


Registered number: 12450682

CAZOO HOLDINGS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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Cazoo Holdings Limited (Registered No. 12450682)

COMPANY INFORMATION

Directors	Alex Edward Chesterman Paul Antony Woolf
Company secretary	Ned Staple
Registered number	12450682
Registered office	Cazoo Holdings Limited 41 Chalton Street London NW1 1JD
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF

Cazoo Holdings Limited (Registered No. 12450682)

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Cazoo Holdings Limited (Registered No. 12450682)

STRATEGIC REPORT

For the year ended 31 December 2022

The Directors present their Strategic report of Cazoo Holdings Limited ("the Company") and its subsidiaries (together "the Group" or "Cazoo") for the year ended 31 December 2022.

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

Principal activities

Cazoo is an online car retailer. Cazoo was founded with a mission to transform the car buying and selling experience across the UK by providing better selection, transparency and convenience. Our aim is to make buying or selling a car no different to ordering any other product online, where consumers can simply and seamlessly buy, sell and finance a car entirely online for delivery or collection.

Business model

Markets

In 2021 and through to mid 2022 we pursued a strategy of expanding operations across mainland Europe ("EU") as well as the UK through a number of acquisitions, launching operations in Germany, France, Italy and Spain. Following the strategic review of our EU business, which completed in September 2022, we determined that the appropriate decision for Cazoo was to withdraw from the EU to focus on the UK market. The decision to withdraw was based on the material further investment required for Cazoo to scale its operations in the EU and the conflict this had with the Company's priorities of cash conservation and achieving profitability in the UK. Our focus is now on the UK market, which consists of approximately seven million used car transactions annually, worth approximately £100 billion. The EU business is presented as discontinued operations in 2022, and our operating and financial review focuses on the operations in the UK.

The Cazoo Platform

We are a highly data-driven Company and use proprietary data and algorithms to both purchase vehicles and to price them for sale. Our end-to-end digital platform offers customers in the UK a choice of used vehicles of different makes and models for acquisition, and an opportunity to sell their car without an obligation to buy a car from us. Other options available to the customer include part-exchanging their current vehicle as a form of partial payment for a Cazoo car, as well as options to finance a car purchase. Our customer proposition continues to evolve over time as we adjust to the market backdrop and needs of the customer.

Vehicle lifecycle

We purchase the cars we believe are best suited for our customers and platform. Our purchasing strategy focuses on optimizing our purchasing channels, balanced with car desirability. We use a data-driven and algorithm-based approach, derived from a mix of our first-party data (Cazoo website searches and intent to buy, sales volumes, days to sale) and third-party data sources, to determine which cars to purchase.

We acquire our used vehicle inventory from a variety of sources, including used-car auctions, corporate suppliers such as vehicle finance, leasing, and rental companies, as well as directly from consumers (including via part-exchanges). During 2022, we continued to scale purchasing cars directly from consumers outside of part-exchanges, via our direct car buying channel in the UK and in the year ended 31 December 2022 approximately 50% of retail units sold were sourced directly from consumers. Vehicles sourced directly from consumers reduce the need to source from third parties and this approach typically lowers the like-for-like cost of acquiring the vehicle.

Cazoo Holdings Limited (Registered No. 12450682)

STRATEGIC REPORT (continued)

For the year ended 31 December 2022

Business model (continued)

In the fiscal year ended 31 December 2022, we purchased from different supplier sources as follows:

Channel	% of Total
Corporate	21%
Auction	27%
Consumer	51%
Other	1%
Total	100%

We partner with third-party lenders to finance the purchases of our inventory. We had £162 million drawn under stocking loans on 31 December 2022, which enables capital efficient inventory acquisition.

Reconditioning

Each of our cars undergoes an inspection and is reconditioned to a high standard at our preparation facilities before being offered for sale. As of 31 December 2022, we operated a network of eight vehicle preparation centres across the UK, which we have consolidated to three operational retail preparation centres and one operational wholesale preparation centre as part of the Revised Business Plans. These three retail preparation centres provide us with the potential to recondition up to approximately 85,000 cars per year.

We typically own the vehicles we have reconditioned and sold, helping us to ensure the quality of our offering. We also sell a small number of vehicles where the supplier owns the vehicle up to the point of sale, but the vehicles still go through our reconditioning and logistics processes. We act as an agent and receive a fixed commission from the supplier when the vehicle is sold.

Customer Centres

As of 31 December 2022, we operated 21 customer centres around the UK, which we have consolidated to seven as part of the Revised Business Plans. We have retained customer centres in the most geographically optimal locations in order to maximize the number of customers who can come to a centre to pick up their car and to make our logistics network more efficient. We store, distribute, prepare and hand over cars for delivery at these centres. Both Cazoo car owners and customers who have not purchased a Cazoo car can take their vehicles to these centres for everything from service to MOT and repairs. We continue to operate a Customer Services site which handles customer queries and is a satellite office.

Delivery and Collection

Our logistics infrastructure is capable of operating throughout the UK (excluding Northern Ireland) and offers a high-quality delivery experience with in-house storage, distribution and car service. Customers can have their car delivered to their door or they can collect it from one of our customer centres. Cars being transported from the vehicle preparation centre or customer centre to the customer are primarily transported by our own fleet of 190 transporters and employed drivers. We use third-party providers for collection of certain wholesale cars for delivery to auctions, and in a limited number of cases we use third-party providers to assist with intra-site movements.

Vehicle Sales and Other Sales

When it comes to selling a car, our main channel is Retail (directly to retail consumers) primarily through our website www.cazoo.co.uk. The secondary channel is Wholesale where we sell vehicles through car auctions to trade buyers and other customers. We also generate revenue from walk-in servicing; subscription services and third-party reconditioning services (which are being wound down following the decision to stop offering our subscription service to new subscribers from the end of June 2022 as part of the Business Realignment Plan). Customers can return a purchased car under our Terms & Conditions and receive a refund.

Cazoo Holdings Limited (Registered No. 12450682)

STRATEGIC REPORT (continued)

For the year ended 31 December 2022

Business model (continued)

During the year ended 31 December 2022, revenue generated from retail sales through our platform was £1,103.6 million, with 65,366 retail units sold; revenue generated from wholesale sales was £116.5 million; revenue generated from other sales was £28.5 million.

Financing

We work with partners including Black Horse, BNP Paribas, Santander and Evolution Funding (a broker with a panel of different lenders) to offer our customers the ability to finance their Cazoo car. As we are a credit broker, not a lender, we aim to find the most competitive deal for the customer from our finance partners.

We offer all standard forms of car financing, as well as the purchase of part-exchange (customer vehicles exchanged as partial payment for a Cazoo car) at the time of delivery or collection for added convenience. We offer Hire Purchase and Personal Contract Purchase finance plans.

Seasonality

Vehicle sales exhibit seasonality with sales peaking late in the first calendar quarter and diminishing through the rest of the year, with the lowest relative level of industry vehicle sales expected to occur in the fourth calendar quarter. Due to our rapid growth, our sales patterns to date have not reflected the general seasonality of the used vehicle industry. Used vehicle prices also exhibit seasonality, with used vehicles depreciating at a faster rate in the last two quarters of each year and at a slower rate in the first two quarters of each year. In the future this may result in a gross profit per unit higher on average in the first half of the year than in the second half of the year but this is not currently the case for Cazoo given our early stage of development.

Business strategies

Focus on improving unit economics to continue progress towards our goal of reaching profitability

Our 2023 strategy is to focus on further improving our unit economics, reducing our fixed cost base, and maximizing our cash runway. To enable these improvements, we are moving from a high growth multinational European model to a focus on the UK market only, with higher margin and faster moving inventory, together with rationalization of our operational footprint. As part of this strategy we announced the Business Realignment Plan in June 2022, the winddown of our EU business in September 2022, and the Revised 2023 Plan in January 2023. Together these plans are defined as the "Revised Business Plans". The Revised Business Plans anticipate us executing on the following key strategies.

Improving our purchasing channel mix and stock selection

Our Revised Business Plans aim to improve the unit economics of the business. We expect that moderating our growth assumptions will allow us to be more selective with the vehicles we acquire and sell, enabling us to focus on higher margin and faster moving inventory. We plan to improve our profitability through a continued shift in our buying mix by sourcing more of our inventory directly from consumers. We believe this approach will lower the like-for-like cost of acquiring vehicles. In addition, we are rebalancing the mix of cars available for sale towards higher margin, more desirable cars. We also expect to achieve continued efficiencies from further enhancements to our products, partnerships, processes, and pricing.

Cazoo Holdings Limited (Registered No. 12450682)

STRATEGIC REPORT (continued)

For the year ended 31 December 2022

Business strategies (continued)

Managing the fixed costs within our business

As part of our Revised Business Plans, we expect to achieve significant fixed cost savings, with the aim of making continued progress towards our goal of reaching profitability. In line with our revised unit expectations for 2023 and the current economic climate, we are making our operational and logistics network more efficient through the closure of certain of our vehicle preparation centres and customer centre facilities. We are reducing our network of operational vehicle preparation centres from eight to four (three for retail reconditioning and one for wholesale reconditioning), which is expected to result in significant fixed cost savings. The remaining three retail preparation centres provide us with the potential to recondition up to a total of approximately 85,000 cars per year. We are also consolidating the number of customer centres around the UK from 21 to seven. We expect these closures, combined with further headcount reductions across our central teams, to aid us with our goal of maximizing our cash runway and progressing towards our goal of reaching profitability.

Capture additional revenue opportunities from ancillary products and in-house financing products

We will continue to use our data and technology to launch new products and thereby increase our ancillary revenue opportunities. This includes initiatives to drive higher attachment rates for finance and other ancillary revenue products, thereby increasing customer lifetime value. In Q4 2022, we achieved a record 51.5% finance attachment rate, a testament to the strength of our offering.

Withdrawal from mainland Europe and focus on the core UK market

Following the strategic review of our EU business in September 2022, we announced our decision to withdraw from mainland Europe and focus exclusively on the UK market. The decision to withdraw was based on the material further investment required for Cazoo to scale its operations in the EU and the conflict this had with the Company's priorities of cash conservation and achieving profitability in the UK. We have now largely exited all of our mainland European operations.

Business and financial review

On 26 January 2022 we announced that we had agreed to acquire brumbrum, Italy's leading digital car retailer and subscription platform, for €80 million in a mix of cash and Cazoo shares. The purpose of the acquisition was to accelerate the launch of Cazoo's full proposition throughout Italy. Following earlier launches in France and Germany and acquisitions in Spain and Italy, we were pursuing a strategy of building a strong presence across the five largest European markets for used cars by replicating the model in the UK.

On 10 February 2022 the Group's parent company, Cazoo Group Ltd, announced that it had agreed to issue and sell, via a private placement (the "Note Issue"), \$630 million in aggregate principal amount of 2.00% Convertible Senior Notes due 2027 (the "Convertible Notes"). The Convertible Notes are currently convertible into Class A Shares at a conversion price of \$100.00 per share. The Note Issue was led by new investor Viking Global Investors, alongside participation from several existing shareholders including Mubadala Investment Company, D1 Capital and Willoughby Capital as well as other new and existing investors. Following the Note Issue, a capital contribution was made from Cazoo Group Ltd to Cazoo Holdings Limited. The funds were raised to support Cazoo's continued growth in the UK and expansion in Europe.

On 22 March 2022 we increased our UK stocking facilities by £25 million with an existing lender. On 28 March 2022, we entered into a €50 million asset-based securitization facility with BNP Paribas (the "BNP Facility").

On 12 May 2022 we announced we had launched our service in Spain.

On 7 June 2022 we announced a business realignment plan to de-risk the path to profitability and extend the cash runway reflecting the weaker and uncertain external environment. The plan prioritized gross margin and GPU growth, with a focus on cash preservation.

On 22 June 2022, we announced that we had launched in Italy.

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STRATEGIC REPORT (continued)

For the year ended 31 December 2022

Business and financial review (continued)

On 2 August 2022 we announced the appointment of Paul Woolf as Chief Financial Officer to succeed Stephen Morana during Q4 2022. We also announced the strategic review of our EU business.

On 8 September 2022 we announced the outcome of the strategic review of our EU business, which concluded that the right course of action was for Cazoo to focus exclusively on the UK market. The decision to withdraw was based on the material further investment required for Cazoo to scale its operation in the EU and the conflict it had with the Company's priorities of cash conservation and achieving profitability. As a result, the Company commenced an orderly wind down of its operations in Germany and Spain and launched consultations with its employee representatives in France and Italy.

On 31 October 2022 we announced that Aramis Group SA and Cazoo Holdings Limited had reached agreement for Aramis Group to acquire 100% of the capital and voting rights of Cazoo Trading Italy S.p.A.

On 15 December 2022 we announced that we had sold our Spanish subscription business, Swipcar, to Renting Finders S.L.

Revenue for the year ended 31 December 2022 was £1,248.6 million (2021: £655.4 million). Revenue has increased by £593.2 million for the year ended 31 December 2022 compared to the year ended 31 December 2021 primarily due to increased online orders and rapid expansion of our business.

Cost of sales for the year ended 31 December 2022 were £1,228.3 million (2021: £632.1 million). Cost of sales have increased by £596.2 million for the year ended 31 December 2022 compared to the year ended 31 December 2021 due to an increase in vehicle purchases and reconditioning costs following the rapid expansion and growth of our business.

Marketing expenses for the year ended 31 December 2022 were £62.6 million (2021: £63.2 million). Marketing expenses have decreased by £0.6 million for the year ended 31 December 2022 compared to the year ended 31 December 2021 primarily driven by a shift from brand to performance marketing.

Selling and distribution expenses for the year ended 31 December 2022 were £96.2 million (2021: £54.2 million). Selling and distribution expenses have increased by £42.1 million for the year ended 31 December 2022, compared to the year ended 31 December 2021, primarily due to an increase in personnel-related costs (selling and distribution staff) of £31.9 million, due to the significant increase in average headcount in the year ended 31 December 2022, to support our growth.

Administrative costs for the year ended 31 December 2022 were £519.5 million (2021: £218.5 million). The total administrative costs have increased by £301.0 million for the year ended 31 December 2022 compared to the year ended 31 December 2021 primarily due to:

- an increase in personnel-related costs of £21.7 million due to an increase in average headcount across all administrative functions;
- an increase in share-based payments by £0.6 million reflecting the higher headcount and larger number of outstanding options;
- an increase in depreciation, amortisation and impairment of intangible assets of £294.9 million reflecting a non-cash impairment charge of £299.4 million largely related to actions taken in the Group's Revised Business Plans including the wind down of operations in mainland Europe; together with a higher number of offices and customer centres; and
- exceptional items of £7.0 million include restructuring costs of £6.0 million with the remainder primarily related to transaction costs incurred on the acquisition of brumbrum. Exceptional items for the year ended 31 December 2021 included transaction costs of £37.8 million in relation to the Listing. "Listing" means the transactions contemplated by the Business Combination Agreement, dated as of 29 March 2021, as amended by the First Amendment thereto, dated as of 14 May 2021, by and among Ajax I, Capri Listco and Cazoo.

Finance income for the year ended 31 December 2022 was £2.1 million (2021: £0.2 million). Finance income has increased by £1.9 million for the year ended 31 December 2022 compared to the year ended 31 December 2021 due to an increase in average cash at bank and short-term deposits, and an increase in interest rates.

Cazoo Holdings Limited (Registered No. 12450682)

STRATEGIC REPORT (continued)

For the year ended 31 December 2022

Business and financial review (continued)

Finance expenses for the year ended 31 December 2022 were £12.0 million (2021: £4.7 million). Finance expenses have increased by £7.3 million for the year ended 31 December 2022 compared to the year ended 31 December 2021. Interest on loans and borrowings increased by £3.6 million primarily due to an increase in interest rates. Interest on lease liabilities increased by £3.7 million driven by an increase in the number of leasehold properties and transporters.

