required to meet the Group's growth plans.</p> <p>The Group undertakes significant marketing activities in its consumer facing activities, in particular for the Vehicle Buying division, and any material increase in advertising costs could erode the Group's profitability.</p> <p>The Group incurs significant fuel costs in its logistics operations that may escalate. If the Group is unable to pass on future cost increases to its customers, its operating profit margin could be impacted.</p>	<p>Investment has been made to provide talent planning and people development processes across the Group. Management monitors market rates for wages and salaries, reviews employee turnover and through exit interviews, collates information on the appropriateness of the Group's remuneration structure.</p> <p>Management works with real estate advisers to identify, lease and manage suitable sites.</p> <p>Management reviews marketing investment options on an ongoing basis, and undertakes price negotiations appropriate to the scale of the business to allow the Vehicle Buying division to control cost increases and to achieve good value for marketing activities.</p> <p>Fuel escalation and statutory wage increase clauses are included in customer contracts, where possible, to protect the business from material changes in fuel and employment costs.</p> <p>Management drives a continual review of processes and systems to gain efficiencies and opportunities across the Group.</p> <p><b>Risk Tolerance</b></p> <p>In managing our operational risk, we have a low to moderate tolerance for risk in this area.</p>

## RISK MANAGEMENT *continued*

### Description

### Management actions

#### Competition

The loss of market share to competitors would have an adverse impact on volume, impacting the operational and financial performance of the Group, and as the Group extends its offerings and ventures into new markets, new competitors will emerge.

Management works to maintain a strong market position by ensuring very high standards for each of the services provided by the Group, offering a wide portfolio of well situated sites that provide efficient solutions for customers and the ability to store and manage significant volumes of vehicles.

The UK market is characterised by competitors who do not have the same breadth of service that the Group provides its customer to ease the change in ownership.

Management seeks to develop innovative and effective tools to support our customer and supplier interactions and invests in appropriate technology to maintain its competitive advantage.

#### Risk Tolerance

In managing our competition risk, we have a moderate to high tolerance for risk in this area.

#### Intellectual property ('IP') and brand

The Group has established names and brands in many of the markets in which it operates. Any significant damage to these could have an adverse impact on the Group's performance. The Group's IP rights include proprietary technology relating to online auction systems as well as trademarks of the Group's brands, business knowledge and copyrights.

The Group's IP rights are protected legally, where possible, in every country in which the Group's products and services are distributed, deployed or made available.

Management works with appropriate media to ensure the best coverage across the different media platforms.

#### Risk Tolerance

In managing our IP and brand risk, we have a moderate tolerance for risk in this area.

#### Management

A significant change in the Group's senior management could weaken the Group's business and its ability to execute its strategy. The Group's senior management has extensive experience in the industry in which the Group operates and has skills that are critical to the operation of the Group's businesses and the execution of its strategy.

The Board regularly review the senior management remuneration policy and engagement to ensure that both are market appropriate and motivational. Given the scale and success of the business, the Group is confident that it is capable of attracting and retaining management resources of the highest quality.

#### Risk Tolerance

In managing our management risk, we have a moderate tolerance for risk in this area.

## RISK MANAGEMENT *continued*

Description	Management actions
<b>IT systems and information security</b>	
<p>The business performance of the Group and its ability to service its customers is highly dependent on a wide variety of information systems and infrastructure to run our business successfully. It is therefore essential that key systems, software and hardware are operational at all times. Failure of these for more than a short period could impact the ability of the Group to support its businesses and have contractual implications which could lead to penalties or other liabilities.</p>	<p>The Group continues its ongoing programme to remove and upgrade legacy infrastructure to ensure reasonable effective resilience leading to modern, agile and scalable platforms for business growth.</p>
<p>Cyber security attacks that impact the confidentiality, integrity and availability of our data and systems could result in disruption to customer-facing, supplier-facing and financial systems through theft and misuse of confidential data, damage to, or manipulation of operationally critical data, or interruption to our IT services, any of which may have serious consequential impacts on the Group's operational performance and reputation leading to penalties, fines and/or regulatory action.</p>	<p>Cyber attacks are increasing both in their frequency and their sophistication of attack so despite the measures taken by the Group, it is recognised that a cyber-attack on the Group could cause significant disruption and reputational damage.</p> <p>The Group has invested in strengthening the information security team and regularly updates policies and processes to ensure that the Group keeps pace with the increasing cyber security threats.</p> <p>Regular security awareness communications and training occur including phishing and spearfishing training activities. Multi-factor authentication is used to reduce the likelihood of remote attacks and carry out regular penetration testing and vulnerability scanning.</p> <p>The Group utilises a range of security software maintained both internally and by third parties to protect, detect and respond to threats. Data is protected with solutions dependant on the nature of the product and services including encryption in transit and rest. The Group maintains robust business continuity plans and disaster recovery capabilities that are regularly tested.</p>
	<p><b>Risk Tolerance</b></p> <p>In managing our IT systems and information security risk, we have a low tolerance for risk in this area.</p>
<b>Physical damage</b>	
<p>Natural events, such as hailstorms and flooding or other events such as terrorism, major accidents or theft may impact the Group's physical facilities or affect vehicles stored on the Group's property awaiting sale or other activity.</p>	<p>Management monitors possible causes of physical damage on each site and risks and concerns are reported to ensure that there is full visibility of any potential issues that might occur. Where remedial or preventative action is recommended, management considers the appropriateness of such actions on a commercial basis. Insurance cover is in place to moderate risk.</p>
	<p><b>Risk Tolerance</b></p> <p>In managing our physical damage risk, we have a moderate tolerance for risk in this area.</p>

## RISK MANAGEMENT *continued*

Description	Management actions
<b>Financial and liquidity</b>	
The Group reports its results in Sterling but operates in the UK and continental Europe and is therefore exposed to foreign currency exchange rate fluctuations.	Management monitors the macroeconomic and legislative changes in the markets in which it operates.
The Group's strategy involves, amongst other things, growing areas of the business that include providing credit facilities to vehicle buyers and buying and holding vehicles in different countries as inventory, on a short term basis, prior to resale through the Group's remarketing centres.	Credit provided to customers is monitored closely, with additional security taken under a risk-based approach.
The Group has significant leverage and relies on its finance providers to provide adequate debt to enable the Group to execute its strategies. The majority of the Group's financing is all held at floating interest rates. A significant portion of the Group debt is denominated in Euro reflecting lender market demand.	Regular dialogue is held with the Group's investors and banks.
The rising interest rate environment heightens the risk. Further considerations of interest risk, liquidity and foreign exchange is in note 26 on financial risk management.	Systems, procedures and controls are regularly reviewed to identify, detect and remediate any transactional issues.
The Group operates in multiple taxation regimes which increases the complexity and risk of compliance with certain indirect taxes such as VAT or its equivalent.	Management have taken actions to prioritise liquidity given a suppressed trading environment and rising interest rates.
	<b>Risk Tolerance</b>
	In managing our financial and liquidity risk, we have a moderate tolerance for risk in this area.

## RISK MANAGEMENT *continued*

Description	Management actions
<b>Regulation and legislation</b>	
<p>The political and legislative environment within which the Group operates is constantly changing. The Group must comply with an extensive range of regulation and legislation in order to provide its services and solutions both in the UK and across continental Europe, including laws relating to vehicle brokerages and auctions, data protection, competition, consumer protection, labour, health and safety, money laundering, bribery and taxation. Non-compliance to the required standards could lead to significant legal cases and could have an adverse effect on the reputation and performance of the Group.</p> <p>The automotive industry is also subject to legislation around environmental issues. These can impact vehicle supply and demand as well as impacting operational activities with increased emission zones that limit the locations where our older transporters can operate.</p> <p>Policies and procedures are in place throughout all areas of the Group to ensure systems, business and central operations all comply with relevant areas of legislation and compliance.</p>	<p>Management continues to ensure that the central legal function plays a key role within the Group and retains external specialist legal advisers as necessary to support the businesses in the countries in which they operate.</p> <p>The Group has detailed health and safety procedures and processes in place and employs health and safety teams across the Group.</p> <p>Management monitors the impact of legislative and regulatory changes that could adversely affect the supply of vehicles, and regularly reviews the possible impact of these changes. The impact on the used vehicle market of the UK ban on the sale of new petrol and diesel cars by 2030, for example, cannot be assessed at this stage.</p> <p>Changes in ownership of vehicles can benefit the Group as all buyers trade up the cascade.</p> <p>The Group regularly invests in more modern transporters to improve environmental efficiency.</p> <p><b>Risk Tolerance</b></p> <p>In managing our legal and regulatory risk we have an extremely low tolerance for risk in this area.</p>

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 2 APRIL 2023**

The Directors present their report and audited consolidated financial statements for the year ended 2 April 2023.

The Strategic Report can be found on pages 4 to 38 and 48 to 54, and sets out the development and performance of the Group's business during the financial year, the position of the Group at the end of the year, a description of the principal risks and uncertainties facing the Group, indications of future developments in the business, disclosures around employment, information on stakeholder engagement and reporting of greenhouse gas emissions. The Group's Governance report can be found on pages 39 to 47 and is included by reference in this Directors' report.

### **EVENTS AFTER THE BALANCE SHEET DATE**

On 21 April 2023, the Group agreed a €18.5m sale and leaseback transaction on an auction property in the Netherlands. As part of the transaction, the Group has undertaken to lease the property for up to 15 years.

On 28 April 2023, the Group disposed of the Rockingham car park site for net proceeds of £22.9m.

### **NON-FINANCIAL REPORTING STATEMENT**

Non-financial reporting is included within the Strategic Report on pages 4 to 38 and 48 to 54. Stakeholders are set out in the business model and on pages 27 to 38. The stakeholder section sets out further information on the Group's policies in respect of employment, modern slavery, anti-corruption, anti-bribery, environmental and community matters. *Risks to the business in relation to the above areas are considered within the principal risks and uncertainties section of the Strategic Report.*

### **DIVIDENDS**

During the year a dividend of £nil (year ended 3 April 2022: £395.6m) was paid. The Directors do not propose a final dividend.

### **POLITICAL DONATIONS**

During the year the Group did not make any donations to political parties or other political organisations and did not incur any political expenditure within the meaning of Sections 362 to 379 of the Companies Act 2006.

### **INDEPENDENT AUDITORS**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

### **EMPLOYEE, SUPPLIER, AND CUSTOMER RELATIONSHIPS**

Information on how the Company engages with its stakeholders is included in the Strategic Report on pages 27 to 38.

### **GREENHOUSE GAS EMISSIONS**

*Greenhouse gas emissions disclosure is included in the Strategic Report on page 36 to 37.*

## **DIRECTORS' REPORT *continued***

### **GOING CONCERN**

The main debt facilities in the Constellation Group have maturity dates from 2027 to 2029. Under these facilities the Constellation Group has access to £250m of ancillary facilities to manage working capital and liquidity, mainly comprising a revolving credit facility and overdraft. The Board reviews forecasts of the Group's liquidity requirements based on a range of scenarios to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom in its committed borrowing facilities at all times, so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Significant market factors in the forecasts include the ongoing shortage of new vehicles, consumer confidence over the purchase of vehicles, and how these dynamics will impact on used car volumes. The cost base and liquidity remain under close review given these uncertainties. The Directors do not consider the markets in which the Group operates to be significantly impacted in the long term.

After making appropriate enquiries and having considered the business activities and the Group's principal risks and uncertainties, the Directors are satisfied that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

### **FINANCIAL RISK MANAGEMENT**

The financial risks the Company is exposed to are set out in the Strategic Report on pages 48 to 54.

### **DIRECTORS**

The Directors of the Company who were in office during the period and up to the date of signing the financial statements can be seen in the Governance section on pages 39 to 47.

### **DIRECTORS' INDEMNITY**

Throughout the period and up to the date of approval of the financial statements the Company, through a Group policy, provided an indemnity for its Directors and Officers. This is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

The Group's business activities are set out in more detail in the Strategic Report on pages 4 to 38 and 48 to 54.

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the Group and Company financial statements in accordance with UK-adopted International Accounting Standards ('IFRSs') and the applicable legal requirements of the Companies Act 2006. 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 Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

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



## **DIRECTORS' REPORT *continued***

### **DIRECTORS' RESPONSIBILITIES STATEMENT *continued***

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

### **DISCLOSURE OF INFORMATION TO THE AUDITOR**

Each person who was a Director at the time this report was approved confirms that, so far as they are aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

### **DIRECTORS DUTY TO PROMOTE THE SUCCESS OF THE COMPANY**

The Directors of the Company have a duty under Section 172 of the Companies Act to promote the success of the Company. It is set out in the Strategic Report on pages 4 to 38 and 48 to 54 and in the Governance section on pages 39 to 48 how the Directors have addressed elements of the Section 172 requirements in the fulfilment of their duties.

### **STRATEGIC REPORT**

In accordance with Companies Act 2006 s.414C(11), certain information required to be contained in the Directors' report has been set out in the Group's Strategic Report, including non-financial reporting, financial risk management, future developments, disclosure of greenhouse gas emissions and information on engagement with stakeholders.

### **GUIDELINES FOR DISCLOSURE AND TRANSPARENCY IN PRIVATE EQUITY**

The Directors consider the Annual Report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.

This report was approved by the Board of Directors on 14 July 2023 and signed on its behalf.



J A Mullins

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF CONSTELLATION AUTOMOTIVE GROUP LIMITED**

#### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

##### **Opinion**

In our opinion, Constellation Automotive Group Limited's Group financial statements and Company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 2 April 2023 and of the Group's loss and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted International Accounting Standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the 'Annual Report'), which comprise: the consolidated balance sheet and the Company balance sheet as at 2 April 2023; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the Company statement of changes in equity, the consolidated cash flow statement and the Company cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Independence*

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF CONSTELLATION AUTOMOTIVE GROUP LIMITED *continued*

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *continued*

##### Our audit approach

###### *Overview*

###### Audit scope

- We performed full scope audit procedures over seven component entities and specific audit procedures on a further 14 entities. Taken together, the entities over which audit work was performed accounted for 70% of the group's adjusted EBITDA. All work was performed by the UK engagement team.

###### Key audit matters

- Risk of impairment to goodwill and acquired intangibles (Group)
- Risk of error classifying income or expenditure as significant or non-recurring items ('SONRs') (Group)
- Risk of impairment to investments held by the company (Parent)

###### Materiality

- Overall group materiality: £10,000,000 (year ended 3 April 2022: £12,000,000) based on 5% of adjusted EBITDA (Year ended 3 April 2022: based on 3.5% adjusted EBITDA).
- Overall company materiality: £2,000,000 (year ended 3 April 2022: £3,000,000) based on 0.5% of total assets capped at an allocation of Group materiality.
- Performance materiality: £7,500,000 (year ended 3 April 2022: £9,000,000) (Group) and £1,500,000 (year ended 3 April 2022: £2,250,000) (Company).

###### *The scope of our audit*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

###### *Key audit matters*

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF CONSTELLATION AUTOMOTIVE GROUP LIMITED *continued*

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *continued*

##### Our audit approach *continued*

###### Key audit matter

###### **Risk of impairment to goodwill and acquired intangibles (Group)**

The carrying value of goodwill is £948.1 million as at 2 April 2023. The goodwill was recognised on the acquisition of the Group in November 2019 by a special purpose investment entity controlled by TDR Capital LLP. It is allocated across its 4 groups of cash generating units ('CGUs') which represent the lowest level within the Group at which the associated goodwill is monitored for management purposes. The Group is required to test goodwill for impairment on an annual basis. Determining whether the carrying value of goodwill is impaired requires management to make significant judgements and assumptions in their assessment of the value in use of each CGU group. Management considers the value in use calculation to be higher than fair value less costs to sell. Forecasts and assumptions used in value in use calculations are inherently judgemental and therefore may give rise to increased risk of misstatement. These include forecast cash flows, growth rates and pre-tax discount rates. Management performed sensitivity analyses on certain key assumptions as noted above to understand the level of available headroom. No impairments were identified in the goodwill balances at 2 April 2023.

###### **Risk of error classifying income or expenditure as significant or non-recurring items ('SONRs') (Group)**

Management define SONRs that are excluded from underlying business performance as: Income and expenses that are significant or non-recurring or non-trading in nature, including business closure costs, restructuring costs, refinancing costs and share based payment related charges; Impairment charges and accelerated depreciation and amortisation on property, plant and equipment, right of use assets, intangibles and goodwill; Amortisation of intangible assets arising on acquisition; Fair value gains and losses on financial assets measured at fair value through profit or loss; Acquisition expenses and gains and losses on business combinations, disposals and changes in ownership. Management uses this adjusted performance measure as the primary measure of the Group's on-going profitability. We consider there to be an elevated risk that management may classify expenses in the normal course of business as SONRs as a way to improve financial performance presented in the Annual Report.

###### How our audit addressed the key audit matter

We have challenged management's key assumptions and tested the impairment models and calculations by performing the following: Testing the mechanical and mathematical accuracy of the impairment models; we benchmarked the discount rate to comparable companies and considered the underlying assumptions based on our knowledge of the Group and its industry; evaluated management's forecasts by reference to historical performance and considered growth rates applied to future cash flows by reference to external market data. We also assessed management's sensitivities, and applied our own, to key assumptions to assess the reasonably possible *estimation uncertainty in the model*. We have compared these sensitivities in the accounts to validate the consistency of management's disclosures. Based on our audit procedures performed we found that management's calculation of the value in use supported their conclusion that no impairment charges to goodwill were required. We also found the disclosures around the impairment assessment, the associated sensitivity analyses, and management's disclosure of impairment assessments as a critical accounting estimate to be appropriate.

We have target tested the classification of income and expenses recognised as SONRs against management's definition, leaving an immaterial untested balance. We have also reviewed management's disclosure of these items in the Annual Report to confirm they are consistent with our audit work. We have not identified any exceptions from this work.

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF CONSTELLATION AUTOMOTIVE GROUP LIMITED *continued*

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *continued*

#### Our audit approach *continued*

Key audit matter	How our audit addressed the key audit matter
<b>Risk of impairment to investments held by the company (Parent)</b> <p>The Parent Company balance sheet includes investments of £697.6 million in relation to the Company's investments in subsidiary undertakings. Given the size of the balance in the context of the Parent Company balance sheet the assessment of the carrying value of this investment was an area of focus. Management has tested the investment for impairment by using a value in use model. This model projects forecast future discounted cash flows relating to the investment which include a number of inherent judgements and estimates, most notably future growth rates and the discount rate applied to the future cash flow forecasts. Management has also performed sensitivity analyses on certain key variables in the value in use calculation to understand the impact of changes in key assumptions on the assessment as to whether any impairment was required.</p>	<p>We performed audit procedures over the value in use calculations prepared by management. We considered the underlying assumptions and sensitivities applied by management based on our knowledge of the Group and its industry. We evaluated management's forecasts by reference to historical performance and considered growth rates applied to future cash flows by reference to external market data. We also assessed management's disclosures and consider these to be appropriate.</p>

#### *How we tailored the audit scope*

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

We determined that the most appropriate level at which to scope our audit was the legal entity level. We consider there to be two financially significant components in addition to the Parent Company and four additional components with multiple significant financial statement line items ('FSLIs'). We have performed full scope audits on all seven of these components. All seven of these components are audited in the UK. We performed additional procedures over other transactions and balances across a further 14 components to ensure sufficient coverage over all FSLIs. In total we performed procedures which together accounted for 70% of the Group's adjusted EBITDA. This, together with additional procedures performed at the Group level, including testing of significant journals posted within the consolidation, impairment assessments and taxation, has given us the evidence we need for our opinion on the financial statements as a whole.

#### *The impact of climate risk on our audit*

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Group's and Company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Group's and Company's financial statements.

