

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

## CONTENTS

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**Page**

Company information	3
Strategic Report	
About Constellation Automotive Group	4
Principal activity	4
Company background	4
Ultimate controlling party	6
Other developments	6
Business model	7
Strategy	8
Group operating review	9
Section 172 statement	16
Governance	19
Risk management	26
Directors' report	33
Independent auditors' report	40
Consolidated income statement	49
Consolidated statement of comprehensive income	50
Consolidated balance sheet	51
Consolidated statement of changes in equity	52
Consolidated cash flow statement	53
Notes to the financial statements	54
Company financial statements	119

## COMPANY INFORMATION

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## STRATEGIC REPORT

The Directors present their Strategic Report for Constellation Automotive Holdings Limited ('CAHL', or the 'Company') for the year ended 2 April 2023.

CAHL was incorporated on 21 September 2021 as an intermediate holding company in the Constellation Automotive Group Sarl group ('Constellation Sarl group'). CAHL and its subsidiaries are referred to in this report as 'Constellation Automotive Group' or the 'Group'.

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

### ABOUT CONSTELLATION AUTOMOTIVE GROUP

Constellation Automotive Group is the largest vertically integrated digital car marketplace in Europe, combining leading digital brands across the consumer to business, business to business and business to consumer marketplaces.

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

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

### PRINCIPAL ACTIVITY

As an intermediate holding company, the principal activity of CAHL is to hold and develop certain investments within the Constellation Sarl group.

### COMPANY BACKGROUND

Following a group reorganisation on 4 October 2021, the Company acquired the entire share capital from the immediate parent company of two groups of companies: Constellation Automotive Group Limited ('CAGL') and its subsidiaries (the 'Constellation Group'), and Cinch Holdings Sarl ('Cinch Holdings') and its subsidiaries (the 'Cinch Group'). This was completed by way of a share for share exchange. CAHL also acquired the entire share capital of CN Topco Limited ('CNL') and its subsidiaries (the 'CarNext Group') on 4 October 2021, with a view to hold for resale. On 31 December 2021, the Company disposed of CNL, and the CarNext Group was presented as a discontinued operation in the prior period.

On 29 November 2021, the Group announced a cash offer to acquire the entire issued and to be issued share capital of Marshall Motor Holdings plc ('MMH'). At 3 April 2022 the Group held 19.39% of MMH. On 11 May 2022, the remaining shares were acquired, and MMH and its subsidiaries ('Marshall Motor Group') formed part of the Group. The £325m cash cost was equity funded.

## **STRATEGIC REPORT** *continued*

### **COMPANY BACKGROUND** *continued*

On 28 November 2022, CAHL distributed its investment in the Cinch Group to its parent, Constellation Automotive Group Sarl, at carrying value. The repositioning of cinch within the wider structure is in line with the principal activity of CAHL to hold certain investments and provides greater funding flexibility to further mature a business that is now firmly established in the minds of consumers.

Following the distribution on 28 November 2022, the Group has continuing operations through two segments, Constellation Group and Marshall Motor Group. Cinch Group is presented within this report as a discontinued operation.

#### **Constellation Group**

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

Constellation Group facilitates efficient changes of vehicle ownership throughout the UK and Europe, bringing together vendors and buyers. With the trusted, convenient, consumer disposal channel, outsourced remarketing and auctions, the Group delivers a marketplace that facilitates the speed and efficiency of vehicle disposal, access to the latest market pricing for vendors and an unrivalled choice of consistently graded stock for buyers.

Constellation Group supports market participants in the new and used automotive industry: providing manufacturers with storage, fitment and pre delivery services; providing retail partners and fleet operators with storage, reconditioning, valeting and imaging; connecting the whole marketplace with single and bulk vehicle movements; and providing streamlined inspection, collection and delivery services.

#### **Marshall Motor Group**

Marshall Motor Group is one of the UK's largest car dealer networks, consisting of 140 franchised dealerships representing 23 brand partners as at the date of this report. In addition, the Group operates eight trade parts specialists, three used car centres, three standalone body shops and two pre-delivery inspection preparation centres.

As a dealer of both new and used passenger and commercial vehicles, Marshall Motor Group also offers aftermarket servicing on car purchases covering annual services, Ministry of Transport ("MOT") tests and manufacturer approved accessories.

The Group is focused on broadening its offering for both consumers and business partners, and the acquisition of Marshall Motor Group continues this strategy, further developing omni-channel retail, mixing the physical and digital journeys, giving customers flexibility and choice on how they interact.

Marshall Motor Group has strong relationships with OEM partners and suppliers, enabling the Group to continue its development and growth journey.

Additionally, while the businesses are run separately, the acquisition allows synergies within the Group and the wider Constellation group of companies, to enable both profit growth and scalability.

#### **Cinch Group**

Cinch Group operates the cinch brand, and offers a direct-to-consumer e-commerce platform, providing consumers with a "faff-free" online experience in which they can research, find, finance and buy a car that suits their needs, arranging collection of their part exchange and delivery of their new car to their door, all backed by a 14 day money back guarantee.

## **STRATEGIC REPORT** *continued*

### **ULTIMATE CONTROLLING PARTY**

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

### **OTHER DEVELOPMENTS**

Where appropriate, the Group has made strategic investments. At 2 April 2023 the Group holds a beneficial interest in a listed motor dealer.

The consolidated financial statements are presented on pages 49 to 118.

## BUSINESS MODEL

### OUR BUSINESSES' DIGITAL AND DATA RESOURCES

#### Online auctions and remarketing services

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

#### Vehicle information

Through the BCA Buyer app and Auction View all customers have a sophisticated digital experience to help them search, find, review, track and ultimately buy vehicles.

#### Grade and condition

Using machine learning to optimise refurbishment decisions and data driven algorithms to provide consistent and accurately graded vehicles.

#### Vehicle pricing

Using the latest data captured through auction transactions and multiple vehicle touch points to provide predictive valuations based on age, mileage and condition.

#### Inventory management

BCA Dealer Pro designed to make the part exchange process efficient and predictable with integrated inventory management.

#### Online platforms

Websites for Group products and services, including consumer focused sites for WeBuyAnyCar and Marshall Motor Group, give customers direct access to information, and the ability to initiate or complete transactions. Ongoing investment in online capabilities ensures that the Group can provide a best in class omni-channel offering.

### OUR BUSINESSES' PHYSICAL RESOURCES

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

#### Processing centres

Supporting our online platform, our processing centres appraise, image, recondition and store vehicles at scale.

#### Transport

Moving new and fleet vehicles for customers, transporting vehicles to and from refurbishment centres and providing transport for remarketing customers.

#### New vehicle services

Inspecting, storing, managing and preparing new vehicles at storage locations around the UK prior to distribution.

#### Dealership network

Physical forecourt space for new and used vehicles as well as servicing, in addition to body shops and pre delivery inspection centres.

#### Buying locations

Expanded network of accessible, convenient and trusted local car buying locations make it easy for consumers to transact with WeBuyAnyCar.

## STRATEGY

The Group's strategy is to invest in businesses that create value for stakeholders. Our businesses continue to work with all major market participants to develop and adapt integrated solutions to solve and meet the needs of the participants across the automotive sector, maximising value for all stakeholders.

### Short term

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

### Medium term

The Group will continue to develop our operations through both organic growth and tactical acquisitions, with a focus on the intelligent use of data and other innovations.

### Long term

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

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

### Strategic objective

“to be the most efficient, effective and capable fully integrated automotive services business, combining business to business and business to consumer services and marketplaces to provide all stakeholders with a partner of choice”

## GROUP OPERATING REVIEW

### Challenging market conditions driving business underperformance

Group performance has been impacted by lack of availability of used vehicles following new vehicle supply shortages related to semiconductor chip shortages and the war in Ukraine. This has impacted Group activity and profitability as the Group's strength in physical assets could not be efficiently utilised, though the integrated capabilities of the Group provided some protection to the abnormally poor market conditions.

The Group generated revenue from continuing operations of £9.7bn (period ended 3 April 2022: £3.5bn), up 173.1%, and adjusted EBITDA from continuing operations of £289.3m (period ended 3 April 2022: £113.8m), up 154.2%. The current year reflects the inclusion of Marshall from 11 May 2022. Cinch Group results are included within discontinued operations for the current year up to the date of distribution, 28 November 2022, and for the prior period. The prior period spans the period from incorporation of the Company on 21 September 2021 and consolidates the results of the subsidiary companies for the 26 weeks from the date of the group reorganisation.

The loss for the year from continuing operations was £99.9m (period ended 3 April 2022: £40.7m). As the majority of the Group's debt is at floating interest rates, interest costs have increased significantly. Total finance costs increased to £184.7m (period ended 3 April 2022: £66.2m), of which £131.0m was interest payable (period ended 3 April 2022: £52.9m) reflecting increasing interest rates over the period.

### Outlook

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

### Non-GAAP measures

#### Key Performance Indicator – adjusted EBITDA

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

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

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

All non-GAAP measures are reconciled back to statutory equivalents on page 14. They are provided with the clear intention to aid understanding of performance.

## GROUP OPERATING REVIEW *continued*

### DIVISIONAL RESULTS SUMMARY

The year ended 2 April 2023 represents a full 52 week period and incorporates Marshall Motor Group results from acquisition date 11 May 2022. The period ended 3 April 2022 represents the period from incorporation of the Company on 21 September 2021 and consolidates the results of the subsidiary companies for the 26 weeks from the date of the group reorganisation.

	For the year ended 2 April 2023		For the period 21 September 2021 to 3 April 2022 <sup>1</sup>	
	Revenue £m	Adjusted EBITDA £m	Revenue £m	Adjusted EBITDA £m
Constellation Group	6,386.2	212.9	3,545.5	113.8
Marshall Motor Group <sup>2</sup>	3,297.1	76.4	-	-
<b>Total from continuing operations</b>	<b>9,683.3</b>	<b>289.3</b>	<b>3,545.5</b>	<b>113.8</b>

<sup>1</sup>The results for the period 21 September 2021 to 3 April 2022 include the Company results from incorporation on 21 September 2021 and the results of the subsidiary companies from the date of the group reorganisation on 4 October 2021.

<sup>2</sup>Marshall Motor Group results included from acquisition date 11 May 2022.

Adjusted EBITDA from continuing operations of £289.3m is reconciled to the statutory operating profit from continuing operations for the year ended 2 April 2023 of £48.9m on page 14. Results from discontinued operations are presented in note 19.

### Key Performance Indicators (KPIs)

Our operating businesses each have a detailed dashboard of KPIs that are used to track and evaluate performance, make projections, and support strategic decisions. These performance indicators cover commercial, operations, health & safety, people, costs and digital footprint. Given the commercial sensitivity, not all operational KPIs are published, but they are designed to support the financial KPIs that we focus on in this report.

The divisional review focuses on our core financial and non-financial key performance indicators including revenue and adjusted EBITDA, which are common performance indicators across our operating divisions.

## GROUP OPERATING REVIEW *continued*

### DIVISIONAL RESULTS SUMMARY *continued*

#### Constellation Group

Scarcity of vehicle volumes in the market significantly suppressed activity and profitability as the Group's strength in physical assets could not be efficiently utilised.

The division generated revenue of £6.4bn (period ended 3 April 2022: £3.5bn), up 80.1%, and adjusted EBITDA of £212.9m (period ended 3 April 2022: £113.8m), up 87.1%, primarily driven by the comparative results representing only 26 weeks of trading.

#### Key performance indicators

	For the year ended 2 April 2023	For the period 21 September 2021 to 3 April 2022
Revenue (£m)	6,386.2	3,545.5
Adjusted EBITDA (£m)	212.9	113.8

Challenges deriving from the ongoing war in Ukraine, both in the supply chain of new vehicles and macroeconomic implications of increased energy prices, high inflation and rising interest rates, saw the focus diverted from continuing the acceleration out of the covid impacted trading periods to right sizing for conditions and protection of liquidity.

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

Vehicle remarketing volumes within the UK from third party vendors were down on the prior year and the units seen in the largely pre-pandemic FY20. Constrained supply resulted in third party volumes being severely impacted by the knock-on effects of new car supply shortages, as leasing companies held vehicles for longer and franchised dealers continued to trade older vehicles to replace new car sales. On an annual basis, remarketing volumes were 950,000 units (period ended 3 April 2022: 1,100,000). This resulted in overcapacity in retail operations and the UK vehicle remarketing estate operating at c.60-70% of capacity with a corresponding negative impact on operational leverage and profitability.

In Retail Ready, throughput of fewer units saw unabsorbed overhead of £11.7m in the year. In addition, supply chain disruption and changing market demand led to out of programme vehicle costs of £11.1m. A review of production facilities led to a reduction of the estate to a size more appropriate for near term production. Remaining sites were operating at a break even run rate at the end of March 2023, and out of programme vehicles have been reduced through operational changes to the process of identifying and selecting vehicles.

While FY23 results reflect difficult market conditions, the UK business has not lost significant vendors or customers, and has retained operating scale. This will enable the business to benefit from operating leverage as the market returns to more normal levels of vehicle supply.

## GROUP OPERATING REVIEW *continued*

### DIVISIONAL RESULTS SUMMARY *continued*

#### Constellation Group *continued*

Vehicle remarketing within Europe also saw lower auction volumes and challenging market conditions similar to those in the UK, with the European market also experiencing new car shortages, lower consumer confidence, and rising inflation, fuel and energy costs. The most notable declines in volumes were seen in OEM centric markets in France and Germany, resulting in poorer operational leverage and adversely impacting profitability. Despite having fewer units available, strong ties remain with key external customers. The European business traditionally operated in the OEM and dealer vendor market. After year end, the business was able to secure a contract with ALD, providing additional volume for FY24 and a significant entry point into the leasing vendor segment.

The division's automotive services transporters, plated drivers and refurbishment sites continued to be deployed on less profitable internal work to protect capacity for the future in anticipation of new car volume growth returning to the market. Towards the end of FY23, performance showed signs of improvement as new car supply constraints began to ease.

On 19 July 2022, the Group completed the acquisition of Cold Fell Group Limited and its subsidiary E. C. M. (Vehicle Delivery Service) Limited (together referred to as 'ECM'), bringing with it a number of long term OEM transport relationships. This increases the bulk movement capacity of the division by bringing over 450 additional transporters to the fleet, better equipping the Group to service higher volumes in the future as the automotive market continues to recover.

The division's vehicle buying capabilities continued its excellent performance having its second best ever year, comfortably maintaining its position as the UK consumer's preferred car buying service. Consumer website engagement for quotes was more than double pre-pandemic levels. The expansion of the retail estate slowed during the year to manage the cost base and profitability, with a small increase in the number of sites. The focus continues to be on switching to 'off-grid' PODs, which are sites that operate on solar panels and HVO fuels.

#### Marshall Motor Group

The division generated £3.3bn of revenue during the post-acquisition period ended 2 April 2023 (period ended 3 April 2022: £nil). The division delivered an adjusted EBITDA of £76.4m (period ended 3 April 2022: £nil).

#### Key performance indicators

	For the year ended 2 April 2023 <sup>1</sup>	For the period 21 September 2021 to 3 April 2022
Revenue (£m)	3,297.1	-
Adjusted EBITDA (£m)	76.4	-

<sup>1</sup>Marshall Motor Group results included from acquisition date 11 May 2022.

During the year ended 2 April 2023, Marshall sold approximately 59,000 new vehicles, and 78,000 used vehicles, inclusive of the pre-acquisition period. The supply chain of new vehicles continued to be disrupted during the period, though supply constraints showed indications of easing towards the end of the year.

Gross margins trended down in the year, driven by the unwind of the sector wide market tailwinds seen previously, which had included an unprecedented level of used vehicle value appreciation due to favourable conditions and an accumulation of consecutive years of subdued new vehicle registrations, which had positively impacted both new and used vehicles pricing.

Operating expenses during the period were impacted by inflationary pressures and sector wide cost pressures, particularly staff and utility costs, with the increasing cost of utilities relating primarily to energy prices increasing significantly during the year.

## GROUP OPERATING REVIEW *continued*

### DIVISIONAL RESULTS SUMMARY *continued*

#### Marshall Motor Group *continued*

Aftersales continues to be a key component of division performance, though it was impacted in the year by a decline in the number of vehicles in the key category of vehicles less than three-years-old, due to the reduced registrations within the last three years, as well as continued technician vacancies and challenges with the availability of parts.

Since forming part of the Group, Marshall have the full benefit of BCA transport, logistics and other services. Marshall vehicle trade ins and disposals are also now running through the Groups auction services, giving buyers access to an additional source of vehicles.

#### Cinch Group (discontinued operation)

cinch's mission is "faff-free" motoring – we make it easy to find, buy and own a car. Launched in October 2020, cinch's fully transactional e-commerce platform allows consumers to browse thousands of quality-checked used cars from our wide range, organise finance and value their part exchange vehicle. During the year, cinch passed the milestone of selling 100,000 vehicles since launching.

On 28 November 2022, CAHL distributed its investment in the Cinch Group to its parent, Constellation Automotive Group Sarl, at carrying value. KPIs reflect performance up to date of distribution.