The tax credit was £7.4 million for the year ended 31 December 2022 compared to a tax credit of £2.2 million for the year ended 31 December 2021. The tax credit relates to the net movements in specific deferred tax items in the period. A deferred tax asset is only recognised up to an amount equal to the total of deferred tax liabilities with the excess not being recognised.

Loss after tax from discontinued operations for the year ended 31 December 2022 was £185.8 million (2021: £14.2 million). Loss after tax from discontinued operations has increased by £171.5 million for the year ended 31 December 2022 compared to the year ended 31 December 2021 due to the launch and subsequent winddown of our operations in mainland Europe.

The Group's loss after tax for the year ended 31 December 2022 was £839.6 million (2021: £329.0 million).

The results of the Group are included in the financial statements from page 28 onwards. No dividends were paid during the year. The Directors do not recommend a final dividend in respect of the year.

Key performance indicators

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

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

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

	Year ended 31 December		Variance	
	2022	2021	Change	%
UK Retail units sold	65,366	34,718	30,648	88%
UK Retail gross profit per unit	£403	£427	£(24)	(6)%
UK Ancillary revenue per retail unit sold	£605	£439	£166	38%
UK Average monthly unique users (thousands) ⁽¹⁾	1,532	1,619	(87)	(5)%
UK Retail inventory units available on website	7,700	4,683	3,017	64%

⁽¹⁾ The 2021 comparative has been restated to exclude 12 thousand EU users.

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STRATEGIC REPORT (continued)

For the year ended 31 December 2022

UK Retail units sold

Retail units sold is defined as the number of vehicles sold through our retail channel and delivered to customers, net of returns. Retail units sold excludes vehicles sold through auction which are recorded within our wholesale channel. Our retail business is the core proposition of Cazoo and we expect that retail units sold will be the primary driver of revenue generation. Retail unit sales also provide a source of cars through our consumer vehicle acquisition channel (either through direct sales or part-exchanges). Vehicles acquired through this channel can either be reconditioned and added to our inventory or sold through our wholesale channel.

Retail units sold for the year ended 31 December 2022 amounted to 65,366 units compared to 34,718 retail units sold for the year ended 31 December 2021. In the year ended 31 December 2022, 6.7% of used cars sold were returned for a refund. Retail units sold increased throughout the period driven by continued strong uptake of our offering, despite the challenging macroeconomic environment. In 2023, our focus will be on improving unit economics.

UK Retail gross profit per unit

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

For the year ended 31 December 2022 retail gross profit per unit was £403, compared to gross profit per unit of £427 for the year ended 31 December 2021. The decrease was primarily due to an increase in reconditioning costs due to the rapid expansion and growth of our business.

Our business plan is to continue to grow retail gross profit per unit.

UK Ancillary revenue per retail unit sold

Each retail vehicle sale through our website creates an opportunity to sell ancillary products. The products include financing, warranty, paint protection, service plans and affiliate add-ons. Customers buying vehicles from us may enter into a contract for finance through our platform. We receive commissions for the arrangement of these contracts from the lender. When buying a car from us, customers can also purchase additional associated products (including extended warranty, paint protection and service plans), from which we achieve attractive margins. The combination of these ancillary profit sources is an important metric that we use to track and forecast our performance. The ability to generate additional revenue around the vehicle purchase is a key component of GPU.

For the year ended 31 December 2022 ancillary revenue per retail unit sold was £605 compared to ancillary revenue per retail unit sold of £439 for the year ended 31 December 2021. The increase was primarily driven by an improved online journey and stock profile, as well as an expansion of ancillary product options.

UK Average monthly unique users

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

Cazoo Holdings Limited (Registered No. 12450682)

STRATEGIC REPORT (continued)

For the year ended 31 December 2022

Key performance indicators (continued)

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

Our average monthly unique users during the year ended 31 December 2022 decreased to 1,532 thousand users, compared to 1,619 thousand users during the year ended 31 December 2021. The decrease in the average monthly unique visitors was primarily due to optimization of our marketing strategy to focus on higher performance traffic channels, which we believe will lead, over time, to a higher rate of converting website visits into sales.

UK Retail Inventory units available on website

Retail inventory units available on website represent the total number of vehicles available for sale on our website on the last day of each reporting period. This may lead to volatility when comparing one period to another. It is important to ensure we have enough inventory to cater to the majority of customers based on customer demand.

Retail inventory units available on the website is a key indicator of our performance because we believe that the number of vehicles listed on our platform is one of the key drivers of vehicle sales and revenue generation. Ensuring an adequate number of vehicles listed on our website results in a greater selection of vehicles for our customers, creating demand and increasing conversion.

Our retail inventory units available on our website increased to 7,700 units as of 31 December 2022 compared to 4,683 units as of 31 December 2021. The increase in units was primarily driven by higher retail units purchased during the year and increased reconditioning throughput.

Alternative performance measures

In addition to our results determined in accordance with IFRS we believe that Adjusted EBITDA provides useful information for management and investors to assess the underlying performance of the business as it removes the effect of certain non-cash items and certain charges that are not indicative of our underlying operating performance or results of operations. We believe that non-IFRS financial information, when taken collectively with financial measures prepared in accordance with IFRS, may be helpful to investors because it provides an additional tool for investors to use in evaluating our ongoing operating results and trends and because it provides consistency and comparability with past financial performance.

Adjusted EBITDA is presented for supplemental informational purposes only, and Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation from, or as a substitute for, the analysis of other IFRS financial measures, such as loss for the year. Some of the limitations of Adjusted EBITDA include that it does not reflect the impact of working capital requirements or capital expenditures and other companies in our industry may calculate Adjusted EBITDA differently, or use a different accounting standard, which limits its usefulness as a comparative measure. Adjusted EBITDA may not be indicative of our historic operating results nor is it meant to be predictive of potential future results.

"Adjusted EBITDA" is defined as loss for the year from continuing operations adjusted for tax, finance income, finance expense, depreciation, amortisation and impairment of intangible assets, share-based payment expense, foreign exchange movements and exceptional items which do not relate to our underlying operations.

Note 5 presents a reconciliation of loss for the year, the most comparable IFRS measure to Adjusted EBITDA for the year ended 31 December 2022 and 2021.

Financial position

The Group's total assets as at 31 December 2022 were £873.9 million (2021: £1,179.8 million) and net assets were £433.8 million (2020: £742.1 million). The decrease in total assets and net assets largely reflects a non-cash impairment charge of £299.4 million largely related to actions taken in the Group's Revised Business Plans.

Cazoo Holdings Limited (Registered No. 12450682)

STRATEGIC REPORT (continued)

For the year ended 31 December 2022

Liquidity and Capital Resources

On 8 September 2022, following the review of a range of strategic options, we concluded that we would focus exclusively on our core opportunity in the UK. Our 2023 strategy is to further improve our unit economics, reduce our fixed cost base, and maximize our cash runway. To enable these improvements, we have scaled back on our expectations for growth in 2023 and will focus on higher margin and faster moving inventory and rationalization of our operational footprint.

As of 31 December 2022, we had cash and cash equivalents of £258.3 million. We believe that our cash on hand, and available borrowing capacity under stocking loans and borrowings, will be adequate to meet our liquidity requirements for at least the twelve months following the date of approval of the financial statements.

We have adopted a plan (the "2023 budget") designed to allow us to focus on unit economics through higher margin, faster moving inventory and rationalization of our operational footprint. In line with the lower unit expectations for 2023 and the current economic climate, the 2023 budget includes the closure of certain vehicle preparation centres, customer centres and further headcount reductions, which are already underway. The 2023 budget is expected to deliver a significant reduction in our cash consumption and continued progress towards our goal of reaching profitability, without the need to raise further external funding until H2 2024.

The 2023 budget includes actions to increase liquidity such as a prospective sale and leaseback of owned property, the continued financing of UK retail inventory and the unwinding of the UK subscriptions business to realise cash from subscription vehicles in property, plant and equipment.

Given the stage of evolution of our Company, there are certain inherent uncertainties in forecasting operating performance, including gross profit margin, as well as cash flows. Our ability to satisfy our current liabilities and maintain daily liquidity is dependent on successful execution of our 2023 budget. Management has evaluated our forecasted cash burn rate by testing our 2023 budget in a range of scenarios. In a downside scenario, certain inherent uncertainties for forecasting operating performance, including gross profit margin, and the status of implementing the 2023 budget, combine to raise substantial doubt about our ability to continue as a going concern. See Note 2.8 to the audited consolidated financial statements included elsewhere in this Annual Report.

As of 31 December 2022 we had loans and borrowings of £182.2 million including stocking loans of £161.6 million and subscription facilities of £15.0 million. Our business model relies on having a large inventory of cars available on our platform to have a broad offering to prospective customers. To fund the working capital required to maintain high levels of inventory we enter into stocking loan arrangements. Under a stocking loan arrangement, a bank will take the legal title of cars held in Cazoo's stock and provide a loan relative to the value of the car. Our stocking loans at 31 December 2022 do not contain financial or other restrictive covenants. The loans charge a rate of interest at a base rate plus a margin. These facilities have no fixed end date but are subject to annual review. Certain facilities have triggers to revise the loan-to-value terms if cash falls below a certain level. We are proactively reducing our number of available facilities to reflect the lower unit volume we anticipate in 2023. If the number of these facilities was reduced further, we could choose to cash finance inventory in the short-term, or to reduce overall levels of inventory held.

We do not believe we will need external capital until H2 2024. However, in response to the risks and uncertainties described above, we may seek to secure additional outside capital over the next twelve months beyond the date hereof. While we have historically been successful in our ability to secure outside capital, as of the date hereof, we had no firm commitments of additional outside capital. We can provide no assurance we will be able to continue to secure outside capital in the future or do so on terms that are acceptable to us. Furthermore, we also plan to continue to closely monitor our cash flows and, if necessary, we may implement certain incremental cost savings to preserve our liquidity beyond those being implemented through the Revised Business Plans and our 2023 budget. While we currently expect we will be able to generate sufficient liquidity to fund our operations for the next twelve months beyond the date hereof, we can provide no assurance we will successfully generate such liquidity, or if necessary, secure additional outside capital or achieve incremental cost savings.

Cazoo Holdings Limited (Registered No. 12450682)

STRATEGIC REPORT (continued)

For the year ended 31 December 2022

Liquidity and Capital Resources (continued)

Cash flows

Operating activities

Our primary sources of operating cash flows result from the sale of retail vehicles, wholesale vehicles and other services we provide to customers. Our primary uses of cash from operating activities are purchases of inventory, vehicle reconditioning costs, marketing costs and personnel-related expenses.

Net cash used in operating activities was £263.0 million for the year ended 31 December 2022 (£544.6 million for the year ended 31 December 2021).

The net cash used in operating activities during the year ended 31 December 2022 was primarily attributed to a net operating cash outflow of £364.4 million (outflow of £220.5 million for the year ended 31 December 2021), partially offset by a cash inflow from working capital movements of £98.7 million (outflow from working capital movements of £324.3 million for the year ended 31 December 2021).

Net operating cash flow represents the loss for the year of £839.6 million (loss for the year of £329.0 million for the year ended 31 December 2021), adjusted for non-cash items of £475.2 million (£108.4 million for the year ended 31 December 2021)

Our non-cash items include depreciation, amortisation and impairment of intangible assets, finance income, finance expense, share-based payment expense, fair value movement in the Convertible Notes and embedded derivative, fair value movement in the warrants and foreign exchange movements, tax credit, impairment loss on remeasurement of the disposal group, loss on sale of property, plant and equipment, loss on sale of discontinued operations, loss on sale and leaseback transactions and movement in provisions.

The cash inflow from working capital movements for the year ended 31 December 2022 was largely due to a reduction in inventory as we wound down our operations in Europe and improved stock turn in the UK, whereas the working capital outflow for the year ended 31 December 2021 was driven by investment in inventory and subscription vehicles. The remaining movement in working capital was due to movements in trade and other receivables, trade and other payables and subscription vehicles.

Investing activities

Net cash used in investing activities was £75.5 million for the year ended 31 December 2022 (£234.7 million for the year ended 31 December 2021).

The net cash used in investing activities during the year ended 31 December 2022 was primarily attributed to the acquisition of subsidiaries for £33.1 million net of the cash acquired, additions to property plant and equipment of £33.6 million, as well as additions to intangible assets of £18.1 million.

Financing activities

Net cash provided by financing activities was £393.7 million for the year ended 31 December 2022 (£729.1 million for the year ended 31 December 2021).

The net cash provided by financing activities during the year ended 31 December 2022 was primarily attributed to the capital contribution from the parent company, Cazoo Group Ltd. In addition, there were proceeds from stocking loans and subscription facilities. The net cash used in financing for the year ended 31 December 2022 was primarily attributed to lease payments and the repayment of stocking loans and mortgages.

Cazoo Holdings Limited (Registered No. 12450682)

STRATEGIC REPORT (continued)

For the year ended 31 December 2022

Risk management

Cazoo is committed to ensuring that the key risks and threats faced by the Group are identified and continually assessed, mitigated and monitored. The Board is accountable for the risk management practices of the Group and it recognises that, in addition to the strategic and operational risks faced, the rapid growth experienced in 2022 inherently exposes Cazoo to an additional layer of risk. As such, Cazoo is continuously working to develop and strengthen the enterprise risk management framework.

Strategic and Commercial Risk

The Group's future operating results depend on its success in implementing its strategic initiatives. Cazoo is also inherently exposed to a number of commercial risks. These risks are monitored closely by the Board and Executive team on an ongoing basis. They relate to areas such as:

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

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

Operational Risk

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

- Talent, recruitment and succession
- Technology, systems and cyber security
- Health and safety
- Business disruption

To mitigate against these risk areas the Group continues to invest in its people, offering competitive employment packages and development opportunities to attract and retain the best talent. The Group is automating processes and controls wherever possible and continues to invest in the data, IT and security infrastructure, as well as in the core technology based systems used to drive and support the Group. Cazoo has implemented a number of health and safety policies to protect its staff and carries out audits at each site to ensure they are operating effectively.

Regulatory Risk

As a limited company and a consumer facing business, Cazoo is exposed to a number of regulatory areas, both directly and indirectly. These include, but are not limited to, financial conduct and reporting regulations, employment law, data protection and health and safety.

To mitigate against the risks in this area the Group is continuously reviewing its in-house capabilities as well as its processes and controls. In addition, Cazoo maintains close relationships with a number of specialist advisors.

Financial Risk

Financial risks are discussed in the Directors' Report on page 17.