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF CONSTELLATION AUTOMOTIVE GROUP LIMITED *continued*

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *continued*

##### Our audit approach *continued*

##### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
<b>Overall materiality</b>	£10,000,000 (year ended 3 April 2022: £12,000,000)	£2,000,000 (year ended 3 April 2022: £3,000,000).
<b>How we determined it</b>	5% of adjusted EBITDA (year ended 3 April 2022: based on 3.5% adjusted EBITDA)	0.5% of total assets capped at an allocation of Group materiality
<b>Rationale for benchmark applied</b>	Adjusted EBITDA is the Group's key performance indicator.	The Company principal activity is that of a holding company. We have applied an asset-based benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £2,000,000 to £8,000,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (year ended 3 April 2022: 75%) of overall materiality, amounting to £7,500,000 (year ended 3 April 2022: £9,000,000) for the Group financial statements and £1,500,000 (year ended 3 April 2022: £2,250,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £1,000,000 (Group audit) (year ended 3 April 2022: £1,200,000) and £200,000 (Company audit) (year ended 3 April 2022: £300,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF CONSTELLATION AUTOMOTIVE GROUP LIMITED *continued***

#### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *continued***

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

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's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

##### **Reporting on other information**

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

##### ***Strategic report and Directors' report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 2 April 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF CONSTELLATION AUTOMOTIVE GROUP LIMITED *continued***

#### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *continued***

##### **Responsibilities for the financial statements and the audit**

###### *Responsibilities of the Directors for the financial statements*

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

###### *Auditors' responsibilities for the audit of the financial statements*

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the financial reporting requirements of the Companies Act 2006 and corporation tax regulatory compliance in the UK and other jurisdictions, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the inappropriate posting of journals to manipulate reported results as well as bias being applied to key judgements and estimates to similarly manipulate reported results. Audit procedures performed by the engagement team included:

- Financial statement review procedures against Companies Act 2006 requirements;
- Audit of corporation tax including tax disclosures within the financial statements and uncertain tax positions; and
- Audit of manual journals demonstrating heightened risk of management override of controls, assessment of material estimates and judgements individually and in aggregate across the Group to identify any instances of management bias, and performance of unpredictable procedures over related party and cash transactions to respond to the risk of fraud.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.



## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF CONSTELLATION AUTOMOTIVE GROUP LIMITED *continued***

#### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *continued***

##### **Responsibilities for the financial statements and the audit *continued***

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

##### *Use of this report*

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

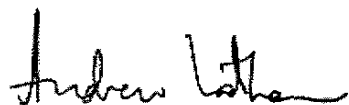
## **OTHER REQUIRED REPORTING**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Andrew Latham (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Watford  
14 July 2023

## PRIMARY STATEMENTS

### CONSOLIDATED INCOME STATEMENT

	Note	For the year ended 2 April 2023 £m	For the year ended 3 April 2022 £m
Revenue	6	6,961.4	8,314.5
Cost of sales		(6,451.3)	(7,678.6)
<b>Gross profit</b>		<b>510.1</b>	<b>635.9</b>
Operating costs	7	(490.6)	(449.6)
<b>Operating profit</b>		<b>19.5</b>	<b>186.3</b>
Finance income	9	5.4	3.4
Finance costs	9	(165.4)	(154.1)
Share of loss of equity-accounted investments	29	(0.2)	(1.3)
<b>(Loss)/profit before income tax</b>		<b>(140.7)</b>	<b>34.3</b>
Income tax	11	36.8	(35.1)
<b>Loss for the year</b>		<b>(103.9)</b>	<b>(0.8)</b>
<b>Attributable to:</b>			
Equity owner of the Company		(103.9)	(0.8)
Non-controlling interests		-	-
		<b>(103.9)</b>	<b>(0.8)</b>

<b>Operating profit</b>		<b>19.5</b>	<b>186.3</b>
<i>Add/(less):</i>			
Depreciation and other amortisation	6	81.0	76.7
Amortisation of acquired intangibles	6	72.7	74.1
Restructuring costs	6	20.0	0.6
Impairment of intangible assets and related costs	6	6.2	-
Share based payment related charges	6	2.2	1.3
Aborted transaction costs	6	-	0.7
Non-recurring system costs	6	-	(0.1)
Profit on sale and leaseback	6	-	(3.3)
<b>Adjusted EBITDA</b>		<b>201.6</b>	<b>336.3</b>
<i>Less:</i>			
Depreciation and other amortisation	6	(81.0)	(76.7)
Finance costs	9	(165.4)	(154.1)
<i>Add:</i>			
Finance income	9	5.4	3.4
Non-recurring refinance costs	9	-	29.5
<b>Adjusted (loss)/profit before income tax</b>		<b>(39.4)</b>	<b>138.4</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 2 April 2023 £m	For the year ended 3 April 2022 £m
Loss for the year	(103.9)	(0.8)
Other comprehensive income/(expense):		
<i>Items that will not be reclassified to the income statement</i>		
Remeasurements on defined benefit schemes, including deferred tax	3.5	9.7
<i>Items that may be subsequently reclassified to the income statement</i>		
Foreign exchange translation	14.8	(5.7)
Total other comprehensive income, net of tax	18.3	4.0
<b>Total comprehensive (loss)/income for the year</b>	<b>(85.6)</b>	<b>3.2</b>
<b>Attributable to:</b>		
Equity owner of the Company	(85.6)	3.2
Non-controlling interests	-	-
	<b>(85.6)</b>	<b>3.2</b>

## CONSOLIDATED BALANCE SHEET

	Note	As at 2 April 2023 £m	As at 3 April 2022 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	19	1,826.0	1,860.1
Property, plant and equipment	20	250.6	243.5
Right of use assets	21	470.6	415.3
Equity-accounted investments	29	3.2	4.8
Financial assets	26	1.5	-
Net pension surplus	25	7.0	1.0
Deferred tax assets	11	0.4	0.3
<b>Total non-current assets</b>		<b>2,559.3</b>	<b>2,525.0</b>
<b>Current assets</b>			
Inventories	13	255.3	334.8
Current tax		4.4	1.4
Trade and other receivables	14	585.7	607.3
Cash and cash equivalents	12	96.4	87.4
<b>Total current assets</b>		<b>941.8</b>	<b>1,030.9</b>
<b>Total assets</b>		<b>3,501.1</b>	<b>3,555.9</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	22	(1,737.6)	(1,713.6)
Lease liabilities	16	(541.4)	(474.8)
Provisions	17	(1.3)	(0.4)
Deferred tax liabilities	11	(158.7)	(187.0)
<b>Total non-current liabilities</b>		<b>(2,439.0)</b>	<b>(2,375.8)</b>
<b>Current liabilities</b>			
Cash and cash equivalents: bank overdrafts	12	-	(10.3)
Borrowings	22	(70.0)	(75.0)
Asset backed borrowings	23	(199.5)	(231.5)
Lease liabilities	16	(43.5)	(38.3)
Trade and other payables	15	(575.4)	(562.5)
Current tax		(5.2)	(15.6)
Provisions	17	(7.6)	(1.9)
<b>Total current liabilities</b>		<b>(901.2)</b>	<b>(935.1)</b>
<b>Total liabilities</b>		<b>(3,340.2)</b>	<b>(3,310.9)</b>
<b>Net assets</b>		<b>160.9</b>	<b>245.0</b>
<b>EQUITY</b>			
Share capital	24	0.1	0.1
Share premium	24	645.2	645.2
Foreign exchange reserve		7.8	(7.0)
Merger reserve	24	(0.7)	-
Retained earnings		(491.6)	(393.4)
<b>Equity shareholder's funds</b>		<b>160.8</b>	<b>244.9</b>
Non-controlling interests		0.1	0.1
<b>Total equity</b>		<b>160.9</b>	<b>245.0</b>

The financial statements on pages 66 to 127 were approved by the Board on 14 July 2023 and were signed on its behalf by:

**J A Mullins**  
Director



Company registration number: 12042162

## CONSOLIDATED CASH FLOW STATEMENT

	Note	For the year ended 7 April 2023 £m	For the year ended 3 April 2022 £m
<b>Cash flows from operating activities</b>			
Loss for the year		(103.9)	(0.8)
Adjustments for:			
Income tax		(36.8)	35.1
Net finance costs		160.0	150.7
Depreciation and amortisation		153.7	150.8
Profit on sale of property, plant and equipment		(3.2)	(2.1)
Impairment of long term assets		16.0	-
Share of loss of equity-accounted investments		0.2	1.3
Retirement benefit obligations		(1.2)	(1.6)
Significant or non-recurring items		2.2	(2.1)
Changes in working capital:			
Inventories		81.0	(65.2)
Trade and other receivables		(24.2)	39.5
Trade and other payables		(4.9)	4.3
Provisions		5.8	0.8
<b>Cash generated by operations</b>		<b>244.7</b>	<b>310.7</b>
Partner Finance loan book		42.7	(83.6)
Net interest paid		(108.6)	(96.2)
Lease interest paid		(26.4)	(25.0)
Income tax paid		(8.7)	(21.1)
<b>Net cash inflow from operating activities</b>		<b>143.7</b>	<b>84.8</b>
<b>Cash flows from investing activities</b>			
Purchase of long term assets		(80.0)	(162.0)
Proceeds from sale of long term assets		20.2	31.9
Acquisition of subsidiaries, net of cash acquired		(17.7)	-
Investments in equity-accounted investments		-	(3.9)
Loans to equity-accounted investments		(0.4)	(0.6)
Decrease/(increase) in loans receivable from related parties		24.1	(80.1)
<b>Net cash outflow from investing activities</b>		<b>(53.8)</b>	<b>(214.7)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		315.0	2,021.3
Repayments of borrowings		(320.0)	(1,530.8)
Financing fees paid		-	(48.4)
Payments of dividends		-	(395.6)
Proceeds from sale and leaseback		7.5	9.9
Principal element of lease payments		(42.1)	(44.5)
Asset backed borrowings		(32.0)	83.2
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(71.6)</b>	<b>95.1</b>
Net increase/(decrease) in cash and cash equivalents		18.3	(34.8)
Foreign exchange on cash held		1.0	(0.8)
Net cash and cash equivalents at beginning of the year		77.1	112.7
<b>Net cash and cash equivalents at year end</b>	12	<b>96.4</b>	<b>77.1</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity owner of the Company

	Note	Share capital £m	Share premium £m	Foreign exchange reserve £m	Merger reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
<b>Balance at 28 March 2021</b>		<b>0.1</b>	<b>1,025.2</b>	<b>(1.3)</b>	<b>-</b>	<b>(388.0)</b>	<b>636.0</b>	<b>0.1</b>	<b>636.1</b>
<i>Total comprehensive (loss)/income for the year</i>									
Loss for the year		-	-	-	-	(0.8)	(0.8)	-	(0.8)
Other comprehensive (expense)/income		-	-	(5.7)	-	9.7	4.0	-	4.0
<b>Total comprehensive (loss)/income for the year</b>		<b>-</b>	<b>-</b>	<b>(5.7)</b>	<b>-</b>	<b>8.9</b>	<b>3.2</b>	<b>-</b>	<b>3.2</b>
<i>Contributions and distributions</i>									
Capital reduction	24	-	(380.0)	-	-	380.0	-	-	-
Dividends paid		-	-	-	-	(395.6)	(395.6)	-	(395.6)
Share based payments	27	-	-	-	-	1.3	1.3	-	1.3
<b>Total transactions with owner</b>		<b>-</b>	<b>(380.0)</b>	<b>-</b>	<b>-</b>	<b>(14.3)</b>	<b>(394.3)</b>	<b>-</b>	<b>(394.3)</b>
<b>Balance at 3 April 2022</b>		<b>0.1</b>	<b>645.2</b>	<b>(7.0)</b>	<b>-</b>	<b>(393.4)</b>	<b>244.9</b>	<b>0.1</b>	<b>245.0</b>
<i>Total comprehensive (loss)/income for the year</i>									
Loss for the year		-	-	-	-	(103.9)	(103.9)	-	(103.9)
Other comprehensive income		-	-	14.8	-	3.5	18.3	-	18.3
<b>Total comprehensive income/(loss) for the year</b>		<b>-</b>	<b>-</b>	<b>14.8</b>	<b>-</b>	<b>(100.4)</b>	<b>(85.6)</b>	<b>-</b>	<b>(85.6)</b>
<i>Contributions and distributions</i>									
Group reorganisation	24	-	-	-	(0.7)	-	(0.7)	-	(0.7)
Share based payments	27	-	-	-	-	2.2	2.2	-	2.2
<b>Total transactions with owner</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.7)</b>	<b>2.2</b>	<b>1.5</b>	<b>-</b>	<b>1.5</b>
<b>Balance at 2 April 2023</b>		<b>0.1</b>	<b>645.2</b>	<b>7.8</b>	<b>(0.7)</b>	<b>(491.6)</b>	<b>160.8</b>	<b>0.1</b>	<b>160.9</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Constellation Automotive Group Limited ('CAGL', the 'Company') is a UK private company limited by shares. CAGL and its subsidiaries are referred to in this report as the 'Group'. The Company's ultimate controlling party is TDR Capital LLP ('TDR'), a UK Limited Liability Partnership registered in England and Wales. TDR is a leading international private equity firm, managing capital on behalf of institutional, government and private investors worldwide. TDR has an experienced team of investment professionals and operating partners and has a low volume investment strategy based on principles developed by the investment team over the past two decades.

The Group financial statements consolidate those of the Company and its subsidiaries. The CAGL company financial statements present information about the Company as a separate entity and not about its Group and can be found on pages 127 to 131.

The Company's accounting reference date is 31 March, and its financial statements are prepared to a Sunday within seven days of that date. Accordingly, they have been prepared for the 52 weeks ended 2 April 2023 (53 weeks ended 3 April 2022). A 53 week trading period is required periodically for the Group's financial year end to remain aligned with accounting and tax legislation.

### 2. BASIS OF PREPARATION

These consolidated financial statements for the year ended 2 April 2023 have been prepared on a going concern basis in accordance with UK-adopted International Accounting Standards ('IFRSs') and the applicable legal requirements of the Companies Act 2006. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivatives) at fair value through profit or loss.

The financial statements and the notes to the financial statements are presented in millions of Pounds Sterling ('£m'), except where otherwise indicated.

Judgements made by the Directors in the application of the accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial period are discussed in note 5.

#### Going concern

The main debt facilities in the Constellation Group have maturity dates from 2027 to 2029. Under these facilities the Constellation Group has access to £250m of ancillary facilities to manage working capital and liquidity, mainly comprising a revolving credit facility and overdraft. The Board reviews forecasts of the Group's liquidity requirements based on a range of scenarios to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom in its committed borrowing facilities at all times, so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Significant market factors in the forecasts include the ongoing shortage of new vehicles, consumer confidence over the purchase of vehicles, and how these dynamics will impact on used car volumes. The cost base and liquidity remain under close review given these uncertainties. The Directors do not consider the markets in which the Group operates to be significantly impacted in the long term.

After making appropriate enquiries and having considered the business activities and the Group's principal risks and uncertainties, the Directors are satisfied that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 2. BASIS OF PREPARATION *continued*

#### **Basis of consolidation**

##### *Subsidiaries*

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Where the Group has control but the subsidiary is not wholly owned, the Group separately presents any non-controlling interest attributable to the minority shareholders in the consolidated income statement, statement of comprehensive income, balance sheet and statement of changes in equity. Losses applicable to non-controlling interests are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

##### *Equity-accounted investments*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Joint ventures are all entities over which the Group has significant influence and joint control. This is generally the case where the Group holds 50% of the voting rights. Where the Group does not have significant influence, investments are accounted for as financial assets held at fair value through profit and loss. For the Group's accounting policy on financial assets held at fair value through profit or loss see note 4 (i) Financial assets. Investments in associates and joint ventures are accounted for under the equity method, where the Group's investment is initially recognised at cost and subsequently adjusted to recognise the Group's share of profits and losses, which are included in the consolidated income statement. Dividends received are recognised as a reduction in the carrying amount of the investment.

Investments in associates and joint ventures are derecognised as equity-accounted investments when the Group no longer has significant influence or joint control. The Group measures and recognises any retained investment at its fair value. Any difference between the fair value of the retained investment and the carrying amount is recognised in profit or loss, after accounting for any proceeds on disposal.

Losses applicable to equity-accounted investments are recognised against the carrying value of the investment only to the extent that the losses do not exceed the carrying value. The Group does not recognise further losses unless it incurs obligations or makes payments on behalf of the associate.

##### *Intragroup transactions and balances*

Intragroup balances, and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Gains arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Losses are eliminated in the same way as gains, but only to the extent that there is no evidence of impairment.

##### *Foreign currency*

The functional currency of the Company and the majority of entities within the Group is Pounds Sterling because that is the currency of the primary economic environment in which they operate. The Group's presentation currency is Pounds Sterling.

Foreign currency transactions are translated into the respective functional currency of Group entities using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of unsettled monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within finance income or costs. All other foreign exchange gains and losses are presented in the income statement within other income or other operating costs.

The exchange rates used for the translation of other currencies into Pounds Sterling that have the most significant impact on the Group results are shown in note 26.



## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 2. BASIS OF PREPARATION *continued*

#### *Basis of consolidation continued*

##### *Consolidation of Group companies*

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities including goodwill, intangible assets arising on acquisition and fair value adjustments arising on consolidation for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income and are accumulated in the foreign exchange translation reserve or non-controlling interest.

On disposal of a foreign subsidiary the cumulative amount of the exchange differences recognised in other comprehensive income and accumulated in the foreign exchange translation reserve is recognised in the income statement when the gain or loss on disposal is recognised.

##### *Subsidiary audit exemptions*

The consolidated financial statements include the results of all subsidiary undertakings of the Company as listed in note 29.

For the year ended 2 April 2023, certain of the Group's subsidiaries listed below are entitled to exemption from audit under section 479A of the Companies Act 2006. Constellation Automotive Group Limited (company number: 12042162) will guarantee all outstanding liabilities to which the subsidiary companies listed below are subject at the end of the financial year ended 2 April 2023, until they are satisfied in full. The guarantee is enforceable when disclosed in the individual accounts and in accordance with section 479C against Constellation Automotive Group Limited by any person to whom the subsidiary companies listed below are liable in respect of those liabilities.

- Autotrax Limited (company number: 02989600)
- BBD Rock Limited (company number: 13063304)
- BCA 100 Limited (company number: SC102217)
- BCA Osprey Finance Limited (company number: 09227213)
- BCA Osprey I Limited (company number: 07092374)
- BCA Osprey II Limited (company number: 07079269)
- BCA Remarketing Group Limited (company number: 07083959)
- Expedier Catering Limited (company number: 03710562)
- Motor Auctions (Properties) Ltd (company number: SC314840)
- Paragon Fleet Solutions Limited (company number: 02638543)
- Pennine Metals B Limited (company number: 07257783)
- SMA Vehicle Remarketing Limited (company number: 06774529)
- TF1 Limited (company number: 10272560)
- The British Car Auction Group Limited (company number: 00072544)
- Tradeouts Limited (company number: 03870322)

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

Standards and interpretations applied for the first time in the year ended 2 April 2023 are summarised in the table below:

Standard	Applicable from	Amendments	Impact
<b>IFRS 3</b> Reference to the Conceptual Framework	Periods beginning on or after 1 January 2022	The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting and adds an exception for recognition of liabilities and contingent liabilities within the scope of IAS 37 confirming that contingent assets should not be recognised on acquisition	Low impact
<b>IAS 1</b> Classification of Liabilities as Current or Non-Current	Periods beginning on or after 1 January 2022	Additional guidance on whether to classify debt and other liabilities with an uncertain settlement date as current or non-current	Low impact
<b>IAS 16</b> Proceeds before Intended Use	Periods beginning on or after 1 January 2022	The amendment prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use	Low impact
<b>Annual Improvements to IFRS Standards 2018 – 2020</b>	Periods beginning on or after 1 January 2022	The following improvements were finalised in May 2020: <ul style="list-style-type: none"> <li>- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.</li> <li>- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.</li> <li>- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent</li> </ul>	Low impact
<b>IAS 37</b> Onerous Contracts – Cost of Fulfilling a Contract	Periods beginning on or after 1 January 2022	Clarification that direct costs of fulfilling a contract include both incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a provision for an onerous contract, an impairment loss is recognised on assets used in fulfilling the contract	Low impact

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS *continued*

Standards and interpretations which are issued but not yet effective and have not been early adopted by the Group are summarised in the table below:

Standard	Applicable from	Amendments	Expected impact
<b>IAS 12</b> Deferred tax assets and liabilities arising from a single transaction	Periods beginning on or after 1 January 2023	The amendment requires recognition of deferred tax that, on initial recognition, gives rise to an equal deferred tax asset and liability	Low expected impact
<b>IAS 8</b> Definition of Accounting Estimates	Periods beginning on or after 1 January 2023	The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendment also clarifies how entities use measurement techniques and inputs to develop accounting estimates	Low expected impact
<b>IAS 1 and IFRS Practice Statement 2</b> Disclosure of Accounting Policies	Periods beginning on or after 1 January 2023	Provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures	Low expected impact
<b>IAS 1</b> (Amendment – Classification of Liabilities as Current or Non-current)	Periods beginning on or after 1 January 2024	The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date	Low expected impact
<b>IFRS 16</b> Amendment – Liability in a Sale and Leaseback	Periods beginning on or after 1 January 2024	The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains	Low expected impact
<b>IAS 1 and Practice Statement 2</b> Amendment – Non-current Liabilities with Covenants	Periods beginning on or after 1 January 2024	The amendments require additional disclosure about liabilities arising from loan arrangements under certain conditions	Low expected impact

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 4. ACCOUNTING POLICIES

#### (a) Revenue

The Group's revenue represents revenue from contracts with customers. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services supplied, stated net of discounts, estimated returns and value added taxes. The Group recognises revenue for each contractual performance obligation when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when certain criteria have been met, specifically when the contracted performance obligation has been satisfied. This approach applies for each of the Group's activities, as described below.