In the year to 2 April 2023, the division generated revenue of £573.9m (period ending 3 April 2022: £385.5m), with the increase primarily driven by the 8 months of trading within the current year relative to the comparative being a 26 week period. The division reported an adjusted EBITDA loss of £(109.5)m for the year to 2 April 2023 (period ended 3 April 2022: £(68.7)m), similarly primarily driven by the comparative being a 26 week period.

#### Key performance indicators

	For the year ended 2 April 2023 <sup>1</sup>	For the period 21 September 2021 to 3 April 2022
Revenue (£m)	573.9	385.5
Adjusted EBITDA loss (£m)	(109.5)	(68.7)

<sup>1</sup>The results for the year ended 2 April 2023 reflects the results of the Cinch Group up to the distribution on 28 November 2022. For both the current year and the prior period, the results are presented within discontinued operations.

## GROUP OPERATING REVIEW continued

### FINANCIAL PERFORMANCE REVIEW

The following table sets out the financial performance of the Group.

	For the year ended 2 April 2023 £m	For the period 21 September 2021 to 3 April 2022 <sup>1</sup> £m
<b>Revenue</b>	<b>9,683.3</b>	<b>3,545.5</b>
<b>Adjusted EBITDA</b>		
Constellation Group	212.9	113.8
Marshall Motor Group	76.4	-
<b>Adjusted EBITDA</b>	<b>289.3</b>	<b>113.8</b>
Depreciation and other amortisation	(116.8)	(39.0)
Significant or non-recurring items:		
Amortisation of acquired intangibles	(87.1)	(36.3)
Restructuring costs	(21.1)	(0.6)
Transaction costs	(1.0)	(15.7)
Movements on financial assets held at fair value	(8.8)	(6.7)
Impairment of intangible assets and related costs	(6.2)	-
Other	0.6	(1.3)
<b>Operating profit from continuing operations</b>	<b>48.9</b>	<b>14.2</b>
Finance income	0.7	4.1
Finance costs	(184.7)	(66.2)
Share of loss of equity-accounted investments	(0.2)	(1.2)
<b>Loss before income tax from continuing operations</b>	<b>(135.3)</b>	<b>(49.1)</b>
Income tax	35.4	8.4
<b>Loss for the period from continuing operations</b>	<b>(99.9)</b>	<b>(40.7)</b>

<sup>1</sup>The results for the comparative period do not include Marshall Motor Group results, which are included within the current year from 11 May 2022.

#### Significant or non-recurring items

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

During the year the Group recognised amortisation of acquisition related intangible assets of £87.1m (period ended 3 April 2022: £36.3m), an impairment of intangible assets and related costs of £6.2m (period ended 3 April 2022: nil), representing a portion of the total carrying value for two specific pieces of software for which the Group no longer expects to receive any future benefit, restructuring costs of £21.1m (period ended 3 April 2022: £0.6m) and movements on financial assets held at fair value of £8.8m (period ended 3 April 2022: £6.7m), representing the change in market price of listed equity investments.

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

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

#### **Finance income**

Finance income in the year of £0.7m (period ended 3 April 2022: £4.1m) principally relates to interest income from affiliates and includes £0.1m (period ended 3 April 2022: £0.1m expense) of net interest on the retirement benefit obligations.

#### **Finance costs**

Finance costs in the year of £184.7m (period ended 3 April 2022: £66.2m) include £131.0m of interest mainly charged on the finance facilities (period ended 3 April 2022: £52.9m), £33.8m of lease interest costs (period ended 3 April 2022: £13.0m) and £12.7m net foreign exchange expense (period ended 3 April 2022: £4.0m gain).

#### **Loss after tax from continuing operations**

The loss after tax from continuing operations of £(99.9)m (period ended 3 April 2022: £(40.7)m) was stated after charging £123.6m of net SONR costs (period ended 3 April 2022: £60.6m). On an adjusted basis after excluding SONR, the adjusted loss before income tax from continuing operations was £(11.5)m (period ended 3 April 2022: £12.9m profit).

#### **Discontinued operations**

On 28 November 2022, Constellation Automotive Holdings Limited distributed its investment in the Cinch Group to its parent, Constellation Automotive Group Sarl. During the year ended 2 April 2023 while it formed part of the Group, Cinch Group contributed a loss from discontinued operations of (£105.3m) to the Group results, reflecting continued investment in marketing activities, innovation, systems and personnel to support the growth of the business at this point in its lifecycle. The distribution was at carrying value, resulting in no gain or loss on disposal.

#### **Net assets**

As at 2 April 2023, the Group has net assets of £475.8m (as at 3 April 2022: £949.9m) with part of the reduction in the year reflecting the impact of the distribution of cinch to immediate parent Constellation Automotive Group Sarl.

#### **Financing and liquidity**

The Group has a number of finance facilities:

The Group's debt consists of £695m High Yield Bonds, £400m and €400m Senior Term Facilities, a £325m Second Lien Facility and separate £250m and £60m Revolving Credit Facilities ('RCF').

The debt facilities are repayable on dates between January 2027 and July 2029. The facilities are denominated in GBP and Euros, and attract fixed interest or variable interest based on SONIA / EURIBOR plus margin, with customary margin ratchets and prepayment options. The Constellation Group RCF of £250m is subject to a covenant test only if, at the end of a quarter, more than 40% of the total RCF facility is drawn in revolving loans. The Marshall Motor Group RCF of £60m is subject to leverage and fixed charge cover covenants, however these have not been triggered in the period and the RCF is undrawn at year end.

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

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

## STAKEHOLDER INFORMATION

### SECTION 172 STATEMENT

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

#### Customers, Suppliers and Business Partners

Operational management regularly engage with customers, suppliers and partners to gather feedback on engagement, performance and operational matters. The Group provides joined up, aggregated solutions to support the efficient change of vehicle ownership.

- **Remarketing buyers:** Fulfilling sourcing needs via the largest aggregation of stock, providing choice, convenience and value.
- **Remarketing vendors:** Optimised price performance and sale conversion rates of used vehicles through a method that maximises financial return, speed and convenience.
- **Corporate owners:** Ability to fully outsource vehicle management, conditioning, driver contact and logistical moves.
- **WeBuyAnyCar customers:** An alternative disposal option to part exchange or private sale.
- **Suppliers and business partners:** Working in the manner in which we would expect to be treated, acting with transparency, honesty and integrity.
- **Dealership customers:** A consistent and high-quality customer experience to buy and part exchange vehicles in a physical dealership or online, in addition to servicing.
- **Dealership suppliers:** Long term partnership agreements with vehicle manufacturers and key strategic suppliers delivering certainty of business.

#### Employees

During the year, the Board and operational management have continued to engage with employees about the business and decisions including through conferences, town halls and employee communications. The Group has approximately 14,500 employees who have continued to work collectively to drive performance. There has been a continued focus on supporting flexible working, wellbeing support and wellbeing awareness training.

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

## STAKEHOLDER INFORMATION *continued*

### Employees *continued*

The Group aims to attract, retain and develop employees with the experience and potential to continue the growth and development of the business through a number of ongoing initiatives including:

- **People Capability and Performance:** The Group has continued to develop its internal talent acquisition and direct recruitment capability, and “Quality Conversations” continue to be promoted as our approach to managing people and driving individual performance levels.
- **Learning and Development:** Ongoing learning and development is available at all levels and through a number of initiatives including the Leadership Management development, Graduate development and Apprenticeship programs.
- **Engagement and Retention:** Improving retention through new flexible and hybrid working structures, a number of improved working locations, enhanced wellbeing support, training and regular engagement in conferences, town halls and employee communications.
- **Apprenticeships:** The Group continues to offer a range of different apprenticeship qualifications spanning across the entire business, and a company-wide initiative for National Apprenticeship Week with a big focus on developing ‘Skills for Life’ was launched where we ran several careers fairs, internal events across our sites and hosted an Apprenticeship recognition awards ceremony.
- **Wellbeing:** Wellbeing has remained high on the agenda through ongoing communications, training, promotion of our wellbeing platforms, and our employee assistance programme.
- **Gender pay:** The Group is committed to gender equality, both in terms of roles and the gender pay gap. Constellation Group have set out a report on employee split and pay on the Company’s website at <https://www.constellationautomotive.com/corporate-responsibility/gender-pay-gap-report>. Marshall Motor Group are a member of the Automotive 30% Club, which is focused on achieving a better gender balance within the automotive industry, and with the aim of filling at least 30% of key leadership positions in the member organisations with women by 2030.
- **Employee diversity:** We aim to make working for the Group rewarding in every sense, providing a positive work environment and exciting career opportunities. The Group encourages diversity and recognises the benefits it brings to the organisation.
- **Whistleblowing:** At Constellation we are committed to a culture of openness and honesty. Our Whistleblowing Policy outlines our commitment to conducting our business with honesty and integrity, and we expect all employees to maintain high standards in accordance with our Code of Conduct.
- **Anti-bribery and anti-corruption:** The Group takes a zero-tolerance approach to bribery and corruption and requires any suspicion of bribery or corruption to be reported to management or escalated via the confidential helpline.
- **Modern slavery:** The Group has a zero-tolerance approach to modern slavery. We act ethically and with integrity. We have systems and procedures to try to ensure modern slavery and human trafficking does not take place within our business or our suppliers.

### Community and Charity

The Group encourages and supports community and charity, including recent activities such as Action for A-T; where over 130 riders including participants from Constellation Group and Marshall Motor Group took part in the annual charity cycle to raise funds for this children’s charity, which aids families suffering from this rare, genetic degenerative childhood disease, raising £128,000, Ben; the annual Bangers4Ben sale to help raise money for the industry charity, 1948 challenge; where £3,500 was raised to mark the formation of the NHS, and Computers for Charity; where 428 items of computer equipment were purposed either for reuse or for complete and responsible recycle.

## STAKEHOLDER INFORMATION *continued*

### Environment

The Group strives to conduct business in a safe, secure, legal and ethical manner, for all interested stakeholders. Greenhouse Gas reporting is included within the Directors' report on page 35.

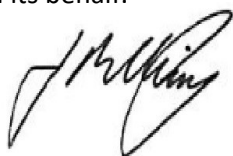
- **Custodians:** The Group aims to maintain its assets, properties, land and boundaries in a condition that does not adversely affect or endanger its neighbours and the surrounding communities.
- **Energy Efficiency:** The Group strives to be more energy efficient and has implemented energy saving measures including 40% of WeBuyAnyCar locations 'off-grid' using solar power and recycled vegetable oil for heating, reduction of vehicle movements through a 100% online auction model and new technology-driven paperless processes.
- **Alternative Fuels:** The Group has undertaken trials of alternative fuels to reduce well-to-wheel emissions.

### Shareholders and Finance Providers

Working in partnership with management, TDR focuses on operational excellence to drive returns by combining ambitious operational plans with a rigorous focus on capital preservation. The board considers all decisions regarding corporate activity, including acquisitions and disposals, to be principal decisions. The board carefully appraises the impact of these activities on shareholders and finance providers, as well as on the full range of stakeholders in the business. The Group holds periodic updates with lenders to keep them informed of business development and performance. The Group has a number of unique and compelling credit strengths for its finance providers, including:

- Market leading positions which underpin multiple high barriers to achieving scale for new entrants
- Attractive, historically stable and underpenetrated markets with consistent growth
- Strong and resilient financial profile as evidenced by increased volumes and profitability during the 2008 global financial crisis
- Unique platform for accelerated growth supported by key strategic initiatives
- Superior business model supported by extensive data collection and insights
- Experienced management consistently delivering organic and inorganic growth

The Strategic Report (which comprises the Principal activity, Company background, Other developments, Accounting reference date, Business model, Strategy, Group operating review, Governance, Risk management and Section 172 statement sections) was approved by the Board of Directors on 26 September 2023 and signed on its behalf.



J A Mullins

## GOVERNANCE

The Group complies with the enhanced annual reporting disclosure obligations placed upon portfolio companies and private equity in conformity with the Guidelines for Disclosure and Transparency in Private Equity 'The Walker Guidelines'. All suggested disclosures have been included throughout this annual report.

Regulation 14 of The Companies (Miscellaneous Reporting) Regulations 2018 requires companies of a certain size to make a statement in the Directors' report summarising the corporate governance arrangements that have been applied. While CAHL does not fall into scope for this regulation it does have two subsidiaries, British Car Auctions Limited and Marshall Motor Group Limited, which meet the criteria. Given the structure of the Group's governance arrangements and the overlap with certain Walker Guideline disclosures, an outline of arrangements is included below.

### STRUCTURE OVERVIEW

Following its incorporation on 21 September 2021, and subsequent reorganisation, acquisitions, disposals and distributions during the prior period and current year, CAHL acts as a holding company to the Constellation Group and Marshall Motor Group (together the 'sub-Groups'), and the Governance considerations within the structure incorporate this, reflecting that some elements of the Corporate Governance framework are now undertaken by CAHL and delegated to the sub-Groups.

The CAHL board is a subset of the broader Constellation Automotive Limited ('CAL') Board.

## **GOVERNANCE** *continued*

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

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

Guidance on policies over key areas are provided by the board to the sub-Groups. Such policies include the following:

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

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

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

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

### **FRAMEWORK**

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

## GOVERNANCE *continued*

### PRINCIPLE ONE: PURPOSE AND LEADERSHIP

#### *Purpose*

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

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

#### *Values and culture*

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



These values are key to how we interact with our stakeholders to build a clear sense of purpose and collective vision. For further details see the stakeholder information section on pages 16 to 18.

#### *Strategy*

The Group's strategy is to create value for stakeholders through organic growth and supplemental tactical acquisitions in the automotive sectors in the UK and Europe. We continue to work with all major market participants to develop and adapt integrated solutions to solve and meet the needs of the participants across the automotive sector, maximising value for all stakeholders. For further details see the strategy information on page 8.

#### *Effective ownership*

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

The ultimate parent entity is Constellation Automotive Topco Sarl (formerly BBD Topco Sarl) which has effective ownership of 68.5% of CAHL.

## GOVERNANCE *continued*

### PRINCIPLE TWO: BOARD COMPOSITION

CAHL is controlled by the Board of Directors and the Board provides leadership. The Board comprises three Directors operating in a flat structure, one of whom represents TDR. Matters reserved to the Board include financing, reporting and putting in place key policy frameworks.

### CONSTELLATION AUTOMOTIVE HOLDINGS LIMITED DIRECTORS

	Career and experience	Skills and competencies
James Mullins Chief Financial Officer	James started his career with Grant Thornton LLP gaining extensive experience working with Automotive clients in M&A, turnaround and restructuring services.	James is an experienced automotive executive with history of leading technology driven automotive retail businesses. James has a proven track record of delivering profitable growth and value for investors in quoted and private equity backed businesses.
Appointment date: 6 April 2023	He joined Cambria Automobiles in 2007 while the business was held under private equity ownership, serving as a board member while listed on the London Stock Exchange in 2010, and was instrumental in the subsequent take private process. James is a fellow of the Association of Chartered Accountants.	
Mark Stephens TDR	Mark joined TDR Capital in September 2012. Prior to joining TDR, Mark worked at Morgan Stanley in London as an Associate in its Private Equity fund and previously as an Analyst in its UK Investment Banking team.	Mark received a degree in Business and Legal Studies, with first class honours, from University College Dublin.
Appointment date: 21 September 2021		
Jan Schuster	Jan joined ADIA in March 2021, where he has the role of Portfolio Manager in the Private Equity Division. In his early career he was a consultant with Bain & Company in their Munich office. Subsequent roles include Director at Lion Capital, and Senior Principal at Metric Capital Partners.	Jan received an MSc in Industrial Engineering and Management from the Technische Universitaet in Berlin, and a Masters of Business Administration degree from IESE Business School.
Appointment date: 24 October 2022		

### ADDITIONAL CONSTELLATION AUTOMOTIVE LIMITED DIRECTORS

The Company's indirect subsidiary CAL has a Board comprising the same Directors and two further Directors, Avril Palmer-Baunack and Manjit Dale. The combined Board, led by Avril Palmer-Baunack, is an industry-leading management team with significant experience in the automotive sector, operations and M&A. Jerome Morgue D'Algue, a former director of CAHL, resigned on 24 October 2022. T G Lampert, a former director of CAHL, CAGL and CAL, resigned on 31 March 2023.

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

## GOVERNANCE *continued*

### PRINCIPLE TWO: BOARD COMPOSITION *continued*

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

## GOVERNANCE *continued*

### PRINCIPLE TWO: BOARD COMPOSITION *continued*

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

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

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

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

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

#### *Diversity*

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

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

For further details on gender diversity and gender pay see the stakeholder employee information on pages 16 to 17.

## GOVERNANCE *continued*

### PRINCIPLE THREE: DIRECTORS' RESPONSIBILITIES

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

#### *Integrity of information*

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

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

## RISK MANAGEMENT

### PRINCIPAL RISKS AND UNCERTAINTIES

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

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

#### **New car supply**

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

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

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

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

## RISK MANAGEMENT *continued*

### Description

### Management actions

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#### Economic environment

The Group operates in the UK and European markets and is subject to the changes in both regional and global economic and geopolitical environments. Due to the relative size of the UK business, the Group is more exposed to the UK economic environment.