Cazoo Holdings Limited (Registered No. 12450682)

STRATEGIC REPORT (continued)

For the year ended 31 December 2022

Risk management (continued)

Principal risks and uncertainties

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

- Our limited operating history makes it difficult to evaluate our current business and future prospects
- As a result of our Business Realignment Plan, the winddown of operations in mainland Europe and the recently announced Revised 2023 Plan, our strategy has shifted from seeking to maximize our market share in the UK and mainland Europe to focusing on the UK market only and pursuing improved unit economics. We may have difficulties implementing our strategy in the UK, which could have a material adverse effect on our business and results of operations
- We have a history of losses and we may not achieve or maintain profitability in the future
- As part of our Revised Business Plans we have shifted our focus to improving unit economics over driving for maximum growth. No assurance can be given that we will succeed in achieving any improvement in our unit economics
- Our audited consolidated financial statements include a note regarding material uncertainty about our ability to continue as a going concern
- At such time as we may require additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances, such capital may not be available to us, and therefore our business, operating results and financial condition may be materially adversely affected
- We rely, or may rely in the future, on various forms of debt financing to operate our business, including car financing facilities, mortgage debt, capital leases and syndicated loans, and there is no guarantee that such financing will be available in the future on acceptable terms, or at all. In addition, our leverage from any such facilities could adversely impact our business, financial condition and results of operations
- We may be unable to generate sufficient cash to fulfil our obligations under our indebtedness, and we may be unable to incur additional indebtedness to fund future needs
- Continued downturns in general economic and market conditions and reductions in spending may reduce demand for our products
- We may be unable to attract a sufficient audience to our website in a cost-effective manner
- Our business is dependent upon access to suitable vehicle inventory, including the appropriate inventory mix, for resale to customers. Obstacles to acquiring suitable inventory for resale to customers, whether because of supply, competition, or other factors, could have a material adverse effect on our business, financial condition, results of operations and prospects
- The success of our business relies heavily on the effectiveness of our marketing and branding efforts, and these efforts may not be successful
- Our business is dependent upon our ability to recondition and sell inventory expeditiously and efficiently
- Our business is sensitive to changes in the prices of new and used vehicles
- If we are unable to adapt to and satisfy customer demands in a timely and cost-effective manner, our ability to improve our unit economics may suffer
- We operate in a competitive industry. Increased competition in online car sales could increase our marketing costs and affect our business, results of operations and prospects
- Loss of, or disruption to, our customer centres or vehicle preparation centres could have a material adverse effect on our business, financial condition, results of operations and prospects
- We rely on key third-party suppliers for outsourced services to us as well as for value-added products to our customers, and we cannot control the quality or fulfilment of these products
- We rely on our own logistics to transport our vehicle inventory. Thus, we are subject to business risks and costs associated with the transportation industry
- We are highly dependent on our senior management team and other highly skilled personnel, and if we are not successful in attracting or retaining highly qualified personnel, we may not be able to successfully implement our business strategy
- We will need to continue to improve the capacity, speed, integration and automation of our reporting systems and operational processes as we rationalize our operations
- Cyber breaches caused by malicious hacking could jeopardize the integrity of our IT systems and the security of our data

Cazoo Holdings Limited (Registered No. 12450682)

STRATEGIC REPORT (continued)

For the year ended 31 December 2022

Principal risks and uncertainties (continued)

- A significant disruption in service of our website and information technology systems could result in a disruption in our business and could have a material adverse effect on our results of operations
- Failure to safeguard our customer and other personal data may result in reputational damage, financial penalties, claims from individuals and litigation, and decrease in revenues
- We have identified material weaknesses in our internal control over financial reporting for the fiscal years ended 31 December 2022 and 2021, which may result in material misstatements of our financial statements or cause us to fail to meet our reporting obligations. If these material weaknesses are not remediated our ability to accurately and timely report our financial results could be adversely affected
- Our operations may be adversely affected by legal, regulatory and other developments. Our non-compliance with applicable financial regulations could have a material impact on us
- We are subject to many hazards and operational risks, including accidents or incidents relating to health, safety and the environment at our customer centres and vehicle preparation centres, that may disrupt our business, which could have a material adverse effect on our business, financial condition and results of operations

Section 172 statement

The Directors of Cazoo Holdings Limited consider, in the context of a constitution of a Board, that they have acted in good faith to promote the success of the Group for the benefit of its members with specific reference to the Companies Act 2006 S172, in the decisions taken during the year ending 31 December 2022, including:

Employees

- As of 31 December 2022, we had 3,226 employees. On 18 January 2023 we announced our Revised 2023 Plan, which included a reduction in headcount. Following the implementation of that plan, as of 20 March 2023 we had 1,511 employees.
- We aim to attract, retain and develop staff with the skills, experience and potential necessary to implement our strategy.
- When selecting and onboarding new employees, we communicate our vision and core values that we expect all staff to uphold, which is underpinned by a business-wide Code of Conduct and Ethics supported by appropriate training programs.
- We believe that engagement with staff on issues affecting the business is important for our culture and success and aim to do so through regular group-wide and location-specific "all-hands" and "town hall" sessions and other engagement platforms.
- We conduct regular employee surveys to gather feedback and benchmark results against leading employers, setting clear action plans to ensure areas of focus are prioritised and progressed.

Customers

- We are pioneering the shift to online car buying and selling by providing better selection, transparency and convenience. Our aim is to make buying or selling a car no different to ordering any other product online, where consumers can simply and seamlessly buy, sell and finance a car entirely online for delivery or collection.
- We continue to focus on providing a positive customer experience measured through Cazoo's Trustpilot reviews. We have a Trustpilot rating of 4.5* as of 31 December 2022.
- We have built a strong brand identity and we achieved national brand awareness among potential used car buyers in the UK of over 80% in 2022. Our marketing strategy has been one of our key investment areas in order to raise our brand awareness and grow our customer base.
- We have retained customer centres in the most geographically optimal locations in order to maximize the number of customers who can come to a centre to pick up their car and to make our logistics network more efficient.

Cazoo Holdings Limited (Registered No. 12450682)

STRATEGIC REPORT (continued)

For the year ended 31 December 2022

Section 172 statement (continued)

Suppliers

- We acquire cars for sale from used-car auctions, corporate suppliers including vehicle finance, leasing, rental companies and OEMs. We also rely on key third-party suppliers for outsourced services to us as well as for value-added products to our customers.
- We work closely with our suppliers through regular meetings and updates in order to control the quantity and fulfilment of vehicles and value-added products.

Community and environment

- We are committed to being a responsible member of the communities in which we do business.
- We recently moved all UK sites onto renewable electricity contracts and have implemented wide reaching energy efficiency policies and reduction goals. We continue to monitor and improve our delivery fleet utilisation which has increased performance of fuel efficiency and route optimisation.
- Throughout the year, our Employee Volunteer Program has completed projects across a wide range of social issues including loneliness and elderly help, homelessness, eco pollution and youth mentoring.
- The goal of our Environmental, Social and Corporate Governance Committee is to oversee and support our commitment to social, environmental, corporate social responsibility, sustainability and other public and internal policy initiatives relevant to us.

Shareholders

- The Group's parent company, Cazoo Group Ltd, engages with shareholders through regular updates, reporting and meetings through which shareholders can hear about our performance and put questions to the Board of Directors.

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

Paul Woolf

P Woolf
Director
28 April 2023

Cazoo Holdings Limited (Registered No. 12450682)

DIRECTORS' REPORT

For the year ended 31 December 2022

The Directors present their report and audited financial statements for the year ended 31 December 2022.

Directors

Alex Edward Chesterman
Stephen Gavin Morana (resigned 31 October 2022)
Paul Antony Woolf (appointed 1 November 2022)

Directors' indemnities

The Company maintained liability insurance, which includes indemnity for its Directors and Officers. This is a qualifying third-party indemnity provision for the purposes of the Companies Act 2006 and was in place throughout the year and up to the date of approval of the financial statements.

Results and dividends

The Group's loss after tax for the year ended 31 December 2022 was £839.6 million (2021: £329.0 million). Refer to the Strategic report for further discussions of the Group's results and performance for the year.

No dividends were paid during the period. The Directors do not recommend a final dividend in respect of the 2022 financial year.

Performance and future developments

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

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

Refer to the post balance sheet events section below.

Research and development

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

Political contributions

No political contributions were made during the year (2021: £nil).

Financial risk management

The Group's operations involve varying levels of exposure to interest rate risk, foreign currency risk, credit risk and liquidity risk. Details of the Group's risk management objectives are included within Note 24.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the income and financial management of the Group. The Group is exposed to interest rate risk through its stocking loans and subscription facilities where interest is charged in reference to a base interest rate. However, the exposure to interest rate risk is minimal since the Group is in a net cash position as at 31 December 2022 and 31 December 2021 and is therefore able to reduce exposure through repayment of the facilities. The Group does not hedge against interest rate risk. Refer to Note 24 for more information.

Cazoo Holdings Limited (Registered No. 12450682)

DIRECTORS' REPORT (continued)

For the year ended 31 December 2022

Financial risk management (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk through its remaining operating activities in Europe (where revenue and expenses are denominated in Euros) and through certain expenses denominated in US dollars. The Group does not currently hedge against currency risk through the use of financial instruments such as foreign currency swaps. Refer to Note 24 for more information.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or bank ("counterparty") fails to meet its contractual obligations resulting in a financial loss to the Group. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions.

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

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

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's treasury policy. The Group's maximum exposure to credit risk on cash and cash equivalents is the carrying amount of cash and cash equivalents on the statement of financial position.

Liquidity risk

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

The treasury strategy of the Group is to retain cash on the balance sheet by financing the purchase of inventory and to maximize interest received while maintaining liquidity and flexibility in the availability of funds. Refer to Note 24 for more information.

Going concern

The financial statements for Cazoo Holdings Limited ("the parent company") and its subsidiaries (the "group") have been prepared on a going concern basis, based on confirmation from Cazoo Group Ltd undertaking that financial support will continue to be provided for a period of 12 months to the end of April 2024.

The Board of Directors of Cazoo Group Ltd ("CGL Group") have approved a budget for the financial year ended 31 December 2023 which targets a lower retail volume of 40,000-50,000 units compared to approximately 65,000 units in the year ended 31 December 2022. This budget is designed to allow the CGL Group to focus on unit economics through higher margin, faster moving inventory and rationalization of its operational footprint. In line with the lower unit expectations for 2023 and the current economic climate, the plan to achieve the budget includes the closure of certain vehicle preparation centres, customer collection centres and further headcount reductions, which are already underway. The plan is expected to deliver a significant reduction in the CGL Group's cash consumption and continued progress towards the CGL Group's goal of reaching profitability, without the need to raise further external funding over the going concern period to 30 April 2024. The 2023 budget has a forecast cash balance of over £120 million at 31 December 2023. The 2023 budget has then been extended through to 30 April 2024, for the going concern assessment, with a forecasted cash balance of over £80 million at 30 April 2024.

Cazoo Holdings Limited (Registered No. 12450682)

DIRECTORS' REPORT (continued)

For the year ended 31 December 2022

Going concern (continued)

The plan includes actions to increase liquidity such as a prospective sale and leaseback of owned property, the continued stocking financing of UK retail inventory and the unwinding of the UK subscriptions business to realise cash from subscription vehicles currently in property, plant and equipment.

Given the stage of evolution of the Cazoo Group Ltd, there are inherent uncertainties in forecasting operating performance, including gross profit margin. Therefore, in assessing the appropriateness of the going concern assumption, Management of the CGL Group ("Management") have assessed the probability of achieving the planned budget and the impact if this is not achieved. To do so Management have developed a severe but plausible downside scenario to the above base case, whereby the most sensitive assumptions have been flexed. These include gross profit margin increasing to only 5% (i.e., -3% to the base case), increasing overhead costs by £1 million per month (i.e., +6% to the base case), and reducing the proceeds from the planned sale and leaseback transactions by 50%. In 2022, gross margin of 2% was achieved. As part of this downside scenario, Management have not taken into account potential incremental cash improvements from the early exit of closed vehicle preparation centres and customer collection centres, or other measures such as expenditure reduction which could improve liquidity as these have not been fully implemented. Under this downside scenario, the Cazoo Group Ltd is forecast to have cash of over £30 million at 30 April 2024. Whilst Management is confident that the approved budget (base case) provides significant liquidity for the CGL Group, the ability of the CGL Group to satisfy its current liabilities and maintain sufficient daily liquidity, to meet stocking facility terms, is dependent on successful execution of the plan, including actions which have not yet been implemented nor are they wholly within management's control.

In the event that further actions to manage liquidity were to be necessary in a downside scenario where the mitigations mentioned above have not been sufficient, Management may seek to reduce discretionary marketing spend, capex and/or headcount. Under all circumstances, Management will be seeking to sublet empty vehicle preparation centres and customer collection centres and to improve the mainland Europe exit plans. Management believes these incremental mitigating actions, in combination, could give rise to additional cash savings of over £35 million in the period.

Therefore, downside scenarios such as those described, and certain inherent uncertainties in forecasting operating performance, including gross profit margin, and the status of implementing those plans described above, combine to represent a material uncertainty over the CGL Group's ability to continue as a going concern. Management's mitigation plans to alleviate the material uncertainty are not entirely within the Company's control and so cannot be guaranteed.

In addition to the factors set out above, the going concern assessment also considered the following two key matters that could materially impact the CGL Group's going concern assessment:

- 1) Cazoo Group Ltd utilises stocking finance to support inventory purchasing. In the UK, the business works with four lenders and had total available stocking facilities of £240 million at 31 December 2022, of which £162 million was utilised. The stocking facilities have no fixed end date but are subject to annual review. Management is proactively reducing the available facilities to reflect the lower sales volume in the approved budget. There are no financial covenants attached to these facilities. However, certain of these stocking facilities have triggers to revise the loan-to-value terms if cash falls below a certain level. If facilities were reduced or withdrawn, Management could choose to cash finance inventory in the short-term or reduce overall levels of inventory held, both scenarios are under Management's control.
- 2) Cazoo Group Ltd has debt in the form of Convertible Notes which bear regular interest at a fixed rate of 2.00% per year. Holders of the Convertible Notes have the right to require the Company to repurchase for cash all or a portion of their Convertible Notes at 100% of their principal amount, plus any accrued and unpaid interest, upon the occurrence of a Fundamental Change, which includes, among other things, if the Class A Shares cease to be listed on the New York Stock Exchange ("NYSE"), (as defined in the Indenture, dated 16 February 2022, between the Company and U.S. Bank Trust Company, National Association, as trustee (the "Indenture")).

Cazoo Holdings Limited (Registered No. 12450682)

DIRECTORS' REPORT (continued)

For the year ended 31 December 2022

Going concern (continued)

A material uncertainty has been identified relating to events or conditions that may cast significant doubt over the Cazoo Group Ltd's ability to continue as a going concern and therefore over its ability to provide the required financial support to the Cazoo Holdings Limited group and parent entity. Thus, there is a material uncertainty which may cast significant doubt over the Cazoo Holdings Limited group and company's ability to continue as a going concern. Despite the existence of material uncertainty over the Cazoo Holdings Limited group and parent entity's ability to continue as a going concern, the Directors believe there is a reasonable prospect of Cazoo Holdings group and parent entity's continuing as a going concern through successful implementation of the plan, described above, through to the end of the going concern period to 30 April 2024. The Directors have considered circumstances and events immediately after the going concern review period and have not identified any that indicate that the going concern period is inappropriate. The Directors have assessed Cazoo Group Ltd's ability to provide financial support as part of this assessment. As a consequence, the accompanying financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and satisfaction of liabilities in the ordinary course of business and Cazoo Group Ltd maintaining a listing on the NYSE. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of the material uncertainty described above.

Post balance sheet events

Revised 2023 Plan

On 18 January 2023, the Group announced its revised FY 2023 plan which aims to improve the unit economics of the business. To enable these improvements, the Group reset its 2023 top line ambitions to 40,000-50,000 UK retail units, allowing the Group to focus on higher margin and faster moving inventory and to rationalise its operational footprint.

Sale of German subscription business

On 17 February 2023, the Group agreed to sell its German subscription business, Cluno GmbH, to ViveLaCar GmbH and The Platform Group GmbH & Co. KG. The agreement includes 100% of the capital and voting rights of the company Cluno GmbH and the Cluno brand along with the associated assets. All employees of Cluno will transfer to ViveLaCar GmbH as part of the agreement.

Sale of Cazana Data Platform

On 22 February 2023, the Group sold its third-party data platform, Cazana. The agreement includes the sale of the Cazana brand, platform and commercial contracts.

Employees

As of 31 December 2022 we had 3,226 employees employed on a permanent or fixed term basis primarily located in the UK, with further teams in Germany, Portugal, France and Spain. We hire a limited number of temporary workers primarily at certain of our vehicle preparation centres. On 18 January 2023 we announced our Revised 2023 Plan, which included a reduction in headcount. Following the implementation of that plan, as of 20 March 2023 we had 1,511 employees, of which 25 were based in France, 64 in Germany, 4 in Portugal and 1,418 in the United Kingdom.