##### *Auction revenue*

Vehicle auction revenue represents vendor and buyer fees for vehicles sold by the Group together with fees for related services including transportation, inspection, valeting and mechanical checks. Revenue is recognised at the time the service is provided, which is predominantly at the point the vehicle is sold at auction. Revenue represents the fees for the auction service not the value of the vehicle sold, as the Group does not control the vehicle before being transferred from vendor to buyer, and does not incur the significant risks and rewards of ownership as part of the transaction.

In the ordinary course of business at vehicle auctions, in certain circumstances a vehicle will be purchased from a vendor in order to honour a sale where, for example, a buyer has reneged on the purchase or there was an error in the sales process. The subsequent resale vehicle proceeds are recognised in full as takeover revenue on the date of resale.

##### *Vehicle revenue*

Revenue from vehicle buying, outsourced remarketing and other contracts where the Group obtains control and takes legal title to certain vehicles based on contractual agreements, represents the vehicle sale proceeds obtained when the vehicle is sold and is recognised on the date of sale. Where the Group provides outsourced remarketing services but does not obtain control, revenue represents the fees for the outsourced remarketing services provided and not the value of the vehicle sold. Transaction fees charged to customers are recognised on the purchase date and treated as a reduction in the cost of inventory and therefore in the cost of sales unless they are charged in connection with providing additional services.

##### *Interest income*

Interest and loan origination fees earned in provision of Partner Finance loans are recognised over the term of the funding and are included within revenue. Other fees charged by Partner Finance are recognised evenly over the period that the relevant service is provided.

##### *Other revenue*

Revenue for other services, including logistics and automotive services, is recognised once the contracted service has been provided. For transportation or delivery services this is deemed to be when the customer has received the vehicle; for storage services this is deemed to be once an activity has been completed, such as receiving and parking a vehicle, and generally on a daily basis for storage charges; for vehicle repair and vehicle enhancement work this is deemed to be when work has been completed to a stage that can be invoiced to the customer; and for fleet services management this is deemed to be over the period the service is provided on a straight line basis.

#### (b) Advertising and marketing costs

The Group carries out a variety of advertising and marketing activities. These include advertising activities which directly correlate to the number of vehicles that are acquired by the Group through the Vehicle Buying division and for subsequent sale through the Group's auctions for which revenue is recognised. These direct advertising costs are therefore recognised as a cost of sale. Other indirect advertising, marketing and brand awareness costs are recognised within operating costs.

The cost of advertising design is expensed as incurred and the expense of advertising campaigns is expensed in the income statement in the period in which the advertising space or airtime is utilised.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 4. ACCOUNTING POLICIES *continued*

#### (c) Net finance costs

##### *Finance costs*

Finance costs comprise interest payable on borrowings, direct transaction costs, unwinding of the discount on provisions and lease liabilities, interest on loans with related parties, net interest expense on retirement benefit obligations and foreign exchange losses on finance balances. Transaction costs and original issue discount are amortised over the expected life of the debt using the effective interest method.

##### *Finance income*

Finance income comprises interest receivable on funds invested, interest on loans with related parties, net interest income on retirement benefit obligations and foreign exchange gains on finance balances. Interest income is recognised in the income statement as it accrues using the effective interest method.

#### (d) Government grants

Government grants are recognised when there is reasonable assurance that the entity will comply with any conditions attaching to them; and that the grants will be received.

The Group recognises income from government grants in the consolidated income statement as a reduction to the expense which the grants are intended to compensate, and recognises the income as the underlying costs are incurred.

#### (e) Income tax

Income tax for the period presented comprises current and deferred tax. Tax is recognised in the income statement, except to the extent it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to taxes payable in respect of prior periods. Current tax assets and liabilities are offset only if certain criteria are met.

Provisions for uncertain tax positions are recognised when the Group has a present obligation as a result of a past event and management judge that it is probable that there will be a future outflow of economic benefits to settle the obligation. Uncertain tax positions are assessed and measured on an issue by issue basis within the jurisdictions that the Group operates, and are measured as appropriate on an expected value or most likely outcome method, in line with the interpretation issued in IFRIC 23.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of other assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner and timing of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. No deferred tax liability is provided in respect of any future remittance of earnings of foreign subsidiaries where the group is able to control the remittance of earnings and it is probable that such earnings will not be remitted in the foreseeable future, or where no liability would arise on remittance.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 4. ACCOUNTING POLICIES *continued*

#### (f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

#### (g) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### (h) Inventories

Inventories primarily represent vehicles acquired by the Group that have not yet been sold and where the Group has the risk and reward of ownership of such vehicles. Other inventories include vehicle parts. All inventories are stated at the lower of cost and net realisable value. Cost includes the original purchase and subsequent expenses incurred in bringing each product to its present location and condition. Where vehicles are subject to cosmetic or mechanical refurbishment, this may include capitalised costs such as vehicle parts, labour costs and associated overheads. In the Vehicle Buying division the vehicle cost is net of any administration fees paid to the Group by the seller of the vehicle. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred on completion of the sale and disposal.

#### (i) Financial assets

##### *Classification*

##### *Initial recognition and measurement*

Financial assets are classified at initial recognition, and subsequently measured at amortised cost or at fair value through profit or loss.

The classification of a financial asset at initial recognition depends on the characteristics of the financial asset and the Group's business model for managing it. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus transaction costs. In the case of a financial asset held at fair value through profit or loss, transactions costs are expensed as incurred.

##### *Subsequent measurement – financial assets at amortised cost*

These assets include loans and receivables that are non-derivative financial assets with fixed or determinable payments that arise principally through the provision of services to customers. These loans and receivables do not contain a significant financing component and are initially recognised at the transaction price. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Loans and receivables comprise trade and other receivables.

##### *Impairment of financial assets*

Impairment provisions are recognised under the expected credit loss model on initial recognition of the receivable. The expected credit loss model is calculated using the simplified approach as there is no significant financing component. This approach requires expected lifetime losses to be recognised based on an expected default rate.

For trade receivables, which are reported net of any provisions, such provisions are recorded in a separate provision account with the loss being recognised within operating costs in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 4. ACCOUNTING POLICIES *continued*

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

##### *Subsequent measurement – financial assets held at fair value through profit or loss*

Financial assets held at fair value through profit or loss are carried in the statement of financial position at fair value with movements in fair value recognised in the income statement.

This category includes unlisted equity investments which the Group does not irrevocably elect to classify at fair value through other comprehensive income. These are valued with reference to valuation techniques because the shares are not listed. Dividends on unlisted equity investments are recognised as other income in the income statement when the right of payment has been established.

#### (j) Trade and other payables

Trade and other payables are initially stated at fair value and subsequently measured at amortised cost using the effective interest method.

#### (k) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be measured reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognised in finance costs.

##### *Dilapidations*

Provisions for dilapidations are made in respect of property leases on a lease by lease basis and are based on the Group's best estimate of the likely committed cash outflow. Where relevant, these estimated outflows are discounted to net present value.

#### (l) Business combinations

##### *Business combinations not subject to common control*

The Group applies the acquisition method to account for business combinations that are not subject to common control. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition by acquisition basis at fair value of the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

##### *Business combinations subject to common control*

Business combinations between entities under common control, which do not fall within the scope of IFRS 3, are accounted for using either the acquisition method or the predecessor method, depending on the most appropriate method based on the facts and circumstances of the business combination. Under the predecessor method of accounting, assets and liabilities are consolidated based on their carrying values in the acquired entity from the consolidated accounts of the highest entity that has common control, or from the accounts of the acquired entity if consolidated accounts are not available. These amounts include any goodwill and other fair value adjustments recorded at the consolidated level in respect of the acquired entity. Any difference between the consideration given and the aggregate value of the assets and liabilities of the acquired entity at the date of the transaction is included in equity as a separate reserve, called merger reserve. The financial statements incorporate the results of the acquired entity prospectively from the date on which the transaction occurred. Accordingly, no comparative financial information is reported.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 4. ACCOUNTING POLICIES *continued*

#### (m) Impairment of non-financial assets

Goodwill has an indefinite useful life and is not subject to amortisation. As a result, it is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows ('cash generating units'), which are largely independent of the cash inflows from other assets or groups of assets. Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### (n) Intangible assets

Intangible assets comprise internally generated software, acquired computer software, and intangible assets such as customer relationships and brands arising as part of the assessment of assets on the acquisition of a business. These are carried at cost less accumulated amortisation and any recognised impairment loss.

Costs relating to the development of computer software for internal use are capitalised once all the development phase recognition criteria of IAS 38 are met. Costs incurred before this point are expensed as incurred and are not recognised as an asset in a subsequent period. The assessment identifies unique software products that are controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year. Salary and related employment costs that are directly attributable to the development of the software are then capitalised. When the software is available for its intended use, these costs are amortised in equal annual amounts over the estimated useful life of the software.

Amortisation and impairment are charged to operating costs in the period in which they arise. Amortisation is calculated on a straight line basis from the date on which the assets are brought into use, with useful lives as indicated below:

Customer relationships	12 - 20 years
Brands	15 - 25 years
Software – Internally generated	3 - 10 years
Software – Acquired	3 - 7 years, or the licence term if shorter

Assets acquired through business combinations are amortised over the remaining useful life at acquisition.

Amortisation periods and methods are reviewed annually and adjusted if appropriate. For the Group's impairment policy on non-financial assets see (m) Impairment of non-financial assets.

#### (o) Goodwill

Goodwill arises on the acquisition of subsidiaries and is recognised initially as the excess of the consideration transferred in excess of the Group's interest in fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash generating units, which are no higher than an operating segment prior to aggregation, and is not amortised but is tested annually for impairment.

An impairment charge is recognised in the income statement for any amount by which the carrying value of goodwill exceeds its recoverable amount. Goodwill that is not denominated in Sterling is retranslated at each balance sheet date.



## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 4. ACCOUNTING POLICIES *continued*

#### (p) Property, plant and equipment

##### *Owned assets*

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and when the cost of the item can be measured reliably.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

##### *Assets under construction*

The costs of assets that are being constructed are capitalised as described in the Owned assets paragraph above. Assets under construction are not depreciated until the asset is deemed to be available for use. For the asset to be available for use it has to be in the location and condition necessary for it to be capable of operating in the intended manner. Once the asset is available for use it is no longer classified as an asset under construction and is depreciated at the applicable rate.

##### *Depreciation*

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land and assets under construction are not depreciated. The rates of depreciation are as follows:

Buildings	50 years or the unexpired lease term if shorter
Fixtures, fittings and equipment	2 - 10 years
Plant, machinery and motor vehicles	3 - 25 years

Assets acquired through business combinations are depreciated over the remaining useful life at acquisition. The residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. For the Group's impairment policy on non-financial assets see (m) Impairment of non-financial assets.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 4. ACCOUNTING POLICIES *continued*

#### (q) Leases

##### *The Group as a lessee*

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position and is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of an option to purchase, extend or terminate the lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the change in lease payments is due to a change in a floating interest rate, in which case a revised discount rate is used).
- the lease payments substantially change or other rent concessions are agreed with the lessor during the lease term.
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group elects not to remeasure the lease liability when a significant change or rent concession has occurred as a direct consequence of the covid-19 pandemic, provided: the revised consideration is substantially the same as, or less than, the consideration immediately preceding the change, any reduction in lease payments only affects payments originally due on or before 30 June 2022; and there is no other substantive change to the lease terms.

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right of use asset reflects that the Group expects to exercise a purchase option, the related right of use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. The Group has elected to not apply IFRS 16 to leases of intangible assets.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 4. ACCOUNTING POLICIES *continued*

#### (q) Leases *continued*

##### *Sale and leaseback arrangements*

The Group enters into sale and leaseback agreements with respect to some transporters and properties. When the performance obligation has been satisfied in accordance with IFRS 15, the transfer of the asset is accounted for as a sale and the asset is derecognised from property, plant and equipment. The Group subsequently recognises a right of use asset and associated lease liability in accordance with (q) Leases *The Group as a lessee*. In limited circumstances where a gain or loss is recognised on sale, this is recognised as a reduction to the right of use asset to the extent that the gain or loss relates to contractual rights retained by the Group, and otherwise is recognised in the consolidated income statement.

##### *The Group as a lessor*

The Group enters into lease agreements as a lessor with respect to some of its properties. These are classified as operating leases unless the terms of the lease substantially transfer all the risks and rewards of ownership to the lessee.

Where the Group is an intermediate lessor, the head lease and sublease are accounted for separately.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

#### (r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs and original issue discounts incurred. Borrowings are subsequently carried at amortised cost using the effective interest method.

Fees paid on the establishment of debt facilities are recognised as transaction costs of the debt to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. Fees and discounts are amortised using the effective interest rate method based on the expected future cash flows. *The impact of changes in expected cash flows are recognised as a profit or loss within finance costs in the period in which the expectation of future flows changes.*

#### (s) Share capital

Ordinary shares are classified as equity.

#### (t) Employee benefits

##### *Pension obligations*

The Group operates defined contribution and defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The defined benefit plans operated by the Group in the United Kingdom are closed to new members. The costs of providing benefits under the plans are determined using the projected unit credit actuarial valuation method.

The current service cost is included in operating costs in the consolidated income statement. Past service costs are similarly included where the benefits have vested, otherwise they are amortised on a straight line basis over the vesting period. Administrative scheme expenses associated with the plans are recorded within operating costs when incurred in line with IAS 19. Net interest income or interest cost relating to the funded defined benefit pension plans is included within finance income or finance costs as relevant in the consolidated income statement.

Changes to the retirement benefit obligation or asset due to experience and changes in actuarial assumptions are included in the consolidated statement of comprehensive income, presented as remeasurements of the defined benefit scheme in full in the period in which they arise.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 4. ACCOUNTING POLICIES *continued*

#### (t) Employee benefits *continued*

##### *Pension obligations continued*

Where scheme assets exceed the defined benefit obligation the net asset is only recognised to the extent that an economic benefit is available to the Group in accordance with the terms of the scheme and where consistent with relevant statutory requirements.

#### (u) Share based payments

The Group operates equity-settled, share based plans. The expense recognised represents the difference between the fair value of the awards granted and the consideration invested by the recipients. The fair value of the awards granted is determined by independent valuations.

The cost of equity-settled transactions are recognised with a corresponding entry in retained earnings over the period during which the relevant employees are expected to become fully entitled to the award (vesting date).

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 5. CRITICAL JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements under IFRSs requires the Directors and management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Accounting policies are reviewed annually for appropriateness. Estimates and judgements are evaluated continually and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates, with any changes arising being recognised in the period in which the change in estimate is made or the final result determined.

Certain of the Group's significant accounting policies are considered by the Directors to be critical because of the level of complexity, judgement or estimation involved in their application and their impact on the consolidated financial statements. Unusual or significant transactions in the period that require judgement are identified in the related note. Existing judgements, where applicable, are contained within the accounting policies.

Details of the accounting estimates and judgements can be found in the following notes:

Page			Estimate	Judgement
91	Note 11	Taxation	☑	
95	Note 13	Inventories	☑	
97	Note 16	Lease liabilities	☑	
99	Note 18	Acquisitions		☑
101	Note 19	Intangible assets	☑	
107	Note 25	Pensions and other post-retirement benefits	☑	

## RESULTS FOR THE YEAR

The following pages provide information about the financial performance for the year on a segmental and Group basis.

A detailed narrative regarding Group and divisional performance has been provided in the Group operating review section on pages 6 to 20. The key performance indicators and adjusted EBITDA are presented and defined in note 6. These are considered key performance indicators because management use these measures to assess long and short term performance of the Group on a periodic basis.

This section also provides details of the primary operating and finance costs, as well as providing analysis on employee related information and taxation.

## 6. SEGMENTAL REPORTING

### Non-GAAP measures

#### Key Performance Indicator – adjusted EBITDA

Management uses an adjusted profit measure to monitor the ongoing profitability of the Group, which is defined as Earnings before interest, taxation, depreciation and amortisation ('EBITDA') adjusted for significant or non-recurring items ('SONR'). The SONR items that are excluded from EBITDA to calculate adjusted EBITDA are as follows:

- Income and expenses that are significant or non-recurring or non-trading in nature, including business closure costs, restructuring costs, refinancing costs and share based payment related charges;
- Impairment charges and accelerated depreciation and amortisation on property, plant and equipment, right of use assets, intangibles and goodwill;
- Amortisation of intangible assets arising on acquisition;
- Fair value gains and losses on financial assets measured at fair value through profit or loss;
- Acquisition expenses and gains and losses on business combinations, disposals and changes in ownership.

The Directors primarily use the adjusted EBITDA measure when making decisions about the Group's activities as it is the most reliable and relevant profit measure across all segments. Amortisation of intangible assets arising on acquisition are excluded because they reflect the nature of the acquisition accounting, and are not reflective of underlying business performance. Share based payment related charges are excluded as the initial implementation and ongoing costs are significant or non-recurring and are not reflective of underlying business performance. As this is a non-GAAP measure, adjusted EBITDA measures used by other entities may not be calculated in the same way and hence may not be directly comparable.

All non-GAAP measures are reconciled back to statutory equivalents. They are provided with the clear intention to aid understanding of performance.

Management has determined the operating segments based on the operating reports reviewed by the Board of Directors that are used to assess performance, make strategic decisions and allocate resources. Management has identified that the Board of Directors is the chief operating decision maker in accordance with the requirements of IFRS 8 Operating Segments.

The Board of Directors consider the business to be split into the four main revenue-generating divisions: UK Vehicle Remarketing, International Vehicle Remarketing, Vehicle Buying and Automotive Services. Group Costs comprise central head office functions and any costs not directly attributable to the segments. Transactions between segments are based on prices which are similar to transactions with third parties.

Information on segment assets and liabilities is not regularly reported to the Board of Directors and is therefore not disclosed.