Activity levels in the automotive industry can be affected by many factors such as the availability of consumer credit, the growth of average wages, the level of unemployment and challenges to supply chains amongst others, which in turn could impact the volume of vehicles handled by the Group over time.

Management continually analyses market conditions through the planning and reporting processes. The Group develops, implements and reviews actions to mitigate any adverse impact on the Group. Consideration is given to scalability, adaptability and the provision of a wide range of automotive services throughout the vehicle lifecycle to provide responsiveness and resilience.

Management continues to monitor the impact on the supply chains, energy prices, inflation and consumer confidence that the war in Ukraine has had on all European countries.

Used car sales are historically more stable than new car sales and the Group has some strong countercyclical characteristics in a downturn.

#### Risk Tolerance

In managing the challenging recent economic environment, we have a low to moderate tolerance.

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#### Strategic

The Group's future operating results are dependent, in part, on its success in implementing its strategic initiatives. The Group's strategic initiatives are focused on expanding its vehicle remarketing operations and platforms, its vehicle buying, Marshall Motor Group and partner finance businesses together with expanding the Group's automotive services businesses.

The Group continually seeks to provide an increasingly digital and dynamic future by developing solutions that operate at scale. For more detail see Strategy on page 8. These initiatives require extensive planning and management attention and therefore entail execution risk.

The Group's long term growth has, in part, been attributable to the acquisition of other businesses, and the Group may continue to expand its business through acquisitions and other business combinations in the future. Diversification of the Group through adding new business activities brings increased complexity and requires additional management resources and skills in order to execute the Group's strategy of developing a more extensive automotive support services business.

Management carries out extensive strategic planning, and conducts due diligence and integration modelling to ensure alignment and fit of acquisitions and new initiatives.

All acquisition and organic business development are focused on services complementary to the Group's existing offerings.

The Group invests in the appropriate technological, physical and people resources to deliver our strategies.

#### Risk Tolerance

In pursuit of our strategy to be innovative in our product offering we have a moderate to high tolerance for risk.

## RISK MANAGEMENT *continued*

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

## RISK MANAGEMENT *continued*

Description	Management actions
<b>Competition</b>	
<p>The loss of market share to competitors would have an adverse impact on volume, impacting the operational and financial performance of the Group, and as the Group extends its offerings and ventures into new markets, new competitors will emerge.</p>	<p>Management works to maintain a strong market position by ensuring very high standards for each of the services provided by the Group, offering a wide portfolio of well situated sites that provide efficient solutions for customers and the ability to store and manage significant volumes of vehicles.</p> <p>The UK market is characterised by competitors who do not have the same breadth of service that the Group provides its customer to ease the change in ownership.</p> <p>Management seeks to develop innovative and effective tools to support our customer and supplier interactions and invests in appropriate technology to maintain its competitive advantage.</p> <p><b>Risk Tolerance</b></p> <p>In managing our competition risk, we have a moderate to high tolerance for risk in this area.</p>
<b>Intellectual property ('IP') and brand</b>	
<p>The Group has established names and brands in many of the markets in which it operates. Any significant damage to these could have an adverse impact on the Group's performance. The Group's IP rights include proprietary technology relating to online auction systems as well as trademarks of the Group's brands, business knowledge and copyrights.</p>	<p>The Group's IP rights are protected legally, where possible, in every country in which the Group's products and services are distributed, deployed or made available.</p> <p>Management works with appropriate media to ensure the best coverage across the different media platforms.</p> <p><b>Risk Tolerance</b></p> <p>In managing our IP and brand risk, we have a moderate tolerance for risk in this area.</p>
<b>Management</b>	
<p>A significant change in the Group's senior management could weaken the Group's business and its ability to execute its strategy. The Group's senior management has extensive experience in the industry in which the Group operates and has skills that are critical to the operation of the Group's businesses and the execution of its strategy.</p>	<p>The Board regularly review the senior management remuneration policy and engagement to ensure that both are market appropriate and motivational. Given the scale and success of the business, the Group is confident that it is capable of attracting and retaining management resources of the highest quality.</p> <p><b>Risk Tolerance</b></p> <p>In managing our management risk, we have a moderate tolerance for risk in this area.</p>

## RISK MANAGEMENT *continued*

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

## RISK MANAGEMENT *continued*

Description	Management actions
<b>Financial and liquidity</b>	
<p>The Group reports its results in Sterling but operates in the UK and continental Europe and is therefore exposed to foreign currency exchange rate fluctuations.</p>	<p>Management monitors the macroeconomic and legislative changes in the markets in which it operates.</p>
<p>The Group's strategy involves, amongst other things, growing areas of the business that include providing credit facilities to vehicle buyers and buying and holding vehicles in different countries as inventory, on a short term basis, prior to resale through the remarketing centres.</p>	<p>Credit provided to customers is monitored closely, with additional security taken under a risk-based approach.</p>
<p>The Group has significant leverage and relies on its finance providers to provide adequate debt to enable the Group to execute its strategies. The majority of the Group's financing is all held at floating interest rates. A significant portion of the Group debt is denominated in Euro reflecting lender market demand.</p>	<p>Regular dialogue is held with the Group's investors and banks.</p>
<p>The rising interest rate environment heightens the risk. Further considerations of interest risk, liquidity and foreign exchange is in note 27 on financial risk management.</p>	<p>Systems, procedures and controls are regularly reviewed to identify, detect and remediate any transactional issues.</p>
<p>The Group operates in multiple taxation regimes which increases the complexity and risk of compliance with certain indirect taxes such as VAT or its equivalent.</p>	<p>Management have taken actions to prioritise liquidity given a suppressed trading environment and rising interest rates.</p>
	<b>Risk Tolerance</b>
	<p>In managing our financial and liquidity risk, we have a moderate tolerance for risk in this area.</p>

## RISK MANAGEMENT *continued*

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

## **DIRECTORS' REPORT**

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

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

The Strategic Report can be found on pages 4 to 32 which sets out the development and performance of the Group's business during the financial period, the position of the Group at the end of the period, a description of the principal risks and uncertainties facing the Group, indications of future developments in the business, a summary of the governance structure and key policies, and a Companies Act 2006 s172 statement.

### **DIRECTORS**

The Directors of the Company who were in office during the period and up to the date of signing the financial statements are set out in the Governance section of the Strategic Report on pages 19 to 25.

### **DIRECTORS' INDEMNITY**

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

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

Non-financial reporting is included within the Strategic Report on pages 4 to 32. Further information on the Group's policies in respect of employment, modern slavery, anti-corruption, anti-bribery, environmental and community matters is set out in the Strategic Report. Risks to the business in relation to the above areas are considered within the principal risks and uncertainties section of the Strategic Report.

### **DIVIDENDS**

On 25 November 2022, the Directors approved a capital reduction by way of special resolution having made a solvency statement. On 28 November 2022, the Company declared an interim dividend in specie, consisting of the entire issued share capital of Cinch Holdings Sarl.

No other dividends were paid, and the Directors do not propose a final dividend.

### **POST BALANCE SHEET EVENTS**

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

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

The Group holds a beneficial interest in listed motor dealer group, Lookers Plc. A public offer was made by Global Auto Holdings Ltd in July 2023 to acquire all issued and to be issued shares in Lookers Plc at 130 pence per share, which was approved by the shareholders and the FCA in September 2023. The takeover is expected to be effective from October 2023.

On 30 June 2023, Marshall Motor Group disposed of all Toyota and Lexus franchises held (19 businesses in total).

For further details on post balance sheet events, see note 31.

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

### **POLITICAL DONATIONS**

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

### **INDEPENDENT AUDITORS**

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

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

Information on how the Company engages with its stakeholders is included in the Strategic Report on pages 4 to 32.

## DIRECTORS' REPORT *continued*

### GREENHOUSE GAS REPORTING

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

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

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

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

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

Absolute carbon emissions (tonnes of CO <sub>2</sub> )	For the year ended 2 April 2023	For the period 21 September 2021 to 3 April 2022
Scope 1	113,231	38,063
Scope 2	10,803	4,002
Scope 3	787	236
	124,821	42,301

Carbon intensity (tonnes of CO <sub>2</sub> per £m/employee)				
Revenue	£9,683.3	12.9	£3,545.5	12.0
Adjusted EBITDA	£289.3	431.5	£113.8	371.7
Average employees	14,458	8.6	8,865	4.8

*The tables above exclude discontinued operations. Emissions in relation to the Cinch Group can be seen within Cinch Holdco UK Limited annual report and accounts.*

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

Total energy consumption for the year used to calculate the above emissions was 540,829,169 kWh (period ended 3 April 2022: 178,941,619 kWh).

The Group measures carbon intensity against revenue, adjusted EBITDA and employees as these are common business metrics for the automotive industry. The Group continues to work on lowering overall emissions in order to decrease its environmental impact by targeting waste and energy usage reductions where practicable through the implementation of environmental initiatives.

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

### **HEALTH AND SAFETY**

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

The Group's vehicle remarketing business operates from over 50 locations across the UK and Europe, selling over 1 million vehicles per annum. In addition, as at the end of the year, the Group operated at 505 locations in the UK to support the vehicle buying business. With large numbers of vehicles stored and prepared for sale at these sites and at the auction centres, the Group's employees and members of the public come into close contact with vehicles as they move about the sites.

The Group's employed and contracted drivers collect and deliver vehicles across both the UK and continental Europe and operate a fleet of over 1,400 vehicle transporters. Consequently, the Group's operations are subject to stringent regulations requiring adequate precautions to prevent injuries arising from collisions and impacts with obstacles or other vehicles moving within the Group's locations and on public roads.

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

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

### **GOING CONCERN**

The Group has two operating segments, Constellation Group and Marshall Motor Group. Each segment has separate cash flows and financing arrangements. Therefore, for the purposes of reviewing going concern the Directors have considered each component of the Group individually, before concluding on the Group as a whole.

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

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

### **GOING CONCERN** *continued*

On 11 May 2022, the Group acquired Marshall Motor Holdings plc ('MMH'). Marshall and its subsidiaries ('Marshall Motor Group'), operate independently from the Constellation Group. Marshall Motor Group has separate cash reserves of £48m of cash and cash equivalents as well as £60m of committed, but undrawn, banking facilities made available under a revolving credit facility agreement due to expire in September 2024. The facility is subject to leverage and fixed charge cover covenants. Forecasts indicate that Marshall Motor Group is expected to be compliant with these covenants throughout the forecast period. In addition, it has a number of term loans secured against certain property assets, under which balances outstanding as at 2 April 2023 total £10m. Only £1m of borrowings are repayable within one year.

To support Marshall Motor Group's working capital position, alongside the above core banking facilities, it also has access to a number of ancillary vehicle inventory stocking arrangements of which £461m were utilised as at 2 April 2023. Significant market factors in the Marshall Motor Group financial forecasts include the impact on profitability and margin reductions prompted by the eventual easing of supply constraints, inflationary cost pressures, and the impact on consumer demand of an economic downturn and deterioration of real incomes.

For the continuing operations of CAHL, being the Constellation Group and Marshall Motor Group, it is difficult in the short term to predict how long and how deeply the impact of current market uncertainties, around the supply of vehicles and consumer confidence over the purchase of vehicles, will impact volumes, margins and profitability. The cost base and liquidity remain under close review given these uncertainties. The Directors do not consider the markets in which CAHL operates to be significantly impacted in the medium term.

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

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

### **FINANCIAL RISK MANAGEMENT**

The financial risks the Company is exposed to are set out in the Strategic Report on pages 4 to 32.

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the Group and Company financial statements in accordance with UK-adopted International Accounting Standards ('IFRSs') and the applicable legal requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

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

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

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

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

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

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

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

The Directors of the Company have a duty under Section 172 of the Companies Act to promote the success of the Company. It is set out in the Strategic Report on pages 4 to 32 and in the Governance section on pages 19 to 25 how the Directors have addressed elements of the Section 172 requirements in the fulfilment of their duties.

### **STRATEGIC REPORT**

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

This report was approved by the Board of Directors on 26 September 2023 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'J A Mullins', written in a cursive style.

J A Mullins

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONSTELLATION AUTOMOTIVE HOLDINGS LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

In our opinion, Constellation Automotive Holdings Limited's group financial statements and company financial statements (the "financial statements"):

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

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated Balance Sheet and the Company Balance Sheet as at 2 April 2023; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and the Company Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### *Independence*

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

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONSTELLATION AUTOMOTIVE HOLDINGS LIMITED *continued*

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

### Our audit approach

#### *Overview*

#### Audit scope

- We performed full scope audit procedures over nine component entities and specific audit procedures on a further sixteen entities. Taken together, the full scope entities over which audit work was performed accounted for 93% of the group's adjusted EBITDA on an absolute basis.

#### Key audit matters

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

#### Materiality

- Overall group materiality: £14,000,000 (Period ended 3 April 2022: £12,000,000) based on 5% of adjusted EBITDA.
- Overall company materiality: £2,000,000 (Period ended 3 April 2022: £1,000,000) based on 0.5% of total assets capped at an allocation of group materiality.
- Performance materiality: £10,500,000 (Period ended 3 April 2022: £9,000,000) (group) and £1,500,000 (Period ended 3 April 2022: £750,000) (company).

#### *The scope of our audit*

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

#### *Key audit matters*

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

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

Accounting for group restructuring is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONSTELLATION AUTOMOTIVE HOLDINGS LIMITED *continued*

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

### Our audit approach *continued*

#### Key audit matter

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

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

The carrying value of goodwill is £1,019.9 million as at 2 April 2023. The goodwill was recognised on the acquisition of the Constellation Group in October 2021 through a common control transaction and the Marshall Motor Group in May 2022. It is allocated across 5 cash generating units ('CGUs') which represent the lowest level within the Group at which the associated goodwill is monitored for management purposes. The Group is required to test goodwill for impairment on an annual basis. Determining whether the carrying value of goodwill is impaired requires management to make significant judgements and assumptions in their assessment of the value in use of each CGU group. Management considers the value in use calculation to be higher than fair value less costs to sell. Forecasts and assumptions used in value in use calculations are inherently judgemental and therefore may give rise to increased risk of misstatement. These include forecast cash flows, growth rates and pre tax discount rates. Management performed sensitivity analyses on certain key assumptions as noted above to understand the level of available headroom. No impairments were identified in the goodwill balances at 2 April 2023.

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

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONSTELLATION AUTOMOTIVE HOLDINGS LIMITED *continued*

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

### Our audit approach *continued*

#### Key audit matter

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

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

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

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

##### ***Accounting for group restructuring (group and parent)***

During the year ended 2 April 2023, the group has made material acquisitions and distributions resulting in a restructuring of its investments. On 11 May 2022, the Group completed its acquisition of the Marshall Motor Group and its subsidiaries for total consideration of £325.0 million. On 28 November 2022, CAHL distributed its investment in the Cinch Group to its parent, Constellation Automotive Group Sarl, as a common control transaction at carrying value.

We have audited the acquisition fair value accounting of the Marshall Motor Group and the required disclosures under IFRS 3. Auditors' valuation specialists have assisted with the audit of the purchase price allocation model. We have not identified any material misstatements with respect of the fair value of the assets and liabilities at the acquisition date. We have audited the distribution accounting of the Cinch Group on 28 November 2022 including the appropriate measurement of its net assets in the Group accounts at that date distributed as a common control transaction, and the carrying value of the investment held by the Parent company at the same date.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONSTELLATION AUTOMOTIVE HOLDINGS LIMITED *continued*

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

### Our audit approach *continued*

#### Key audit matter

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

##### ***Risk of impairment to investments held by the company (parent)***

The Parent company balance sheet includes investments of £960.7 million in relation to the Company's Investments in subsidiary undertakings. On 28 November 2022, the Parent company distributed its investment in Cinch Holdings Sarl to its parent, Constellation Automotive Group Sarl, at carrying value. Given the size of the closing balance in the context of the Parent company balance sheet the assessment of the carrying value of this investment was an area of focus. Management has tested the investment for impairment by using a value in use model. This model projects forecast future discounted cash flows relating to the investment which include a number of inherent judgements and estimates, most notably future growth rates and the discount rate applied to the future cash flow forecasts. Management has also performed sensitivity analyses on certain key variables in the value in use calculation to understand the impact of changes in key assumptions on the assessment as to whether any impairment was required.

We performed audit procedures over the impairment assessment prepared by management. We considered the underlying assumptions and sensitivities applied by management based on our knowledge of the group and its industry. We evaluated management's forecasts by reference to historical performance and considered growth rates applied to future cash flows and recoverable value of its underlying assets and liabilities. We also assessed management's disclosures and consider these to be appropriate.

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

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

We determined that the most appropriate level at which to scope our audit was the component level that results are reported to group management. We consider there to be four financially significant components in addition to the parent company, and a further four additional components with multiple significant financial statement line items ('FSLIs'). We have performed full scope audits on all nine of these components. All nine of these components are audited in the UK. We performed additional procedures over other transactions and balances across a further sixteen components to ensure sufficient coverage over all FSLIs. In total we performed procedures which accounted for 93% of the group's adjusted EBITDA on an absolute basis. This, together with additional procedures performed at the group level, including testing of significant journals posted within the consolidation, impairment assessments and taxation, has given us the evidence we need for our opinion on the financial statements as a whole.