Our success is highly dependent on human capital and a strong leadership team. We aim to attract, retain and develop staff with the skills, experience and potential necessary to implement our strategy. When selecting and onboarding new employees, we communicate our vision and core values that we expect all staff to uphold, which is underpinned by a business-wide Code of Conduct and Ethics supported by appropriate training programs. We believe that engagement with staff on issues affecting the business is important for our culture and success and aim to do so through regular group-wide and location-specific "all-hands" and "town hall" sessions and other engagement platforms.

None of our employees are represented by a labour union and there have been no work stoppages to date. We generally consider relations with our employees to be good.

Cazoo Holdings Limited (Registered No. 12450682)

DIRECTORS' REPORT (continued)

For the year ended 31 December 2022

Employees (continued)

Diversity and Inclusion

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

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

Environmental matters

For its financial year ended 31 December 2022, the Group has measured its UK carbon emissions to support its disclosure obligations, as well as to support a managed reduction of its emissions impact and impact intensity in relation to its revenue and full-time employees.

The Group has reported on the Scope 1 and Scope 2 impacts from its offices, premises and vehicle use, including both fuel and electricity. Measurement has been undertaken to report emissions under the Streamlined Energy and Carbon Reporting requirements and to inform the forward carbon emissions strategy of Cazoo.

All measurements have been made using the UK Government GHG Reporting and Methodology for the conversion of activity data to carbon emissions equivalents in tonnes.

UK carbon outputs for the Group are as follows:

	2022	2021
	Tonnes	Tonnes
	CO₂e	CO₂e
Scope 1 – Direct GHG emissions	15,096	6,831
Scope 2 – Indirect GHG emissions	2,328	1,493
Total Scope 1 and 2	17,424	8,324

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

Carbon Intensity Measures	2022	2021
UK Tonnes CO ₂ e per £100,000 of UK Revenue	1.40	1.27
UK Tonnes CO ₂ e per UK FTE	5.94	2.43

The carbon intensity measures for the year ended 31 December 2021 have been restated to exclude Scope 3 emissions.

Total UK energy consumption for the year ended 31 December 2022 was 16,784,414 kWh (2021: 14,503,239 kWh). The total energy consumption for the year ended 31 December 2021 has been restated to correct for a calculation error.

The report on the Company's emissions was prepared internally, using proprietary data and calculated within a Carbon Accounting System.

Cazou Holdings Limited (Registered No. 12450682)

DIRECTORS' REPORT (continued)

For the year ended 31 December 2022

Directors' responsibilities statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that year.

In preparing these financial statements the Directors are required to:

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

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

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

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Cazoo Holdings Limited (Registered No. 12450682)

DIRECTORS' REPORT (continued)

For the year ended 31 December 2022

Auditors

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

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

Paul Woolf

P Woolf
Director
28 April 2023

Cazoo Holdings Limited (Registered No. 12450682)

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

For the year ended 31 December 2022

Opinion

We have audited the financial statements of Cazoo Holdings Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise consolidated statement of profit or loss and other comprehensive income, consolidated and company statement of financial position, consolidated statement of cash flows, consolidated and company statement of changes in equity and the corresponding group notes 1 to 29 and 1 to 11 notes related to the parent company, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2.7 in the financial statements, which indicates that the Cazoo Holdings group and parent company's ability to operate on a going concern basis is dependent on continued support from Cazoo Group Ltd but there is a material uncertainty over their ability to provide the required support. The factors outlined by management in Note 2.7 which create the material uncertainty over the parental support are the Cazoo Group Ltd's ability to:

- execute on the plan to improve unit economics, in particular to achieve the planned gross margin improvements.
- achieve a significant reduction in cash consumption through an ability to deliver the identified cash savings through their mitigating actions and continued progress towards the Cazoo Group Ltd's goal of reaching profitability, without the need to raise further external funding over the going concern period to 30 April 2024.

Without delivery of the plan and the mitigating actions the Cazoo Group Ltd may not be able to continue to generate sufficient funds to support the Cazoo Holdings group and parent company to repay their liabilities as and when they fall due.

Cazoo Holdings Limited (Registered No. 12450682)

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

For the year ended 31 December 2022

As stated in Note 2.7, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Cazoo Holdings group and parent company's ability to continue as a going concern. In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our opinion is not modified in respect of this matter.

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

Other Information

The other information comprises the information included in the annual report set out on pages 3 to 23, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Cazoo Holdings Limited (Registered No. 12450682)

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

For the year ended 31 December 2022

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Our approach was as follows:

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

Cazoo Holdings Limited (Registered No. 12450682)

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

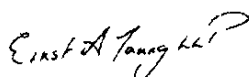
For the year ended 31 December 2022

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations and engaged Internal Forensics experts. Our procedures involved reviewing minutes from the Board of Directors, enquires of management and journals entry testing, with a focus on manual journals and journals indicating significant unusual transactions identified by a specific risk criterion based on our understanding of the business.
- We designed our audit procedures to respond to the identified fraud risks, based on our understanding through walkthrough procedures, we considered the controls that the company has established to address the risk identified, or that otherwise prevent, deter, and detect fraud; and how senior management monitors these controls. Our procedures considered risk associated with management override, which was addressed through incorporating data analytics procedures to analyse revenue transactions to confirm they were appropriately processed, recognised, and measured through correlation of revenue, trade receivables and vouching to cash and the performance of cut-off testing around year end to ascertain whether revenue is recorded in the appropriate period. Incremental procedures were performed to validate the accuracy of management's manual deferred revenue calculations, through reconciliation of sales transactions and inventory stock count procedures. We also obtained and reviewed executed contractual arrangements to assess the appropriateness of the IFRS 15 accounting with respect to the terms and conditions of these new arrangements. We have focused our testing of journal entries and top-side adjustments on those meeting our defined risk criteria based on our understanding of the company.

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

Use of our report

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



Richard Addison (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
28 April 2023

Cazoo Holdings Limited (Registered No. 12450682)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000 Restated ¹
Continuing operations			
Revenue ²	6	1,248,591	655,423
Cost of sales		(1,228,324)	(632,114)
Gross profit		20,267	23,309
Marketing expenses		(62,596)	(63,165)
Selling and distribution expenses		(96,246)	(54,172)
Administrative expenses		(519,489)	(218,457)
Loss from operations	7	(658,064)	(312,485)
Finance income	9	2,111	232
Finance expense	9	(11,989)	(4,663)
Other income and expenses	10	6,752	-
Loss before tax		(661,190)	(318,916)
Tax credit	12	7,352	2,162
Loss for the year from continuing operations		(653,838)	(314,754)
Discontinued operations			
Loss after tax from discontinued operations	13	(185,762)	(14,217)
Loss for the year		(839,600)	(328,971)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		6,449	(1,577)
Total comprehensive loss for the year		(833,151)	(330,548)

¹ The 2021 reporting period has been restated to show the EU segment as a discontinued operation.² Revenue excludes £1.9 million of sales in 2022 where Cazoo sold vehicles as an agent for third parties and only the net commission received from those sales is recorded within revenue (2021: £17.4 million).

Cazon Holdings Limited (Registered No. 12450682)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As at 31 December 2022**

	Notes	At 31 December 2022 £'000	At 31 December 2021 £'000
Assets			
Non-current assets			
Property, plant and equipment	15	122,713	180,955
Right-of-use assets	22	118,814	92,254
Intangible assets and goodwill	18	18,369	261,514
Trade and other receivables	18	6,500	9,968
		264,396	544,691
Current assets			
Inventory	17	232,565	364,585
Trade and other receivables	18	65,375	77,884
Cash and cash equivalents	27	245,750	192,629
		543,690	635,098
Assets held for sale	13	65,805	-
		609,495	635,098
Total assets		873,891	1,179,789
Liabilities			
Current liabilities			
Trade and other payables	19	65,567	90,579
Loans and borrowings	20	178,084	180,540
Lease liabilities	22	28,596	18,826
Provisions	21	26,538	-
		298,785	289,945
Liabilities directly associated with the assets held for sale	13	39,602	-
		338,387	289,945
Non-current liabilities			
Loans and borrowings	20	4,113	68,113
Lease liabilities	22	88,864	71,574
Provisions	21	8,752	7,985
Deferred tax	12	-	86
		101,729	147,758
Total liabilities		440,116	437,703
Net assets		433,775	742,086
Share capital	23	-	-
Share premium	23	888,371	888,371
Merger reserve	23	246,598	246,598
Capital contribution reserve	23	493,911	5,365
Retained earnings		(1,199,977)	(396,671)
Foreign currency translation reserve		4,872	(1,577)
Total equity		433,775	742,086

Cazoo Holdings Limited (Registered No. 12450682)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2022

The financial statements on pages 28 to 87 were approved and authorised for issue by the Board of Directors on 28 April 2023 and were signed on its behalf by:

Paul Woolf

P Woolf
Director
28 April 2023

Cazoo Holdings Limited (Registered No. 12450682)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital contribution reserve £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Total equity £'000
At 31 December 2020¹		-	266,120	181,250	-	(116,872)	-	330,498
Comprehensive loss for the year								
Loss for the year		-	-	-	-	(328,971)	-	(328,971)
Other comprehensive income		-	-	-	-	-	(1,577)	(1,577)
Contributions by and distributions to owners								
Acquisition of subsidiaries		-	-	65,348	5,365	-	-	70,713
Exercise of warrants		-	11,967	-	-	-	-	11,967
Issue of share capital	23	-	610,284	-	-	-	-	610,284
Exercise of options		-	-	-	-	(1,540)	-	(1,540)
Share-based payments	26	-	-	-	-	43,287	-	43,287
Taxation recognised directly in equity	12	-	-	-	-	7,425	-	7,425
At 31 December 2021		-	888,371	246,598	5,365	(396,671)	(1,577)	742,086
Comprehensive loss for the year								
Loss for the year		-	-	-	-	(839,600)	-	(839,600)
Other comprehensive income		-	-	-	-	-	6,449	6,449
Contributions by and distributions to owners								
Acquisition of subsidiaries	14	-	-	-	23,051	-	-	23,051
Capital contribution from parent company		-	-	-	465,495	-	-	465,495
Share-based payments	26	-	-	-	-	43,719	-	43,719
Taxation recognised directly in equity	12	-	-	-	-	(7,425)	-	(7,425)
At 31 December 2022		-	888,371	246,598	493,911	(1,199,977)	4,872	433,775

¹ Prior to the Listing, the merger relief section of the Companies Act 2006 required that the difference between the nominal value and issued value of the shares issued for the acquisitions of Drover, SFS and Cluno should be credited to the merger reserve in equity.

The notes on pages 34 to 87 form part of these financial statements.

Cazoo Holdings Limited (Registered No. 12450682)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

		Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
	Note		
Cash flows from operating activities			
Loss for the year from continuing operations		(653,838)	(314,754)
Loss for the year from discontinued operations		(185,762)	(14,217)
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets	15, 22	57,577	28,791
Amortisation and impairment of intangible assets	16	322,565	35,995
Finance income	9	(2,131)	(233)
Finance expense	9	16,008	5,716
Share-based payment expense	26	44,496	43,871
Foreign exchange movements		(6,752)	-
Tax credit	12	(10,012)	(5,704)
Impairment loss on remeasurement of the disposal group	13	2,518	-
Loss on disposal of property, plant and equipment		2,879	-
Loss on sale of discontinued operations	13	14,509	-
Loss on sale and leaseback transactions		1,934	-
Increase in provisions	21	31,646	-
		(364,363)	(220,535)
Movements in working capital:			
Decrease/(increase) in trade and other receivables	18	10,682	(23,192)
Decrease/(increase) in inventory	17	165,213	(247,745)
Increase in subscription vehicles	15	(54,132)	(80,925)
(Decrease)/increase in trade and other payables	19	(23,054)	27,555
Total working capital movements		98,709	(324,307)
Other cash flows from operating activities:			
Interest received	9	2,131	233
Tax credit received	12	501	-
Net cash used in operating activities		(263,022)	(544,809)
Cash flows from investing activities			
Purchases of property, plant and equipment	15	(33,625)	(29,466)
Disposals of property, plant and equipment	15	8,320	-
Purchases and development of intangible assets	16	(18,133)	(14,260)
Acquisition of subsidiaries, net of cash acquired	14	(33,142)	(190,934)
Deferred consideration paid	19	(5,554)	-
Disposal of subsidiaries, net of cash disposed of	13	(9,669)	-
Proceeds from sale and leasebacks		10,752	-
Proceeds from lease modifications		5,520	-
Net cash used in investing activities		(75,531)	(234,660)

Cazoo Holdings Limited (Registered No. 12450682)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**For the year ended 31 December 2022**

		Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
	Note		
Cash flows from financing activities			
Proceeds from capital contribution from parent company		465,495	-
Issue of ordinary shares	23	-	610,284
Proceeds from warrants exercised from Drover acquisition		-	5,300
Exercise of share options	26	-	(1,540)
Proceeds from stocking loans	24	1,202,039	665,325
Proceeds from subscription facilities	24	101,967	107,683
Proceeds from secured asset financing, bank loans and mortgages	24	5,985	-
Repayment of stocking loans	24	(1,218,427)	(574,055)
Repayment of subscription facilities	24	(120,559)	(60,386)
Repayment of secured asset financing, bank loans and mortgages	24	(3,862)	(683)
Interest paid on loans and borrowings	20	(10,799)	(4,185)
Lease payments	22	(29,198)	(18,597)
Excess proceeds above fair value from sale and leasebacks		1,086	-
Net cash from financing activities		393,727	729,146
Net increase/(decrease) in cash and cash equivalents		55,174	(50,123)
Cash and cash equivalents at the beginning of the year	27	192,629	243,524
Net foreign exchange difference		10,389	(772)
Cash and cash equivalents at the end of the year	27	258,192	192,629

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. Reporting entity

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

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

The Listing

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

Upon consummation of the Listing, shareholders of Ajax and Cazoo Holdings became shareholders of Listco, and Listco changed its name to "Cazoo Group Ltd." Upon consummation of the Listing Class A ordinary shares, par value \$0.0001 per share (the "Class A Shares") became listed on the NYSE under the symbol "CZOO".

The Listing was not considered a business combination in accordance with IFRS 3 because Listco was not considered a business, and instead was accounted for as a reverse acquisition. Under this method of accounting, Cazoo Holdings Limited was considered the accounting acquirer and predecessor entity.

2. Significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). They were authorised for issue by the Company's Board of Directors on 28 April 2023.

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

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The areas where judgements and estimates have been made in preparing the financial statements and their effect are disclosed in Note 4.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

2.3 Basis of measurement

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

2.4 New and amended standards and interpretations

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2022, but do not have an impact on the consolidated financial statements of the Group.

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 9 Financial Instruments – Fees in the "10 per cent" test for derecognition of financial liabilities

2.5 Standards issued but not yet effective

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

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

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Definition of Accounting Estimates – Amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

2.6 Presentational currency

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

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

2.7 Going concern

The financial statements for Cazoo Holdings Limited ("the parent company") and its subsidiaries (the "group") have been prepared on a going concern basis, based on confirmation from Cazoo Group Ltd undertaking that financial support will continue to be provided for a period of 12 months to the end of April 2024.

The Board of Directors of Cazoo Group Ltd ("CGL Group") have approved a budget for the financial year ended 31 December 2023 which targets a lower retail volume of 40,000-50,000 units compared to approximately 65,000 units in the year ended 31 December 2022. This budget is designed to allow the CGL Group to focus on unit economics through higher margin, faster moving inventory and rationalization of its operational footprint. In line with the lower unit expectations for 2023 and the current economic climate, the plan to achieve the budget includes the closure of certain vehicle preparation centres, customer collection centres and further headcount reductions, which are already underway. The plan is expected to deliver a significant reduction in the CGL Group's cash consumption and continued progress towards the CGL Group's goal of reaching profitability, without the need to raise further external funding over the going concern period to 30 April 2024. The 2023 budget has a forecast cash balance of over £120 million at 31 December 2023. The 2023 budget has then been extended through to 30 April 2024, for the going concern assessment, with a forecasted cash balance of over £80 million at 30 April 2024.