## RESULTS FOR THE YEAR *continued*

### 6. SEGMENTAL REPORTING *continued*

For the year ended 2 April 2023						
	Vehicle Remarketing		Vehicle Buying	Automotive Services	Group Costs	Total
	UK £m	International £m	£m	£m	£m	£m
<b>Revenue</b>						
Total revenue	2,908.1	242.7	4,150.8	436.8	1.1	7,739.5
Inter-segment revenue	(6.4)	(0.7)	(593.1)	(177.5)	(0.4)	(778.1)
<b>Total revenue from external customers</b>	<b>2,901.7</b>	<b>242.0</b>	<b>3,557.7</b>	<b>259.3</b>	<b>0.7</b>	<b>6,961.4</b>
Sale of goods	2,553.6	39.6	3,553.2	-	-	6,146.4
Rendering of services	324.3	202.4	4.5	259.3	0.7	791.2
Interest	23.8	-	-	-	-	23.8
<b>Total revenue from external customers</b>	<b>2,901.7</b>	<b>242.0</b>	<b>3,557.7</b>	<b>259.3</b>	<b>0.7</b>	<b>6,961.4</b>
<b>Adjusted EBITDA</b>	<b>87.8</b>	<b>29.4</b>	<b>89.9</b>	<b>8.8</b>	<b>(14.3)</b>	<b>201.6</b>
Depreciation and other amortisation	(31.3)	(9.7)	(3.2)	(36.3)	(0.5)	(81.0)
<i>Significant or non-recurring items:</i>						
Amortisation of acquired intangibles	(47.4)	(15.1)	(9.2)	(1.0)	-	(72.7)
Restructuring costs	(12.7)	(0.6)	-	(6.7)	-	(20.0)
Impairment of intangible assets and related costs	(6.2)	-	-	-	-	(6.2)
Share based payment related charges	-	-	-	-	(2.2)	(2.2)
<b>Operating (loss)/profit</b>	<b>(9.8)</b>	<b>4.0</b>	<b>77.5</b>	<b>(35.2)</b>	<b>(17.0)</b>	<b>19.5</b>
Finance income						5.4
Finance costs						(165.4)
Share of loss of equity-accounted investments						(0.2)
<b>Loss before income tax</b>						<b>(140.7)</b>
<b>Additions to non-current assets</b>						
Capital expenditure	102.2	25.8	5.8	45.6	0.5	179.9
Underlying capital expenditure	19.4	7.5	4.6	18.1	0.2	49.8

Revenue with external customers in the UK and Ireland represents £6.1bn (year ended 3 April 2022: £7.6bn), with the other £0.9bn (year ended 3 April 2022: £0.7bn) being generated within Europe. Revenue by type is shown above.

Underlying capital expenditure excludes proceeds on disposal of long term assets, right of use asset additions, the purchase of transporters that were subject to sale and leaseback and significant property transactions in the year.

## RESULTS FOR THE YEAR *continued*

### 6. SEGMENTAL REPORTING *continued*

For the year ended 3 April 2022

	Vehicle Remarketing		Vehicle Buying	Automotive Services	Group Costs	Total
	UK £m	International £m	£m	£m	£m	£m
<b>Revenue</b>						
Total revenue	2,000.2	242.3	5,655.7	406.9	1.1	8,912.2
Inter-segment revenue	(10.0)	(2.2)	(405.4)	(179.5)	(0.6)	(597.7)
<b>Total revenue from external customers</b>	<b>2,596.2</b>	<b>240.1</b>	<b>5,250.3</b>	<b>227.4</b>	<b>0.5</b>	<b>8,314.5</b>
Sale of goods	2,222.4	47.4	5,244.2	-	-	7,514.0
Rendering of services	354.0	192.7	6.1	227.4	0.5	780.7
Interest	19.8	-	-	-	-	19.8
<b>Total revenue from external customers</b>	<b>2,596.2</b>	<b>240.1</b>	<b>5,250.3</b>	<b>227.4</b>	<b>0.5</b>	<b>8,314.5</b>
<b>Adjusted EBITDA</b>	<b>138.1</b>	<b>40.2</b>	<b>162.3</b>	<b>8.6</b>	<b>(12.9)</b>	<b>336.3</b>
Depreciation and other amortisation	(29.6)	(8.3)	(2.4)	(35.7)	(0.7)	(76.7)
Significant or non-recurring items:						
Amortisation of acquired intangibles	(48.3)	(15.2)	(9.6)	(1.0)	-	(74.1)
Share based payment related charges	-	-	-	-	(1.3)	(1.3)
Aborted transaction costs	-	-	-	-	(0.7)	(0.7)
Restructuring costs	-	(0.6)	-	-	-	(0.6)
Non-recurring system costs	0.1	-	-	-	-	0.1
Profit on sale and leaseback	-	-	-	-	3.3	3.3
<b>Operating profit/(loss)</b>	<b>60.3</b>	<b>16.1</b>	<b>150.3</b>	<b>(28.1)</b>	<b>(12.3)</b>	<b>186.3</b>
Finance income						3.4
Finance costs						(124.6)
Non-recurring refinance costs						(29.5)
Share of loss of equity-accounted investments						(1.3)
<b>Profit before income tax</b>						<b>34.3</b>
<b>Additions to non-current assets</b>						
Equity-accounted investments	-	3.9	-	-	-	3.9
Capital expenditure	34.1	5.6	7.6	81.2	83.7	212.2
Underlying capital expenditure	25.0	2.9	5.9	13.3	1.0	48.1

Additions to investments accounted for using the equity method are described further in note 29.



## RESULTS FOR THE YEAR *continued*

### 7. OPERATING COSTS

	For the year ended 2 April 2023 £m	For the year ended 3 April 2022 £m
Personnel costs	231.4	209.4
Short term, low value and variable lease expense	9.3	11.4
Income from sub-leasing long term assets	(0.3)	(0.6)
Depreciation of property, plant and equipment and right of use assets	52.7	48.0
Profit on sale of property, plant and equipment	(3.2)	(2.1)
Amortisation of intangible assets	82.2	83.4
Restructuring costs	20.7	0.6
Non-recurring impairment of intangible assets and related costs	6.2	-
Other operating costs	91.6	99.5
<b>Operating costs</b>	<b>490.6</b>	<b>449.6</b>

In addition to the amount stated above, £18.8m (year ended 3 April 2022: £19.4m) of depreciation on property, plant and equipment and right of use assets was charged to cost of sales. Profit on sale of property, plant and equipment for the year ended 2 April 2023 includes £0.7m which is considered non-recurring for segmental reporting purposes and is therefore included within restructuring costs in note 6.

### 8. EMPLOYEES AND DIRECTORS

Staff costs for the Group during the year:

	Note	For the year ended 2 April 2023 £m	For the year ended 3 April 2022 £m
Wages and salaries		341.9	298.0
Pension costs		9.9	8.5
Social security costs		40.2	33.2
Share based payment expense	27	2.2	1.3
<b>Gross employment costs</b>		<b>394.2</b>	<b>341.0</b>
Staff costs capitalised		(2.7)	(1.9)
<b>Employment cost expense</b>		<b>391.5</b>	<b>339.1</b>

Average monthly number of people employed (including Executive Directors) by reportable segment:

	For the year ended 2 April 2023 Number	For the year ended 3 April 2022 Number
UK Vehicle Remarketing	2,373	2,154
International Vehicle Remarketing	1,035	921
Vehicle Buying	1,153	1,024
Automotive Services	4,761	4,167
Group	76	58
<b>Total employee numbers</b>	<b>9,398</b>	<b>8,324</b>

## RESULTS FOR THE YEAR *continued*

### 8. EMPLOYEES AND DIRECTORS *continued*

#### Retirement benefits

The Group offers membership of defined contribution schemes in the UK and Europe. The pensions cost in the year ended 2 April 2023 was £9.2m (year ended 3 April 2022: £7.7m).

In addition, the Group operates the BCA Pension Plan and the Automotive Pension Plan. The BCA Pension Plan and the Automotive Pension Plan are defined benefit schemes closed to new members. Further information is set out in note 25.

#### Government grants

No government grants were received in the year ended 2 April 2023. During the prior year, the Group received government grants primarily from the UK Government's Coronavirus Job Retention Scheme ('CJRS') and other equivalent government schemes across Europe. Total grant income for the prior year of £0.6m was recognised as a reduction to wages and salaries costs and enabled the Group to continue the employment of staff who were unable to contribute to the trading activity of the Group as a result of covid-19 related restrictions.

### 9. NET FINANCE COSTS

	Note	For the year ended 2 April 2023 £m	For the year ended 3 April 2022 £m
Interest payable		126.5	99.4
Interest expense on lease liabilities		26.4	25.0
Foreign exchange		12.5	-
Net interest expense on retirement benefit obligations	25	-	0.2
Non-recurring refinance costs		-	29.5
<b>Finance costs</b>		<b>165.4</b>	<b>154.1</b>

	Note	For the year ended 2 April 2023 £m	For the year ended 3 April 2022 £m
Interest income		5.3	1.0
Net interest income on retirement benefit obligations	25	0.1	-
Foreign exchange		-	2.4
<b>Finance income</b>		<b>5.4</b>	<b>3.4</b>

Foreign exchange mainly arises on revaluation of cash and cash equivalents and borrowings, which can be seen in note 26.

#### Prior year non-recurring refinance costs

Refinance costs represents significant or non-recurring items which were incurred in relation to the refinancing of the Group's debt and the extension of the Partner Finance asset backed facility, including the write off of debt fees and prepayment costs in relation to the previous facilities.

## RESULTS FOR THE YEAR *continued*

### 10. AUDITORS' REMUNERATION

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Group auditor with fees as detailed below:

	For the year ended 2 April 2023 £m	For the year ended 3 April 2022 £m
Fees payable to the Group auditor and its associates for the audit of:		
– The Parent Company and consolidated financial statements	0.2	0.1
– Group subsidiaries	1.2	1.1
<b>Total auditors' remuneration</b>	<b>1.4</b>	<b>1.2</b>

Included in fees payable to the Group auditor and its associates for the audit of the Parent Company and consolidated financial statements is £0.1m (year ended 3 April 2022: £0.1m) relating to the audit of the Company's financial statements.

### 11. TAXATION

	For the year ended 2 April 2023 £m	For the year ended 3 April 2022 £m
<b>Current taxation</b>		
Current tax on (loss)/profit for the year	3.9	28.0
Adjustments in respect of prior periods	(8.9)	0.8
<b>Total current tax (credit)/charge</b>	<b>(5.0)</b>	<b>28.8</b>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	(26.7)	(27.9)
Adjustments in respect of prior periods	(0.7)	(1.1)
Changes in recognition of deferred tax	(4.4)	35.3
<b>Total deferred tax (credit)/charge</b>	<b>(31.8)</b>	<b>6.3</b>
<b>Income tax (credit)/charge</b>	<b>(36.8)</b>	<b>35.1</b>

#### Critical accounting estimates – taxation

Accruals for current tax and amounts payable under local indirect taxes such as sales taxes and VAT are based on management's interpretation of country specific tax law, and require estimation of the likely tax positions that will be sustained. Management estimates the amount of taxes payable based upon their analysis and determines whether provision should be made for potential settlement of disputed positions which are under negotiation. Any estimated exposure to interest on tax liabilities is provided for in the related tax amount.

## RESULTS FOR THE YEAR *continued*

### 11. TAXATION *continued*

#### Income tax reconciliation

The tax (credit)/charge for the year differs from the standard rate of corporation tax in the UK of 19.0% (year ended 3 April 2022: 19.0%). The differences are explained below:

	For the year ended 2 April 2023 £m	For the year ended 3 April 2022 £m
(Loss)/profit on ordinary activities before tax	(140.7)	34.3
(Loss)/profit on ordinary activities multiplied by the rate of corporation tax in the UK of 19.0% (year ended 3 April 2022: 19.0%)	(26.7)	6.5
Effects of:		
Net expenses not deductible	4.1	-
Net income not subject to tax		(1.6)
Changes in recognition of deferred tax	(4.4)	35.3
Effect of different tax rates on profits earned outside the UK	(0.2)	1.1
Group relief adjustment in respect of current period	-	(5.9)
Group relief adjustment in respect of prior periods	(9.8)	-
Other adjustments in respect of prior periods	0.2	(0.3)
<b>Total taxation (credit)/charge</b>	<b>(36.8)</b>	<b>35.1</b>

The Group has operations across Europe, however, the principal location of trading where the majority of business profits are derived is the UK. The effective tax rate has therefore been referenced to the UK corporation tax rate of 19.0% for both the current and prior year.

#### Effective tax rate

The effective tax rate for the period of 26.2% is different to the standard rate of corporation tax in the UK principally as a result of the following differences:

- Prior year adjustment for group relief purchased for lower payment than 19.0% applied to losses surrendered;
- Impact of the rate difference between current tax rate of 19% and deferred tax rate of 25% on the interest deductions restricted under the UK's corporate interest restriction regime; and
- Non-deductible foreign exchange losses arising on the Group's external Euro borrowings.

Significant ongoing changes in the international tax environment and an increase in global tax audit activity means the Group is routinely subject to audit by tax authorities in the territories in which it operates. Where points are investigated, the Group considers each issue on its merits and, where appropriate, holds a provision in respect of the potential tax liability which may arise. Provisions for uncertain tax positions are recognised when the Group has a present obligation as a result of a past event and management judge that it is probable that there will be a future outflow of economic benefits to settle the obligation. Uncertain tax positions are assessed and measured on an issue by issue basis within the jurisdictions that the Group operates, and are measured as appropriate on an expected value or most likely outcome method, in line with the interpretation issued in IFRIC 23. There are no provisions that are individually or collectively material.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Group does not account for deferred tax on top-up taxes and therefore, if these rules had been substantively enacted on the balance sheet date, there would have been no impact.

## RESULTS FOR THE YEAR *continued*

### 11. TAXATION *continued*

#### Deferred taxation

##### Critical accounting estimates – deferred tax

Deferred tax assets and liabilities represent management's best estimate in determining the amounts to be recognised. When assessing the extent to which deferred tax assets should be recognised, consideration is given to the timing and level of future taxable income.

	Property, plant and equipment £m	Lease liabilities £m	Pension (deficit)/ surplus £m	Losses carried forward £m	Interest restricted under CIR £m	Intangible assets £m	Fair value adjustments on PPE £m	Other £m	Total £m
Assets	-	0.2	-	-	-	-	-	-	0.2
Liabilities	1.8	4.1	2.3	-	8.7	(195.0)	(2.4)	1.5	(179.0)
<b>At 28 March 2021</b>	<b>1.8</b>	<b>4.3</b>	<b>2.3</b>	<b>-</b>	<b>8.7</b>	<b>(195.0)</b>	<b>(2.4)</b>	<b>1.5</b>	<b>(178.8)</b>
(Charged)/credited to:									
Income statement	(1.5)	1.8	(0.3)	-	22.1	(27.9)	(0.8)	0.3	(6.3)
Other comprehensive income	-	-	(2.2)	-	-	0.6	-	-	(1.6)
<b>At 3 April 2022</b>	<b>0.3</b>	<b>6.1</b>	<b>(0.2)</b>	<b>-</b>	<b>30.8</b>	<b>(222.3)</b>	<b>(3.2)</b>	<b>1.8</b>	<b>(186.7)</b>
Assets	-	0.3	-	-	-	-	-	-	0.3
Liabilities	0.3	5.8	(0.2)	-	30.8	(222.3)	(3.2)	1.8	(187.0)
<b>At 3 April 2022</b>	<b>0.3</b>	<b>6.1</b>	<b>(0.2)</b>	<b>-</b>	<b>30.8</b>	<b>(222.3)</b>	<b>(3.2)</b>	<b>1.8</b>	<b>(186.7)</b>
Acquired through group reorganisation	1.5	-	-	-	-	(1.1)	(1.3)	-	(0.9)
(Charged)/credited to:									
Income statement	(0.4)	0.2	(0.3)	1.2	16.0	14.6	(0.1)	0.6	31.8
Other comprehensive income	-	-	(1.2)	-	-	(1.3)	-	-	(2.5)
<b>At 2 April 2023</b>	<b>1.4</b>	<b>6.3</b>	<b>(1.7)</b>	<b>1.2</b>	<b>46.8</b>	<b>(210.1)</b>	<b>(4.6)</b>	<b>2.4</b>	<b>(158.3)</b>
Assets	-	0.4	-	-	-	-	-	-	0.4
Liabilities	1.4	5.9	(1.7)	1.2	46.8	(210.1)	(4.6)	2.4	(158.7)
<b>At 2 April 2023</b>	<b>1.4</b>	<b>6.3</b>	<b>(1.7)</b>	<b>1.2</b>	<b>46.8</b>	<b>(210.1)</b>	<b>(4.6)</b>	<b>2.4</b>	<b>(158.3)</b>

A deferred tax asset has been recognised in respect of management expenses in the UK and trading losses in Belgium due to the ability to utilise these losses in future periods.

A deferred tax asset has been recognised in respect of interest deductions restricted in the current period under the UK's corporate interest restriction (CIR) regulations to the extent that it offsets against deferred tax liabilities created in the accounting for business combinations.

Deferred tax liabilities are offset where there is a legally enforceable right of offset and there is an intention to settle the balance on a net basis.

A net deferred tax liability of £143.0m is expected to be recovered or settled more than 12 months after the end of the reporting period.

## RESULTS FOR THE YEAR *continued*

### 11. TAXATION *continued*

#### *Deferred tax on losses not recognised*

As at 2 April 2023 a deferred tax asset of £5.3m relating to gross tax losses of £21.7m has not been recognised (at 3 April 2022: £4.5m deferred tax asset). Due to the nature of the losses and resulting restrictions on their use it is not expected that the asset will reverse in future periods based on current forecasts.

#### *Unrecognised deferred tax liabilities*

No deferred tax liability is provided in respect of future remittance of earnings of foreign subsidiaries where the Group is able to control the remittance of earnings and it is probable that such earnings will not be remitted in the foreseeable future, or where no liability would arise on the remittance.

Relevant legislation largely exempts gains and overseas dividends remitted from corporation tax, with a potential liability more likely to arise in respect of withholding taxes levied by the overseas jurisdiction. Due to the location of the Group's subsidiaries and the double tax treaties that are in place, the aggregate amount of temporary differences in respect of unremitted earnings not recognised is nil.

## WORKING CAPITAL AND PROVISIONS

This section details the assets and liabilities that are directly generated through the Group's trading activities. This includes cash and cash equivalents, inventories, trade and other receivables, and trade and other payables. It also includes provisions, commitments and contingencies.

In respect of the Vehicle Remarketing divisions, trade receivables include the gross auction proceeds due from buyers, regardless of whether the vehicle was owned by the Group. Gross auction proceeds represent the full value of the vehicles sold, not just the fees recognised in the income statement. Correspondingly, trade payables also include the auction proceeds due to external vendors of vehicles.

Inventories includes vehicles only where the Group holds the risk and rewards of ownership, as detailed in accounting policy (h) Inventories. This mainly relates to the Vehicle Buying division and outsourced remarketing contracts with the UK Vehicle Remarketing division.

### 12. CASH AND CASH EQUIVALENTS

	As at 2 April 2023 £m	As at 3 April 2022 £m
Gross amount of recognised financial assets: Cash at bank and in hand	96.4	87.4
Gross amount of recognised financial liabilities: Bank overdrafts	-	(10.3)
<b>Net cash and cash equivalents</b>	<b>96.4</b>	<b>77.1</b>

The Group has a legal right of offset over specified bank accounts but does not intend to settle these balances on a net basis, and therefore has presented cash and cash equivalents gross of overdrafts at the balance sheet date.

### 13. INVENTORIES

	As at 2 April 2023 £m	As at 3 April 2022 £m
Gross inventories	269.7	351.9
Inventory provision	(14.4)	(17.1)
<b>Net inventories</b>	<b>255.3</b>	<b>334.8</b>

Inventories recognised as an expense and charged to cost of sales for the year ended 2 April 2023 were £5.9bn (year ended 3 April 2022: £7.6bn). Write-down of inventories recognised as an expense where the value of inventory is irrecoverable in the year ended 2 April 2023 amounted to £0.6m (year ended 3 April 2022: £0.8m).

#### Critical accounting estimates – inventories

Inventory is held at the lower of cost and net realisable value. Management are required to develop estimates of vehicle selling prices using a combination of historical sales data and independent market data.

In developing estimates of selling prices, management are required to make assumptions with respect to future market conditions. Estimates derived are sensitive to changes in these market conditions.