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

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

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONSTELLATION AUTOMOTIVE HOLDINGS LIMITED *continued*

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

#### Our audit approach *continued*

##### Materiality

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

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

	Financial statements - group	Financial statements - company
<i>Overall materiality</i>	£14,000,000 (Period ended 3 April 2022: £12,000,000).	£2,000,000 (Period ended 3 April 2022: £1,000,000).
<i>How we determined it</i>	5% of adjusted EBITDA	0.5% of total assets capped at an allocation of group materiality
<i>Rationale for benchmark applied</i>	Adjusted EBITDA is the group's key performance indicator.	The company principal activity is that of a holding company. We have applied an asset-based benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £1 million to £10 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (Period ended 3 April 2022: 75%) of overall materiality, amounting to £10,500,000 (Period ended 3 April 2022: £9,000,000) for the group financial statements and £1,500,000 (Period ended 3 April 2022: £750,000) for the company financial statements.

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

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £1.4 million (group audit) (Period ended 3 April 2022: £1.2 million) and £200,000 (company audit) (Period ended 3 April 2022: £100,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONSTELLATION AUTOMOTIVE HOLDINGS LIMITED *continued***

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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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

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

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

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

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

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

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

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

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

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

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONSTELLATION AUTOMOTIVE HOLDINGS LIMITED *continued***

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

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

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

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

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

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

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

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

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

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

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONSTELLATION AUTOMOTIVE HOLDINGS LIMITED *continued***

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

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

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

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

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

##### *Use of this report*

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

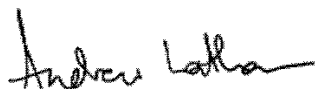
### **OTHER REQUIRED REPORTING**

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

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

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

We have no exceptions to report arising from this responsibility.



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

## PRIMARY STATEMENTS

### CONSOLIDATED INCOME STATEMENT

	Note	£m	For the year ended 2 April 2023 £m	For the period 21 September 2021 to 3 April 2022 £m
Revenue	6		9,683.3	3,545.5
Cost of sales			(8,790.6)	(3,293.7)
<b>Gross profit from continuing operations</b>			<b>892.7</b>	<b>251.8</b>
Operating costs	7		(837.8)	(230.9)
Movements on financial assets held at fair value	27		(8.8)	(6.7)
Other income			2.8	-
<b>Operating profit from continuing operations</b>			<b>48.9</b>	<b>14.2</b>
Finance income	9		0.7	4.1
Finance costs	9		(184.7)	(66.2)
Share of loss of equity-accounted investments	30		(0.2)	(1.2)
<b>Loss before income tax from continuing operations</b>			<b>(135.3)</b>	<b>(49.1)</b>
Income tax	11		35.4	8.4
<b>Loss for the year/period from continuing operations</b>			<b>(99.9)</b>	<b>(40.7)</b>
Result for the period from discontinued operations	19		(105.3)	(65.3)
<b>Loss for the year/period</b>			<b>(205.2)</b>	<b>(106.0)</b>
<b>Attributable to:</b>				
Equity holders of the Company			(204.0)	(105.7)
Non-controlling interests			(1.2)	(0.3)
			<b>(205.2)</b>	<b>(106.0)</b>

<b>Operating profit from continuing operations</b>		<b>48.9</b>	<b>14.2</b>
Add/(less):			
Depreciation and other amortisation	6	116.8	39.0
Amortisation of acquired intangibles	6	87.1	36.3
Restructuring costs	6	21.1	0.6
Transaction costs	6	1.0	15.7
Fair value movements on financial assets	6	8.8	6.7
Impairment of intangible assets and related costs	6	6.2	-
Other	6	(0.6)	1.3
<b>Adjusted EBITDA from continuing operations</b>		<b>289.3</b>	<b>113.8</b>
Less:			
Depreciation and other amortisation	6	(116.8)	(39.0)
Finance costs	9	(184.7)	(66.2)
Add:			
Finance income	9	0.7	4.1
Non-recurring refinance costs	9	-	0.2
<b>Adjusted (loss)/profit before income tax from continuing operations</b>		<b>(11.5)</b>	<b>12.9</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended 2 April 2023 £m	For the period 21 September 2021 to 3 April 2022 £m
Loss for the period from continuing operations		(99.9)	(40.7)
Other comprehensive income/(expense):			
<i>Items that will not be reclassified to the income statement</i>			
Remeasurements on defined benefit schemes, including deferred tax		3.5	7.0
<i>Items that may be subsequently reclassified to the income statement</i>			
Translation reserve transferred to Income Statement on discontinued operations	19	-	4.2
Foreign exchange translation		14.8	(10.3)
Total other comprehensive income, net of tax		18.3	0.9
<b>Total comprehensive loss for the year/period from continuing operations</b>		<b>(81.6)</b>	<b>(39.8)</b>
Total comprehensive loss from discontinued operations (attributable to equity holders of the company)		(105.3)	(65.3)
<b>Total comprehensive loss for the year/period</b>		<b>(186.9)</b>	<b>(105.1)</b>
<b>Attributable to:</b>			
Equity owner of the Company		(185.7)	(104.8)
Non-controlling interests		(1.2)	(0.3)
		<b>(186.9)</b>	<b>(105.1)</b>

## CONSOLIDATED BALANCE SHEET

	Note	As at 2 April 2023 €m	As at 3 April 2022 €m
<b>ASSETS</b>			
Intangible assets	20	2,031.8	1,877.9
Property, plant and equipment	21	479.1	259.2
Right of use assets	22	630.3	425.2
Equity-accounted investments	30	3.2	5.1
Financial assets	27	61.7	136.4
Net pension surplus	26	7.0	1.0
Deferred tax assets	11	0.4	0.3
<b>Total non-current assets</b>		<b>3,213.5</b>	<b>2,705.1</b>
Inventories	13	756.9	517.0
Current tax		5.1	8.3
Trade and other receivables	14	720.9	555.5
Cash and cash equivalents	12	145.0	588.4
<b>Total current assets</b>		<b>1,627.9</b>	<b>1,669.2</b>
<b>Total assets</b>		<b>4,841.4</b>	<b>4,374.3</b>
<b>LIABILITIES</b>			
Borrowings	23	(1,746.5)	(1,713.6)
Lease liabilities	16	(681.8)	(484.6)
Trade and other payables	15	(14.0)	-
Provisions	17	(2.1)	(0.4)
Deferred tax liabilities	11	(228.2)	(185.5)
<b>Total non-current liabilities</b>		<b>(2,672.6)</b>	<b>(2,384.1)</b>
Cash and cash equivalents: bank overdrafts	12	-	(10.3)
Borrowings	23	(71.4)	(75.0)
Asset backed borrowings	24	(199.5)	(280.5)
Lease liabilities	16	(59.4)	(38.8)
Trade and other payables	15	(1,344.9)	(631.5)
Current tax		(4.1)	(2.3)
Provisions	17	(13.7)	(1.9)
<b>Total current liabilities</b>		<b>(1,693.0)</b>	<b>(1,040.3)</b>
<b>Total liabilities</b>		<b>(4,365.6)</b>	<b>(3,424.4)</b>
<b>Net assets</b>		<b>475.8</b>	<b>949.9</b>
<b>EQUITY</b>			
Share capital	25	100.0	100.0
Share premium	25	821.5	1,421.5
Merger reserve	25	(373.5)	(467.2)
Foreign exchange reserve		8.7	(6.1)
Retained earnings		(80.9)	(98.0)
<b>Equity shareholder's funds</b>		<b>475.8</b>	<b>950.2</b>
Non-controlling interests		-	(0.3)
<b>Total equity</b>		<b>475.8</b>	<b>949.9</b>

The financial statements on pages 49 to 118 were approved by the Board on 26 September 2023 and were signed on its behalf by:



J A Mullins

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity owner of the Company						Non-controlling interests £m	Total equity £m
		Share capital £m	Share premium £m	Merger reserve £m	Foreign exchange reserve £m	Retained earnings £m	Total £m		
<b>Balance on incorporation at 21 September 2021</b>		-	-	-	-	-	-	-	-
<i>Total comprehensive (loss)/income for the period</i>									
Total loss for the period		-	-	-	-	(105.7)	(105.7)	(0.3)	(106.0)
Other comprehensive (expense)/income		-	-	-	(6.1)	7.0	0.9	-	0.9
<b>Total comprehensive loss for the period</b>		-	-	-	<b>(6.1)</b>	<b>(98.7)</b>	<b>(104.8)</b>	<b>(0.3)</b>	<b>(105.1)</b>
<i>Contributions and distributions</i>									
Shares issued in group reorganisation	25	100.0	1,158.3	(467.2)	-	-	791.1	-	791.1
Net proceeds from shares issued	25	-	263.2	-	-	-	263.2	-	263.2
Share based payments	28	-	-	-	-	0.7	0.7	-	0.7
<b>Total transactions with owner</b>		<b>100.0</b>	<b>1,421.5</b>	<b>(467.2)</b>	<b>-</b>	<b>0.7</b>	<b>1,055.0</b>	<b>-</b>	<b>1,055.0</b>
<b>Balance at 3 April 2022</b>		<b>100.0</b>	<b>1,421.5</b>	<b>(467.2)</b>	<b>(6.1)</b>	<b>(98.0)</b>	<b>950.2</b>	<b>(0.3)</b>	<b>949.9</b>
<i>Total comprehensive income/(loss) for the year</i>									
Total loss for the period		-	-	-	-	(204.0)	(204.0)	(1.2)	(205.2)
Other comprehensive income		-	-	-	14.8	3.5	18.3	-	18.3
<b>Total comprehensive income/(loss) for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>14.8</b>	<b>(200.5)</b>	<b>(185.7)</b>	<b>(1.2)</b>	<b>(186.9)</b>
<i>Contributions and distributions</i>									
Capital reduction		-	(600.0)	-	-	600.0	-	-	-
Distribution in specie		-	-	93.7	-	(384.6)	(290.9)	1.5	(289.4)
Share based payments		-	-	-	-	2.2	2.2	-	2.2
<b>Total transactions with owner</b>		<b>-</b>	<b>(600.0)</b>	<b>93.7</b>	<b>-</b>	<b>217.6</b>	<b>(288.7)</b>	<b>1.5</b>	<b>(287.2)</b>
<b>Balance at 2 April 2023</b>		<b>100.0</b>	<b>821.5</b>	<b>(373.5)</b>	<b>8.7</b>	<b>(80.9)</b>	<b>475.8</b>	<b>-</b>	<b>475.8</b>

## CONSOLIDATED CASH FLOW STATEMENT

	Note	For the year ended 2 April 2023 £m	For the period 21 September 2021 to 3 April 2022 £m
<b>Cash flows from operating activities</b>			
<b>Total loss for the year / period</b>		<b>(205.2)</b>	<b>(106.0)</b>
Adjustments for:			
Income tax		(50.5)	(23.2)
Net finance costs		187.1	63.4
Depreciation and amortisation		211.1	78.4
Impairment		16.4	3.4
Profit on sale of property, plant and equipment		(1.1)	(0.7)
Fair value movements on financial assets		9.6	6.9
Share of loss of equity-accounted investments		0.2	1.3
Retirement benefit obligations		(1.2)	(0.7)
Result for the period from CarNext discontinued operations		-	3.3
Significant or non-recurring items		(0.6)	9.3
Changes in working capital:			
Inventories		22.3	51.6
Trade and other receivables		(45.9)	26.6
Trade and other payables		100.9	(29.1)
Provisions		6.0	0.5
<b>Cash generated by operations</b>		<b>249.1</b>	<b>85.0</b>
Partner Finance loan book		42.7	(60.9)
Net interest paid		(124.1)	(33.8)
Lease interest paid		(34.4)	(12.7)
Income tax paid		(18.8)	(8.0)
<b>Net cash inflow/outflow from operating activities before acquisition related cash flows</b>		<b>114.5</b>	<b>(30.4)</b>
Acquisition related cash flows		(6.8)	(8.7)
<b>Net cash inflow/outflow from operating activities</b>		<b>107.7</b>	<b>(39.1)</b>
<b>Cash flows from investing activities</b>			
Purchase of long term assets		(125.5)	(60.9)
Proceeds from sale of long term assets		23.5	3.0
Cash acquired from subsidiaries under common control transaction		-	249.6
Acquisition of subsidiary undertakings, net of cash acquired		(245.3)	-
Proceeds from disposal of discontinued operations		(99.8)	263.7
Net proceeds from/(acquisition of) financial assets	27	6.2	(143.3)
Investments in equity-accounted investments	30	-	(2.4)
Loans to equity-accounted investments	30	(0.4)	(0.3)
<b>Net cash outflow/inflow from investing activities</b>		<b>(441.3)</b>	<b>309.4</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		315.0	145.0
Repayments of borrowings		(321.9)	(140.0)
Financing fees paid		(0.4)	-
Repayments of loan balances with Constellation entities	29	(20.6)	-
Proceeds of share issues	25	-	263.2
Proceeds from sale and leaseback		7.5	6.4
Principal element of lease payments		(63.0)	(22.1)
Asset backed borrowings		(17.1)	56.7
<b>Net cash outflow/inflow from financing activities</b>		<b>(100.5)</b>	<b>309.2</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(434.1)</b>	<b>579.5</b>
Foreign exchange on cash held		1.0	(1.4)
Net cash and cash equivalents at the beginning of the year/period		578.1	-
<b>Net cash and cash equivalents at year/period end</b>	12	<b>145.0</b>	<b>578.1</b>

Details of cash flows from discontinued operations are given in note 19. See note 2 for basis of preparation regarding discontinued operations.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Constellation Automotive Holdings Limited ('CAHL', the 'Company') was incorporated as a UK private company limited by shares on 21 September 2021. CAHL and its subsidiaries are referred to in this report as the 'Group'. The Company's ultimate controlling party is TDR Capital LLP ('TDR'), a UK Limited Liability Partnership registered in England and Wales. TDR is a leading international private equity firm, managing capital on behalf of institutional, government and private investors worldwide. TDR has an experienced team of investment professionals and operating partners and has a low volume investment strategy based on principles developed by the investment team over the past two decades.

The Group financial statements consolidate those of the Company and its subsidiaries. The CAHL company financial statements present information about the Company as a separate entity and not about its Group and can be found on pages 119 to 124.

The Company's accounting reference date is 31 March and its financial statements are prepared to a Sunday within seven days of that date. Accordingly, they have been prepared for the 52 weeks ended 2 April 2023 (26 weeks ended 3 April 2022, following the incorporation of the Company).

## 2. BASIS OF PREPARATION

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

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

### Discontinued operations

The comparative period of the consolidated income statement and associated notes to the financial statements have been re-presented for discontinued operations, to be consistent with the current reporting period. The comparative consolidated balance sheet and associated footnotes are unchanged. For the consolidated cash flow statement, CarNext Group, acquired exclusively with a view to sale and disposed of in the comparative period, is presented under result for the period from discontinued operations. Cinch Group, distributed in the current year, is presented within the gross cashflows for each line item. Details of cash flows from discontinued operations are within note 19.

### Going concern

The Group has two operating segments, Constellation Group and Marshall Motor Group, and each has separate cash flows and financing arrangements. Therefore, for the purposes of reviewing going concern the Directors have considered each component of the Group individually, before concluding on the Group as a whole.

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

On 11 May 2022, the Group acquired Marshall Motor Holdings plc ('MMH'). MMH and its subsidiaries ('Marshall Motor Group'), operate independently from the Constellation Group. Marshall Motor Group has separate cash reserves of £48m of cash and cash equivalents as well as £60m of committed, but undrawn, banking facilities made available under a revolving credit facility agreement due to expire in September 2024.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 2. BASIS OF PREPARATION *continued*

#### *Going concern continued*

The facility is subject to leverage and fixed charge cover covenants. Forecasts indicate that Marshall Motor Group is expected to be compliant with these covenants throughout the forecast period. In addition, it has a number of term loans secured against certain property assets, under which balances outstanding as at 2 April 2023 total £10m. Only £1m of borrowings are repayable within one year.

To support Marshall Motor Group's working capital position, alongside the above core banking facilities, it also has access to a number of ancillary vehicle inventory stocking arrangements of which £461m were utilised as at 2 April 2023. Significant market factors in the Marshall Motor Group financial forecasts include the impact on profitability and margin reductions prompted by the eventual easing of supply constraints, inflationary cost pressures, and the impact on consumer demand of an economic downturn and deterioration of real incomes.

For the continuing operations of the Group, being the Constellation Group and Marshall Motor Group, it is difficult in the short term to predict how long and how deeply the impact of current market uncertainties, around the supply of vehicles and consumer confidence over the purchase of vehicles, will impact volumes, margins and profitability. The cost base and liquidity remain under close review given these uncertainties. The Directors do not consider the markets in which the Group operates to be significantly impacted in the medium term.

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

#### **Basis of consolidation**

##### *Subsidiaries*

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

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

##### *Equity-accounted investments*

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 2. BASIS OF PREPARATION *continued*

#### *Intragroup transactions and balances*

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

#### *Foreign currency*

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within finance income or costs. All other foreign exchange gains and losses are presented in the income statement within other income or other operating costs. The exchange rates used for the translation of other currencies into Pounds Sterling that have the most significant impact on the Group results are shown in note 27.