The plan includes actions to increase liquidity such as a prospective sale and leaseback of owned property, the continued stocking financing of UK retail inventory and the unwinding of the UK subscriptions business to realise cash from subscription vehicles currently in property, plant and equipment.

Given the stage of evolution of the Cazoo Group Ltd, there are inherent uncertainties in forecasting operating performance, including gross profit margin. Therefore, in assessing the appropriateness of the going concern assumption, Management of the CGL Group ("Management") have assessed the probability of achieving the planned budget and the impact if this is not achieved. To do so Management have developed a severe but plausible downside scenario to the above base case, whereby the most sensitive assumptions have been flexed. These include gross profit margin increasing to only 5% (i.e., -3% to the base case), increasing overhead costs by £1 million per month (i.e., +6% to the base case), and reducing the proceeds from the planned sale and leaseback transactions by 50%. In 2022, gross margin of 2% was achieved. As part of this downside scenario, Management have not taken into account potential incremental cash improvements from the early exit of closed vehicle preparation centres and customer collection centres, or other measures such as expenditure reduction which could improve liquidity as these have not been fully implemented. Under this downside scenario, the Cazoo Group Ltd is forecast to have cash of over £30 million at 30 April 2024. Whilst Management is confident that the approved budget (base case) provides significant liquidity for the CGL Group, the ability of the CGL Group to satisfy its current liabilities and maintain sufficient daily liquidity, to meet stocking facility terms, is dependent on successful execution of the plan, including actions which have not yet been implemented nor are they wholly within management's control.

In the event that further actions to manage liquidity were to be necessary in a downside scenario where the mitigations mentioned above have not been sufficient, Management may seek to reduce discretionary marketing spend, capex and/or headcount. Under all circumstances, Management will be seeking to sublet empty vehicle preparation centres and customer collection centres and to improve the mainland Europe exit plans. Management believes these incremental mitigating actions, in combination, could give rise to additional cash savings of over £35 million in the period.

Therefore, downside scenarios such as those described, and certain inherent uncertainties in forecasting operating performance, including gross profit margin, and the status of implementing those plans described above, combine to represent a material uncertainty over the CGL Group's ability to continue as a going concern. Management's mitigation plans to alleviate the material uncertainty are not entirely within the Company's control and so cannot be guaranteed.

In addition to the factors set out above, the going concern assessment also considered the following two key matters that could materially impact the CGL Group's going concern assessment:

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

2.7 Going concern (continued)

- 1) Cazoo Group Ltd utilises stocking finance to support inventory purchasing. In the UK, the business works with four lenders and had total available stocking facilities of £240 million at 31 December 2022, of which £162 million was utilised. The stocking facilities have no fixed end date but are subject to annual review. Management is proactively reducing the available facilities to reflect the lower sales volume in the approved budget. There are no financial covenants attached to these facilities. However, certain of these stocking facilities have triggers to revise the loan-to-value terms if cash falls below a certain level. If facilities were reduced or withdrawn, Management could choose to cash finance inventory in the short-term or reduce overall levels of inventory held, both scenarios are under Management's control.
- 2) Cazoo Group Ltd has debt in the form of Convertible Notes which bear regular interest at a fixed rate of 2.00% per year. Holders of the Convertible Notes have the right to require the Company to repurchase for cash all or a portion of their Convertible Notes at 100% of their principal amount, plus any accrued and unpaid interest, upon the occurrence of a Fundamental Change, which includes, among other things, if the Class A Shares cease to be listed on the New York Stock Exchange ("NYSE"), (as defined in the Indenture, dated 16 February 2022, between the Company and U.S. Bank Trust Company, National Association, as trustee (the "Indenture")).

A material uncertainty has been identified relating to events or conditions that may cast significant doubt over the Cazoo Group Ltd's ability to continue as a going concern and therefore over its ability to provide the required financial support to the Cazoo Holdings Limited group and parent entity. Thus, there is a material uncertainty which may cast significant doubt over the Cazoo Holdings Limited group and company's ability to continue as a going concern. Despite the existence of material uncertainty over the Cazoo Holdings Limited group and parent entity's ability to continue as a going concern, the Directors believe there is a reasonable prospect of Cazoo Holdings group and parent entity's continuing as a going concern through successful implementation of the plan, described above, through to the end of the going concern period to 30 April 2024. The Directors have considered circumstances and events immediately after the going concern review period and have not identified any that indicate that the going concern period is inappropriate. The Directors have assessed Cazoo Group Ltd's ability to provide financial support as part of this assessment. As a consequence, the accompanying financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and satisfaction of liabilities in the ordinary course of business and Cazoo Group Ltd maintaining a listing on the NYSE. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of the material uncertainty described above.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

2.8 Subsidiaries exempt from audit under section 479A of the Companies Act 2006

The Company's subsidiaries set out below are exempt from the requirements of the Companies Act relating to the audit of the individual accounts under section 479A of the Companies Act 2006. Cazoo Holdings Limited has given a guarantee under section 479C and all members of the subsidiaries agree to the exemption of an audit for the year ended 31 December 2022. Below are the subsidiaries exempt under this Act:

Name	Registration Number
Cazoo Ltd	11624245
Cazoo Subscription Services Limited	09829742
Fantastic Cars Limited	11358375
Imperial Car Supermarkets Limited	09637404
Cazoo Properties Limited	08526325
Carsaz Limited	11666043
Imperial Cars of Swanwick Limited	05740108
Vans 365 Limited	10506325
Project Chicago Newco Limited	11328349
Arctos Holdings Limited	09382555
Cazoo Support Services Limited	03633817
Moorgate House (Newco) Limited	10808367
Ensco 1109 Limited	09382142
G&J Developments Limited	08327894
SMH Fleet Solutions Limited	04526612
CD Auction Group Limited	02354629
Cazoo Wholesale Services Limited	13090429

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3 Accounting policies

3.1 Revenue

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

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

Retail

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

Retail revenue also includes the fixed commission from the sale of a small number of vehicles where Cazoo acts as an agent. Under IFRS 15 only the net commission received from these sales is recorded within revenue, with 100% of that revenue contributing towards gross profit.

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

Retail revenue also comprises ancillary products (including financing commission, warranty commission, paint protection and any add-ons), together with delivery charges and admin fees. Ancillary revenues were previously included in "Other sales". The comparatives for 2021 have been restated for consistency.

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

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

Wholesale

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

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3.1 Revenue (continued)

Other sales

Other sales comprises revenue from walk-in servicing, subscription services, third-party reconditioning and the provision of data services.

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

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

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

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

3.2 Cost of sales

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

3.3 Leases

Group acting as a lessee

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

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

Right-of-use assets

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

Leasehold property	1 – 20 years
Fixtures and fittings	5 years
Subscription vehicles	1 – 3 years
Other motor vehicles	4 years

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3.3 Leases (continued)

The estimated useful life of leasehold property has decreased in the year ended 31 December 2022 as a result of lease modifications during the year.

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

Lease liabilities

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

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

Sale and leaseback

A sale and leaseback transaction is one where the Group sells an asset and immediately reacquires the use of the asset by entering into a lease with the buyer. The Group accounts for sale and leaseback transactions in accordance with IFRS 16. The Group derecognises the underlying asset when it satisfies the criteria for the transfer of control to the buyer in accordance with IFRS 15. The Group recognises the gain or loss, if any, that relates to the rights transferred to the buyer and adjusted for off-market terms. The Group recognises a right-of-use asset and a lease liability for the leaseback.

Group acting as a lessor

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

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

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

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

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

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

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3.4 Employee benefits

Short-term and long-term employee benefits

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

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

Defined contribution schemes

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

3.5 Share-based payments

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

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

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

Save As You Earn ("SAYE") scheme

The SAYE scheme is accounted for as an equity-settled share-based payment scheme. The fair value determined at the grant date of the SAYE scheme is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. The fair value is determined using a Black-Scholes option pricing model.

3.6 Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. The Group received subsidies for electric subscription vehicles from the German government during the year. Amounts received are initially recognised as deferred income and then recognised in the statement of profit or loss over the useful life of the asset.

In the prior years, the Group received funds in connection to the Job Retention Scheme launched as part of the UK Government's response to the COVID-19 pandemic. Amounts received were recognised net within the statement of profit or loss as income or a reduction to expenses.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3.7 Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

Current and deferred tax

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

3.8 Cash and cash equivalents

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3.9 Business combinations

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

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

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

3.10 Property, plant and equipment

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

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

Subscription vehicles are transferred from property, plant and equipment to inventory at their carrying amount when existing subscription contracts come to an end.

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3.11 Intangible assets and goodwill

Intangible assets

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

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

Internally-generated intangible assets

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

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

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

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

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

Goodwill

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3.12 Impairment of tangible and intangible assets other than goodwill

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

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

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

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

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

3.13 Inventory

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

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

3.14 Provisions

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

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

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3.15 Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value are recognised immediately in the statement of profit or loss.

Financial assets

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

Classification of financial assets

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

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

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

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

Amortised cost and effective interest method

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

Impairment of financial assets

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3.15 Financial Instruments (continued)

Significant increase in credit risk

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

Financial liabilities

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

Financial liabilities subsequently measured at amortised cost

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

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

Derecognition of financial liabilities

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

Fair value measurement

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3.16 Business segments

The Board of Directors has been identified as the Group's chief operating decision maker. The monthly reporting pack provided to the Board has been used as the basis for determining the Group's operating segments. The key financial performance metrics monitored by the chief operating decision maker include revenue, gross profit, operating expenses and adjusted EBITDA.

During the year ended 31 December 2022 there was a change in the segmentation of the Group following the launch of the Cazoo retail proposition in Europe. The monthly reporting pack provided to the Board disaggregated the performance of the business on a UK and EU basis. Management has therefore determined that there exist two operating segments, UK and EU.

The UK segment's results are equivalent to the Group's results from continuing operations which are disclosed in the statement of profit or loss. The EU segment has been classified as a discontinued operation and the Group has not disclosed the results within the segment disclosures in Note 11 in accordance with IFRS 8.

3.17 Assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance expense and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 13. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any components of equity. Any resulting gain or loss is recognised in the statement of profit or loss.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3.18 Foreign currency

Foreign currency transactions

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

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

Foreign currency differences are recognised in the statement of profit or loss and presented within other income and expenses.

Foreign operations

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

4 Accounting judgements and estimates

4.1 Judgements

Revenue recognition – Principal / agent arrangements

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

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

Revenue includes the fixed commission from the sale of a small number of vehicles where Cazoo acts as an agent.

Recognition of acquired intangibles on acquisition

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

The Group acquired brumbrum S.p.A in the year ended 31 December 2022. For the acquisition, the Group has recognised goodwill and a number of separately identifiable intangibles. The Group engaged a third-party valuation expert for the purchase price allocation exercise in relation to each acquisition to mitigate the risk associated with the recognition and valuation of assets and liabilities at the acquisition date. The details of all assets and liabilities recognised upon acquisition of subsidiaries is set out in Note 14.

Capitalisation of development time

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

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

Determination of cash-generating units ("CGUs")

Judgement is applied in the determination of CGUs for impairment testing. Management have carefully considered the cash inflows of each group of assets and how they are monitored. As a result, management have identified three CGUs (UK, France and Germany, and Cazana) based on the lowest level at which largely independent cash flows are generated. Management have also considered secondary factors such as monitoring by management and how management makes decisions about continuing or disposing of assets and operations in helping to identify its CGUs. Further information on the three CGUs and impairment testing are disclosed in Note 17.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

4.2 Estimates

Impairment of intangible assets and goodwill

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 17.

Net realisable value of inventory

Vehicles held in inventory are stated at the lower of cost and net realizable value. The calculation of net realizable value requires an estimate of the expected selling price of each vehicle held in inventory. This estimate is made using a combination of historical data of the Group and independent market data. Independent market data provides a view to recent market activity for vehicles with similar attributes to those held in stock. This, combined with recent sales data of the Group, is used to estimate the expected selling prices of inventory. At each reporting period the Group recognises any necessary adjustments to reflect vehicle inventory at the lower of cost or net realizable value through cost of sales. See Note 17 for further details of the inventory provision, including a sensitivity analysis.

Share-based payments

Estimating the fair value of equity-settled employee share options requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a Monte-Carlo model for Executive director grants and a Black-Scholes model for the SAYE scheme. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 26.

Leases - Estimating the incremental borrowing rate

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

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

5. Adjusted EBITDA

In addition to the Group's results determined in accordance with IFRS, Management believes that Adjusted EBITDA provides useful information to assess the underlying performance of the business as it removes the effect of certain non-cash items and certain charges that are not indicative of the underlying operating performance or results of operations.

Adjusted EBITDA is presented for supplemental informational purposes only, and Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation from, or as a substitute for, the analysis of other IFRS financial measures, such as loss for the year. Some of the limitations of Adjusted EBITDA include that it does not reflect the impact of working capital requirements or capital expenditures and other companies in the industry may calculate Adjusted EBITDA differently, or use a different accounting standard, which limits its usefulness as a comparative measure. Adjusted EBITDA may not be indicative of the Group's historic operating results nor is it meant to be predictive of potential future results.

"Adjusted EBITDA" is defined as loss for the year from continuing operations adjusted for tax, finance income, finance expense, depreciation, amortisation and impairment of intangible assets, share-based payment expense, foreign exchange movements and exceptional items which do not relate to the underlying operations.

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

The table below presents a reconciliation of loss for the year, the most comparable IFRS measure to Adjusted EBITDA for the periods presented.

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Loss for the year	(839,600)	(328,971)
Loss for the year from discontinued operations	185,762	14,217
Loss for the year from continuing operations	(653,838)	(314,754)
Tax credit	(7,352)	(2,162)
Finance income	(2,111)	(232)
Finance expense	11,989	4,663
Depreciation	44,521	26,274
Amortisation and impairment of intangible assets	318,709	35,968
Share-based payment expense	44,496	43,871
Foreign exchange movements	(6,752)	-
Exceptional items	6,897	39,227
Total adjustments	410,397	147,609
Adjusted EBITDA	(243,441)	(167,145)

Amortisation and impairment of intangible assets in 2022 includes a non-cash impairment charge of £299.4 million largely related to actions taken in the Group's Revised Business Plans.

Exceptional items of £7.0 million in 2022 include restructuring costs of £6.0 million with the remainder primarily related to transaction costs incurred on the acquisition of brumbrum.

Exceptional items in 2021 included transaction costs of £37.8 million in relation to the Listing and the remainder were primarily related to transaction costs incurred on the acquisition of subsidiaries.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2022****6. Revenue****6.1 Disaggregated revenue information**

The following is an analysis of the Group's revenue for the year from continuing operations. Revenue recognised from continuing operations has arisen entirely within the UK.

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Type of goods or services		
Retail ¹	1,103,557	515,711
Wholesale	116,541	103,203
Other sales ¹	28,493	36,509
	1,248,591	655,423
Timing of revenue recognition		
Goods and services transferred at a point in time	1,231,204	645,952
Goods and services transferred over time	17,387	9,471
	1,248,591	655,423

¹ Retail includes the aggregate retail sales price and ancillary products (including financing commission, warranty commission, paint protection and any add-ons), together with delivery charges and admin fees, from all vehicles sold through the Group's retail channel in the year. Ancillary revenues were previously presented in "Other sales". The comparatives for 2021 have been restated for consistency (ancillary revenues were £15.2 million for the year ended 31 December 2021).