## WORKING CAPITAL AND PROVISIONS *continued*

### 14. TRADE AND OTHER RECEIVABLES

	Note	As at 2 April 2023 £m	As at 3 April 2022 £m
Trade receivables not past due		376.2	405.3
Trade receivables past due		42.2	31.0
Loss allowance		(5.5)	(4.4)
<b>Net trade receivables</b>		<b>412.9</b>	<b>431.9</b>
Other receivables		38.6	38.9
Accrued income		25.7	21.9
Prepayments		27.7	20.8
Amounts due from related parties	28	80.8	93.8
<b>Total trade and other receivables</b>		<b>585.7</b>	<b>607.3</b>

As at 2 April 2023 £248.3m (at 3 April 2022: £291.0m) of trade receivables were due from customers under Partner Finance arrangements and are secured on vehicles held by those customers. Trade and other receivables are presented as current assets and there is no difference between the carrying amount and the fair value. Trade and other receivables are considered past due once they have passed their contracted due date.

Movements on loss allowances for trade receivables are as follows:

	For the year ended 2 April 2023 £m	For the year ended 3 April 2022 £m
At start of year	(4.4)	(5.4)
Increase in loss allowance recognised during the year	(1.2)	(0.3)
Utilisation of loss allowance during the year	-	0.2
Unused amounts reversed	0.1	1.1
<b>At year end</b>	<b>(5.5)</b>	<b>(4.4)</b>

#### Other accounting estimates – trade and other receivables

Loss allowances for trade receivables due from customers under Partner Finance arrangements are recognised under the expected credit loss model on initial recognition of the receivable. Management are required to develop estimates of credit risk using the best available information about past events, current conditions and forecasts of economic conditions. Partner Finance receivables are asset backed, providing a level of protection based on the value and recovery of the asset. Management apply judgement in assessing whether there is a significant change in credit risk which would impact the expected credit loss allowance recognised.

The creation and release of loss allowances on trade receivables in the year has been included in operating costs in the income statement.

The ageing of receivables is as follows:

	As at 2 April 2023 £m	As at 3 April 2022 £m
Not past due and not impaired	376.2	405.3
Up to 30 days overdue and not impaired	21.6	17.0
Up to 30 days overdue and impaired	2.0	-
Past 30 days overdue and not impaired	13.0	9.6
Past 30 days overdue and impaired	5.6	4.4
<b>Total trade receivables</b>	<b>418.4</b>	<b>436.3</b>
Loss allowance	(5.5)	(4.4)
<b>Net trade receivables</b>	<b>412.9</b>	<b>431.9</b>



## WORKING CAPITAL AND PROVISIONS *continued*

### 15. TRADE AND OTHER PAYABLES

	Note	As at 2 April 2023 £m	As at 3 April 2022 £m
Trade payables		257.2	289.0
Social security and other taxes		49.9	48.2
Accruals and other payables		240.0	201.5
Amounts due to related parties	28	28.3	23.8
<b>Total trade and other payables</b>		<b>575.4</b>	<b>562.5</b>

### 16. LEASE LIABILITIES

#### Critical accounting estimates – leases liabilities

Management use a lease specific incremental borrowing rate to discount the future lease liabilities, where the interest rate implicit in the lease is not readily available. Using an incremental borrowing rate requires management to estimate the rate of interest that would be paid to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

The Group leases various properties and other assets under lease agreements. The leases have varying terms, including escalation clauses, renewal rights and purchase options. None of these terms represent unusual arrangements.

	As at 2 April 2023 £m	As at 3 April 2022 £m
Current lease liabilities	43.5	38.3
Non-current lease liabilities	541.4	474.8
<b>Total lease liabilities</b>	<b>584.9</b>	<b>513.1</b>

As at 2 April 2023, there were commitments to future undiscounted lease payments of £nil (at 3 April 2022: £nil) in respect of leases which had not yet commenced.

The total cash outflow for leases including short term leases, low value leases and variable payments for the year ended 2 April 2023 was £77.8m (year ended 3 April 2022: £81.2m).

## WORKING CAPITAL AND PROVISIONS *continued*

### 17. PROVISIONS, COMMITMENTS AND CONTINGENCIES

#### Provisions

	For the year ended 2 April 2023	For the year ended 3 April 2022
	£m	£m
At start of year	2.3	1.5
Acquired through group reorganisation	0.8	-
Additional provisions	8.3	1.1
Utilisation of provision during the year	(2.2)	-
Released during the year	(0.3)	(0.3)
<b>At year end</b>	<b>8.9</b>	<b>2.3</b>

#### Analysis of maturity profile:

	As at 2 April 2023	As at 3 April 2022
	£m	£m
Current provisions	7.6	1.9
Non-current provisions	1.3	0.4
<b>Total provisions</b>	<b>8.9</b>	<b>2.3</b>

The balance primarily relates to dilapidations provisions, which were made in order to make good any defects within leasehold buildings used within the business. The residual balance relates to restructuring costs and onerous contracts.

#### Commitments

During the year, the Group entered into a number of contracts with various suppliers committing the Group to the purchase of property, plant and equipment and inventory. The Group expects to settle these contracts within the next twelve months. At 2 April 2023 the Group had total commitments of £50.2m (at 3 April 2022: £80.8m).

#### Contingencies

At any point in time the Company and its subsidiaries may be party to various legal proceedings, some of which may involve claims for damages or disputes with customers, suppliers, employees or other contractors. A subsidiary of the Group is currently subject to tribunal proceedings with regards to the worker status of a group of individuals contracted to provide vehicle logistics services. The outcome of such proceedings cannot be readily foreseen. Based on current facts and circumstances, Management believes that there are no disputes with any third parties that would result in a material liability for the Group.

## LONG TERM ASSETS

This section outlines the acquisitions made by the Group in the year, as well as the tangible and intangible assets held by the Group.

Tangible assets include the physical assets which are used by the Group in the course of business which generate, or contribute to the generation of, revenue and profit. Tangible assets include the property, plant and equipment owned by the Group as well as right of use assets available to the Group through lease arrangements. These assets include property and property improvements used by our divisions, equipment used by our employees, and our fleet of transporters and other motor vehicles.

Intangible assets are non-physical assets which generate, or contribute to the generation of, revenue and profit. These assets include goodwill, customer relationships and brands, acquired through business combinations. This also includes software, which can be purchased, acquired through business combinations, or generated internally based on bespoke requirements and demands in the business. This includes a comprehensive suite of digital tools which are used by internal and external stakeholders to facilitate and coordinate our business activities.

## 18. ACQUISITIONS

### Critical accounting judgements – acquisition accounting

For all acquisitions in the period, management are required to apply judgement to determine the appropriate acquisition accounting, and in relation to the identification of separable assets and liabilities arising on acquisition if relevant.

### Group reorganisation – Cold Fell Group Limited

On 2 April 2023, the Group acquired the entire shareholding of Cold Fell Group Limited and its subsidiary E. C. M. (Vehicle Delivery Service) Limited (together referred to as 'ECM') from a related entity in the wider Constellation Automotive Group. The acquisition has significantly increased the size of the Group's transporter fleet. ECM is expected to produce synergies with the Group's existing Automotive Services business, providing additional capacity for growth across the Group.

The transfer of these entities within the Constellation Automotive Group does not constitute a business combination under IFRS 3 'Business Combinations' as all entities involved in the transaction are subject to common control, and the transaction has instead been accounted for as a business combination subject to common control (a 'group reorganisation'). The transaction has been completed to bring together businesses that are currently or intended to be managed together and has not been completed in connection with an impending change in control. Based on these facts and circumstances, it is considered most appropriate to apply predecessor accounting rather than acquisition accounting.

Under the predecessor method of accounting, assets and liabilities have been consolidated based on their existing carrying values at 2 April 2023 of £17.9m from their existing accounts, including goodwill and other fair value adjustments recorded in respect of the acquired entities. The difference between the original carrying value of the investments in BCA Automotive Limited of £18.6m and the aggregate value of the assets and liabilities of the acquired entities in the consolidated accounts at 2 April 2023 has been included in equity at £0.7m, in a separate reserve called merger reserve.

## LONG TERM ASSETS *continued*

### 18. ACQUISITIONS *continued*

Details of the purchase consideration, the net assets acquired, and merger reserve are as follows:

	Fair value £m
Goodwill	3.1
Intangible assets	4.3
Property, plant and equipment	3.1
Right of use assets	16.5
Inventories	0.5
Trade and other receivables	15.8
Cash and cash equivalents	0.9
Trade and other payables	(8.6)
Corporation tax liability	(0.3)
Provisions	(0.8)
Lease liabilities	(15.7)
Deferred tax liability	(0.9)
Net assets acquired	17.9
Merger reserve	0.7
Consideration	18.6

The total consideration was settled in cash.

The goodwill is largely attributable to the workforce, including approximately 450 drivers who are responsible for operating ECM's transporter fleet.

The fair value of acquired trade and other receivables was £15.8m. The gross contractual amounts receivable of £15.8m at the acquisition date does not include any cash flows that were not expected to be received.

As the entities were acquired on the last trading day of the year, the acquired business contributed revenues of £nil and net profit of £nil to the Group for the period.

There were no business combinations in the year ended 3 April 2022.

#### **Prior year equity-accounted investment – Centre De Rénovation De Véhicules D'Occasion Lens**

During April 2021 the Group established a 50% holding in Centre De Rénovation De Véhicules D'Occasion Lens. The Group provided two capital injections totalling £3.4m in July 2021 and October 2021. This investment has been identified as a joint venture because the joint venture agreement requires unanimous consent from all parties for all relevant activities. The two partners have equal rights to the net assets of the partnership. As a result, the investment in joint venture has been accounted for using the equity method. The Group recognised a £0.5m profit for its share of result for the year (share of the result between acquisition and 3 April 2022: £0.7m loss). This result has been recognised against the carrying value of the investment held. Further details are provided in note 29.

## LONG TERM ASSETS *continued*

### 19. INTANGIBLE ASSETS

	Goodwill £m	Customer relationships £m	Brands £m	Software £m	Total £m
<b>Cost</b>					
As at 28 March 2021	1,204.9	860.0	204.2	48.7	2,317.8
Additions	-	-	-	11.5	11.5
Disposals	-	-	-	(3.3)	(3.3)
Exchange difference	(3.7)	(2.4)	(0.1)	(0.3)	(6.5)
<b>As at 3 April 2022</b>	<b>1,201.2</b>	<b>857.6</b>	<b>204.1</b>	<b>56.6</b>	<b>2,319.5</b>
Acquired through group reorganisation	3.1	4.3	-	-	7.4
Additions	-	-	-	29.3	29.3
Disposals	-	-	-	(0.4)	(0.4)
Exchange difference	10.2	6.8	0.3	0.5	17.8
<b>As at 2 April 2023</b>	<b>1,214.5</b>	<b>868.7</b>	<b>204.4</b>	<b>86.0</b>	<b>2,373.6</b>
<b>Accumulated amortisation</b>					
As at 28 March 2021	266.4	77.5	19.0	17.0	379.9
Charge for the year	-	56.5	13.9	13.0	83.4
Disposals	-	-	-	(3.3)	(3.3)
Exchange difference	-	(0.4)	-	(0.2)	(0.6)
<b>As at 3 April 2022</b>	<b>266.4</b>	<b>133.6</b>	<b>32.9</b>	<b>26.5</b>	<b>459.4</b>
Charge for the year	-	55.6	13.6	13.0	82.2
Impairment	-	-	-	4.2	4.2
Disposals	-	-	-	(0.4)	(0.4)
Exchange difference	-	1.7	-	0.5	2.2
<b>As at 2 April 2023</b>	<b>266.4</b>	<b>190.9</b>	<b>46.5</b>	<b>43.8</b>	<b>547.6</b>
<b>Net book value</b>					
As at 3 April 2022	934.8	724.0	171.2	30.1	1,860.1
<b>As at 2 April 2023</b>	<b>948.1</b>	<b>677.8</b>	<b>157.9</b>	<b>42.2</b>	<b>1,826.0</b>

During the year ended 2 April 2023, the Group recognised a non-recurring impairment charge in UK Vehicle Remarketing of £4.2m. The impairment charge represented a portion of the total carrying value for two specific pieces of software for which the Group no longer expects to receive any future benefit.

#### Critical accounting estimates – impairment of goodwill and intangible assets

An impairment review has been conducted on all goodwill and intangible assets held by the Group. The impairment review is performed on a value in use basis, which requires estimation of future net operating cash flows, the time period over which they will occur, an appropriate discount rate and an appropriate growth rate. Specifically, the future cash flows are sensitive to the assumptions made about the revenue growth, EBITDA margin and the long term growth rate of the relevant market. Given the degree of subjectivity involved, actual outcomes could vary significantly from these estimates.

#### Goodwill

Goodwill acquired in a business combination is allocated to the cash generating unit ('CGU') or group of CGUs that are expected to benefit from the synergies associated with that business combination. These CGU groups represent the lowest level within the Group at which the associated goodwill is monitored for management purposes.

Goodwill is tested annually for impairment, or whenever there is an indication that the asset may be impaired, by comparing the carrying amount of these assets with their recoverable amounts, which is derived from a value in use calculation. Where the recoverable amount exceeds the carrying amount of the assets, the assets are considered as not impaired.

## LONG TERM ASSETS *continued*

### 19. INTANGIBLE ASSETS *continued*

#### Goodwill *continued*

Goodwill is monitored by management at an operating segment level and has been allocated to operating segments as follows:

	As at 2 April 2023	As at 3 April 2022
	£m	£m
UK Vehicle Remarketing	555.2	555.2
International Vehicle Remarketing	235.0	224.8
Vehicle Buying	91.3	91.3
Automotive Services	66.6	63.5
	<b>948.1</b>	<b>934.8</b>

Value in use for each CGU is calculated based on projected cash flows. Cash flow forecasts use the annual budget, five year strategic plan forecasts, and other internal and market data. The cash flow forecasts reflect management's overall expectations of the medium term operating performance of each CGU, and growth prospects in the CGU's markets and regions.

Recent Group performance has been impacted by lack of availability of used vehicles following new vehicle supply shortages related to covid-19, semiconductor chip shortages and the war in Ukraine. Strategic plan forecasts incorporate a number of assumptions about future changes to the new and used car market, including a gradual but consistent recovery of new vehicle supply to normal historic levels. Latest market forecasts have been used to inform the plan and there is possible outperformance or underperformance to the outturn. As a result of the recovery in vehicle supply, the Group expects to achieve growth over the strategic plan period in excess of the long term growth rates within the applicable markets.

Other key assumptions in the value in use calculation are shown below:

	Vehicle Remarketing		Vehicle Buying	Automotive Services
	UK	International		
Growth rate applied beyond approved forecast period	2.0%	2.0%	2.0%	2.0%
Pre-tax discount rate	15.4%	16.0%	19.9%	12.3%

Growth rates applied beyond the approved forecast period do not exceed expectations of long term growth in the local market. These rates were applied to the terminal year cash flows, which are based on the final year of the forecast period. The discount rates are estimated by the Group with support from external specialists, and are prepared on a nominal post-tax basis using a range of inputs. These inputs include equity costs for similar companies based on external market data, with samples chosen where applicable from the same markets or territories as the CGU, and nominal debt costs based on the Group's financing arrangements. These post-tax discount rates are then used to derive the pre-tax discount rates used in the value in use calculations.

The assumptions applied in the calculation of value in use for goodwill have been sensitised as follows:

- 0.5% reduction to the growth rate applied beyond approved forecast period
- 0.25% increase in post-tax discount rate

The Directors have reviewed the key assumptions used in the impairment calculations and have considered the impact of reasonably possible changes in these assumptions, including those sensitivities identified above. A 0.5% reduction to the growth rate applied beyond the approved forecast has been applied by the Group to reflect variability of outcomes within the forecasts used. A 0.25% increase in post-tax discount rate reflects other possible economic changes that could impact the calculated value in use. Based on this review, the Directors have identified that these reasonably likely changes could give rise to a material change to the recoverable amount of the assets, significantly reducing headroom, but would not give rise to an impairment.

The lowest headroom is in the International Vehicle Remarketing and Automotive Services CGUs, which both have headroom equivalent to around 10% of their respective carrying value in the base case model. The Directors note that changes outside of the sensitivities or market conditions described above, including any long-term underperformance in volume or market share, could give rise to an impairment in a future period.

## LONG TERM ASSETS *continued*

### 20. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Fixtures, fittings and equipment £m	Plant, machinery and motor vehicles £m	Total £m
<b>Cost</b>				
As at 28 March 2021	105.4	20.9	48.9	175.2
Transfers from right of use assets	-	-	11.8	11.8
Additions	102.9	7.9	39.7	150.5
Disposals	(20.1)	(1.6)	(20.2)	(41.9)
Exchange difference	(0.8)	(0.2)	(0.1)	(1.1)
<b>As at 3 April 2022</b>	<b>187.4</b>	<b>27.0</b>	<b>80.1</b>	<b>294.5</b>
Transfers from right of use assets	-	-	7.3	7.3
Acquired through group reorganisation	0.1	0.3	2.7	3.1
Additions	9.8	5.9	35.0	50.7
Disposals	(14.0)	(2.6)	(16.7)	(33.3)
Exchange difference	2.3	0.5	0.1	2.9
<b>As at 2 April 2023</b>	<b>185.6</b>	<b>31.1</b>	<b>108.5</b>	<b>325.2</b>
<b>Accumulated depreciation</b>				
As at 28 March 2021	4.6	7.2	15.9	27.7
Charge for the year	3.1	6.5	11.9	21.5
Transfers from right of use assets	-	-	7.8	7.8
Disposals	-	(1.5)	(4.0)	(5.5)
Exchange difference	(0.3)	(0.2)	-	(0.5)
<b>As at 3 April 2022</b>	<b>7.4</b>	<b>12.0</b>	<b>31.6</b>	<b>51.0</b>
Charge for the year	3.6	6.6	16.0	26.2
Transfers from right of use assets	-	-	4.9	4.9
Disposals	(1.2)	(2.5)	(5.1)	(8.8)
Exchange difference	0.8	0.4	0.1	1.3
<b>As at 2 April 2023</b>	<b>10.6</b>	<b>16.5</b>	<b>47.5</b>	<b>74.6</b>
<b>Net book value</b>				
As at 3 April 2022	180.0	15.0	48.5	243.5
<b>As at 2 April 2023</b>	<b>175.0</b>	<b>14.6</b>	<b>61.0</b>	<b>250.6</b>

Certain property and transporter assets were transferred from right of use assets to property, plant and equipment at the end of their respective lease periods.

## LONG TERM ASSETS *continued*

### 21. RIGHT OF USE ASSETS

	Land and buildings £m	Plant, machinery and motor vehicles £m	Total £m
<b>Cost</b>			
As at 28 March 2021	412.8	54.9	467.7
Transfers to property, plant and equipment	-	(11.8)	(11.8)
Additions	39.3	10.9	50.2
Disposals	(6.8)	(1.3)	(8.1)
Exchange difference	(0.5)	-	(0.5)
<b>As at 3 April 2022</b>	<b>444.8</b>	<b>52.7</b>	<b>497.5</b>
Transfers to property, plant and equipment	-	(7.3)	(7.3)
Acquired through group organisation	4.0	12.5	16.5
Additions	92.2	7.7	99.9
Disposals	(6.5)	(11.5)	(18.0)
Exchange difference	1.1	0.1	1.2
<b>As at 2 April 2023</b>	<b>535.6</b>	<b>54.2</b>	<b>589.8</b>
<b>Accumulated depreciation</b>			
As at 28 March 2021	39.6	12.1	51.7
Charge for the year	32.7	13.2	45.9
Transfers to property, plant and equipment	-	(7.8)	(7.8)
Disposals	(6.2)	(1.3)	(7.5)
Exchange difference	(0.1)	-	(0.1)
<b>As at 3 April 2022</b>	<b>66.0</b>	<b>16.2</b>	<b>82.2</b>
Charge for the year	34.7	10.6	45.3
Impairment	11.8	-	11.8
Transfers to property, plant and equipment	-	(4.9)	(4.9)
Disposals	(4.2)	(11.3)	(15.5)
Exchange difference	0.3	-	0.3
<b>As at 2 April 2023</b>	<b>108.6</b>	<b>10.6</b>	<b>119.2</b>
<b>Net book value</b>			
As at 3 April 2022	378.8	36.5	415.3
<b>As at 2 April 2023</b>	<b>427.0</b>	<b>43.6</b>	<b>470.6</b>

Certain property and transporter assets were transferred from right of use assets to property, plant and equipment at the end of their respective lease periods.