#### *Consolidation of Group companies*

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

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

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

#### *Subsidiary audit exemptions*

The consolidated financial statements include the results of all subsidiary undertakings of the Company as listed in note 30.

For the period ended 2 April 2023, certain of the Group's subsidiaries listed below are entitled to exemption from audit under section 479A of the Companies Act 2006. Constellation Automotive Holdings Limited (company number: 13634625) will guarantee all outstanding liabilities to which the subsidiary companies listed below are subject at the end of the financial period ended 2 April 2023, until they are satisfied in full. The guarantee is enforceable when disclosed in the individual accounts and in accordance with section 479C against Constellation Automotive Holdings Limited by any person to whom the subsidiary companies listed below are liable in respect of those liabilities.

- CAG Lynx 1 Limited (company number: 13849951)
- CAG Sirius 1 Limited (company number: 13851915)
- CAG Zeta 1 Limited (company number: 14067077)

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

Following the group reorganisation that took place on 4 October 2021, predecessor accounting included the adoption of existing accounting standards. Standards and interpretations applied for the first time in the year ended 2 April 2023 are summarised in the table below:

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

## NOTES TO THE FINANCIAL STATEMENTS *continued*

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

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

Standard	Applicable from	Amendments	Expected impact
<b>IAS 12</b> Deferred tax assets and liabilities arising from a single transaction	Periods beginning on or after 1 January 2023	The amendment requires recognition of deferred tax that, on initial recognition, gives rise to an equal deferred tax asset and liability	Low expected impact
<b>IAS 12</b> International Tax Reform — Pillar Two Model Rules	1 January 2023	On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Group has applied the exception under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes	Low expected impact
<b>IAS 8</b> Definition of Accounting Estimates	Periods beginning on or after 1 January 2023	The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendment also clarifies how entities use measurement techniques and inputs to develop accounting estimates	Low expected impact
<b>IAS 1 and IFRS Practice Statement 2</b> Disclosure of Accounting Policies	Periods beginning on or after 1 January 2023	Provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures	Low expected impact
<b>IAS 1 (Amendment – Classification of Liabilities as Current or Non-current)</b>	Periods beginning on or after 1 January 2024	The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date	Low expected impact
<b>IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments</b> Disclosures: Supplier Finance Arrangements	Periods beginning on or after 1 January 2024	The amendments relate to disclosure requirements in connection with supplier financing arrangements. The new requirements supplement those already included in IFRS standards and are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk	Low expected impact
<b>IFRS 16</b> Amendment – Liability in a Sale and Leaseback	Periods beginning on or after 1 January 2024	The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains	Low expected impact
<b>IAS 1 and Practice Statement 2</b> Amendment – Non-current Liabilities with Covenants	Periods beginning on or after 1 January 2024	The amendments require additional disclosure about liabilities arising from loan arrangements under certain conditions	Low expected impact

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 4. ACCOUNTING POLICIES

#### (a) Revenue

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

##### *Auction revenue*

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

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

##### *Vehicle revenue*

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

##### *Interest income*

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

##### *Other revenue*

Revenue for other services, including aftersales, logistics and automotive services, is recognised once the contracted service has been provided. For transportation or delivery services this is deemed to be when the customer has received the vehicle; for storage services this is deemed to be once an activity has been completed, such as receiving and parking a vehicle, and generally on a daily basis for storage charges; for vehicle repair and vehicle enhancement work this is deemed to be when work has been completed to a stage that can be invoiced to the customer; and for fleet services management this is deemed to be over the period the service is provided on a straight line basis. Income received in respect of warranty policies sold and administered by the Group is recognised over the period during which a customer can exercise their rights under the warranty; as such, revenue is recognised over the period of the policy on a straight line basis.

##### *Contract liabilities*

Where the Group receives an amount of consideration in advance of completion of performance obligations under a contract with a customer, such as service packages, the value of the advance consideration is initially recognised as a contract liability in liabilities. Revenue is subsequently recognised as the performance obligations are completed over the period of the contract. Contract liabilities are presented as other payables within trade and other payables in the consolidated balance sheet and disclosed in note 15.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 4. ACCOUNTING POLICIES *continued*

#### (a) Revenue *continued*

##### *Finance commission*

Consumers purchasing vehicles may enter into a contract with the Group's financing partners, for which the Group receives a commission from the financing partner. This commission revenue is recognised on the date of delivery to the customer, net of a reserve for estimated finance contract cancellations which is calculated based on historical data.

##### *Contract costs*

The Group applies the practical expedient in paragraph 94 of IFRS 15 and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

##### *Transaction price allocation to remaining performance obligations*

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

#### (b) Supplier income

The Group receives income from brand partners and other suppliers based on specific agreements in place. These are generally based on achieving certain objectives such as specific sales volumes and maintaining agreed operational standards. This supplier income received is recognised as a deduction from cost of sales at the point when it is reasonably certain that the targets have been achieved for the relevant period and when income can be measured reliably based on the terms of each relevant supplier agreement.

Supplier income that has been earned but not invoiced at the balance sheet date is recognised in other receivables and primarily relates to volume-based incentives occurring to the period end.

#### (c) Advertising and marketing costs

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

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

#### (d) Net finance costs

##### *Finance costs*

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

##### *Finance income*

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

#### (e) Government grants

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

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

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 4. ACCOUNTING POLICIES *continued*

#### (f) Income tax

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

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

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

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

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

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

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

#### (g) Cash and cash equivalents

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

#### (h) Offsetting financial instruments

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

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 4. ACCOUNTING POLICIES *continued*

#### (i) Inventories

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

Inventories held on consignment are recognised when the terms of a consignment agreement and industry practice indicate that the risk and reward of ownership of vehicles rest with the Group.

The Group finances the purchase of some new and used vehicle inventories using vehicle stocking facilities provided by various lenders including the captive finance companies associated with certain brand partners. These arrangements generally have a maturity of 90 days or less. The Group is normally required to repay amounts outstanding on the earlier of the sale of the vehicle or the stated maturity date. Amounts due to finance companies are included within trade payables and disclosed under vehicle stocking arrangements.

#### (j) Financial assets

##### *Initial recognition and measurement*

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

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

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

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

##### *Impairment of financial assets*

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

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

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 4. ACCOUNTING POLICIES *continued*

#### (j) Financial assets *continued*

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

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

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

##### *Derecognition*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

#### (k) Trade and other payables

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

#### (l) Provisions

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

##### *Dilapidations*

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

#### (m) Business combinations

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

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

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 4. ACCOUNTING POLICIES *continued*

#### (m) Business combinations *continued*

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 4. ACCOUNTING POLICIES *continued*

#### (o) Intangible assets

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

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

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

Customer relationships	12 - 20 years
Franchise agreements	5 - 10 years
Brands	15 - 25 years
Software – Internally generated	3 - 10 years
Software – Acquired	3 - 7 years, or the licence term if shorter

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

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

#### (p) Goodwill

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

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

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

##### *Owned assets*

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

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

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 4. ACCOUNTING POLICIES *continued*

#### (q) Property, plant and equipment *continued*

##### *Assets under construction*

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

##### *Depreciation*

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

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

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

#### (r) Non-current assets held for sale, disposal groups and discontinued operations

Non-current assets and disposal groups that are expected to be recovered primarily through sale rather than continuing use, are classified as held for sale. These assets are shown in the balance sheet at the lower of their carrying amount and fair value less any disposal costs. Impairment losses on initial classification as assets held for sale and subsequent gains or losses on remeasurement are recognised in the income statement.

Non-current assets and disposal groups are classified as held for sale when:

- They are available for immediate sale
- Management is committed to a plan to sell
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn
- An active programme to locate a buyer has been initiated
- The asset or disposal group is being marketed at a reasonable price in relation to its fair value, and
- A sale is expected to complete within 12 months from the date of classification.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative income statement and statement of other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount under 'Result for the period from discontinued operations' in the consolidated income statement.

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 4. ACCOUNTING POLICIES *continued*

#### (s) Leases

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

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

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

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

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 4. ACCOUNTING POLICIES *continued*

#### (s) Leases *continued*

##### *Sale and leaseback arrangements*

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

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

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

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

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

#### (t) Borrowings

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

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

#### (u) Share capital

Ordinary shares are classified as equity.

#### (v) Employee benefits

##### *Pension obligations*

The Group operates defined contribution and defined benefit plans.

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 4. ACCOUNTING POLICIES *continued*

#### (v) Employee benefits *continued*

##### *Pension obligations continued*

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

#### (w) Share based payments

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

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

## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 5. CRITICAL JUDGEMENTS AND ESTIMATES

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

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

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

Page			Estimate	Judgement
76	Note 11	Taxation	✓	
80	Note 13	Inventories	✓	
83	Note 16	Lease liabilities	✓	
85	Note 18	Acquisitions		✓
88	Note 20	Intangible assets	✓	
95	Note 26	Pensions and other post-retirement benefits	✓	

## RESULTS FOR THE YEAR

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

A detailed narrative regarding Group and divisional performance has been provided in the Group operating review section on pages 9 to 15. The key performance indicators and adjusted EBITDA are presented and defined in note 6. These are considered key performance indicators because management use these measures to assess long and short term performance of the Group on a periodic basis.

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

### 6. SEGMENTAL REPORTING

#### Non-GAAP measures

##### Key Performance Indicator – adjusted EBITDA

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

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

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

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

Management has determined the operating segments based on the operating reports reviewed by the chief operating decision maker that are used both to assess performance, make strategic decisions and allocate resources. Management has identified that the Board of Directors is the chief operating decision maker.

The Board of Directors consider the business to be split into the two main revenue-generating segments: Constellation Group and Marshall Motor Group. These have been reconciled to total Group results. Transactions between segments are based on prices which are similar to transactions with third parties.

The Group's CODM regularly reviews the segment information related to its share of revenue and adjusted EBITDA. Information on segment assets and liabilities is not regularly reported to the chief operating decision maker and is therefore not disclosed.

## RESULTS FOR THE YEAR *continued*

### 6. SEGMENTAL REPORTING *continued*

	For the year ended 2 April 2023			
	Constellation Group £m	Marshall Motor Group £m	Other £m	Total £m
<b>Revenue</b>				
Total revenue	7,022.1	3,348.2	-	10,370.3
Inter-segment revenue	(635.9)	(51.1)	-	(687.0)
<b>Total revenue from external customers</b>	<b>6,386.2</b>	<b>3,297.1</b>	-	<b>9,683.3</b>
Sale of goods	5,534.5	3,125.4	-	8,659.9
Rendering of services	827.9	171.7	-	999.6
Interest	23.8	-	-	23.8
<b>Total revenue from external customers</b>	<b>6,386.2</b>	<b>3,297.1</b>	-	<b>9,683.3</b>
<b>Adjusted EBITDA</b>	<b>212.9</b>	<b>76.4</b>	-	<b>289.3</b>
Depreciation and other amortisation	(85.3)	(31.5)	-	(116.8)
Significant or non-recurring items:				
Amortisation of acquired intangibles	(72.9)	(14.2)	-	(87.1)
Restructuring costs	(20.0)	(1.1)	-	(21.1)
Fair value movements on financial assets	-	-	(8.8)	(8.8)
Impairment of intangible assets and related costs	(6.2)	-	-	(6.2)
Dividends from financial assets	-	-	2.8	2.8
Share based payment related charges	(2.2)	-	-	(2.2)
Transaction costs	-	-	(1.0)	(1.0)
<b>Operating profit/loss from continuing operations</b>	<b>26.3</b>	<b>29.6</b>	<b>(7.0)</b>	<b>48.9</b>
Finance income				0.7
Finance costs				(184.7)
Share of loss of equity-accounted investments				(0.2)
<b>Loss before income tax from continuing operations</b>				<b>(135.3)</b>

Cinch Group was distributed on 28 November 2022. Information about this discontinued segment is provided in note 19.

Group revenue with external customers in the UK and Ireland represents £8.8bn, with the other £0.9bn being generated within Europe. Revenue by type is shown above.

## RESULTS FOR THE YEAR *continued*

### 6. SEGMENTAL REPORTING *continued*

For the period 21 September 2021 to 3 April 2022

	Constellation Group £m	Other £m	Total £m
<b>Revenue</b>			
Total revenue	3,545.5	-	3,545.5
Inter-segment revenue	-	-	-
<b>Total revenue from external customers</b>	<b>3,545.5</b>	<b>-</b>	<b>3,545.5</b>
Sale of goods	3,182.8	-	3,182.8
Rendering of services	352.1	-	352.1
Interest	10.6	-	10.6
<b>Total revenue from external customers</b>	<b>3,545.5</b>	<b>-</b>	<b>3,545.5</b>
<b>Adjusted EBITDA</b>	<b>113.8</b>	<b>-</b>	<b>113.8</b>
Depreciation and other amortisation	(39.0)	-	(39.0)
Significant or non-recurring items:			
Amortisation of acquired intangibles	(36.3)	-	(36.3)
Transaction costs	-	(15.7)	(15.7)
Fair value movements on financial assets	-	(6.7)	(6.7)
Share based payment related charges	(0.7)	-	(0.7)
Aborted transaction costs	(0.7)	-	(0.7)
Restructuring costs	(0.6)	-	(0.6)
Non-recurring system costs	0.1	-	0.1
<b>Operating profit/(loss)</b>	<b>36.6</b>	<b>(22.4)</b>	<b>14.2</b>
Finance income			4.1
Finance costs			(66.0)
Non-recurring refinance costs			(0.2)
Share of loss of equity-accounted investments			(1.2)
<b>Loss before income tax from continuing operations</b>			<b>(49.1)</b>

Revenue with external customers in the UK and Ireland represents £3.1bn, with the other £0.4bn being generated within Europe. Revenue by type is shown above.

## RESULTS FOR THE YEAR *continued*

### 7. OPERATING COSTS

	For the year ended 2 April 2023 £m	For the period 21 September 2021 to 3 April 2022 £m
Employment costs	443.7	102.0
Short term, low value and variable lease expense	9.7	5.5
Non-recurring impairment of intangible assets and related costs	6.2	-
Income from sub-leasing long term assets	(0.3)	(0.1)
Depreciation of property, plant and equipment and right of use assets	84.5	24.4
Loss/(profit) on sale of property, plant and equipment	(1.1)	(0.7)
Amortisation of intangible assets	96.8	41.0
Restructuring costs	21.1	-
Other operating costs	177.2	58.8
<b>Operating costs</b>	<b>837.8</b>	<b>230.9</b>

In addition to the amount stated above, £19.6m of depreciation on property, plant and equipment and right of use assets was charged to cost of sales.

### 8. EMPLOYEES AND DIRECTORS

Staff costs for the Group during the period:

	Note	For the year ended 2 April 2023 £m	For the period 21 September 2021 to 3 April 2022 £m
Wages and salaries		534.6	142.5
Pension costs		15.0	4.3
Social security costs		64.1	16.6
Share based payment expense	28	2.2	0.7
<b>Total gross employment costs</b>		<b>615.9</b>	<b>164.1</b>
Staff costs capitalised		(2.7)	(1.1)
<b>Total employment cost expense</b>		<b>613.2</b>	<b>163.0</b>

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

	For the year ended 2 April 2023 Number	For the period 21 September 2021 to 3 April 2022 Number
Constellation Group	9,768	8,865
Marshall Motor Group	4,690	-
<b>Total employee numbers</b>	<b>14,458</b>	<b>8,865</b>

The table above excludes employees from discontinued operations in the current year and comparative period.

#### Retirement benefits

The Group offers membership of defined contribution schemes in the UK and Europe. The pensions cost in the year ended 2 April 2023 was £14.3m (period ended 3 April 2022: £4.5m).

In addition, the Group operates the BCA Pension Plan and the Automotive Pension Plan. The BCA Pension Plan and the Automotive Pension Plan are defined benefit schemes closed to new members. Further information is set out in note 26.

## RESULTS FOR THE YEAR *continued*

### 9. NET FINANCE COSTS

	Note	For the year ended 2 April 2023 £m	For the period 21 September 2021 to 3 April 2022 £m
Interest payable		131.0	52.9
Interest expense on lease liabilities		33.8	13.0
Vehicle stocking arrangements interest		7.2	-
Net foreign exchange expense		12.7	-
Net interest expense on retirement benefit obligations	26	-	0.1
Non-recurring refinance costs		-	0.2
<b>Finance costs</b>		<b>184.7</b>	<b>66.2</b>

		For the year ended 2 April 2023 £m	For the period 21 September 2021 to 3 April 2022 £m
Interest income		0.6	0.1
Net foreign exchange income		-	4.0
Net interest income on retirement benefit obligations		0.1	-
<b>Finance income</b>		<b>0.7</b>	<b>4.1</b>

Foreign exchange mainly arises on revaluation of cash and cash equivalents and borrowings, which can be seen in note 27.