6.2 Contract balances

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

	Within one month as at 31 December 2022 £'000	Within one month as at 31 December 2021 £'000
Undelivered vehicles	19,374	7,911

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

1. Operating expenses

Operating loss from continuing operations is stated after charging:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Depreciation of property, plant and equipment and right-of-use assets	34,900	21,172
Amortisation of intangible assets	19,332	30,475
Impairment of intangible assets and goodwill	299,377	5,493
Expensed research and development costs	16,106	8,154

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

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Audit fees	2,205	2,300
Audit related fees	45	580
Tax fees	-	-
Other fees	-	67
	2,250	2,947

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

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

8. Employee benefit expenses

Employee benefit expenses, including Directors, comprise:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Wages and salaries	131,926	71,219
Employer's national insurance	13,868	7,772
Short-term non-monetary benefits	1,114	430
Defined contribution pension cost	6,326	3,408
Share-based payment expenses	44,496	43,871
	197,730	126,700

Average number of employees, including Directors, comprise:

	Year ended 31 December 2022	Year ended 31 December 2021
Commercial	103	53
Customer	436	296
Executive	19	17
Finance, legal and risk	161	107
Marketing	54	34
Operations and logistics	2,851	1,764
People	76	47
Technology	426	295
	4,127	2,613

Employee benefit expenses for Directors comprise:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Wages and salaries	911	681
Employer's national insurance	139	91
Short-term non-monetary benefits	8	6
Defined contribution pension cost	91	49
Share-based payment expenses	22,529	14,712
	23,678	15,539

No Directors exercised share options during the year (2021: one).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

8. Employee benefit expenses (continued)

Employee benefit expenses for the highest paid director comprise:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Wages and salaries	559	394
Employer's national insurance	86	56
Short-term non-monetary benefits	5	3
Defined contribution pension cost	56	29
Share-based payment expenses	22,373	8,345
	23,079	8,827

No options were exercised in respect of the highest paid Director (2021: nil).

9. Finance income and expense

Recognised in profit or loss

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Finance income		
Interest on bank deposits	2,111	232
Total finance income	2,111	232
Finance expense		
Interest on loans and borrowings	(6,941)	(3,327)
Interest on lease liabilities	(5,048)	(1,336)
Total finance expense	(11,989)	(4,663)

10. Other income and expenses

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Foreign exchange movements	6,752	-
	6,752	-

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

11. Segment Information

Revenue recognised from continuing operations has arisen entirely within the UK (2021: all UK).

The following table presents the Group's non-current assets by geographic location.

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Non-current assets		
UK	262,541	496,245
EU	1,855	48,446
	264,396	544,691

12. Taxation**Tax credit**

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Current tax:		
Adjustments in respect of prior years	-	190
Deferred tax:		
Origination and reversal of timing differences	(5,997)	(3,867)
Adjustment in respect of prior years	-	191
Effect of tax rate change on opening balance	(1,355)	1,324
Tax credit	(7,352)	(2,162)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2022****12. Taxation (continued)**

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

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Loss before tax from continuing operations	(661,190)	(316,916)
Loss before tax from discontinued operations	(188,422)	(17,759)
Current corporation tax rate of 19%	(125,626)	(60,214)
Impact of difference in overseas tax rate	(17)	-
Expenses not deductible for tax purposes	977	9,602
Adjustment in respect of previous periods	-	381
Impact of rate change	(1,355)	1,402
Deferred tax asset not recognised	61,653	66,510
Impact of share scheme	9,089	-
Impairment of goodwill	47,927	-
Utilisation of deferred tax previously unrecognised	-	(23,862)
Difference between corporation tax and deferred tax rate	-	(423)
Benefit of tax incentives	-	(625)
Group relief surrendered	-	5,067
Tax credit	(7,352)	(2,162)

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

Changes to UK corporation tax rates were substantively enacted by the Finance Bill 2021 (on 24 May 2021). These included an increase in the corporation tax rate from 19% to 25% from 1 April 2023. Deferred tax balances have been remeasured accordingly where appropriate.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

12. Taxation (continued)**Deferred tax**

	At 31 December 2022 £'000	At 31 December 2021 £'000
Deferred tax assets		
Share-based payments	622	10,822
Losses	506	2,081
Short-term timing differences	-	119
Other temporary differences	-	67
Total deferred tax assets recognised	1,128	13,089
Deferred tax liabilities		
Fixed asset temporary differences	-	(5,280)
Intangible asset differences	-	(6,632)
Other temporary differences	(1,128)	(1,263)
Total deferred tax liabilities	(1,128)	(13,175)
Net deferred tax liabilities	-	(86)

Reconciliation of net deferred tax liabilities:

	£'000
At 31 December 2020	-
Income tax recognised in the income statement	6,084
Prior year adjustments	(191)
Business combinations	(13,404)
Equity	7,425
At 31 December 2021	(86)
Income tax recognised in the income statement	9,989
Prior year adjustments	23
Business combinations	(2,501)
Equity	(7,425)
At 31 December 2022	-

The Group has unutilised tax losses of £554.1 million (2021: £488.3 million) which are available against future taxable profits for an indefinite period.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2022****13. Discontinued operations**

On 8 September 2022, the Group announced the conclusion of its strategic review of its business in mainland Europe. Following a review of a range of strategic options, Management concluded that Cazoo would focus exclusively on its core opportunity in the UK. As a result, the Group commenced an orderly winddown of its operations in mainland Europe.

On 31 October 2022, the Group sold its Italian operations, Cazoo Trading Italy S.p.A., to Aramis Group SA. brumbrum was previously acquired on 31 January 2022, refer to Note 14 for further details. On 15 December 2022, the Group sold its Spanish subscription business, Swipcar 2017, S.L., to Renting Finders S.L.

At 31 December 2022, the EU segment was classified as a discontinued operation. The comparative year ended 31 December 2021 has been restated to show the EU segment as a discontinued operation. There was no EU segment in 2020.

In December 2022, management committed to a plan to sell Cluno GmbH. Accordingly, Cluno GmbH is presented as a disposal group held for sale.

Results of discontinued operations

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Revenue	158,384	12,391
Expenses	(325,779)	(29,098)
Loss from operations	(167,395)	(16,707)
Finance income	19	1
Finance expense	(4,019)	(1,053)
Loss on sale of discontinued operations	(14,509)	-
Impairment loss on remeasurement of the disposal group	(2,518)	-
Loss before tax from discontinued operations	(188,422)	(17,759)
Tax expense	2,660	3,542
Loss for the year from discontinued operations	(185,762)	(14,217)
Net cash flows from/(used) in discontinued operations:		
Operating	(79,232)	(122,646)
Investing	(57,127)	(38,109)
Financing	(29,134)	29,110
Net cash outflow	(165,493)	(131,645)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2022****13. Discontinued operations (continued)****Effect of disposal on the financial position of the Group**

	£'000
Property, plant and equipment	(12,333)
Right-of-use assets	(5,720)
Inventory	(5,570)
Trade and other receivables	(6,020)
Cash and cash equivalents	(10,800)
Trade and other payables	3,424
Loans and borrowings	14,731
Lease liabilities	5,878
Provisions	770
Net assets and liabilities	(15,640)
Consideration received, satisfied in cash	1,131
Cash and cash equivalents disposed of	(10,800)
Net cash outflow	(9,669)

Disposal group held for sale

The major classes of assets and liabilities of Cluno GmbH classified as held for sale as at 31 December 2022 are as follows:

	£'000
Property, plant and equipment	39,369
Right-of-use assets	878
Intangible assets	1,729
Inventory	7,865
Trade and other receivables	3,522
Cash and cash equivalents	12,442
Assets held for sale	65,805
Trade and other payables	(4,504)
Loans and borrowings	(29,062)
Lease liabilities	(1,003)
Provisions	(5,033)
Liabilities associated with assets held for sale	(39,602)
Net assets directly associated with disposal group	26,203

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2022****14. Acquisitions****14.1 brumbrum S.p.A**

On 31 January 2022, the Group acquired 100% of the share capital of brumbrum S.p.A ("brumbrum") which was renamed Cazoo Trading Italy S.p.A. post acquisition. Total consideration was £59.9 million, with £27.7 million paid in cash, £3.0 million of deferred consideration, £6.2 million of debt assumed and discharged and £23.1 million through the issue of Class A Shares. The acquisition balance sheet included £3.7 million of cash. Total consideration net of cash acquired was £56.2 million.

Founded in 2016, brumbrum was based in Milan and operated a 40,000 square meter vehicle preparation centre in Reggio Emilia. The business offered vehicles for sale, finance or subscription for delivery across Italy.

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

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

Details of the amounts are set out in the table below.

	£'000
Property, plant and equipment	7,342
Right-of-use assets	6,276
Inventory	1,752
Trade and other receivables	6,401
Cash and cash equivalents	3,743
Trade and other payables	(6,992)
Loans and borrowings	(10,194)
Lease liabilities	(6,276)
Provisions	(631)
Total net assets acquired	1,421
Intangible assets recognised on acquisition:	
Brand	4,158
Customer relationships	3,669
Software	2,592
Deferred tax arising on intangible assets	(2,501)
Total intangible assets recognised on acquisition	7,918
Total identifiable net assets at fair value	9,339
Goodwill	50,597
Purchase consideration transferred	59,936
Satisfied by:	
Cash	27,694
Deferred consideration	2,955
Debt assumed and discharged	6,236
Shares issued	23,051
Purchase consideration transferred	59,936

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

14. Acquisitions (continued)

14.1 brumbrum S.p.A (continued)

At the date of the acquisition, the carrying amount of trade and other receivables was £6.4 million, all of which was expected to be collectible in the short-term. As such, there was no difference between the carrying amount and fair value of trade and other receivables at the date of acquisition.

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

Software acquired represented brumbrum's platform system and website, which had been developed in-house and was considered to be brumbrum owned intellectual property. The brand was considered to be highly recognisable in Italy. An intangible asset was recognised for significant customer relationships.

Goodwill was attributable mainly to the skills and technical talent of brumbrum's workforce.

The fair value of the Class A Shares issued at the date of acquisition was determined as £3.52 per Cazoo Group Ltd Class A Share, which was the closing share price of Cazoo Group Ltd's Class A Shares on the acquisition date.

Transaction costs of £1.0 million have been expensed and are included in administrative expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

Following the winddown of operations in mainland Europe, brumbrum was classified as a discontinued operation. Refer to Note 13 for further details.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

15. Property, plant and equipment

	Freehold property £'000	Lease- hold improve- ments £'000	Fixtures and fittings £'000	Com- puter equip- ment £'000	Sub- scrip- tion vehicles £'000	Other motor vehicles £'000	Plant and mach- inery £'000	Total £'000
Cost								
At 31 December 2020	14,907	13,702	3,949	598	-	2,742	659	36,557
Additions	-	12,419	5,210	2,245	82,314	8,011	810	111,009
Acquisition of subsidiaries	15,921	4,081	1,418	1,013	25,346	367	2,692	50,838
Disposals	-	-	-	(3)	(963)	-	(17)	(983)
Transfers	-	-	-	-	(1,713)	791	-	(922)
FX revaluation	-	-	-	-	(736)	-	-	(736)
At 31 December 2021	30,828	30,202	10,577	3,853	104,248	11,911	4,144	195,763
Additions	-	17,144	2,066	2,340	66,494	11,149	926	100,119
Acquisition of subsidiaries	-	168	330	2	6,781	-	61	7,342
Disposals	-	(134)	(446)	(672)	(14,044)	(11,212)	(28)	(26,536)
Disposal of subsidiaries	-	(183)	(471)	(14)	(12,212)	(11)	(74)	(12,965)
Sale and leasebacks	(14,159)	-	-	-	-	-	-	(14,159)
Assets held for sale	-	-	(116)	(225)	(48,317)	-	-	(48,658)
Transfers from inventory	-	-	-	-	22,255	-	-	22,255
Transfers to inventory	-	-	-	-	(70,427)	-	-	(70,427)
FX revaluation	-	5	17	13	2,735	20	2	2,792
At 31 December 2022	16,669	47,202	11,957	5,297	57,513	11,857	5,031	155,526
Accumulated depreciation								
At 31 December 2020	-	(634)	(415)	(168)	-	(75)	(51)	(1,343)
Depreciation charge for the year	-	(4,247)	(1,495)	(830)	(5,938)	(1,630)	(542)	(14,682)
Disposals	-	-	-	-	1,244	-	-	1,244
Transfers	-	-	-	-	43	(66)	-	(23)
FX revaluation	-	-	-	-	(4)	-	-	(4)
At 31 December 2021	-	(4,881)	(1,910)	(998)	(4,655)	(1,771)	(593)	(14,808)
Depreciation charge for the year	(429)	(7,844)	(2,460)	(1,821)	(15,429)	(3,110)	(927)	(32,020)
Disposals	-	162	154	103	1,682	1,501	-	3,602
Disposal of subsidiaries	-	16	41	7	549	1	18	632
Assets held for sale	-	-	90	125	3,327	-	-	3,542
Transfers to inventory	-	-	-	-	6,707	-	-	6,707
FX revaluation	-	(1)	5	(10)	(460)	(4)	2	(468)
At 31 December 2022	(429)	(12,548)	(4,080)	(2,594)	(8,279)	(3,383)	(1,500)	(32,813)
Net book value								
At 31 December 2022	16,240	34,654	7,877	2,703	49,234	8,474	3,531	122,713
At 31 December 2021	30,828	25,321	8,667	2,855	99,593	10,140	3,551	180,955

The Group completed sale and leaseback transactions during the year ended 31 December 2022 resulting in freehold property with a carrying value of £14.2 million being derecognised from property, plant and equipment (2021: £nil). A loss on rights transferred of £1.9 million (2021: £nil) is recognised in the statement of profit or loss within administrative expenses.

The Group disposed of property, plant and equipment with a carrying value of £22.9 million during the year ended 31 December 2022 largely as a result of the Revised Business Plans.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

16. Intangible assets and goodwill

	Goodwill £'000	Development costs and software £'000	Customer relationships £'000	Brand £'000	Domain names £'000	Total £'000
Cost						
At 31 December 2020	22,693	5,353	-	-	51	28,097
Additions	-	14,237	-	-	22	14,259
Acquisition of subsidiaries	196,147	36,588	21,109	2,746	-	256,590
At 31 December 2021	218,840	56,178	21,109	2,746	73	298,946
Additions	-	18,078	-	-	55	18,133
Acquisition of subsidiaries	50,597	2,592	3,669	4,158	-	61,016
Assets held for sale	-	(2,487)	-	-	-	(2,487)
At 31 December 2022	269,437	74,361	24,778	6,904	128	375,608
Accumulated amortisation						
At 31 December 2020	-	(1,428)	-	-	(9)	(1,437)
Charge for the year	-	(6,622)	(21,109)	(2,746)	(25)	(30,502)
Impairment loss	-	(5,493)	-	-	-	(5,493)
At 31 December 2021	-	(13,543)	(21,109)	(2,746)	(34)	(37,432)
Charge for the year	-	(18,641)	(653)	-	(38)	(19,332)
Impairment loss	(269,437)	(26,622)	(3,016)	(4,158)	-	(303,233)
Assets held for sale	-	758	-	-	-	758
At 31 December 2022	(269,437)	(58,048)	(24,778)	(6,904)	(72)	(359,239)
Net book value						
At 31 December 2022	-	16,313	-	-	56	16,369
At 31 December 2021	218,840	42,635	-	-	39	261,514

The Group capitalised £15.8 million of employee and contractor development expenditure in the year ended 31 December 2022 (2021: £11.1 million).

Impairment testing

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

	At 31 December 2022 £'000	At 31 December 2021 £'000
Intangible assets		
UK	16,369	32,696
France and Germany	-	5,096
Cazana	-	4,304
Spain	-	578
	16,369	42,674

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

16. Intangible assets and goodwill (continued)**Impairment testing (testing)**

	At 31 December 2022 £'000	At 31 December 2021 £'000
Goodwill		
UK	-	136,833
France and Germany	-	82,007
Cazana	-	-
Spain	-	-
	-	218,840

The Group performed its annual impairment test in December 2022 which considered both qualitative and quantitative factors.