During the year ended 2 April 2023, the Group completed a series of restructuring activities and recognised a non-recurring impairment charge in operating costs of £11.8m. This was split across two cash generating units: UK Vehicle Remarketing (£11.7m) and Automotive Services (£0.1m). These cash generating units are reportable segments as defined in IFRS 8.



## CAPITAL STRUCTURE AND FINANCING

This section details the Group's capital structure, financing and any associated distributions. This includes amounts available and utilised in the form of external borrowings. Asset backed borrowings and lease liabilities are asset backed facilities and are therefore presented separately to borrowings.

The Group utilises a combination of shareholder equity, secured bonds, bank loans and flexible revolving facilities to manage the Group's capital and liquidity requirements, to meet strategic objectives and fund investment opportunities. This section also includes the capital transactions which have occurred during the year.

### 22. BORROWINGS

	As at 2 April 2023 £m	As at 3 April 2022 £m
<b>Non-current</b>		
Borrowings	1,737.6	1,713.6
<b>Current</b>		
Borrowings	70.0	75.0

In July 2021 the Group refinanced, putting in place a High Yield Bond, a Senior Term and Revolving Facilities Agreement and a Second Lien Facilities Agreement. The High Yield Bond comprises notes of £695.0m (expiring July 2027). The Senior Facilities Agreement comprises a Facility B1 €400.0m (expiring July 2028), Facility B2 €400.0m (expiring July 2028) and a £250.0m Revolving Facility (expiring January 2027). The Second Lien Facility is £325.0m (expiring July 2029). The term facilities were drawn down in full at inception, net of arrangement fees of £48.4m.

Carrying amounts are stated net of £34.0m (at 3 April 2022: £43.2m) unamortised transaction costs. The transaction costs, together with the interest expense, are being allocated to the income statement over the shortest facility term at a constant rate on the carrying amount.

At 2 April 2023, the Group had issued letters of credit in the ordinary course of business of £4.4m (at 3 April 2022: £4.2m), had drawn down £70.0m (at 3 April 2022: £75.0m) on the revolving facility and utilised £nil of the net overdraft (at 3 April 2022: £nil), leaving the following as undrawn borrowing facilities:

	As at 2 April 2023 £m	As at 3 April 2022 £m
<b>Floating rate borrowings</b>		
Expiring in 2 – 5 years	175.6	170.8

### 23. ASSET BACKED BORROWINGS

The Group has an asset backed finance facility of £300.0m to fund the Partner Finance business (expiring January 2025). The amount is advanced solely to a Partner Finance subsidiary in respect of specific receivables. Interest is charged on the drawn down element of the facility at a variable rate of interest, based on the Bank of England base rate. At 2 April 2023 the borrowings were £199.5m (at 3 April 2022: £231.5m).

## CAPITAL STRUCTURE AND FINANCING *continued*

### 24. SHARE CAPITAL AND RESERVES

	Number of £1 Ordinary shares issued and fully paid	Nominal value £m	Share premium £m
At 28 March 2021	102,001	0.1	1,025.2
Capital reduction on 28 July 2021	-	-	(380.0)
<b>At 2 April 2023 and 3 April 2022</b>	<b>102,001</b>	<b>0.1</b>	<b>645.2</b>

The holders of Ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company. The capital reduction relates to the reduction of the Company's share premium in July 2021.

The following describes the nature of each reserve within the shareholder's funds of the Company and the consolidated Group:

#### *Share premium*

The value of the net proceeds from shares issued above the nominal value of the shares issued.

#### *Retained earnings*

Cumulative net gains and losses recognised in the Group income statement. Consolidated retained earnings do not include retained earnings held in subsidiaries which could be remitted to the Parent through dividends.

Dividends paid by the Company are disclosed in the Company Statement of Changes in Equity on page 129.

The following describes the nature of each reserve only included within the shareholder's funds of the consolidated Group:

#### *Foreign exchange reserve*

Represents the cumulative difference arising from changes to foreign exchange rates on assets and liabilities of overseas subsidiaries.

#### *Merger reserve*

Represents the difference between the original carrying value of investments in the company accounts and the aggregate value of the assets and liabilities of the acquired entities on initial consolidation, following the group reorganisation on 2 April 2023 as detailed in note 18.

## PENSIONS AND OTHER INFORMATION

### 25. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

The Group participates in several defined contribution schemes and two defined benefit schemes ('the BCA Pension Plan' within British Car Auctions Limited and 'the Automotive Plan' within Walon Limited).

The BCA Pension Plan provides benefits based on final pensionable salary. The plan was closed to new members in April 2000 and on 30 April 2023, the plan was closed to the future accrual of benefits. The valuation used for these accounts is based on the results of an actuarial valuation carried out as of 5 April 2020 and updated to the period end date by Capita, independent consulting actuaries, in accordance with IAS 19. No adjustment has been made to the valuation included in these accounts for the closure of the plan to future accrual.

The Automotive Plan provides benefits based on final pensionable salary. The plan closed to future accrual from 1997. The valuation used for these accounts is based on the results of an actuarial valuation carried out as of 5 April 2022 and updated to the period end date by Mercer, independent consulting actuaries, in accordance with IAS 19.

The defined benefit plans are registered with HMRC and comply fully with the regulatory framework published by the UK pensions regulator. Benefits are paid to the members from a separate fund administered by independent trustees. The BCA Pension Plan has three trustees, two of whom are appointed by the Group and one chosen by scheme members. The Automotive Plan also has three trustees, two of whom are appointed by the Group and one chosen by scheme members. The trustees are required to act in the best interests of the members and are responsible for making funding and investment decisions in conjunction with the Group.

#### Critical accounting estimates – pensions

The Group's net retirement benefit asset, which is reviewed by management using assessments from independent actuaries each period, is based on key assumptions, including discount rates, inflation, future salary increases and pension costs. These assumptions may be different to the actual outcome.

The principal assumptions used for the BCA Pension Plan and the Automotive Plan are as follows:

	As at 2 April 2023		As at 3 April 2022	
	BCA	Automotive	BCA	Automotive
Rate of increase in salaries	3.25% p.a.	n/a	1.00% p.a. for 1 year 3.75% p.a. thereafter	n/a
Rate of increase in deferred pensions:	2.50%	2.50%	3.05%	3.05%
Rate of increase in pensions:				
LPI (5.0% Cap)	3.15%	n/a	3.60%	n/a
LPI (2.5% Cap)	2.25%	n/a	2.35%	n/a
Fixed	3.00%	-	3.00%	-
Discount rate	4.85%	4.85%	2.75%	2.75%
Rate of inflation:				
Retail price index	3.25%	3.25%	3.75%	3.75%
Consumer price index	2.50%	2.50%	3.05%	3.05%

Assumptions regarding future mortality experience are set based on published statistics and experience.

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The mortality assumptions adopted imply the following expected future lifetimes from age 65:

	As at 2 April 2023		As at 3 April 2022	
	BCA Age (current 65 year olds)	Automotive Age (current 65 year olds)	BCA Age (current 65 year olds)	Automotive Age (current 65 year olds)
Males	22.6	20.9	22.5	20.9
Females	25.0	23.4	24.9	22.7

## PENSIONS AND OTHER INFORMATION *continued*

### 25. PENSIONS AND OTHER POST-RETIREMENT BENEFITS *continued*

Changes in the fair value of the defined benefit asset/(liability) in the BCA Pension Plan are as follows:

	For the year ended 2 April 2023			For the year ended 3 April 2022		
	Plan assets £m	Plan liabilities £m	Total £m	Plan assets £m	Plan liabilities £m	Total £m
At start of year	82.0	(81.9)	0.1	81.8	(92.3)	(10.5)
Income statement expense:						
Current service cost	-	(0.7)	(0.7)	-	(0.8)	(0.8)
Interest income/(expense)	2.2	(2.2)	-	1.5	(1.7)	(0.2)
Total amount credited/(charged) to the income statement	2.2	(2.9)	(0.7)	1.5	(2.5)	(1.0)
Remeasurements:						
Actuarial gains due to changes in financial assumptions	-	24.1	24.1	-	10.3	10.3
Actuarial (losses)/gains due to changes in demographic assumptions	-	(0.1)	(0.1)	-	0.9	0.9
Experience (losses)/gains	(17.4)	(1.6)	(19.0)	0.2	(1.7)	(1.5)
Total amount recognised in other comprehensive income	(17.4)	22.4	5.0	0.2	9.5	9.7
Cash:						
Employer contributions	1.6	-	1.6	1.9	-	1.9
Employee contributions	0.1	(0.1)	-	0.2	(0.2)	-
Benefits paid	(6.2)	6.2	-	(3.6)	3.6	-
Net cash	(4.5)	6.1	1.6	(1.5)	3.4	1.9
<b>At year end</b>	<b>62.3</b>	<b>(56.3)</b>	<b>6.0</b>	<b>82.0</b>	<b>(81.9)</b>	<b>0.1</b>

Changes in the fair value of the defined benefit asset/(liability) in the Automotive Pension Plan are as follows:

	For the year ended 2 April 2023			For the year ended 3 April 2022		
	Plan assets £m	Plan liabilities £m	Total £m	Plan assets £m	Plan liabilities £m	Total £m
At start of year	17.5	(16.6)	0.9	15.6	(17.5)	(1.9)
Income statement expense:						
Interest income/(expense)	0.5	(0.4)	0.1	0.3	(0.3)	-
Total amount credited/(charged) to the income statement	0.5	(0.4)	0.1	0.3	(0.3)	-
Remeasurements:						
Actuarial gains due to changes in financial assumptions	-	4.2	4.2	-	2.5	2.5
Experience losses	(1.9)	(2.7)	(4.6)	(0.2)	-	(0.2)
Total amount recognised in other comprehensive income	(1.9)	1.5	(0.4)	(0.2)	2.5	2.3
Other remeasurements:	-	-	-	1.6	(1.6)	-
Cash:						
Employer contributions	0.4	-	0.4	0.5	-	0.5
Benefits paid	(0.8)	0.8	-	(0.3)	0.3	-
Net cash	(0.4)	0.8	0.4	0.2	0.3	0.5
<b>At year end</b>	<b>15.7</b>	<b>(14.7)</b>	<b>1.0</b>	<b>17.5</b>	<b>(16.6)</b>	<b>0.9</b>

## PENSIONS AND OTHER INFORMATION *continued*

### 25. PENSIONS AND OTHER POST-RETIREMENT BENEFITS *continued*

Other remeasurements represent the inclusion of assets and liabilities where members are insured through an annuity policy.

Amount recognised in the balance sheet asset/(liability) represented by:

	As at 2 April 2023			As at 3 April 2022		
	Plan assets £m	Plan liabilities £m	Total £m	Plan assets £m	Plan liabilities £m	Total £m
BCA plan	62.3	(56.3)	6.0	82.0	(81.9)	0.1
Automotive plan	15.7	(14.7)	1.0	17.5	(16.6)	0.9
<b>Total</b>	<b>78.0</b>	<b>(71.0)</b>	<b>7.0</b>	<b>99.5</b>	<b>(98.5)</b>	<b>1.0</b>

At the end of the reporting period the plan assets by category had been invested as follows:

	As at 2 April 2023			As at 3 April 2022		
	BCA £m	Automotive £m	Total £m	BCA £m	Automotive £m	Total £m
Equities (quoted)	29.0	6.0	35.0	41.7	7.1	48.8
Corporate bonds (quoted)	17.5	1.9	19.4	21.7	2.2	23.9
Government bonds (quoted)	6.2	5.1	11.3	4.4	6.0	10.4
Diversified growth funds (quoted)	7.4	-	7.4	7.7	-	7.7
Liability driven investments	2.0	-	2.0	5.3	-	5.3
Other	0.2	2.7	2.9	1.2	2.2	3.4
<b>Total plan assets</b>	<b>62.3</b>	<b>15.7</b>	<b>78.0</b>	<b>82.0</b>	<b>17.5</b>	<b>99.5</b>

## PENSIONS AND OTHER INFORMATION *continued*

### 25. PENSIONS AND OTHER POST-RETIREMENT BENEFITS *continued*

#### Risk management

These defined benefit plans expose the Group to actuarial risks, such as mortality risk, interest rate risk and market investment risk. The investment policies of each scheme are described below:

Asset volatility	<p>Plan liabilities, in respect of defined benefit obligations, are calculated on a discounted basis using a discount rate which is set with reference to corporate bond yields. If the plan assets underperform this yield, then this will create a deficit. The trustees of each plan, and their advisers, carry out regular reviews of asset allocations within each plan and consider the need to switch assets in line with the investment strategies. Currently the plans hold approximately 39% of assets as defensive assets (government and corporate bonds) and 3% of assets in liability driven investments ('LDIs') with the intention of mitigating significant changes in yields. Following the volatility experienced in markets associated with LDIs, the plans no longer meet any further cash calls required to rebalance LDI funds.</p> <p>As each plan matures, the level of investment risk is reduced by investing more in government and corporate bonds that better match the liabilities. However, the Group believes that due to the long term nature of the scheme liabilities, a level of continuing equity investment is an appropriate element of the long term investment strategy.</p> <p>In respect of Guaranteed Minimum Pension ('GMP') obligations, the strategy has the objectives of achieving an overall rate of return that is sufficient to meet pensioners' reasonable expectations, reduce investment return volatility over the short term period to retirement where this is possible and to invest in assets that are liquid such that they enable switching between asset classes. In order to achieve these objectives, the strategy is to invest in a mixture of on-risk assets (including equities) and off-risk assets (including bonds, gilts and cash), with the proportionate allocation of the latter increasing according to an agreed profile as members approach their normal retirement date.</p>
Inflation	<p>The plans' pension liabilities in deferment are linked to inflation. Higher inflation will lead to higher liabilities, although in the majority of cases there are caps on the level of inflationary increases to be applied to pension obligations in order to protect the plans from extreme inflation. The BCA Pension Plan holds approximately 10% of the plans' assets in index-linked bonds (including government bonds) to partially hedge against this risk. The remainder of the plans' assets are either unaffected by or loosely correlated with inflation, and so an increase in inflation can lead to an increase in the plan deficit.</p>
Mortality	<p>The plans' obligation is to provide a pension for the life of their members, so realised increases in life expectancy will result in an increase in the plans' benefit payments. Whilst future mortality rates cannot be predicted with certainty the plans adopt up to date mortality assumptions and review the overall risk as part of the triennial actuarial valuations.</p>
Bond yields	<p>Plan assets are likely to decrease following an increase in the interest rate. This is due to an increase in interest rates having the effect of a decrease in value of the defensive assets held by the plans. This risk is partially mitigated by the measurement of plan liabilities being linked to bond yields. An increase in interest rates has the effect of increasing bond yields, which in turn decreases plan liabilities. If interest rates decrease the opposite is true for both plan liabilities and assets.</p>
Salary changes	<p>The calculation of the BCA Pension Plan liabilities uses the future estimated salaries of plan participants. Increases in the salary of plan participants above that assumed will increase the plan liabilities.</p> <p>The Automotive Plan is closed to future accruals, so is not exposed to this risk. Following the year end, on 30 April 2023, the BCA Pension Plan was also closed to future accrual.</p>

## PENSIONS AND OTHER INFORMATION *continued*

### 25. PENSIONS AND OTHER POST-RETIREMENT BENEFITS *continued*

#### Sensitivity analysis

The disclosures above are dependent on the assumptions used. The table below demonstrates the sensitivity of the defined benefit obligations to changes in the significant assumptions used for the schemes.

Impact on the defined benefit obligations at 2 April 2023:

	BCA £m	Automotive £m	BCA % of liability	Automotive % of liability
Discount rate: +0.25%	(1.7)	(0.4)	(3.0%)	(2.7%)
Inflation and related assumptions: +0.25%	0.9	-	1.6%	(0.3%)
Mortality: reduced by 10%	1.5	n/a	2.7%	n/a
Mortality: increase in life expectancy of 1 year	n/a	(0.4)	n/a	(2.6%)

The above analysis is based on a change in an assumption while holding all other assumptions constant, and in practice this is unlikely to occur. The above variances have been used as they are believed to be reasonably possible fluctuations.

#### Expected future cash flows

The Group expects employer contributions of £1.1m to be made to defined benefit plans in the next financial year, in line with the existing schedule of contributions expiring in December 2023. Based on current estimates of the plans' funding status, further contributions are not currently expected but will remain under review subject to movements in the funding position of the schemes.

The defined benefit obligations are based on the current value of expected benefit payment cash flows to members over the next several decades. The average duration of the liabilities is approximately 13 years for the BCA Pension Plan and 11 years for the Automotive Plan.

## 26. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

#### Categories of financial instruments

	As at 2 April 2023 £m	As at 3 April 2022 £m
<b>Financial assets</b>		
Loans and receivables	624.0	645.9
Fair value through profit or loss	1.5	-
<b>Financial liabilities</b>		
Amortised cost	3,117.5	3,057.9

#### Financial assets – loans and receivables

Financial assets include trade receivables, other receivables excluding VAT receivable, accrued income, amounts due from related parties and cash and cash equivalents. Expected credit loss allowances on trade and other receivables are shown in note 14.

## PENSIONS AND OTHER INFORMATION *continued*

### 26. FINANCIAL INSTRUMENTS – RISK MANAGEMENT *continued*

#### Financial assets – fair value through profit or loss

On 16 December 2022 the Group derecognised its equity-accounted investment in Proov Station S.A.S following a dilution in shareholding from 22.02% to 16.0% and the subsequent loss of significant influence. The retained investment was subsequently reclassified as a financial asset held at fair value through profit or loss (FVTPL).

The retained investment was reclassified at a fair value of £1.4m with no resulting gain or loss recognised. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The shares are not listed on an exchange and are valued based on unobservable market data (categorised as Level 3 within the fair value hierarchy).

The following table shows the aggregate movement in the Group's financial assets held at fair value through profit or loss during the period:

	Financial assets at FVTPL £m
As at 3 April 2022	-
Residual equity investment in former associate held at FVTPL	1.4
Exchange difference	0.1
Movements in fair value recognised through income statement	-
<b>As at 2 April 2023</b>	<b>1.5</b>

#### Financial liabilities – amortised cost

Included in financial liabilities at amortised cost are trade and other payables, lease liabilities, borrowings, bank overdrafts and asset backed borrowings.



## PENSIONS AND OTHER INFORMATION *continued*

### 26. FINANCIAL INSTRUMENTS – RISK MANAGEMENT *continued*

#### Reconciliation of liabilities arising from financing activities

	As at 3 April 2022	Acquired through group reorganisation	Cash flows	Non cash changes				As at 2 April 2023
				Additions	Disposals	Foreign exchange movements	Finance charge	
	£m	£m	£m	£m	£m	£m	£m	£m
Long term borrowings	1,713.6	-	-	-	-	14.8	9.2	1,737.6
Short term borrowings	75.0	-	(5.0)	-	-	-	-	70.0
Bank overdrafts	10.3	-	(10.3)	-	-	-	-	-
Asset backed borrowings	231.5	-	(32.0)	-	-	-	-	199.5
Lease liabilities	513.1	15.7	(68.5)	99.9	(2.5)	0.8	26.4	584.9
Total liabilities from financing activities	2,543.5	15.7	(115.8)	99.9	(2.5)	15.6	35.6	2,592.0

For the year ended 2 April 2023, lease liability additions of £99.9m includes £80.7m additions from extensions of previously occupied sites, lease renewals, and rent reviews. This includes £52.3m relating to a five-yearly RPI-linked rent review on a number of key properties in the auction estate. The remaining £19.2m of additions primarily relate to new transporter leases.

	As at 28 March 2021	Cash flows	Non cash changes				As at 3 April 2022
			Additions	Disposals	Foreign exchange movements	Finance charge	
	£m	£m	£m	£m	£m	£m	£m
Long term borrowings	1,279.4	407.1	-	-	(3.2)	30.3	1,713.6
Short term borrowings	40.0	35.0	-	-	-	-	75.0
Bank overdrafts	0.5	9.8	-	-	-	-	10.3
Asset backed borrowings	148.3	83.2	-	-	-	-	231.5
Lease liabilities	508.6	(69.5)	50.2	(0.6)	(0.6)	25.0	513.1
Total liabilities from financing activities	1,976.8	465.6	50.2	(0.6)	(3.8)	55.3	2,543.5

#### Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The responsibility for monitoring the effectiveness of risk management is carried out by the Board.