### 10. AUDITORS' REMUNERATION

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

	For the year ended 2 April 2023 £m	For the period 21 September 2021 to 3 April 2022 £m
Fees payable to the Group auditor and its associates for the audit of:		
– The Parent Company and consolidated financial statements	0.1	0.1
– Group subsidiaries	2.0	0.7
Fees payable to the Group auditor and its associates for other non-audit services	-	1.2
<b>Total auditors' remuneration</b>	<b>2.1</b>	<b>2.0</b>

Included in fees payable to the Group auditor and its associates for the audit of the Parent Company and consolidated financial statements is £15k relating to the audit of the Company's financial statements.

Other non-audit services were incurred in connection with the discontinued operations detailed within note 19.

## RESULTS FOR THE YEAR *continued*

### 11. TAXATION

	For the year ended 2 April 2023	For the period 21 September 2021 to 3 April 2022
	£m	£m
<b>Current taxation</b>		
Current tax on loss for the period on continuing operations	13.3	9.5
Current tax on loss for the period on discontinued operations	(12.4)	(12.0)
Adjustments in respect of prior periods on continuing operations	(9.8)	-
Adjustments in respect of prior periods on discontinued operations	(0.4)	-
<b>Total current tax credit</b>	<b>(9.3)</b>	<b>(2.5)</b>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences on continuing operations	(34.3)	(15.3)
Origination and reversal of temporary differences on discontinued operations	(2.5)	0.2
Adjustments in respect of prior periods on continuing operations	1.3	-
Adjustments in respect of prior periods on discontinued operations	0.7	-
Changes in recognition of deferred tax on continuing operations	(5.9)	(2.6)
Changes in recognition of deferred tax on discontinued operations	(0.5)	-
<b>Total deferred tax credit</b>	<b>(41.2)</b>	<b>(17.7)</b>
<b>Income tax credit</b>	<b>(50.5)</b>	<b>(20.2)</b>
<b>Attributable to:</b>		
Continuing operations	(35.4)	(8.4)
Discontinued operations	(15.1)	(11.8)
	<b>(50.5)</b>	<b>(20.2)</b>

#### Critical accounting estimates – taxation

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

## RESULTS FOR THE YEAR *continued*

### 11. TAXATION *continued*

#### Income tax reconciliation

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

	For the year ended 2 April 2023 £m	For the period 21 September 2021 to 3 April 2022 £m
Loss before income tax from continuing operations	(135.3)	(49.1)
Loss before income tax from discontinued operations (inclusive of gain on sale)	(120.4)	(77.1)
	(255.7)	(126.2)
Loss on ordinary activities multiplied by the rate of corporation tax in the UK of 19.0% (period ended 3 April 2022: 19.0%)	(48.6)	(24.0)
Effects of:		
Net expenses not deductible for tax purposes on continuing operations	4.8	2.4
Net expenses not deductible for tax purposes on discontinued operations	0.2	-
Net income not subject to tax on discontinued operations	-	(7.7)
Changes in recognition of deferred tax on continuing operations	(5.2)	(2.6)
Changes in recognition of deferred tax on discontinued operations	7.3	-
Utilisation of previously unrecognised tax losses	-	(0.1)
Unrecognised tax losses from discontinued operations	-	10.3
Effect of different tax rates on profits earned outside the UK from continuing operations	(0.2)	0.5
Effect of different tax rates on profits earned outside the UK from discontinued operations	-	1.0
Group relief adjustment in respect of current period on continuing operations	(0.6)	0.8
Group relief adjustment in respect of current period on discontinued operations	-	(0.8)
Group relief adjustment in respect of prior periods on continuing operations	(9.8)	-
Other adjustments in respect of prior periods on continuing operations	1.3	-
Other adjustments in respect of prior periods on discontinued operations	0.3	-
<b>Income tax credit</b>	<b>(50.5)</b>	<b>(20.2)</b>

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

#### *Effective tax rate*

The effective tax rate on the loss before tax on the continuing operations for the period of 26.2% is higher than the standard rate of corporation tax in the UK principally as a result of the following differences:

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

## RESULTS FOR THE YEAR *continued*

### 11. TAXATION *continued*

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

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Group has applied the exception under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

#### Deferred taxation

##### Critical accounting estimates – deferred tax

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

	Property, plant and equipment £m	Lease liabilities £m	Pension (deficit)/ surplus £m	Losses carried forward £m	Interest restricted under CIR £m	Intangible assets £m	Fair value adjustments on PPE £m	Roll over relief £m	Other £m	Total £m
At incorporation on 21 September 2021	-	-	-	-	-	-	-	-	-	-
Acquired through group reorganisation (Charged)/credited to:	3.9	6.0	2.1	-	18.1	(230.2)	(3.2)	-	1.8	(201.5)
Income statement	(4.3)	0.1	(0.2)	1.4	13.4	7.3	-	-	0.1	17.8
Other comprehensive income	-	-	(2.1)	-	-	0.6	-	-	-	(1.5)
<b>At 3 April 2022</b>	<b>(0.4)</b>	<b>6.1</b>	<b>(0.2)</b>	<b>1.4</b>	<b>31.5</b>	<b>(222.3)</b>	<b>(3.2)</b>	-	<b>1.9</b>	<b>(185.2)</b>
Assets	-	0.3	-	-	-	-	-	-	-	0.3
Liabilities	(0.4)	5.8	(0.2)	1.4	31.5	(222.3)	(3.2)	-	1.9	(185.5)
<b>At 3 April 2022</b>	<b>(0.4)</b>	<b>6.1</b>	<b>(0.2)</b>	<b>1.4</b>	<b>31.5</b>	<b>(222.3)</b>	<b>(3.2)</b>	-	<b>1.9</b>	<b>(185.2)</b>
Acquired through business combinations	(0.3)	(0.8)	-	0.3	-	(37.3)	(39.0)	(1.7)	0.3	(78.5)
Disposal of business (Charged)/credited to:	0.7	-	-	(0.6)	(0.5)	-	-	-	(0.1)	(0.5)
Income statement	(2.7)	1.8	(0.3)	0.7	17.7	17.4	3.6	-	0.7	38.9
Other comprehensive income	-	-	(1.2)	-	-	(1.3)	-	-	-	(2.5)
<b>At 2 April 2023</b>	<b>(2.7)</b>	<b>7.1</b>	<b>(1.7)</b>	<b>1.8</b>	<b>48.7</b>	<b>(243.5)</b>	<b>(38.6)</b>	<b>(1.7)</b>	<b>2.8</b>	<b>(227.8)</b>
Assets	-	0.4	-	-	-	-	-	-	-	0.4
Liabilities	(2.7)	6.7	(1.7)	1.8	48.7	(243.5)	(38.6)	(1.7)	2.8	(228.2)
<b>At 2 April 2023</b>	<b>(2.7)</b>	<b>7.1</b>	<b>(1.7)</b>	<b>1.8</b>	<b>48.7</b>	<b>(243.5)</b>	<b>(38.6)</b>	<b>(1.7)</b>	<b>2.8</b>	<b>(227.8)</b>

## RESULTS FOR THE YEAR *continued*

### 11. TAXATION *continued*

A deferred tax asset has been recognised in respect of trading losses and management expenses incurred in the period, given they have no expiry date and due to the ability to utilise these losses in future periods.

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

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

A net deferred tax liability of £204.0m is expected to be recovered or settled more than 12 months after the end of the reporting period.

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

As at 2 April 2023 a deferred tax asset of £5.4m relating to gross tax losses of £21.8m has not been recognised at 3 April 2022: £4.5m deferred tax asset). Due to the nature of the losses and resulting restrictions on their use it is not expected that the asset will reverse in future periods based on current forecasts.

#### *Unrecognised deferred tax liabilities*

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

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

## WORKING CAPITAL AND PROVISIONS

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

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

Inventories includes vehicles only where the Group holds the risk and rewards of ownership, as detailed in accounting policy (i).

### 12. CASH AND CASH EQUIVALENTS

	As at 2 April 2023 £m	As at 3 April 2022 £m
Gross amount of recognised financial assets: Cash at bank and in hand	145.0	588.4
Gross amount of recognised financial liabilities: Bank overdrafts	-	(10.3)
<b>Net cash and cash equivalents</b>	<b>145.0</b>	<b>578.1</b>

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

### 13. INVENTORIES

	As at 2 April 2023 £m	As at 3 April 2022 £m
Gross inventories	798.6	539.5
Inventory provision	(41.7)	(22.5)
<b>Net inventories</b>	<b>756.9</b>	<b>517.0</b>

Inventories recognised as an expense and charged to cost of sales for the year ended 2 April 2023 were £7.6bn (period ended 3 April 2022: £3.0bn). Write-down of inventories recognised as an expense where the value of inventory is irrecoverable in the year ended 2 April 2023 amounted to £0.6m (period ended 3 April 2022: £0.6m).

#### Critical accounting estimates – inventories

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

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

## WORKING CAPITAL AND PROVISIONS *continued*

### 14. TRADE AND OTHER RECEIVABLES

	Note	As at 2 April 2023 £m	As at 3 April 2022 £m
Trade receivables not past due		440.7	417.8
Trade receivables past due		67.5	31.0
Loss allowance		(6.2)	(4.4)
<b>Net trade receivables</b>		<b>502.0</b>	<b>444.4</b>
Other receivables		86.8	48.9
Accrued income		25.7	21.9
Prepayments		34.9	36.9
Amounts due from related parties	29	71.5	3.4
<b>Total trade and other receivables</b>		<b>720.9</b>	<b>555.5</b>

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

	For the year ended 2 April 2023 £m	For the period 21 September 2021 to 3 April 2022 £m
At start of year/period	(4.4)	-
Acquired through business combinations	(1.8)	(5.7)
(Increase)/decrease in loss allowance recognised during the period	(1.2)	0.8
Utilisation of loss allowance during the period	-	0.1
Unused amounts reversed	1.2	0.3
Foreign exchange movements	-	0.1
<b>At year/period end</b>	<b>(6.2)</b>	<b>(4.4)</b>

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

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

The creation and release of loss allowances on trade receivables in the period has been included in operating costs in the income statement. The ageing of receivables is as follows:

	As at 2 April 2023 £m	As at 3 April 2022 £m
Not past due and not impaired	440.7	417.8
Up to 30 days overdue and not impaired	42.7	17.0
Up to 30 days overdue and impaired	2.0	-
Past 30 days overdue and not impaired	16.6	9.6
Past 30 days overdue and impaired	6.2	4.4
Total trade receivables	508.2	448.8
Loss allowance	(6.2)	(4.4)
<b>Net trade receivables</b>	<b>502.0</b>	<b>444.4</b>

## WORKING CAPITAL AND PROVISIONS *continued*

### 15. TRADE AND OTHER PAYABLES

	Note	As at 2 April 2023 £m	As at 3 April 2022 £m
Trade payables		451.2	307.2
Vehicle stocking arrangements		458.7	-
Social security and other taxes		65.3	49.4
Other payables		1.4	-
Accruals		281.0	236.9
Amounts owed to related parties	29	87.3	38.0
<b>Total current trade and other payables</b>		<b>1,344.9</b>	<b>631.5</b>

		As at 2 April 2023 £m	As at 3 April 2022 £m
Other payables		14.0	-
<b>Total non-current other payables</b>		<b>14.0</b>	<b>-</b>

#### Vehicle stocking arrangements

The Group finances the purchase of some new and used vehicle inventories using vehicle stocking facilities provided by various lenders including the captive finance companies associated with certain brand partners. These arrangements generally have a maturity of 90 days or less. The Group is normally required to repay amounts outstanding on the earlier of the sale of the vehicle or the stated maturity date.

#### Other payables

Other payables include commission income received in advance from the various finance and insurance companies for which the Group acts as agent and service packages received in advance from customers for which the Group acts as principal.

## WORKING CAPITAL AND PROVISIONS *continued*

### 16. LEASE LIABILITIES

#### Critical accounting estimates – lease liabilities

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

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

	As at 2 April 2023 £m	As at 3 April 2022 £m
Current lease liabilities	59.4	38.8
Non-current lease liabilities	681.8	484.6
<b>Total lease liabilities</b>	<b>741.2</b>	<b>523.4</b>

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

The total cash outflow for leases including short term leases, low value leases and variable payments for the year ended 2 April 2023 was £107.1m (period ended 3 April 2022: £40.2m).

## WORKING CAPITAL AND PROVISIONS *continued*

### 17. PROVISIONS, COMMITMENTS AND CONTINGENCIES

#### Provisions

	For the year ended 2 April 2023 £m	For the period 21 September 2021 to 3 April 2022 £m
At start of year/period	(2.3)	-
Acquired through business combinations	(7.5)	(1.9)
Additional provisions	(9.9)	(0.5)
Utilisation of provision during the period	3.1	-
Released during the period	0.8	0.1
<b>At year/period end</b>	<b>(15.8)</b>	<b>(2.3)</b>

Analysis of maturity profile:

	As at 2 April 2023 £m	As at 3 April 2022 £m
Current provisions	(13.7)	(1.9)
Non-current provisions	(2.1)	(0.4)
<b>Total provisions</b>	<b>(15.8)</b>	<b>(2.3)</b>

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

#### Commitments

During the period, the Group entered into a number of contracts with various suppliers committing the Group to the purchase of property, plant and equipment and inventory. The Group expects to settle these contracts within the next twelve months. As at 2 April 2023, the Group had total commitments of £67.4m (3 April 2022: £106.2m).

#### Contingencies

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

## LONG TERM ASSETS

This section outlines the capital transactions undertaken by the Group in the period, as well as the tangible and intangible assets held by the Group.

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

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

## 18. ACQUISITIONS

### Critical accounting judgements – acquisition accounting

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

#### Marshall Motor Group

On 29 November 2021, the Group announced a cash offer to acquire the entire issued and to be issued share capital of Marshall Motor Holdings plc. On 11 May 2022, the offer was deemed unconditional, at which point control was obtained and Marshall formed part of the Group. MMH was delisted from AIM on 15 June 2022, reregistering as a private limited company on 26 July 2022.

The acquisition broadens the Groups offering for both consumers and business partners, developing omni-channel retail mixing the physical and digital journeys to give customers flexibility in how they interact.

The business combination is being accounted for under IFRS 3 Business Combinations, using the acquisition method of accounting, with the following table detailing the fair values of assets and liabilities as acquired:

	£m
Franchise agreements	144.6
Software	0.7
Customer related intangibles	3.1
Property, plant and equipment	236.6
Right of use assets	188.8
Non-current financial assets	1.2
Inventories	400.7
Trade Receivables	129.0
Cash and cash equivalents	41.4
Trade and other payables	(610.5)
Borrowings	(12.1)
Provisions	(6.7)
Lease liabilities	(181.4)
Tax liabilities	(2.8)
Net deferred tax liabilities	(77.4)
<b>Total identifiable assets acquired</b>	<b>255.2</b>
Goodwill	69.8
<b>Fair value of consideration</b>	<b>325.0</b>

## LONG TERM ASSETS *continued*

### 18. ACQUISITIONS *continued*

#### Marshall Motor Group *continued*

Franchise agreements, representing contracts with OEM brand partners, have been valued using a multi-period excess earnings model, whereby the value is estimated based upon the present value of the operating cash flows generated by the identified assets over their respective useful lives, determined to be between 5–10 years.

Land and buildings, which is the most significant component of property, plant and equipment, has been valued using market value as defined by the Royal Institute of Chartered Surveyors, being the estimated amount for exchange in an arm's length transaction, upon valuation date. Inventory has been valued based on estimated sales value less cost of disposal. The Group recorded a fair value adjustment to increase the carrying value of finished goods on hand at the time of the acquisition by £12.7m. Customer related intangibles primarily relate to the order book as of the acquisition date for customer vehicle purchases that are expected to be fulfilled within 12 months after the acquisition date. These are being amortised over 1 year.

Goodwill of £69.8m has been recognised in connection with the acquisition, representing the excess of consideration transferred over the fair values of the net identifiable assets, attributable to new growth opportunities, workforce and synergies of the combined business operations, and it is not expected to be deductible for tax purposes.

If the acquisition of MMH had occurred on the first day of the period, Group revenues would have been £386.3m higher.

Following the acquisition, MMH acquired the trade and assets of a Jaguar Land Rover dealership in Leicester, with goodwill of £2.0m being recognised.

#### ECM

On 19 July 2022, the Group acquired the entire issued share capital of Cold Fell Group Limited and its subsidiary E. C. M. (Vehicle Delivery Service) Limited (together referred to as 'ECM'), for cash consideration of £17.4m.

The acquisition brings with it a number of long-term OEM transport relationships, and significantly increases the bulk movement capacity of the Group.

The business combination is being accounted for under IFRS 3 Business Combinations, using the acquisition method of accounting, with the following table detailing the fair values of assets and liabilities as acquired:

	£m
Customer related intangibles	4.5
Right of use assets	20.7
Property, plant and equipment	2.3
Inventories	0.7
Trade and other receivables	10.7
Corporation tax asset	0.2
Cash and cash equivalents	0.6
Trade and other payables	(3.2)
Provisions	(0.8)
Lease liabilities	(20.3)
Net deferred tax liability	(1.1)
<b>Total identifiable assets acquired</b>	<b>14.3</b>
Goodwill	3.1
<b>Fair value of consideration</b>	<b>17.4</b>

Goodwill of £3.1m has been recognised in connection with the acquisition, representing the excess of consideration transferred over the fair values of the net identifiable assets, attributable to the workforce and synergies of the combined business operations, and it is not expected to be deductible for tax purposes.