UK

The recoverable amount of the UK CGU of £491.2 million as at 31 December 2022 (2021: £1,658.6 million) has been determined based on a value in use calculation using cash flow projections covering a seven-year period. This was extrapolated from the 2023 budget which was approved by the Board of Directors. The pre-tax discount rate applied to cash flow projections is 21.3% (2021: 15.7%) and cash flows beyond the seven-year period are extrapolated using a 2.0% growth rate (2021: 2.0%). As a result of the analysis, there is an impairment charge of £136.7 million (2021: headroom of £1,004.7 million).

For value in use calculations, cash flows are typically forecast for a five-year period. Management has used a longer period of seven years for the UK CGU to better reflect the medium-term growth expectations for this CGU and the stage of growth of the Company.

Cazana

The recoverable amount of the Cazana CGU of £2.7 million as at 31 December 2022 (2021: £4.6 million) has been determined based on a value in use calculation using cash flow projections covering a five-year period. This was extrapolated from the 2023 budget which was approved by the Board of Directors. The pre-tax discount rate applied to cash flow projections is 18.1% (2021: 23.3%) and cash flows beyond the five-year period are extrapolated using a 2.0% growth rate (2021: 2.0%). As a result of the analysis, there is headroom of £1.0 million (2021: impairment charge of £5.5 million) and management did not identify an impairment for this CGU.

Key assumptions and sensitivity analysis

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

Discount rates

The discount rate calculation is based on the specific circumstances of the Group and its CGUs and is derived from its weighted average cost of capital (WACC). An increase in the pre-tax discount rate to 22.3% (i.e. +1.0%) in the UK CGU would result in an additional impairment charge of £54.6 million. An increase in the pre-tax discount rate above 28.9% (i.e. +10.8%) in the Cazana CGU would result in impairment.

Gross margins

Gross margins increase over the budget period to reflect the Group's focus on unit economics through higher margin and faster moving inventory, with a long-term retail GPU target of approximately £2,000. A decrease in the gross margin by 1.0% in the UK CGU would result in further impairment of £157.8 million. A decrease in the gross margin by 1.0% in the Cazana CGU would reduce the headroom but not result in impairment.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

16. Intangible assets and goodwill (continued)***Terminal growth rate***

The terminal growth rate is used to extrapolate cash flows beyond the forecast period. A decrease in the terminal growth rate by 1.0% in the UK CGU would result in further impairment of £26.9 million. A decrease in the terminal growth rate by 1.0% in the Cazana CGU would reduce the headroom but not result in impairment.

17. Inventory

	At 31 December 2022 £'000	At 31 December 2021 £'000
Finished goods and work in in progress	232,565	364,585

At each reporting period the Group recognises any necessary adjustments to reflect vehicle inventory at the lower of cost or net realisable value. Further detail on the estimates made in the calculation of net realisable value is set out in Note 4.2.

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

	At 31 December 2022 £'000	At 31 December 2021 £'000
Gross inventory	235,245	369,532
Inventory provision	(2,680)	(4,947)
Inventory	232,565	364,585

During the year £1,175.1 million (2021: £447.2 million) was recognised as an expense for inventory carried at net realizable value. This is recognised in cost of sales.

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

	Change in expected selling price estimate %	Change in inventory provision 2022 £'000	Change in inventory provision 2021 £'000
Inventory provision	+2	683	1,417
Inventory provision	-2	(1,071)	(1,904)

As at 31 December 2022 inventory of £170.7 million (2021: £273.3 million) was held as security against stocking loans.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

18. Trade and other receivables

	At 31 December 2022 £'000	At 31 December 2021 £'000
Trade receivables	24,475	15,021
Prepayments	17,151	28,124
Contract assets	248	3,451
VAT recoverable	8,395	30,499
Other receivables	12,335	10,982
Receivables from related parties	13,271	-
	75,875	88,077
Allowance for expected credit losses	(4,000)	(225)
Total trade and other receivables	71,875	87,852
Current	65,375	77,884
Non-current	6,500	9,968

Contract assets relate to revenue earned from ancillary products. They are short term in nature and are derecognised within one month of the reporting period end across both 2022 and 2021 financial years.

Set out below is the movement in the allowance for expected credit losses of trade and other receivables:

	Allowance for expected credit losses £'000
At 31 December 2020	-
Provision for expected credit losses	225
At 31 December 2021	225
Provision for expected credit losses	3,775
At 31 December 2022	4,000

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

19. Trade and other payables

	At 31 December 2022 £'000	At 31 December 2021 £'000
Trade payables	18,141	29,224
Accruals and other creditors	22,861	24,693
Tax and social security payables	5,191	11,316
Contract liabilities	19,374	7,911
Deferred consideration	-	5,554
Payables to related parties	-	11,881
Total trade and other payables	65,567	90,579
Current	65,567	90,579
Non-current	-	-

Contract liabilities relate to undelivered vehicles. They are short term in nature and are derecognised within one month of the reporting period end across both 2022 and 2021 financial years.

20. Loans and borrowings

The book value of loans and borrowings are as follows:

	At 31 December 2022 £'000	At 31 December 2021 £'000
Current		
Stocking loans	161,592	169,170
Subscription facilities	14,983	10,188
Secured asset financing	1,479	-
Bank loans	30	635
Mortgages	-	547
	178,084	180,540
Non-current		
Stocking loans	-	8,809
Subscription facilities	-	56,987
Secured asset financing	4,113	-
Bank loans	-	815
Mortgages	-	1,502
	4,113	68,113
Total loans and borrowings	182,197	248,653

The carrying value of loans and borrowings classified as financial liabilities measured at amortised cost approximates fair value. Details of the interest rates, maturity and security details of loans and borrowings are set out in Note 24.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2022****21. Provisions**

	Dilapidation	Restructuring	Other	Total
	£'000	£'000	£'000	£'000
At 31 December 2020	3,363	-	-	3,363
Acquisition of subsidiaries	3,549	-	-	3,549
Recognised during the year	1,073	-	-	1,073
At 31 December 2021	7,985			7,985
Acquisition of subsidiaries	-	-	631	631
Recognised during the year	1,464	36,877	1,979	40,320
Utilised during the year	(697)	(5,740)	-	(6,437)
Reversed during the year	-	(1,406)	-	(1,406)
Liabilities held for sale	-	(5,033)	-	(5,033)
Disposal of subsidiaries	-	-	(770)	(770)
At 31 December 2022	8,752	24,698	1,840	35,290
Current	-	24,698	1,840	26,538
Non-current	8,752	-	-	8,752

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

The restructuring provision relates to actions being undertaken as part of the Group's Revised Business Plans including redundancy costs. Cash outflows associated with the restructuring provision are to be largely incurred within 12 months.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2022****22. Leases****Group acting as a lessee**

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

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

	Leasehold property £'000	Fixtures and fittings £'000	Subscription vehicles £'000	Other motor vehicles £'000	Total £'000
Cost					
At 31 December 2020	48,332	74	-	8,247	56,653
Additions	13,271	-	2,942	9,048	25,261
Acquisition of subsidiaries	29,268	-	5,536	-	34,804
Disposals	(5,096)	-	(624)	(220)	(5,940)
Transfers	-	-	-	(791)	(791)
FX revaluation	-	-	(151)	-	(151)
At 31 December 2021	85,775	74	7,703	16,284	109,836
Additions	31,670	-	11,913	3,306	46,889
Acquisition of subsidiaries	6,276	-	-	-	6,276
Sale and leasebacks	6,930	-	-	-	6,930
Disposals	(2,428)	-	-	(2,529)	(4,957)
Disposal of subsidiaries	(6,449)	-	-	-	(6,449)
Assets held for sale	-	-	(4,696)	-	(4,696)
Transfers	-	-	(818)	-	(818)
FX revaluation	202	-	223	68	493
At 31 December 2022	121,976	74	14,325	17,129	153,504
Accumulated depreciation					
At 31 December 2020	(4,839)	(18)	-	(1,076)	(5,933)
Depreciation charge for the year	(8,108)	(15)	(3,157)	(2,829)	(14,109)
Disposals	2,251	-	-	143	2,394
Transfers	-	-	-	66	66
At 31 December 2021	(10,696)	(33)	(3,157)	(3,696)	(17,582)
Depreciation charge for the year	(16,485)	(15)	(4,790)	(4,268)	(25,558)
Disposals	2,738	-	-	1,407	4,145
Disposal of subsidiaries	729	-	-	-	729
Assets held for sale	-	-	3,818	-	3,818
Transfers	-	-	-	-	-
FX revaluation	(48)	-	(177)	(17)	(242)
At 31 December 2022	(23,762)	(48)	(4,306)	(6,574)	(34,690)
Net book value					
At 31 December 2022	98,214	26	10,019	10,555	118,814
At 31 December 2021	75,079	41	4,546	12,588	92,254

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

22. Leases (continued)**Group acting as a lessee (continued)**

In February 2022, the Group sold two of its customer collection centres and leased them back for 20 years. The Group accounted for the sale and leaseback transactions in accordance with IFRS 16 and recognised a right-of-use asset and a lease liability for the leaseback.

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

	Lease liabilities £'000
At 31 December 2020	48,048
Additions	26,228
Acquisition of subsidiaries	36,352
Interest	1,338
Payments	(18,597)
Terminations	(2,969)
At 31 December 2021	90,400
Additions	51,757
Acquisition of subsidiaries	6,276
Interest	5,245
Payments	(29,198)
Terminations	(2,307)
Sale and leasebacks	5,466
Transfers	(3,529)
Disposals of subsidiaries	(5,878)
Assets held for sale	(1,003)
FX revaluation	231
At 31 December 2022	117,460

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

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Depreciation expense	25,558	14,109
Interest on lease liabilities	5,209	1,338
Total	30,767	15,447

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

22. Leases (continued)**Group acting as a lessor**

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

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

	At 31 December 2022 £'000	At 31 December 2021 £'000
Within one year	776	1,602
Greater than one year but not more than five years	97	469
Total	873	2,072

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

	2022 Number '000	2021 Number '000	2022 £'000	2021 £'000
Ordinary shares of £0.0000000167 each	67,232	67,232	-	-
Series A shares of £0.0000000167 each	30,250	30,250	-	-
Series B shares of £0.0000000167 each	29,412	29,412	-	-
Series C shares of £0.0000000167 each	31,679	31,679	-	-
Series D shares of £0.0000000167 each	29,127	29,127	-	-
	187,700	187,700	-	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2022****23. Share capital (continued)**

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital contribution reserve £'000
At 31 December 2020	-	266,120	181,250	-
Acquisition of subsidiaries	-	-	65,348	5,365
Warrants exercised	-	11,967	-	-
Other share issuances	-	610,284	-	-
At 31 December 2021	-	888,371	246,598	5,365
Acquisition of subsidiaries	-	-	-	23,051
Capital contribution from parent company	-	-	-	465,495
At 31 December 2022	-	888,371	246,598	493,911

24. Financial instruments**24.1 Financial assets**

Set out below is an overview of financial assets, other than cash and short-term deposits, held by the Group as at 31 December 2022 and 31 December 2021:

	At 31 December 2022 £'000	At 31 December 2021 £'000
Financial assets at amortised cost		
Trade receivables	24,475	14,796
Contract assets	248	3,451
Lease deposits	5,664	5,124
Total financial assets	30,387	23,371
Current	24,723	18,247
Non-current	5,664	5,124

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

24 Financial Instruments (continued)**24.2 Financial liabilities**

Set out below is an overview of financial liabilities held by the Group as at 31 December 2022 and 31 December 2021:

Financial liabilities: Interest-bearing loans and borrowings

	Interest rate %	Maturity	At 31 December 2022 £'000	At 31 December 2021 £'000
Current				
Stocking loans	Base rate + 0.5% - 2.2%	On earlier of sale or 180 days	161,592	169,170
Subscription facilities	Base rate + 1.7%	Within one year	14,983	10,188
Secured asset financing	3% - 7%	Within one year	1,479	-
Bank loans		Within one year	30	635
Mortgages			-	547
Lease liabilities	1% - 13%	Within one year	28,596	18,826
			206,680	199,366
Non-current				
Stocking loans			-	8,809
Subscription facilities			-	56,987
Secured asset financing	3% - 7%	2027	4,113	815
Bank loans			-	1,502
Lease liabilities	1% - 13%	2024 - 2042	88,864	71,574
			92,977	139,687

The stocking loans are secured against the inventory of the Group. The stocking loan facilities have varying due dates, ranging from the earlier of a sale of a vehicle by the Group to a customer or 180 day term from the inception of the individual loan. The stocking loans rates are in reference to the Bank of England base rate or SONIA. At 31 December 2022, the Group had available a maximum of £240.0 million of committed stocking loans.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

24. Financial Instruments (continued)

24.3 Fair value

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

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

24.4 Interest rate risk management

Interest rate risk is the risk that changes in interest rates will affect the income and financial management of the Group. The Group is exposed to interest rate risk through its stocking loans and subscription facilities where interest is charged in reference to a base interest rate. The Group is also exposed to interest rate risk on its interest income receivable on cash at bank and short-term deposits. The Group does not hedge against interest rate risk.

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

	Change in basis points	Effect on profit before tax 2022 £'000	Effect on profit before tax 2021 £'000
Loans and borrowings	+100	(2,350)	(1,393)
Loans and borrowings	-100	1,754	95

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

24.5 Foreign currency risk management

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

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

	Increase/decrease in EUR rate	Effect on profit before tax from discontinued operations £'000	Effect on pre-tax equity £'000
2022	+5%	(8,613)	(6,516)
	-5%	8,613	6,516
2021	+5%	(1,336)	(1,170)
	-5%	1,336	1,170

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2022****24. Financial instruments (continued)****24.6 Credit risk management**

Credit risk is the risk of financial loss to the Group if a customer or bank ("counterparty") fails to meet its contractual obligations resulting in a financial loss to the Group. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions.

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

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

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's treasury policy. The Group's maximum exposure to credit risk on cash and cash equivalents is the carrying amount of cash and cash equivalents on the statement of financial position.

24.7 Liquidity risk management

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

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

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

At 31 December 2022	Less than one year £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Stocking loans	164,478	-	-	164,478
Subscription facilities	15,354	-	-	15,354
Secured asset financing	1,727	4,408	-	6,135
Bank loans	30	-	-	30
Lease liabilities	24,203	56,324	72,644	153,171
Trade payables	65,567	-	-	65,567
Total	271,359	60,732	72,644	404,735

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

24. Financial Instruments (continued)**24.7 Liquidity risk management (continued)**

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

24. Financial instruments (continued)**24.8 Changes in liabilities arising from financial activities**

	Stocking loans £'000	Subscription facilities £'000	Secured asset financing £'000	Bank loans £'000	Mortgages £'000	Lease liabilities £'000	Total £'000
At 31 December 2020	86,709	-	-	-	3,494	48,048	138,251
New leases	-	-	-	-	-	26,228	26,228
Acquisition of subsidiaries	-	19,878	-	1,468	-	36,352	57,698
Issue of debt	665,325	107,683	-	30	-	-	773,038
Repayment	(574,055)	(60,386)	-	(48)	(1,445)	(18,597)	(654,531)
Terminations	-	-	-	-	-	(2,969)	(2,969)
Net accrued interest	-	-	-	-	-	1,338	1,338
At 31 December 2021	177,979	67,175	-	1,450	2,049	90,400	339,053
New leases	-	-	-	-	-	51,757	51,757
Sale and leasebacks	-	-	-	-	-	5,466	5,466
Transfers	-	-	-	-	-	(3,529)	(3,529)
Acquisition of subsidiaries	-	10,193	-	-	-	6,276	16,469
Disposal of subsidiaries	-	(14,731)	-	-	-	(5,878)	(20,609)
Issue of debt	1,202,039	101,967	5,971	3	11	-	1,309,991
Repayment	(1,218,426)	(120,559)	(379)	(1,423)	(2,060)	(29,198)	(1,372,045)
Terminations	-	-	-	-	-	(2,307)	(2,307)
Net accrued interest	-	-	-	-	-	5,245	5,245
Foreign exchange movements	-	-	-	-	-	231	231
Liabilities held for sale	-	(29,062)	-	-	-	(1,003)	(30,065)
At 31 December 2022	161,592	14,983	5,592	30	-	117,460	299,657

24.9 Hedge accounting

The Group has not entered into any agreements designed to hedge financial risk in the year ended 31 December 2022 (2021: none).