##### Market risk

Market risk is the risk that changes in market prices (principally exchange rates and interest rates) will affect the Group's income or the value of its holdings of financial instruments.

##### Foreign exchange risk

The Group operates in the UK and continental Europe (Belgium, France, Germany, Italy, Netherlands, Portugal, Spain, Denmark, Norway, Finland, Poland, Sweden, and Switzerland) and is therefore exposed to foreign exchange risk. Foreign exchange risk arises primarily on recognised assets and liabilities and net investments in foreign operations. These overseas operations' revenues and costs are mainly denominated in the currencies of the countries in which the operations are located. The most significant of these is the Euro. The Euro to Sterling exchange rates used by the Group are shown below:

	For the year ended 2 April 2023	For the year ended 3 April 2022
Euro - opening	1.1876	1.1691
Euro - average	1.1619	1.1761
Euro - closing	1.1375	1.1876

## PENSIONS AND OTHER INFORMATION *continued*

### 26. FINANCIAL INSTRUMENTS – RISK MANAGEMENT *continued*

#### Foreign exchange risk *continued*

The functional currencies of the revenue and adjusted EBITDA of the Group's operations are as follows:

	For the year ended 2 April 2023				For the year ended 3 April 2022			
	GBP	Euro	Other	Total	GBP	Euro	Other	Total
Revenue (£m)	6,090.2	756.8	114.4	6,961.4	7,577.5	646.2	90.8	8,314.5
Revenue (%)	87.5%	10.9%	1.6%	100.0%	91.1%	7.8%	1.1%	100.0%
Adjusted EBITDA (£m)	167.4	41.3	(7.1)	201.6	280.0	52.0	(4.7)	336.3
Adjusted EBITDA (%)	83.0%	20.5%	(3.5%)	100.0%	85.9%	15.5%	(1.4%)	100.0%

The Group does not have significant transactional foreign currency cash flow exposures. The Group monitors its exposure to currency fluctuations on an ongoing basis. The Group maintains part of its debt in Euro to reflect the currency in which its EBITDA is generated.

In certain markets such as Denmark, Sweden and Norway, the Group frequently transacts in both Euro and local currency. To the extent these local operations have opted to purchase and subsequently sell vehicles in different currencies, the impact on the Group's EBITDA has been presented on a net basis in the table above as this does not significantly increase the Group's sensitivity to currencies other than Euro.

The Group has not hedged profit translation exposures. During the year and as at 2 April 2023 the Group did not have any hedges in place.

For the year ended 2 April 2023, if Sterling had strengthened by 10% on average against the Euro with all other variables held constant, adjusted EBITDA for the year would have been £3.8m lower (year ended 3 April 2022: £4.7m lower) as a result of a reduction of the equivalent value in Sterling of profits denominated in Euros and other currencies closely linked to the Euro exchange rate.

Details of the currencies in which the Group's cash, trade and other receivables, trade and other payables and loans and overdrafts are denominated are set out below:

	As at 2 April 2023				As at 3 April 2022			
	GBP £m	Euro £m	Other £m	Total £m	GBP £m	Euro £m	Other £m	Total £m
Net cash and cash equivalents	51.5	31.4	13.5	96.4	41.1	30.9	5.1	77.1
Trade and other receivables	496.1	65.2	24.4	585.7	517.2	68.1	22.0	607.3
Trade and other payables	(452.9)	(90.4)	(32.1)	(575.4)	(440.1)	(94.0)	(28.4)	(562.5)
Borrowings (including Asset backed borrowings)	(1,660.2)	(346.9)	-	(2,007.1)	(1,689.4)	(330.7)	-	(2,020.1)
<b>Net</b>	<b>(1,565.5)</b>	<b>(340.7)</b>	<b>5.8</b>	<b>(1,900.4)</b>	<b>(1,571.2)</b>	<b>(325.7)</b>	<b>(1.3)</b>	<b>(1,898.2)</b>

#### Interest rate risk

The Group's interest rate risk arises from the Group's variable rate borrowings as disclosed in note 22. Fixed rate borrowing instruments represent 40% of the Group's borrowings, with the remaining 60% comprising variable rate borrowings based on SONIA or EURIBOR. No structured hedging has been implemented in the current period. The Group will continue to monitor interest rates and assess whether forward rates provide appropriate economic benefit for efficient hedging.

For the year ended 2 April 2023, if the average rate on floating rate borrowings had been 50 basis points higher with all other variables held constant, post-tax profit for the period would have been £4.3m lower (year ended 3 April 2022: £4.2m lower).

#### Credit risk

Credit risk is the risk of financial loss in the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally through trade receivables from customers and cash balances.

## PENSIONS AND OTHER INFORMATION *continued*

### 26. FINANCIAL INSTRUMENTS – RISK MANAGEMENT *continued*

#### Credit risk *continued*

The Group has policies in place to ensure that services are only provided to clients with an appropriate credit history.

Customers who have an account with BCA Partner Finance are able to finance vehicles acquired mainly through UK Vehicle Remarketing. Prior to opening an account and subsequently, a credit assessment is completed and appropriate security is obtained. In addition, legal title of the vehicle remains with the Group until the outstanding balance is settled.

Cash and cash equivalents are held with reputable institutions. The cash required for working capital is held with reputable banks in each country of operation as appropriate. All other material cash balances are deposited with financial institutions whose credit rating is at least Standard and Poor's A- or equivalent.

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Finance. Group Finance monitors forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group minimises the risk of breaching borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's capital structure and covenant compliance requirements on its borrowings.

The Group has a £250.0m revolving facility (at 3 April 2022: £250.0m). At 2 April 2023 £70.0m (at 3 April 2022: £75.0m) of the facility had been drawn and £4.4m (at 3 April 2022: £4.2m) of the facility was utilised to provide guarantees to third parties. This revolving facility is considered by management to provide adequate flexibility given the current liquidity requirements of the business.

Following the group reorganisation detailed in note 18, Cold Fell Group Limited and its subsidiary E. C. M. (Vehicle Delivery Service) Limited (together referred to as 'ECM') joined the Group on 2 April 2023. In the ordinary course of business, ECM has access to a Confidential Invoice Discounting Facility. As at 2 April 2023, £nil was drawn on the facility.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the tables below are the contractual undiscounted cash flows:

	Carrying amount £m	Contractual total £m	Within 1 year £m	Between 1 and 5 years £m	Over 5 years £m
As at 2 April 2023					
Borrowings	1,807.6	1,841.6	70.0	695.0	1,076.6
Bank overdrafts	-	-	-	-	-
Asset backed borrowings	199.5	199.5	-	199.5	-
Lease liabilities	584.9	825.2	65.9	239.8	519.5
Trade and other payables	575.4	525.5	525.5	-	-
	Carrying amount £m	Contractual total £m	Within 1 year £m	Between 1 and 5 years £m	Over 5 years £m
As at 3 April 2022					
Borrowings	1,788.6	1,831.8	75.0	-	1,756.8
Bank overdrafts	10.3	10.3	10.3	-	-
Asset backed borrowings	231.5	231.5	231.5	-	-
Lease liabilities	513.1	743.9	62.4	210.8	470.7
Trade and other payables	562.5	514.4	514.4	-	-

#### Capital risk management

The Board's policy is to maintain a strong capital base (which comprises share capital, reserves and debt) so as to maintain stakeholder confidence and to sustain future development of the business. This includes consideration of the Group's debt financing plan and covenant compliance requirements on its borrowings.

## PENSIONS AND OTHER INFORMATION *continued*

### 26. FINANCIAL INSTRUMENTS – RISK MANAGEMENT *continued*

#### Fair value

Group borrowings, including the £695m fixed interest High Yield Bond, had a fair value at 2 April 2023 of £1,363.9m (as at 3 April 2022: £1,768.8m) based on Level 1 measurements from quoted prices in an active market. The contractual value of £1,841.6m (as at 3 April 2022: £1,831.8m) stated net of arrangement fees of £34.0m (as at 3 April 2022: £43.2m) resulted in a carrying value of £1,807.6m (as at 3 April 2022: £1,788.6m).

In the prior year, the carrying value of financial instruments was deemed to be a reasonable approximation of fair value, and therefore the Group disclosed that the fair value of all financial instruments was equal to their carrying value. Given the significant changes in macroeconomic environment during the current year, the fair value of Group borrowings is disclosed above based on a Level 1 measurement. The current year disclosures include a prior year comparative calculated on an equivalent basis, which gives a 1.1% reduction in the prior year fair value.

### 27. SHARE BASED PAYMENTS

Under the terms of a Management Investment Plan ('MIP') agreement, certain senior executives of the Company acquired shares in Constellation Automotive Holdings Sarl ('CAHS'), an intermediate parent of the Company. The shares issued under the MIP are designed to incentivise the holders to grow the equity value of the group headed by CAHS (the 'Constellation Holdings Group') at all times while in its employment.

No shares were subscribed for or issued to employees of the Group during either the current or prior year. During the year an agreement was reached for an affiliate company to acquire 50,000 MIP shares. At the year end there were 117,250 shares held by staff employed within the Group (at 3 April 2022: 167,250), representing 1.2% (at 3 April 2022: 2.0%) of the issued ordinary share capital of CAHS. The shares are split such that each participant holds equal numbers of A ordinary shares and Sweet Equity shares. These shares remain in issue at the period end and are held on trust by a nominee (the 'Nominee'). Constellation Automotive Topco Sarl (formerly BBD Topco Sarl) ('Topco') and a co-investor hold the remaining shares in CAHS. The total accounting charge arising from share-based payment transactions recognised during the year was £2.2m (year ended 3 April 2022: £1.3m), which includes £0.9m of charge that has been accelerated in respect of shares held by employees that left during the year (year ended 3 April 2022: £nil).

In addition to rights to dividends, the MIP shares entitle the holders to investment returns determined as follows:

- Upon an Exit event (including a sale of CAHS, a sale of its assets, its winding up or an IPO of its shares) and after payment of amounts due in relation to any debt securities in issue at the time:
  - The Sweet Equity shares entitle the holders to a priority return based upon an investment multiple (the 'MIP Multiple'). The MIP multiple comprises a ratcheted return subject to a minimum internal rate of return achieved by Topco on its investment in CAHS. The MIP Multiple achievable ranges between one and three times the investment multiple achieved by Topco and is applied to the total amount invested by holders in both A shares and Sweet Equity. The amount payable on Sweet Equity shares is after deduction of the amount payable on A shares.
  - The A shares entitle the holders to an equal return, on a pro-rata basis, to that of Topco and the co-investor.
- Upon leaving the employment of the Constellation Holdings Group and Topco exercising its entitlement to require the holder to transfer their MIP shares to the Nominee:
  - The A shares entitle the holder to the market value of those shares (as determined at the time).
  - The Sweet Equity shares entitle the holder to a return dependent upon whether they leave the Constellation Holdings Group:
    - As a designated 'good leaver' – in which case they will receive a return representing the higher of cost and market value
    - As a designated 'bad leaver' – in which case they will receive a return representing the lower of cost and market value
    - As a designated 'intermediate leaver' – in which case they will receive a return referenced to the period over which the MIP shares were held, the maximum entitlement being full market value where the MIP shares were held for 5 years or more.

## PENSIONS AND OTHER INFORMATION *continued*

### 28. RELATED PARTY TRANSACTIONS AND DIRECTORS' EMOLUMENTS

The Group has a related party relationship with its key management personnel, equity-accounted investments, the ultimate controlling party and other entities also controlled by the ultimate controlling party.

#### Transactions with related parties

The Group entered into the following transactions with equity-accounted investments and parties that are related by virtue of shared control through TDR ownership:

	For the year ended 2 April 2023	For the year ended 3 April 2022
	£m	£m
Sale of goods to related parties	734.5	720.9
Purchase of goods from related parties	168.6	155.7
Purchase of property, plant and equipment from related parties	2.3	8.1
Rendering of services to related parties	49.1	23.9
Rental of property from related parties	0.6	0.3
Purchase of property, plant and equipment from equity-accounted investments	0.2	0.1
Rendering of services to equity-accounted investments	0.1	0.2
Purchase of services from equity-accounted investments	1.3	0.9

Related parties represent the Group's parent company and its other subsidiaries, TDR, and other entities in TDR's investment portfolio. Under the Group's tax sharing agreements, the Group has entered into a tax loss transfer arrangement with related parties. The Group has recognised £9.4m that would otherwise have led to payments to the UK tax authorities by entities under common control for UK group relief purposes.

#### Amounts due from related parties

	As at 2 April 2023	As at 3 April 2022
	£m	£m
Trading balances due from related parties	19.6	11.0
Loan balances due from related parties	58.8	80.9
Loan balances due from equity-accounted investments	2.4	1.9
<b>Total due from related parties</b>	<b>80.8</b>	<b>93.8</b>

#### Amounts due to related parties

	As at 2 April 2023	As at 3 April 2022
	£m	£m
Trading balances due to related parties	17.7	13.9
Loan balances due to related parties	10.6	9.9
<b>Total due to related parties</b>	<b>28.3</b>	<b>23.8</b>

Amounts due to and from related parties are only offset when the Group has both the legal right and intention to settle the balances on a net basis.

## PENSIONS AND OTHER INFORMATION *continued*

### 28. RELATED PARTY TRANSACTIONS AND DIRECTORS' EMOLUMENTS *continued*

#### Loans due from related parties

	For the year ended 2 April 2023	For the year ended 3 April 2022
	£m	£m
At start of year	80.9	50.5
Loans issued	-	80.1
Capital repayments	(24.1)	(50.5)
Interest charged	4.8	0.8
Interest received	(2.8)	-
<b>At year end</b>	<b>58.8</b>	<b>80.9</b>

Loans to related parties are held by unrestricted subsidiaries as defined for Group banking purposes, and are unsecured, repayable on demand and accrue interest at SONIA + 5%.

#### Loans due to related parties

	For the year ended 2 April 2023	For the year ended 3 April 2022
	£m	£m
At start of year	9.9	-
Loans issued	-	9.5
Interest charged	0.7	0.4
<b>At year end</b>	<b>10.6</b>	<b>9.9</b>

Loans from related parties are held by unrestricted subsidiaries as defined for Group banking purposes, and are unsecured, repayable on demand and accrue interest at SONIA + 5%.

#### Loans due from equity-accounted investments

	For the year ended 2 April 2023	For the year ended 3 April 2022
	£m	£m
At start of year	1.9	1.3
Loans issued	0.4	0.6
Foreign exchange	0.1	-
<b>At year end</b>	<b>2.4</b>	<b>1.9</b>

Loans to equity-accounted investments are unsecured, repayable on demand and bear no interest.

## PENSIONS AND OTHER INFORMATION *continued*

### 28. RELATED PARTY TRANSACTIONS AND DIRECTORS' EMOLUMENTS *continued*

#### Key management personnel

The Group considers key management personnel, as defined under IAS 24 Related Party Disclosures, to be Executive members of the Board. Directors may be paid by subsidiaries within this Group or within the wider Constellation group. The remuneration for key management personnel for services provided to this Group was as follows:

	For the year ended 2 April 2023	For the year ended 3 April 2022
	£m	£m
Short term employee benefits	3.2	8.9
Post-employment benefits	0.2	0.2
Share based payments	2.1	1.2
	<b>5.5</b>	<b>10.3</b>

Included in the amounts above are the following paid to the highest paid Company director in respect of qualifying services:

	For the year ended 2 April 2023	For the year ended 3 April 2022
	£m	£m
Director's remuneration	1.2	4.1
Company contributions to pension schemes	0.1	0.1
	<b>1.3</b>	<b>4.2</b>

As at 2 April 2023, the Group held £nil (at 3 April 2022: £nil) in respect of balances related to key management personnel. There were no other transactions during the period with key management personnel.

#### Ultimate controlling party

The Company's ultimate controlling party is TDR Capital LLP ('TDR'), a Limited Liability Partnership incorporated in England and Wales. TDR is a leading international private equity firm, managing capital on behalf of institutional, government and private investors worldwide. TDR has an experienced team of investment professionals and operating partners and has a low volume investment strategy based on principles developed by the investment team over the past two decades.

TDR Nominees 2016 Limited, a 100% subsidiary of TDR Capital LLP, acts as a nominee company and holds the entire share capital of Constellation Automotive Topco Sarl (formerly BBD Topco Sarl) as legal owner. Constellation Automotive Topco Sarl (formerly BBD Topco Sarl) in turn owns 68.5% of the immediate parent Constellation Automotive Holdings Limited, a company incorporated in the United Kingdom.

These consolidated accounts are the smallest group which include the results of Constellation Automotive Group Limited and its subsidiaries. The consolidated accounts of Constellation Automotive Holdings Limited are the largest group which include the results of Constellation Automotive Group Limited and its subsidiaries. The consolidated financial statements can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

## PENSIONS AND OTHER INFORMATION *continued*

### 29. GROUP UNDERTAKINGS

The Group's subsidiaries are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares, are 100% owned, and the proportion of voting rights is equal to the proportion of shares owned. The country of incorporation or registration is also their principal place of business. All subsidiary undertakings are included in the consolidation.