ECM contributed £60.6m to Group revenues in the period. If the acquisition of ECM had occurred on the first day of the period, Group revenues would have been £24.6m higher.

## LONG TERM ASSETS *continued*

### 19. DISCONTINUED OPERATIONS

#### Discontinued operations – Cinch Holdings and subsidiaries ('Cinch Group') and CN Topco Limited ('CarNext')

On 28 November 2022, CAHL distributed its investment in the Cinch Group to its parent, Constellation Automotive Group Sarl. Cinch Group was distributed at carrying value through a dividend in specie to CAHL's sole shareholder, consisting of the entire issued share capital of Cinch Holdings Sarl. The carrying value of assets and liabilities at distribution was £289.4m of which £290.9m was attributable to equity holders of the group, and the balance to non-controlling interests.

The repositioning of Cinch Group within the wider structure is in line with the principal activity of CAHL to hold certain investments, and provides greater funding flexibility to further mature a business that is now firmly established in the minds of consumers.

During the period until 28 November 2022, the Cinch Group contributed a loss of £105.3m to the Group.

In the prior period, on 31 December 2021, Constellation Automotive Holdings Limited disposed of the CarNext Group, which was acquired on 4 October 2021 exclusively with a view to resale. During the period of ownership, the CarNext Group contributed a loss from discontinued operations of €56.4m to the Group results, resulting in a carrying value of €256.1m. The consideration for disposal was €312.5m, resulting in a gain on disposal of €56.4m. After taking account of foreign exchange movements, this led to a net loss of £3.3m.

The results of discontinued operations are presented separately on the face of the consolidated income statement and consolidated statement of comprehensive income. Financial information relating to the trade and cash flow information of discontinued operations for the period up to the date of disposal is set out below:

	For the period 4 April 2022 to 28 November 2022 £m	For the period ended 3 April 2022 £m
Revenue	573.9	528.0
Expenses	(691.2)	(645.7)
<b>Operating loss</b>	<b>(117.3)</b>	<b>(117.7)</b>
Finance costs	(3.1)	(3.9)
<b>Loss before income tax from discontinued operations</b>	<b>(120.4)</b>	<b>(121.6)</b>
Income tax	15.1	11.8
<b>Loss for the period from discontinued operations</b>	<b>(105.3)</b>	<b>(109.8)</b>
Gain on sale after income tax	-	44.5
<b>Loss from discontinued operations</b>	<b>(105.3)</b>	<b>(65.3)</b>
<b>Attributable to:</b>		
Equity owner of the Company	(104.1)	(65.0)
Non-controlling interests	(1.2)	(0.3)
	<b>(105.3)</b>	<b>(65.3)</b>

	For the period 4 April 2022 to 28 November 2022 £m	For the period ended 3 April 2022 £m
Net cash outflow from operating activities	(85.0)	(116.4)
Net cash outflow from investing activities	(153.6)	(104.4)
Net cash inflow from financing activities	14.5	278.7
<b>Net movement in cash generated by discontinued operations</b>	<b>(224.1)</b>	<b>57.9</b>

## LONG TERM ASSETS *continued*

### 20. INTANGIBLE ASSETS

	Goodwill £m	Customer relationships £m	Brands £m	Software £m	Franchise agreements £m	Total £m
<b>Cost</b>						
At incorporation on 21 September 2021	-	-	-	-	-	-
Acquisitions through group reorganisation	942.2	753.9	178.1	44.1	-	1,918.3
Additions	-	-	-	11.9	-	11.9
Disposals	-	-	-	(0.6)	-	(0.6)
Exchange difference	(4.0)	(2.6)	(0.1)	-	-	(6.7)
<b>At 3 April 2022</b>	<b>938.2</b>	<b>751.3</b>	<b>178.0</b>	<b>55.4</b>	<b>-</b>	<b>1,922.9</b>
Acquired through business combinations	74.9	7.6	-	0.7	144.6	227.8
Additions	-	-	-	40.8	-	40.8
Disposals	-	-	-	(0.1)	-	(0.1)
Discontinued operations	(3.4)	-	-	(34.8)	-	(38.2)
Exchange difference	10.2	6.8	0.3	0.5	-	17.8
<b>At 2 April 2023</b>	<b>1,019.9</b>	<b>765.7</b>	<b>178.3</b>	<b>62.5</b>	<b>144.6</b>	<b>2,171.0</b>
<b>Accumulated amortisation</b>						
At incorporation on 21 September 2021	-	-	-	-	-	-
Charge for the period	-	27.7	6.8	8.3	-	42.8
Impairment	3.4	-	-	-	-	3.4
Disposals	-	-	-	(0.6)	-	(0.6)
Exchange difference	-	(0.4)	-	(0.2)	-	(0.6)
<b>At 3 April 2022</b>	<b>3.4</b>	<b>27.3</b>	<b>6.8</b>	<b>7.5</b>	<b>-</b>	<b>45.0</b>
Charge for the period	-	58.1	13.7	16.8	11.6	100.2
Impairment	-	-	-	4.2	-	4.2
Disposals	-	-	-	(0.1)	-	(0.1)
Discontinued operations	(3.4)	-	-	(8.9)	-	(12.3)
Exchange difference	-	1.7	-	0.5	-	2.2
<b>At 2 April 2023</b>	<b>-</b>	<b>87.1</b>	<b>20.5</b>	<b>20.0</b>	<b>11.6</b>	<b>139.2</b>
<b>Net book value</b>						
At 3 April 2022	934.8	724.0	171.2	47.9	-	1,877.9
<b>At 2 April 2023</b>	<b>1,019.9</b>	<b>678.6</b>	<b>157.8</b>	<b>42.5</b>	<b>133.0</b>	<b>2,031.8</b>

Amortisation charges have been treated as operating costs in the income statement.

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

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

## LONG TERM ASSETS *continued*

### 20. INTANGIBLE ASSETS *continued*

#### Goodwill

Goodwill acquired in a business combination is allocated to the cash generating unit ('CGU') or group of CGUs that are expected to benefit from the synergies associated with that business combination. These CGU groups represent the lowest levels at which the associated goodwill is monitored, and has been allocated to as follows:

Cash generating unit	Segment	As at	As at
		2 April 2023	3 April 2022
		£m	£m
UK Vehicle Remarketing	Constellation Group	555.2	555.2
International Vehicle Remarketing	Constellation Group	235.0	224.8
Vehicle Buying	Constellation Group	91.3	91.3
Automotive Services	Constellation Group	66.6	63.5
Dealerships	Marshall Motor Group	71.8	-
		<b>1,019.9</b>	<b>934.8</b>

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

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

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

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

	Vehicle Remarketing		Vehicle Buying	Automotive Services	Dealerships
	UK	International			
Growth rate applied beyond approved forecast period	2.0%	2.0%	2.0%	2.0%	2.0%
Pre-tax discount rate	15.4%	16.0%	19.9%	12.3%	12.0%

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

## LONG TERM ASSETS *continued*

### 20. INTANGIBLE ASSETS *continued*

#### Goodwill *continued*

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

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

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

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

## LONG TERM ASSETS *continued*

### 21. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Fixtures, fittings and equipment £m	Plant, machinery and motor vehicles £m	Assets under construction £m	Total £m
<b>Cost</b>					
At incorporation on 21 September 2021	-	-	-	-	-
Acquisitions through group reorganisation	175.1	12.6	41.7	-	229.4
Transfers from right of use assets	-	1.1	6.0	-	7.1
Additions	8.0	7.0	34.0	-	49.0
Disposals	-	(0.1)	(9.4)	-	(9.5)
Exchange difference	(0.8)	(0.1)	(0.2)	-	(1.1)
<b>At 3 April 2022</b>	<b>182.3</b>	<b>20.5</b>	<b>72.1</b>	<b>-</b>	<b>274.9</b>
Acquired through business combinations	218.1	0.3	19.1	1.4	238.9
Transfers from assets under construction	0.6	-	0.6	(1.2)	-
Transfers from right of use assets	-	-	4.2	-	4.2
Additions	10.4	6.3	64.7	3.3	84.7
Disposals	(17.9)	(1.0)	(14.0)	(0.2)	(33.1)
Disposal of business	(0.8)	(2.2)	(38.0)	-	(41.0)
Exchange difference	2.3	0.5	0.1	-	2.9
<b>At 2 April 2023</b>	<b>395.0</b>	<b>24.4</b>	<b>108.8</b>	<b>3.3</b>	<b>531.5</b>
<b>Accumulated depreciation</b>					
At incorporation on 21 September 2021	-	-	-	-	-
Charge for the period	1.6	3.5	6.9	-	12.0
Transfers from right of use assets	-	0.5	4.0	-	4.5
Disposals	-	(0.1)	(0.3)	-	(0.4)
Exchange difference	(0.3)	-	(0.1)	-	(0.4)
<b>At 3 April 2022</b>	<b>1.3</b>	<b>3.9</b>	<b>10.5</b>	<b>-</b>	<b>15.7</b>
Charge for the year	9.7	7.0	25.1	-	41.8
Transfers from right of use assets	-	-	0.8	-	0.8
Disposals	-	(0.9)	(2.3)	-	(3.2)
Disposal of business	(0.1)	(0.5)	(3.4)	-	(4.0)
Exchange difference	0.8	0.4	0.1	-	1.3
<b>At 2 April 2023</b>	<b>11.7</b>	<b>9.9</b>	<b>30.8</b>	<b>-</b>	<b>52.4</b>
<b>Net book value</b>					
At 3 April 2022	181.0	16.6	61.6	-	259.2
<b>At 2 April 2023</b>	<b>383.3</b>	<b>14.5</b>	<b>78.0</b>	<b>3.3</b>	<b>479.1</b>

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

## LONG TERM ASSETS *continued*

### 22. RIGHT OF USE ASSETS

	Land and buildings £m	Plant, machinery and motor vehicles £m	Total £m
<b>Cost</b>			
At incorporation on 21 September 2021	-	-	-
Acquisitions through group reorganisation	392.4	39.2	431.6
Transfers to property, plant and equipment	-	(7.1)	(7.1)
Additions	13.2	7.8	21.0
Disposals	(6.5)	(0.6)	(7.1)
Exchange difference	(0.5)	-	(0.5)
<b>At 3 April 2022</b>	<b>398.6</b>	<b>39.3</b>	<b>437.9</b>
Acquired through business combinations	192.7	16.8	209.5
Transfers to property, plant and equipment	-	(4.2)	(4.2)
Additions	94.9	8.5	103.4
Disposals	(19.1)	(11.6)	(30.7)
Disposal of business	(9.3)	(1.6)	(10.9)
Exchange difference	1.1	-	1.1
<b>At 2 April 2023</b>	<b>658.9</b>	<b>47.2</b>	<b>706.1</b>
<b>Accumulated depreciation</b>			
At incorporation on 21 September 2021	-	-	-
Charge for the period	16.9	6.7	23.6
Transfers to property, plant and equipment	-	(4.5)	(4.5)
Disposals	(5.6)	(0.6)	(6.2)
Exchange difference	(0.1)	(0.1)	(0.2)
<b>At 3 April 2022</b>	<b>11.2</b>	<b>1.5</b>	<b>12.7</b>
Charge for the period	54.5	14.6	69.1
Impairment	12.2	-	12.2
Transfers to property, plant and equipment	-	(0.8)	(0.8)
Disposals	(4.8)	(11.4)	(16.2)
Disposal of business	(1.1)	(0.4)	(1.5)
Exchange difference	0.3	-	0.3
<b>At 2 April 2023</b>	<b>72.3</b>	<b>3.5</b>	<b>75.8</b>
<b>Net book value</b>			
At 3 April 2022	387.4	37.8	425.2
<b>At 2 April 2023</b>	<b>586.6</b>	<b>43.7</b>	<b>630.3</b>

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

## CAPITAL STRUCTURE AND FINANCING

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

The Group utilises a combination of shareholder equity, secured bonds, bank loans and flexible revolving facilities to manage the Group's capital and liquidity requirements, to meet strategic objectives and fund investment opportunities.

### 23. BORROWINGS

	As at 2 April 2023 £m	As at 3 April 2022 £m
<b>Non-current</b>		
Borrowings	1,746.5	1,713.6
<b>Current</b>		
Borrowings	71.4	75.0

In July 2021 the Constellation Automotive Group refinanced, putting in place a High Yield Bond, a Senior Term and Revolving Facilities Agreement and a Second Lien Facilities Agreement. The High Yield Bond comprises notes of £695.0m (expiring July 2027). The Senior Facilities Agreement comprises a Facility B1 €400.0m (expiring July 2028), Facility B2 €400.0m (expiring July 2028), a £250.0m revolving credit facility (expiring January 2027) and a £60.0m revolving credit facility (expiring September 2024), of which £25m is provided as an overdraft, with the balance being available to draw on demand. The Second Lien Facility is £325.0m (expiring July 2029). The term facilities were drawn down in full at inception, net of arrangement fees of £48.4m.

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

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

	As at 2 April 2023 £m	As at 3 April 2022 £m
<b>Floating rate borrowings</b>		
Expiring in 2 – 5 years	235.6	170.8

### 24. ASSET BACKED BORROWINGS

The Group has an asset backed facility to fund the Partner Finance business (expiring January 2025). The amount is advanced solely to a Partner Finance subsidiary in respect of specific receivables. Interest is charged on the drawn down element of the facility at a variable rate of interest, based on the Bank of England base rate. At 2 April 2023 the borrowings were £199.5m (at 3 April 2022: £280.5m).

## CAPITAL STRUCTURE AND FINANCING *continued*

### 25. SHARE CAPITAL AND RESERVES

	Number of £1 Ordinary shares issued and fully paid	Nominal value £m	Share premium £m
At incorporation on 21 September 2021	1	0.0	-
Net proceeds from shares issued on 4 October 2021	100,000,000	100.0	1,158.3
Net proceeds from shares issued on 10 November 2021	1	0.0	150.0
Net proceeds from shares issued on 30 March 2022	2,000	0.0	113.2
<b>At 3 April 2022</b>	<b>100,002,002</b>	<b>100.0</b>	<b>1,421.5</b>
Capital reduction on 25 November 2022	-	-	(600.0)
<b>At 2 April 2023</b>	<b>100,002,002</b>	<b>100.0</b>	<b>821.5</b>

The holders of Ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company. The movements in share capital are described below:

#### *Net proceeds from shares issued*

This relates to the issue of shares on and following the group reorganisation on 4 October 2021. All of these shares rank *pari passu* with the existing Ordinary shares in issue. Constellation Automotive Holdings Limited was incorporated on 21 September 2021 with an issued share capital of £1 comprised of one Ordinary Share of £1.

On 4 October 2021, Constellation Automotive Holdings Limited (the 'Company') acquired the entire shareholding of Constellation Automotive Group Limited, CN Topco Limited and Cinch Holdings Sarl with their related subsidiaries, in exchange for the issuance of 100,000,000 £1 shares to its parent company Constellation Automotive Group Sarl. The total consideration was deemed to be £1,258.3m based on the predecessor values of the investments received from Constellation Group Sarl in exchange for the shares issued. On 10 November 2021, the Company issued one Ordinary Share of £1 to the immediate parent of the Company. The total consideration paid was £150m. On 30 March 2022, the Company issued a further 2,000 Ordinary shares to the immediate parent of the Company. The total consideration paid was £113.2m.

#### **Nature of other reserves – Company accounts**

The following describes the nature of other reserves within shareholder's funds in the Company accounts:

##### *Share premium*

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

##### *Capital reduction*

On 25 November 2022, the Company reduced share premium following a capital reduction of £600.0m.

#### **Nature of other reserves – Group accounts**

The following describes the nature of other reserves within shareholder's funds in the Group accounts:

##### *Merger reserve*

Represents the difference between the original carrying value of investments in the Company accounts and the aggregate value of the assets and liabilities of the acquired entities on initial consolidation, following the group reorganisation on 4 October 2021. For the distribution of the Cinch Group on 28 November 2022, the relevant component of the merger reserve, £93.7m, was recycled through retained earnings.

##### *Foreign exchange reserve*

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

##### *Retained earnings*

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

## PENSIONS AND OTHER INFORMATION

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

Following the group reorganisation that took place on 4 October 2021, the Group participates in several defined contribution schemes and two defined benefit schemes ('the BCA Pension Plan' within British Car Auctions Limited and 'the Automotive Plan' within Walon Limited).