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

24. Financial Instruments (continued)

24.10 Derecognition of financial instruments

The Group has not recorded any gains or losses arising through the derecognition of financial assets or financial liabilities in the year ended 31 December 2022 (2021: none).

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

24.11 Capital management

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

	At 31 December 2022 £'000	At 31 December 2021 £'000
Inventory	232,565	364,585
Stocking loans	(161,592)	(177,979)
Net inventory	70,973	186,606
 Cash and cash equivalents	 258,192	 192,629

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2022****25. Group Information****Subsidiaries**

As at 31 December 2022 the consolidated financial statements of the Group include:

Name	Country of incorporation	Principal activities	Equity interest
Cazoo Limited	United Kingdom	Sale of motor vehicles	100%
Cazoo Properties Limited	United Kingdom	Activities of other holding companies	100%
Imperial Car Supermarkets Limited	United Kingdom	Sale of motor vehicles	100%
Imperial Cars of Swanwick Limited	United Kingdom	Sale of motor vehicles	100%
Carsaz Limited	United Kingdom	Sale of motor vehicles	100%
Cazoo Subscription Services Limited	United Kingdom	Renting and leasing of motor vehicles	100%
Fantastic Cars Limited	United Kingdom	Renting and leasing of motor vehicles	100%
Cazoo Wholesale Services Limited	United Kingdom	Maintenance and repair of motor vehicles	100%
Cazoo Data Services Limited	United Kingdom	Other business support service activities not elsewhere classified	100%
Project Chicago Newco Limited	United Kingdom	Non-trading company	100%
Arctos Holdings Limited	United Kingdom	Activities of other holding companies	100%
Moorgate House (Newco) Limited	United Kingdom	Dormant company	100%
GBJ Developments Limited	United Kingdom	Non-trading company	100%
CD Auction Group Limited	United Kingdom	Sale of motor vehicles	100%
Cazoo Support Services Limited	United Kingdom	Maintenance and repair of motor vehicles	100%
Ensco 1109 Limited	United Kingdom	Activities of other holding companies	100%
SMH Fleet Solutions Limited	United Kingdom	Maintenance and repair of motor vehicles	100%
Vans 365 Limited	United Kingdom	Sale of vans	100%

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

25. Group information (continued)

Name	Country of incorporation	Principal activities	Equity interest
CZO Data Services, Unipessoal, Lda	Portugal	Other business support service activities not elsewhere classified	100%
CSS Mobility France SaS	France	Renting and leasing of motor vehicles	100%
Cazoo Trading France SaS	France	Sale of motor vehicles	100%
Cazoo Properties France SaS	France	Activities of other holding companies	100%
Cluno GmbH	Germany	Renting and leasing of motor vehicles	100%
Cluno Fintech 1 GmbH	Germany	Acquisition, leasing and financing of motor vehicles	100%
Cluno Fintech 2 GmbH	Germany	Acquisition, leasing and financing of motor vehicles	100%
CSS Fintech GmbH	Germany	Acquisition, leasing and financing of motor vehicles	100%
Cazoo Trading Germany GmbH	Germany	Sale and rental of motor vehicles and related intermediation activities	100%
Cazoo Properties Germany GmbH	Germany	Activities of other holding companies	100%
CSS Germany GmbH & Co. KG	Germany	Rental of motor vehicles and related intermediation activities	100%
Cazoo Trading Spain, S.L.	Spain	Sale of motor vehicles	100%
Cazoo Properties Spain, S.L.	Spain	Activities of other holding companies	100%
Cazoo Trading Italy SARL	Italy	Sale of motor vehicles	100%

Parent company

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

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2022****20. Share-based payments**

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

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

In January 2022, the Group established a SAYE scheme. The scheme provides employees an option to purchase shares in the Company in three years' time at a discounted price per share which is fixed at the grant date.

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

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Incentive Equity Plan	44,312	13,599
SAYE	184	-
EMI prior to the Listing	-	73
Unapproved prior to the Listing	-	29,096
Modification at the Listing	-	1,103
	44,496	43,871

The following options were granted during the year ended 31 December 2022:

Scheme	Number	Grant date	Expiry date
Incentive Equity Plan	2,295,099	01/01/2022	01/01/2032
Incentive Equity Plan	1,269,100	01/04/2022	01/04/2032
Incentive Equity Plan	1,087,250	01/07/2022	01/07/2032
Incentive Equity Plan	427,300	01/10/2022	01/10/2032
Incentive Equity Plan - Directors	3,933,339	01/10/2022	01/10/2032
SAYE	1,496,903	26/01/2022	31/08/2025
Total 2022	10,508,991		
Unapproved prior to the Listing	469,000	01/01/2021	01/01/2031
Unapproved prior to the Listing	2,023,516	01/04/2021	01/04/2031
Incentive Equity Plan	23,915,248	01/10/2021	01/10/2031
Total 2021	26,407,764		

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2022****28. Share-based payments (continued)****Movements in share options during the year**

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

	EMI Number of options	Unapproved Number of options	Incentive Equity Plan Number of options	SAYE Number of options
At 31 December 2020	4,683,683	8,121,393	-	-
Granted prior to the Listing	-	2,492,516	-	-
Forfeited prior to the Listing	(66,413)	(579,713)	-	-
Cash settled at the Listing	(34,690)	(44,114)	-	-
Replacements at the Listing	(4,582,580)	(9,990,082)	50,347,491	-
Granted after the Listing	-	-	23,915,248	-
At 31 December 2021	-	-	74,262,739	-
Granted during the year	-	-	9,012,088	1,496,903
Exercised during the year	-	-	(9,513,868)	-
Forfeited during the year	-	-	(10,732,364)	(884,823)
Expired during the year	-	-	(599,238)	-
At 31 December 2022	-	-	62,429,357	612,080

Employee share option fair value assessment

The following information is relevant in the determination of fair value of the employee share options granted during 2022:

	Incentive Equity Plan	Incentive Equity Plan – Executive Directors	SAYE
Valuation method	N/A	Monte-Carlo	Black Scholes
Exercise price	£nil	£nil	£3.60
Expected volatility	N/A	98%	53%
Dividend yield	Nil	Nil	Nil
Risk free interest rate	N/A	4.2%	1.2%
Fair value per share	£0.40-£4.46	£0.31	£0.98

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

26. Share-based payments (continued)**Employee share option fair value assessment (continued)**

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

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

27. Cash and cash equivalents

	At 31 December 2022 £'000	At 31 December 2021 £'000
Cash at bank available on demand	179,688	181,818
Cash held in short-term deposit accounts	66,062	10,811
Cash and cash equivalents in the statement of financial position	245,750	192,629
Cash at bank and short-term deposits within assets held for sale	12,442	-
Cash and cash equivalents in the statement of cash flows	258,192	192,629

28. Events after the reporting date**28.1 Revised 2023 Plan**

On January 18 2023, the Group announced its revised FY 2023 plan which aims to improve the unit economics of the business. To enable these improvements, the Group reset its 2023 top line ambitions to 40,000-50,000 UK retail units, allowing the Group to focus on higher margin and faster moving inventory and to rationalize its operational footprint. The Group expects to incur charges for restructuring in 2023 as a result of the implementation of its revised 2023 plan, including amounts for the write off of non-current assets such as leasehold improvements, right-of-use assets and internally developed software.

28.2 Sale of German subscription business

On February 17 2023, the Group agreed to sell its German subscription business, Cluno GmbH, to ViveLaCar GmbH and The Platform Group GmbH & Co. KG. The agreement includes 100% of the capital and voting rights of the company Cluno GmbH and the Cluno brand along with the associated assets. All employees of Cluno will transfer to ViveLaCar GmbH as part of the agreement. As of the date of this report, it is too early to determine the financial effect.

28.3 Sale of Cazana data platform

On February 22 2023, the Group sold its third-party data platform, Cazana. The agreement includes the sale of the Cazana brand, platform and commercial contracts. As of the date of this report, it is too early to determine the financial effect.

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2022****29. Related party transactions****29.1 Key management personnel**

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

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Short-term employee benefits	1,058	778
Post-employment benefits	91	49
Share-based payment transactions	22,529	14,712
Total compensation paid to key management personnel	23,678	15,539

29.2 Other related party transactions

	At 31 December 2022 £'000	At 31 December 2021 £'000
Receivables from Cazoo Group Ltd	13,271	-
Payables to Cazoo Group Ltd	-	(11,881)

No other reportable related party transactions occurred during the year ended 31 December 2022 (2021: £nil).

Cazoo Holdings Limited (Registered No. 12450682)

COMPANY STATEMENT OF FINANCIAL POSITION**As at 31 December 2022**

		At 31 December 2022 £'000	At 31 December 2021 £'000
Assets	Note		
Non-current assets			
Intangible assets	5	62	108
Investment in subsidiaries	6	197,257	370,468
		197,319	370,576
Current assets			
Trade and other receivables	7	264	596,479
Cash and cash equivalents	8	180,450	101,984
		180,714	698,463
Total assets		378,033	1,069,039
Liabilities			
Current liabilities			
Trade and other payables	9	5,406	23,501
Provisions	10	495	-
Total liabilities		5,901	23,501
Net assets		372,132	1,045,538
Share capital		-	-
Share premium		888,371	888,371
Merger reserve		200,946	200,946
Capital contribution reserve		493,911	5,365
Retained earnings		(1,211,096)	(49,144)
Total equity		372,132	1,045,538

The loss for the year ended 31 December 2022 of the Company is £1,185,056k (2021: £65,100k).

The financial statements on pages 88 to 94 were approved and authorised for issue by the Board of Directors on 28 April 2023 and were signed on its behalf by:

Paul Woolf

P Woolf
Director
28 April 2023

Cazoo Holdings Limited (Registered No. 12450682)

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital contri- bution reserve £'000	Retained earnings £'000	Total equity £'000
At 31 December 2020	-	266,120	135,598	-	1,399	403,117
Comprehensive Income for the year						
Total comprehensive loss for the year	-	-	-	-	(65,100)	(65,100)
Contributions by and distributions to owners						
Acquisition of subsidiaries	-	-	65,348	5,365	-	70,713
Exercise of warrants from Drover acquisition	-	11,967	-	-	-	11,967
Issue of share capital	-	610,284	-	-	-	610,284
Exercise of options	-	-	-	-	(369)	(369)
Share-based payments	-	-	-	-	14,926	14,926
At 31 December 2021	-	888,371	200,946	5,365	(49,144)	1,045,538
Comprehensive Income for the year						
Total comprehensive loss for the year	-	-	-	-	(1,185,056)	(1,185,056)
Contributions by and distributions to owners						
Acquisition of subsidiaries	-	-	-	23,051	-	23,051
Capital contribution from parent company	-	-	-	465,495	-	465,495
Share-based payments	-	-	-	-	23,104	23,104
At 31 December 2022	-	888,371	200,946	493,911	(1,211,096)	372,132

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. Accounting policies and basis of accounting

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

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

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

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

Investments in subsidiaries are valued at cost less any provision for impairment. Further information about subsidiaries is provided in Note 25 to the consolidated financial statements.

The movements in share capital are disclosed in Note 23 to the consolidated financial statements.

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

The financial statements of Cazoo Holdings Limited have been prepared on a going concern basis as set out in Note 2.7 to the consolidated financial statements.

2. Critical accounting judgements or key sources of estimation uncertainty

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

3. Profit for the year

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

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

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2022****4. Employee benefit expenses**

Employee benefit expenses (including Directors) comprise:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Wages and salaries	600	801
Employer's national insurance	87	116
Short-term non-monetary benefits	-	6
Defined contribution pension cost	50	49
Share-based payment expenses	23,104	14,926
	23,841	15,898

The average number of employees are as follows:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Administrative	3	2
	3	2

Employee benefit expenses in respect of all Directors:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Wages and salaries	911	681
Employer's national insurance	139	91
Short-term non-monetary benefits	8	6
Defined contribution pension cost	91	49
Share-based payment expenses	22,529	14,712
	23,678	15,539

No Directors exercised share options during the year (2021: one).

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2022****4. Employee benefit expenses (continued)**

Employee benefit expenses in respect of the highest paid Director:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Wages and salaries	559	394
Employer's national insurance	86	56
Short-term non-monetary benefits	5	3
Defined contribution pension cost	56	29
Share-based payment expenses	22,373	8,345
	23,079	8,827

No options were exercised in respect of the highest paid Director (2021: nil).

5. Intangible assets

	Software £'000	Domain names £'000	Total £'000
Cost			
At 31 December 2020	213	-	213
Additions	-	-	-
At 31 December 2021	213		213
Additions	-	29	29
At 31 December 2022	213	29	242
Accumulated amortisation			
At 31 December 2020	(33)	-	(33)
Charge for the year	(72)	-	(72)
At 31 December 2021	(105)	-	(105)
Charge for the year	(72)	(3)	(75)
At 31 December 2022	(177)	(3)	(180)
Net book value			
At 31 December 2022	36	26	62
At 31 December 2021	108	-	108

Cazoo Holdings Limited (Registered No. 12450602)

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

6. Investment in subsidiaries

	At 31 December 2022 £'000	At 31 December 2021 £'000
Investment in Imperial Car Supermarkets Limited	-	25,580
Investment in Drover Limited	-	60,902
Investment in Cazoo Wholesale Services Limited	14,200	14,200
Investment in Cluno GmbH	26,203	60,376
Investment in Cazoo Trading France SaS	-	21
Investment in Cazoo Limited	137,491	137,491
Investment in SMH Fleet Solutions Limited	17,494	17,494
Investment in Cazoo Data Services Limited	1,869	23,690
Investment in Swipcar 2017, S.L.	-	23,569
Investment in Vans 365 Limited	-	7,121
Investment in Cazoo Trading Germany GmbH	-	24
	197,257	370,468

Details of subsidiary undertakings

These are disclosed in Note 25 of the Group accounts.

7. Trade and other receivables

	At 31 December 2022 £'000	At 31 December 2021 £'000
Prepayments	10	3,639
VAT recoverable	181	406
Other receivables	73	101
Receivables from related parties	316,796	592,333
	317,060	596,479
Allowance for expected credit losses	(316,796)	-
	264	596,479

8. Cash and cash equivalents

	At 31 December 2022 £'000	At 31 December 2021 £'000
Cash at bank available on demand	130,317	101,973
Cash held in short-term deposits	50,133	11
	180,450	101,984

Cazoo Holdings Limited (Registered No. 12450682)

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

9. Trade and other payables

	At 31 December 2022 £'000	At 31 December 2021 £'000
Accruals and other creditors	1,335	3,596
Tax and social security payables	3,598	2,001
Deferred consideration	-	5,554
Payables to related parties	473	12,350
	<u>5,406</u>	<u>23,501</u>

10. Provisions

	Other provisions £'000
At 31 December 2021	-
Recognised during the year	495
At 31 December 2022	<u>495</u>

11. Events after the reporting date

Details of events after the reporting date are disclosed in Note 28 of the Group accounts.