Name and Address	Nature of business
<b>Austria</b>	
<i>Börsegasse 10/5, 1010 Wien</i>	
BCA Autoauktionen GesmbH	Non-trading
<i>1 Lainzer Straße 16/5, 1130 Wien</i>	
BCA Remarketing Austria GmbH <sup>1</sup>	Vehicle Sale and Purchase
<b>Belgium</b>	
<i>Rue du Bosquet 8, 1400 Nivelles</i>	
BCA Autoveiling – Enchères Autos S.A. <sup>2</sup>	Non-trading
BCA Europe Transport Solutions S.A. <sup>3</sup>	Logistics Services for the Automotive Sector
CarTrade2B Belgium S.A. <sup>2</sup>	Vehicle Sale and Purchase
<b>Denmark</b>	
<i>Auktionsvej 8, DK-7120, Vejle</i>	
BCA Auto Auktion A/S	Motor Vehicle Remarketing
BCA Transport Danmark A/S (formally Carwire A/S)	Vehicle Sale and Purchase
T4G One Europe ApS	Vehicle Sale and Purchase
<b>England and Wales</b>	
<i>Form 2, 18 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, United Kingdom, RG27 9XA</i>	
Autolink Limited	Non-trading
Autos on Show Limited	Non-trading
Autotrax Limited <sup>4</sup>	Non-trading
BBD Rock Limited <sup>4</sup>	Intermediate Parent
BCA Automotive Ltd	Intermediate Parent
BCA Central Limited	Intermediate Parent and Management Service Company
BCA Europe Limited	Intermediate Parent and Management Service Company
BCA Fleet Solutions Limited	Motor Vehicle Processing Services
BCA Fleet Solutions 2 Limited	Non-trading
BCA Group Europe Limited	Intermediate Parent
BCA Holdings Limited	Intermediate Parent
BCA Limited	Non-trading
BCA Logistics Limited	Logistics Services for the Automotive Sector
BCA Marketplace Limited	Intermediate Parent
BCA Osprey Finance Limited <sup>4</sup>	Non-trading
BCA Osprey I Limited <sup>4</sup>	Intermediate Parent
BCA Osprey II Limited <sup>4</sup>	Intermediate Parent
BCA Outsource Solutions Limited	Vehicle Sale and Purchase
BCA Pension Trustees Limited	Non-trading
BCA Remarketing Group Limited <sup>4</sup>	Intermediate Parent
BCA Remarketing Solutions Limited	Motor Vehicle Remarketing
BCA Trading Limited	Intermediate Parent
BCA Vehicle Finance Limited	Motor Vehicle Finance
BCA Vehicle Services Limited	Motor Vehicle Processing Services
British Car Auctions Limited	Motor Vehicle Remarketing
Carland.com Limited	Non-trading



## PENSIONS AND OTHER INFORMATION *continued*

### 29. GROUP UNDERTAKINGS *continued*

Name and Address	Nature of business
<b>England and Wales</b>	
<i>Form 2, 18 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, United Kingdom, RG27 9XA</i>	
Constellation Automotive Limited	Intermediate Parent
Constellation Automotive Financing plc	Financing Services
Constellation Developments Limited	Intermediate Parent
Expedier Catering Limited <sup>4</sup>	Non-trading
Expert Remarketing Limited	Non-trading
Life on Show Limited	Motor Vehicle Photographic Services
Paragon Automotive 2009 Limited	Non-trading
Paragon Automotive Logistics Ltd	Logistics Services for the Automotive Sector
Paragon Automotive Limited	Non-trading
Paragon Automotive Services Limited	Non-trading
Paragon Fleet Solutions Limited <sup>4</sup>	Non-trading
Paragon Remarketing Services Limited	Non-trading
Paragon Vehicle Services Limited	Non-trading
Pennine Metals B Limited <sup>4</sup>	Intermediate Parent
Scottish Motor Auctions (Holdings) Limited	Intermediate Parent
Sensible Automotive Limited	Logistics Services for the Automotive Sector
SMA Vehicle Remarketing Limited <sup>4</sup>	Non-trading
Smart Prepared Systems Limited	Non-trading
Supreme Wheels Direct Ltd	Motor Vehicle Processing Services
TF1 Limited <sup>4</sup>	Intermediate Parent
The British Car Auction Group Limited <sup>4</sup>	Intermediate Parent
Tradeouts Limited <sup>4</sup>	Non-trading
VAM UK Acquisition Corporation Limited	Non-trading
Walon Automotive Services Limited	Non-trading
Walon Limited	Logistics Services for the Automotive Sector
We Buy Any Car Limited	Vehicle Sale and Purchase
<i>Boundary Way, Lufton Trading Estate, Yeovil, Somerset BA22 8HZ</i>	
Magna Motors Limited	Non-trading
<i>The Airport, Carlisle, Cumbria, CA6 4NW</i>	
Cold Fell Group Limited <sup>5</sup>	Intermediate Parent
E.C.M. (Vehicle Delivery Service) Limited <sup>5</sup>	Logistics Services for the Automotive Sector
<b>Finland</b>	
<i>Lamminsuontie 1, 01750 Vantaa Finland</i>	
BCA Finland Oy <sup>6</sup>	Motor Vehicle Remarketing
T4G One Europe Finland Oy <sup>7</sup>	Vehicle Sale and Purchase
<b>France</b>	
<i>5 rue Charles de Gaulle - 94140 Alfortville</i>	
BC Remarketing S.A.S	Motor Vehicle Remarketing
BCAuto Enchères S.A.S	Motor Vehicle Remarketing
CarTrade2B France S.A.S	Vehicle Sale and Purchase
<i>99 rue du Président Edouard Herriot, 69002 Lyon</i>	
Proov Station S.A.S (16%) <sup>8</sup>	Inspection Services for the Automotive Sector

## PENSIONS AND OTHER INFORMATION *continued*

### 29. GROUP UNDERTAKINGS *continued*

Name and Address	Nature of business
<b>France</b>	
<i>zone Industrielle, Saint-Ustre, 86220 Ingrandes</i> Centre De Rénovation De Véhicules D’Occasion Ingrandes (CRVO) S.A.S (50%)	Motor Vehicle Processing Services
<i>12 boulevard René Descartes, 86360 Chasseneuil-du-Poitou</i> Centre De Rénovation De Véhicules D’Occasion Lens (CRVO LENS) S.A.S (50%)	Motor Vehicle Processing Services
<b>Germany</b>	
<i>Alsfelder Str.23, 36272 Niederaula</i> Fleet Control Monitor GmbH (76%)	Vehicle Inventory Management
<i>Flosshafenstrasse 5, 41460 Neuss</i> BCA Auctions GmbH BCA Autoauktionen GmbH BCA Automotiv GmbH & Co. KG BCA Automotiv Verwaltungs GmbH BCA Europe GmbH CarTrade2B GmbH	Motor Vehicle Remarketing Motor Vehicle Remarketing Motor Vehicle Remarketing Intermediate Parent Intermediate Parent Vehicle Sale and Purchase
<i>Herzogstrasse 15, 40217 Düsseldorf</i> ZABATUS Grundstücks – Vermietungsgesellschaft mbH & Co. Objekt BCA Neuss KG (94%)	Property Leasing
<b>Hungary</b>	
<i>1061 Budapest, Andrásy út 36. 2. em. 5. , Magyarország</i> BCA Hungária Gépjármű-aukciós Kft.	Non-trading
<b>Italy</b>	
<i>Montanaso Lombardo (LO), Via Emilia 143/A, CAP 26836</i> BCA Italia SRL CT2B Italia SRL	Motor Vehicle Remarketing Vehicle Sale and Purchase
<b>Jersey</b>	
<i>47 Esplanade, St Helier, Jersey, JE1 0BD</i> H.I.J. Limited Rockingham (CP) Limited Rockingham (GW) Limited Rockingham (RT) Limited	Intermediate Parent Property Management Property Management Property Management
<b>Netherlands</b>	
<i>De Landweer 4, 3771 LN Barneveld</i> BCA Administratie B.V. BCA Auctions Holdings B.V. BCA Autoveiling B.V. FleetSelect B.V.	Vehicle Sale and Purchase Intermediate Parent Motor Vehicle Remarketing Motor Vehicle Remarketing
<b>Norway</b>	
<i>Kragerudveien 80, 2013 Skjetten, Norway</i> BCA Bilauksjon AS T4G One Europe Norge AS	Motor Vehicle Remarketing Vehicle Sale and Purchase

## PENSIONS AND OTHER INFORMATION *continued*

### 29. GROUP UNDERTAKINGS *continued*

Name and Address	Nature of business
<b>Poland</b> <i>Rabowicka 9, 62-020 Swazędze</i> BCA Polska Sp. z o.o.	Motor Vehicle Remarketing
<b>Portugal</b> <i>Av. Antonio Augusto de Aguiar, 38 - 6º, 1050-016 Lisboa</i> G – Grupo – Investimentos e Participações, S.A. S.P.L.A. – Sociedade Portuguesa de Leilões de Automóveis, S.A.	Intermediate Parent Motor Vehicle Remarketing
<i>Rua Quinta do Recanto 37, 2725-234 Mem Martins, Portugal</i> CarTrade2B Unipessoal, Lda	Vehicle Sale and Purchase
<b>Romania</b> <i>Bucharest, 1st district, Buzesti St. no. 50-52, module 12, 11th floor</i> BC Autolicitatii România - S.R.L	Non-trading
<b>Scotland</b> <i>199 Siemens Street, Blochairn, Glasgow, Scotland, G21 2BU</i> BCA 100 Limited <sup>4, 9</sup> Motor Auctions (Properties) Limited <sup>4, 9</sup> Scottish Motor Auctions Limited <sup>9</sup>	Non-trading Property Leasing Non-trading
<b>Spain</b> <i>Sagasta, 15 Planta 2 puerta Izquierda 28004 Madrid</i> BCA España Autosubastas de Vehículos SL BCA Management de Vehículos SL BCA Servicios Inmobiliarios SL	Motor Vehicle Remarketing Vehicle Sale and Purchase Property Leasing
<b>Sweden</b> <i>Box 5208, 151 13 Södertälje</i> BCA Vehicle Remarketing AB CarTrade2B AB	Motor Vehicle Remarketing Vehicle Sale and Purchase
<b>Switzerland</b> <i>Zugerstrasse 72 6340 Baar</i> BCA AutoRemarketing Schweiz AG <sup>10</sup>	Motor Vehicle Remarketing

<sup>1</sup> incorporated on 3 March 2023

<sup>2</sup> registered office address changed from Rue de l'Hospice Communal 35 - 1170 Watermael-Boitsfort on 14 December 2021

<sup>3</sup> registered office address changed from Parc de l'Alliance, Boulevard de France 9 A, 1420, Braine l'Alleud on 27 March 2019

<sup>4</sup> subsidiaries for which exemption from audit by virtue of s479A of the Companies Act 2006 has been taken for the year ended 2 April 2023

<sup>5</sup> acquired on 2 April 2023

<sup>6</sup> registered office address changed from c/o AATsto Castren & Snellman Oy, PL 233, 00131 Helsinki on 29 July 2021

<sup>7</sup> incorporated on 2 March 2023

<sup>8</sup> on 16 December 2022 the shareholding reduced from 22% to 16%

<sup>9</sup> registered office address changed from 1 Dunlop Square, Deans Industrial Estate, Livingston, EH54 8SB on 1 December 2022

<sup>10</sup> registered office address changed from Bodenackerstrasse 3 8957 Spreitenbach on 25 November 2022

## PENSIONS AND OTHER INFORMATION *continued*

### 29. GROUP UNDERTAKINGS *continued*

#### Equity-accounted investments

Reconciliation to carrying amounts:

	Associates		Joint Ventures	
	Proov Station	CRVO Ingrandes	CRVO Lens	Total
	£m	£m	£m	£m
As at 28 March 2021	1.4	0.8	-	2.2
Additions	0.5	-	3.4	3.9
Share of loss	(0.3)	(0.3)	(0.7)	(1.3)
<b>As at 3 April 2022</b>	<b>1.6</b>	<b>0.5</b>	<b>2.7</b>	<b>4.8</b>
Share of (loss)/profit	(0.2)	(0.5)	0.5	(0.2)
Reclassification to financial assets	(1.4)	-	-	(1.4)
<b>As at 2 April 2023</b>	<b>-</b>	<b>-</b>	<b>3.2</b>	<b>3.2</b>

#### *Cessation of equity accounting – Proov Station S.A.S*

On 16 December 2022 the Group derecognised its equity-accounted investment in Proov Station S.A.S following a dilution in shareholding from 22.02% to 16.0% and the subsequent loss of significant influence. The retained investment was subsequently reclassified as a financial asset held at fair value through profit or loss (FVTPL).

The retained investment was reclassified at a fair value of £1.4m with no resulting gain or loss recognised. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The shares are not listed on an exchange and are valued based on unobservable market data (categorised as Level 3 within the fair value hierarchy).

## PENSIONS AND OTHER INFORMATION *continued*

### 29. GROUP UNDERTAKINGS *continued*

The tables below provide summarised financial information of the Group's current and previous equity-accounted investments. The information disclosed reflects the amounts presented in the financial statements of the relevant equity-accounted investments and not the Group's share of those amounts. They are shown as at the date of the most recent financial statements, which may not be coterminous to the Group. They have been amended to reflect adjustments made by the entity for differences in accounting policies.

#### *Proov Station S.A.S*

	As at 31 December 2022	As at 31 December 2021
	€m	€m
Non-current assets	4.2	4.1
Current assets	9.0	3.8
Current liabilities	(6.8)	(5.2)
<b>Net assets</b>	<b>6.4</b>	<b>2.7</b>

	For the year ended 31 December 2022	For the year ended 31 December 2021
	€m	€m
Operating income	5.2	4.0
Operating costs	(8.0)	(6.1)
<b>Operating loss</b>	<b>(2.8)</b>	<b>(2.1)</b>
Net finance costs	(0.1)	(0.1)
Income tax	0.4	0.4
<b>Result for the year</b>	<b>(2.5)</b>	<b>(1.8)</b>

#### *Centre De Rénovation De Véhicules D'Occasion Ingrandes*

	As at 31 December 2022	As at 31 December 2021
	€m	€m
Non-current assets	4.5	5.0
Current assets	3.0	3.0
Non-current liabilities	(5.6)	(4.1)
Current liabilities	(2.2)	(2.7)
<b>Net (liabilities)/assets</b>	<b>(0.3)</b>	<b>1.2</b>

	For the year ended 31 December 2022	For the year ended 31 December 2021
	€m	€m
Operating income	14.4	12.6
Operating costs	(15.3)	(12.8)
Depreciation and amortisation	(0.7)	(0.6)
<b>Operating loss</b>	<b>(1.6)</b>	<b>(0.8)</b>
Net finance costs	(0.1)	(0.1)
Income tax	-	-
<b>Result for the year</b>	<b>(1.7)</b>	<b>(0.9)</b>

## PENSIONS AND OTHER INFORMATION *continued*

### 29. GROUP UNDERTAKINGS *continued*

*Centre De Rénovation De Véhicules D'Occasion Lens*

	As at 31 December 2022	As at 31 December 2021
	€m	€m
Non-current assets	13.0	9.3
Current assets	4.3	4.7
Non-current liabilities	(3.0)	(5.9)
Current liabilities	(7.4)	(1.1)
<b>Net assets</b>	<b>6.9</b>	<b>7.0</b>

	For the year ended 31 December 2022	For the year ended 31 December 2021
	€m	€m
Operating income	11.5	-
Operating costs	(11.1)	(0.4)
Depreciation and amortisation	(1.1)	(0.3)
<b>Operating loss</b>	<b>(0.7)</b>	<b>(0.7)</b>
Net finance costs	-	-
Income tax	-	-
<b>Result for the year</b>	<b>(0.7)</b>	<b>(0.7)</b>

#### Transactions with non-controlling interests

There were no transactions with non-controlling interests in the year ended 2 April 2023 (year ended 3 April 2022: £nil).

### 30. EVENTS AFTER THE BALANCE SHEET DATE

#### Property transactions

On 21 April 2023, the Group agreed a €18.5m sale and leaseback transaction on an auction property in the Netherlands. As part of the transaction, the Group has undertaken to lease the property for up to 15 years.

On 28 April 2023, the Group disposed of the Rockingham car park site for proceeds of £22.9m.

## COMPANY FINANCIAL STATEMENTS

### COMPANY BALANCE SHEET

	Note	As at 2 April 2023 £m	As at 3 April 2022 £m
<b>Non-current assets</b>			
Investments	3	697.6	697.6
<b>Total non-current assets</b>		<b>697.6</b>	<b>697.6</b>
<b>Total assets</b>		<b>697.6</b>	<b>697.6</b>
<b>Current liabilities</b>			
Trade and other payables	4	(24.5)	(24.7)
<b>Total current liabilities</b>		<b>(24.5)</b>	<b>(24.7)</b>
<b>Total liabilities</b>		<b>(24.5)</b>	<b>(24.7)</b>
<b>Net assets</b>		<b>673.1</b>	<b>672.9</b>
<b>Equity shareholder's funds</b>			
Share capital	5	0.1	0.1
Share premium	5	645.2	645.2
Retained profit		27.8	27.6
<b>Total shareholder's funds</b>		<b>673.1</b>	<b>672.9</b>

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 not to present the Parent Company profit and loss account and the related notes. The profit for the Parent Company for the year ended 2 April 2023 was £0.2m (year ended 3 April 2022: £8.0m).

The financial statements on pages 127 to 131 were approved by the Board on 14 July 2023 and were signed on its behalf by:



**J A Mullins**

Director

Company registration number: 12042162

## COMPANY CASH FLOW STATEMENT

	For the year ended 2 April 2023 £m	For the year ended 3 April 2022 £m
<b>Cash flows from operating activities</b>		
Profit for the year	0.2	8.0
Adjustments for:		
Income tax (credit)/charge	(0.2)	1.9
Net finance income	-	(9.9)
<b>Cash generated by operations</b>	-	-
Net interest received	-	9.9
Income tax paid	-	(5.6)
<b>Net cash inflow from operating activities</b>	-	<b>4.3</b>
<b>Cash flows from financing activities</b>		
Amounts repaid by subsidiary undertakings	-	391.3
Dividends paid	-	(395.6)
<b>Net cash outflow from financing activities</b>	-	<b>(4.3)</b>
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the year	-	-
<b>Cash and cash equivalents at year end</b>	-	-



## COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £m	Share premium £m	Retained earnings £m	Total £m
<b>Balance at 28 March 2021</b>		<b>0.1</b>	<b>1,025.2</b>	<b>35.2</b>	<b>1,060.5</b>
<i>Total comprehensive income for the year</i>					
Profit for the year		-	-	8.0	8.0
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>8.0</b>	<b>8.0</b>
<i>Contributions and distributions</i>					
Capital reduction	5	-	(380.0)	380.0	-
Dividends paid		-	-	(395.6)	(395.6)
<b>Total transactions with owner</b>		<b>-</b>	<b>(380.0)</b>	<b>(15.6)</b>	<b>(395.6)</b>
<b>Balance at 3 April 2022</b>		<b>0.1</b>	<b>645.2</b>	<b>27.6</b>	<b>672.9</b>
<i>Total comprehensive income for the year</i>					
Profit for the year		-	-	0.2	0.2
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>0.2</b>	<b>0.2</b>
<b>Balance at 2 April 2023</b>		<b>0.1</b>	<b>645.2</b>	<b>27.8</b>	<b>673.1</b>

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### Basis of preparation

Constellation Automotive Group Limited ('CAGL', the 'Company') is a UK private company limited by shares. These *Company financial statements for the year ended 2 April 2023 have been prepared on a going concern basis in accordance with UK-adopted International Accounting Standards ('IFRSs')* and the applicable legal requirements of the Companies Act 2006. The accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The financial statements have been prepared under the historical cost convention.

The financial statements and the notes to the financial statements are presented in millions of Pounds Sterling ('£m') except where otherwise indicated.

The accounting policies applied in the preparation of these Company financial statements are the same as those set out in note 4 of the Annual Report and Accounts 2023, with the exception of note 2 'Basis of consolidation' and the policy on investments in subsidiaries, which are stated at cost less impairment.

### 2. EMPLOYEES AND DIRECTORS

There were no employees of the Company during the year ended 2 April 2023 (year ended 3 April 2022: nil).

### 3. INVESTMENTS IN SUBSIDIARIES

	Total £m
<b>Cost</b>	
<b>As at 3 April 2022 and 2 April 2023</b>	<b>697.6</b>

At 2 April 2023 and 3 April 2022 the Company owns 100% of the issued share capital of Constellation Automotive Limited and Constellation Automotive Financing plc and owns indirectly the subsidiary undertakings listed in note 29 of the Annual Report and Accounts 2023.

### 4. TRADE AND OTHER PAYABLES

	As at 2 April 2023 £m	As at 3 April 2022 £m
Amounts owed to subsidiary undertakings	24.5	24.7
<b>Total trade and other payables</b>	<b>24.5</b>	<b>24.7</b>

Amounts owed to subsidiary undertakings are unsecured, repayable on demand and bear no interest.

### 5. SHARE CAPITAL AND RESERVES

The details of the Company's share capital and the nature of the reserves are disclosed in note 24 of the Annual Report and Accounts 2023.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

### 6. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

#### **Financial risk management**

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange and interest rate risk), credit risk and liquidity risk. The responsibility for monitoring the effectiveness of risk management is carried out by the Board.

#### **Market risk**

Market risk is the risk that changes in market prices (principally exchange rates and interest rates) will affect the Company's income or the value of its holdings of financial instruments.

#### **Foreign exchange risk**

The Company has no direct significant interaction with foreign currency. Members of the Group in which the Company holds its investment operate in continental Europe, which means that through its investment the Company has some indirect exposure to foreign exchange risk.

#### **Interest rate risk**

The Company has no external debt and therefore has no significant exposure to interest rate risk.

#### **Credit risk**

Credit risk is the risk of financial loss in the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally through receivables from Group companies.

#### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company currently meets all liabilities from intercompany loans. The Company's liability for operating expenses is monitored on an ongoing basis to ensure cash resources are adequate to meet liabilities as they fall due.

#### **Capital risk management**

The aim of the Company is to maintain sufficient funds to enable it to make suitable investments and incremental acquisitions whilst minimising recourse to bankers and/or shareholders.

#### **Fair values**

The fair values of all financial instruments are equal to their carrying values.

### 7. RELATED PARTY TRANSACTIONS

Remuneration of the Directors who constitute key management personnel of the Company has been disclosed in note 28 of the Annual Report and Accounts 2023.

### 8. COMMITMENTS AND CONTINGENCIES

#### **Capital commitments**

There are no capital commitments to disclose in this report.

#### **Contingencies**

There are no disputes with any third parties that would result in a material liability for the Company.

The Company has entered into an agreement over various bank loans and overdrafts of certain Group undertakings and has granted as security a fixed and floating charge over all its present and future assets.