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

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

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

#### Critical accounting estimates – pensions

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

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

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

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

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

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

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

## PENSIONS AND OTHER INFORMATION *continued*

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

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

	For the year ended 2 April 2023			For the period ended 3 April 2022		
	Plan assets £m	Plan liabilities £m	Total £m	Plan assets £m	Plan liabilities £m	Total £m
At start of year/incorporation on 21 September 2021 for the year ended 3 April 2022	82.0	(81.9)	0.1	-	-	-
Acquired through group reorganisation	-	-	-	84.7	(92.6)	(7.9)
Income statement expense:						
Current service cost	-	(0.7)	(0.7)	-	(0.4)	(0.4)
Interest income/(expense)	2.2	(2.2)	-	0.7	(0.9)	(0.2)
Total amount credited/(charged) to the income statement	2.2	(2.9)	(0.7)	0.7	(1.3)	(0.6)
Remeasurements:						
Actuarial gains due to changes in financial assumptions	-	24.1	24.1	-	10.5	10.5
Actuarial (losses)/gains due to changes in demographic assumptions	-	(0.1)	(0.1)	-	0.9	0.9
Experience (losses)/gains	(17.4)	(1.6)	(19.0)	(2.5)	(1.3)	(3.8)
Total amount recognised in other comprehensive income	(17.4)	22.4	5.0	(2.5)	10.1	7.6
Cash:						
Employer contributions	1.6	-	1.6	1.0	-	1.0
Employee contributions	0.1	(0.1)	-	0.1	(0.1)	-
Benefits paid	(6.2)	6.2	-	(2.0)	2.0	-
Net cash	(4.5)	6.1	1.6	(0.9)	1.9	1.0
<b>At year/period end</b>	<b>62.3</b>	<b>(56.3)</b>	<b>6.0</b>	<b>82.0</b>	<b>(81.9)</b>	<b>0.1</b>

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

	For the year ended 2 April 2023			For the period ended 3 April 2022		
	Plan assets £m	Plan liabilities £m	Total £m	Plan assets £m	Plan liabilities £m	Total £m
At start of year/incorporation on 21 September 2021 for the year ended 3 April 2022	17.5	(16.6)	0.9	-	-	-
Acquired through group reorganisation	-	-	-	16.3	(17.2)	(0.9)
Income statement expense:						
Interest income/(expense)	0.5	(0.4)	0.1	0.3	(0.2)	0.1
Total amount credited/(charged) to the income statement	0.5	(0.4)	0.1	0.3	(0.2)	0.1
Remeasurements:						
Actuarial gains due to changes in financial assumptions	-	4.2	4.2	-	2.3	2.3
Experience (losses)/gains	(1.9)	(2.7)	(4.6)	0.9	(1.7)	(0.8)
Total amount recognised in other comprehensive income	(1.9)	1.5	(0.4)	0.9	0.6	1.5
Cash:						
Employer contributions	0.4	-	0.4	0.2	-	0.2
Benefits paid	(0.8)	0.8	-	(0.2)	0.2	-
Net cash	(0.4)	0.8	0.4	-	0.2	0.2
<b>At year/period end</b>	<b>15.7</b>	<b>(14.7)</b>	<b>1.0</b>	<b>17.5</b>	<b>(16.6)</b>	<b>0.9</b>

## PENSIONS AND OTHER INFORMATION *continued*

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

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

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

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

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

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

## PENSIONS AND OTHER INFORMATION *continued*

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

#### Risk management

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

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

## PENSIONS AND OTHER INFORMATION *continued*

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

#### Sensitivity analysis

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

Impact on the defined benefit obligations at 2 April 2023:

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

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

#### Expected future cash flows

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

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

## 27. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

#### Categories of financial instruments

	As at 2 April 2023 £m	As at 3 April 2022 £m
<b>Financial assets</b>		
Loans and receivables	799.6	1,074.3
Fair value through profit or loss	61.7	136.4
<b>Financial liabilities</b>		
Amortised cost	4,036.8	3,184.9

#### Financial assets – loans and receivables

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

## PENSIONS AND OTHER INFORMATION *continued*

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

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

Financial assets held at fair value through profit or loss include investments in listed and unlisted equity shares. The fair values of listed equity shares are determined by reference to published price quotations in an active market. Unlisted equity investments are valued with reference to valuation techniques that are based on unobservable market data (categorised as Level 3 within the fair value hierarchy). These holdings have been assessed under IFRS 9 Financial Instruments and categorised as financial assets held at fair value through profit and loss, and any transaction costs are expensed as incurred. As the Group does not consider them to be associates, they are not accounted for on an equity basis.

Included within financial assets held at fair value through profit and loss at the period ended 2 April 2023, are the following direct interests held by the Group:

- 19.0 – 19.9% (as at 3 April 2022: 19.0 – 19.9%) interest in Lookers plc
- 16% (as at 3 April 2022: 22%) interest in Proov Station S.A.S
- nil% (as at 3 April 2022: 19.0 – 19.9%) interest in Marshall Motor Holdings plc
- Other interests, none of which represent more than 5.0% of the voting power of the investee

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

	For the year ended 2 April 2023 £m	For the period 21 September 2021 to 3 April 2022 £m
At start of year/period	136.4	-
Additions	0.4	143.3
Disposal of shares	(3.8)	-
Listed investments relating to business combination	(60.7)	-
Disposal of discontinued operations	(2.5)	-
Residual equity investment in former associate held at FVTPL	1.4	-
Exchange difference	0.1	-
Movements in fair value recognised by discontinued operations	(0.8)	(0.2)
Movements in fair value recognised through income statement	(8.8)	(6.7)
<b>At year/period end</b>	<b>61.7</b>	<b>136.4</b>

#### Marshall Group

In line with note 18, the Group completed the acquisition of shares in Marshall Motor Holdings plc on 11 May 2022. From this date, shares previously held at 3 April 2022 were no longer accounted for as financial assets held at fair value through profit or loss ('FVTPL') following the completion of this business combination and consolidation into the Group.

#### Proov Station S.A.S

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

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

## PENSIONS AND OTHER INFORMATION *continued*

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

#### Financial liabilities – amortised cost

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

#### Reconciliation of liabilities arising from financing activities

	As at 3 April 2022 £m	Acquired through group reorganisation £m	Disposal through group reorganisation	Cash flows £m	Non cash changes				As at 2 April 2023 £m
					Additions £m	Disposals £m	Foreign exchange movements £m	Finance charge £m	
Long term borrowings	1,713.6	10.7	-	(1.9)	-	-	14.9	9.2	1,746.5
Short term borrowings	75.0	1.4	-	(5.0)	-	-	-	-	71.4
Bank overdrafts	10.3	-	-	(10.3)	-	-	-	-	-
Asset backed borrowings	280.5	-	(63.9)	(17.1)	-	-	-	-	199.5
Lease liabilities	523.4	201.7	(10.2)	(97.4)	103.4	(14.9)	0.8	34.4	741.2
<b>Total liabilities from financing activities</b>	<b>2,602.8</b>	<b>213.8</b>	<b>(74.1)</b>	<b>(131.7)</b>	<b>103.4</b>	<b>(14.9)</b>	<b>15.7</b>	<b>43.6</b>	<b>2,758.6</b>

For the year ended 2 April 2023, lease liability additions of £103.4m includes £83.5m additions from extensions of previously occupied sites, lease renewals, and rent reviews. This includes £52.3m relating to a five-yearly RPI-linked rent review on a number of key properties in the auction estate held by the Constellation Group. The remaining £19.9m of additions primarily relate to new transporter leases.

	As at 21 September 2021 £m	Acquired through group reorganisation £m	Cash flows £m	Non cash changes				As at 3 April 2022 £m
				Additions £m	Disposals £m	Foreign exchange movements £m	Finance charge £m	
Long term borrowings	-	1,715.6	-	-	-	(5.8)	3.8	1,713.6
Short term borrowings	-	70.0	5.0	-	-	-	-	75.0
Bank overdrafts	-	4.0	6.3	-	-	-	-	10.3
Asset backed borrowings	-	223.4	56.7	-	-	-	0.4	280.5
Lease liabilities	-	525.9	(34.8)	21.0	(0.9)	(0.5)	12.7	523.4
<b>Total liabilities from financing activities</b>	<b>-</b>	<b>2,538.9</b>	<b>33.2</b>	<b>21.0</b>	<b>(0.9)</b>	<b>(6.3)</b>	<b>16.9</b>	<b>2,602.8</b>

## PENSIONS AND OTHER INFORMATION *continued*

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

#### Financial risk management

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

#### Market risk

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

#### Foreign exchange risk

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

	For the year ended 2 April 2023	For the period 21 September 2021 to 3 April 2022
Euro - opening	1.1876	1.1676
Euro - average	1.1619	1.1708
Euro - closing	1.1375	1.1876

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

	For the year ended 2 April 2023				For the period 21 September 2021 to 3 April 2022			
	GBP	Euro	Other	Total	GBP	Euro	Other	Total
Revenue (£m)	8,812.1	756.8	114.4	9,683.3	3,114.7	383.8	47.0	3,545.5
Revenue (%)	91.0%	7.8%	1.2%	100.0%	87.8%	10.8%	1.3%	100.0%
Adjusted EBITDA (£m)	255.1	41.3	(7.1)	289.3	91.7	25.2	(3.1)	113.8
Adjusted EBITDA (%)	88.2%	14.3%	(2.5%)	100.0%	80.6%	22.1%	(2.7%)	100.0%

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

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

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

For the year ended 2 April 2023, if Sterling had strengthened by 10% on average against the Euro with all other variables held constant, adjusted EBITDA for the year would have been £3.8m lower (period ended 3 April 2022: £2.3m lower) as a result of a reduction of the equivalent value in Sterling of profits denominated in Euros and other currencies closely linked to the Euro exchange rate.

## PENSIONS AND OTHER INFORMATION *continued*

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

#### Foreign exchange risk *continued*

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

	As at 2 April 2023				As at 3 April 2022			
	GBP £m	Euro £m	Other £m	Total £m	GBP £m	Euro £m	Other £m	Total £m
Net cash and cash equivalents	100.1	31.4	13.5	145.0	541.9	31.1	5.1	578.1
Trade and other receivables	631.3	65.2	24.4	720.9	464.9	68.2	22.4	555.5
Trade and other payables	(1,236.4)	(90.4)	(32.1)	(1,358.9)	(509.2)	(94.0)	(28.3)	(631.5)
Asset backed borrowings	(199.5)	-	-	(199.5)	(280.5)	-	-	(280.5)
Borrowings	(1,471.0)	(346.9)	-	(1,817.9)	(1,457.9)	(330.7)	-	(1,788.6)
<b>Net</b>	<b>(2,175.5)</b>	<b>(340.7)</b>	<b>5.8</b>	<b>(2,510.4)</b>	<b>(1,240.8)</b>	<b>(325.4)</b>	<b>(0.8)</b>	<b>(1,567.0)</b>

#### Interest rate risk

The Group's interest rate risk arises from the Group's borrowings, as disclosed in note 23, in addition to the Group's asset backed borrowings, as disclosed in note 24. Fixed rate borrowing instruments represent 38% of the Group's borrowings, with the remaining 62% comprising variable rate borrowings based on SONIA or EURIBOR. No structured hedging has been implemented in the current period. The Group will continue to monitor interest rates and assess whether forward rates provide appropriate economic benefit for efficient hedging.

For the year ended 2 April 2023, if the average rate on floating rate borrowings had been 50 basis points higher with all other variables held constant, post-tax profit for the period would have been £5.9m lower (period ended 3 April 2022: £4.7m lower).

#### Equity price risk

The Group's listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. At the reporting date, the exposure to equity investments at fair value listed on stock exchanges was £60.2m (at 3 April 2022: £136.4m).

The price risk relates to volatility in the market, and how other comprehensive income and equity would be affected by changes in market risk that were reasonably possible at the reporting date. If market indices change this could have an impact on the income and equity attributable to the Group.

The listed securities are classified as long term investments at fair value through profit or loss. The investments in listed equity securities are considered medium to long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments.

#### Credit risk

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

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

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

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

## PENSIONS AND OTHER INFORMATION *continued*

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

#### Liquidity risk

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

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

Following the acquisition detailed in note 18, Cold Fell Group Limited and its subsidiary E. C. M. (Vehicle Delivery Service) Limited (together referred to as 'ECM') joined the Group on 19 July 2022. In the ordinary course of business, ECM has access to a Confidential Invoice Discounting Facility. As at 2 April 2023, £nil was drawn on the facility.

Following the acquisition detailed in note 18, Marshall Motor Holdings ('MMH') joined the Group on 11 May 2022. In the ordinary course of business, MMH a revolving credit facility of £60.0m. As at 2 April 2023, £nil was drawn on the facility. Of this facility £25.0m is provided as an overdraft, with the balance being available to draw on demand.

The Group also has a £250.0m revolving facility (at 3 April 2022: £250.0m). At 2 April 2023 £70m (at 3 April 2022: £75.0m) of the facility had been drawn and £4.4m (at 3 April 2022: £4.2m) of the facility was utilised to provide guarantees to third parties. This revolving facility is considered by management to provide adequate flexibility given the current liquidity requirements of the business.

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

	Carrying amount £m	Contractual total £m	Within 1 year £m	Between 1 and 5 years £m	Over 5 years £m
As at 2 April 2023					
Borrowings	1,817.9	1,851.9	71.4	701.5	1,079.0
Bank overdrafts	-	-	-	-	-
Asset backed borrowings	199.5	199.5	199.5	-	-
Lease liabilities	741.2	825.2	65.9	239.8	519.5
Trade and other payables	1,358.9	1,278.2	1,278.2	-	-
As at 3 April 2022					
Borrowings	1,788.6	1,831.8	75.0	-	1,756.8
Bank overdrafts	10.3	10.3	10.3	-	-
Asset backed borrowings	280.5	281.2	281.2	-	-
Lease liabilities	523.4	743.9	62.4	210.8	470.7
Trade and other payables	631.5	582.2	582.2	-	-

#### Capital risk management

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

#### Fair value

The fair values of cash and cash equivalents, trade receivables, accrued income, trade payables, bank overdrafts and other current assets and liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments. Group borrowings, including the £695m fixed interest High Yield Bond, had a fair value at 2 April 2023 of £1,372.9m (as at 3 April 2022: £1,768.8m). With the exception of the Group's non-current mortgage loans which have a fair value at 2 April 2023 of £7.6m (as at 3 April 2022: £nil) held by Marshall Group, fair values are based on Level 1 measurements from quoted prices in an active market.

## PENSIONS AND OTHER INFORMATION *continued*

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

#### Fair value *continued*

The fair value of non-current mortgages are based on cash flows discounted using the prevailing market interest rates for facilities with similar characteristics (Level 2 measurement). The contractual value of £1,851.9m (as at 3 April 2022: £1,831.8m) stated net of arrangement fees of £34.0m (as at 3 April 2022: £43.2m) resulted in a carrying value of £1,817.9m (as at 3 April 2022: £1,788.6m).

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

### 28. SHARE BASED PAYMENTS

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

No shares were subscribed for or issued to employees of the Group during either the current year or prior period. During the year an agreement was reached for an affiliate company to acquire 50,000 MIP shares from an employee. As a result of these transactions, at the year end there were 124,900 shares held by staff employed within the Group (at 3 April 2022: 174,900), representing 1.3% (at 3 April 2022: 2.0%) of the issued ordinary share capital of CAHS. The shares are split such that each participant holds equal numbers of A ordinary shares and Sweet Equity shares. These shares remain in issue at the period end and are held on trust by a nominee (the 'Nominee'). Constellation Automotive Topco Sarl (formerly BBD Topco Sarl) ('Topco') and a co-investor hold the remaining shares in CAHS. The total accounting charge arising from share-based payment transactions recognised during the year was £2.2m (period ended 3 April 2022: £0.7m), which includes £0.9m of charge that has been accelerated in respect of shares held by employees that left during the year (period ended 3 April 2022: £nil).

In addition to rights to dividends, the MIP shares entitle the holders to investment returns determined as follows:

- Upon an Exit event (including a sale of CAHS, a sale of its assets, its winding up or an IPO of its shares) and after payment of amounts due in relation to any debt securities in issue at the time:
  - The Sweet Equity shares entitle the holders to a priority return based upon an investment multiple (the 'MIP Multiple'). The MIP multiple comprises a ratcheted return subject to a minimum internal rate of return achieved by Topco on its investment in CAHS. The MIP Multiple achievable ranges between one and three times the investment multiple achieved by Topco and is applied to the total amount invested by holders in both A shares and Sweet Equity. The amount payable on Sweet Equity shares is after deduction of the amount payable on A shares.
  - The A shares entitle the holders to an equal return, on a pro-rata basis, to that of Topco and the co-investor.
- Upon leaving the employment of the Constellation Holdings Group and Topco exercising its entitlement to require the holder to transfer their MIP shares to the Nominee:
  - The A shares entitle the holder to the market value of those shares (as determined at the time).
  - The Sweet Equity shares entitle the holder to a return dependent upon whether they leave the Constellation Holdings Group:
    - As a designated 'good leaver' – in which case they will receive a return representing the higher of cost and market value
    - As a designated 'bad leaver' – in which case they will receive a return representing the lower of cost and market value

As a designated 'intermediate leaver' – in which case they will receive a return referenced to the period over which the MIP shares were held, the maximum entitlement being full market value where the MIP shares were held for 5 years or more.

## PENSIONS AND OTHER INFORMATION *continued*

### 29. RELATED PARTY TRANSACTIONS AND DIRECTORS' EMOLUMENTS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Group has a related party relationship with its key management personnel, equity-accounted investments, the ultimate controlling party and other entities also controlled by the ultimate controlling party.

Following the group reorganisation that took place on 28 November 2022, transactions and balances with the Cinch Group after this date are no longer eliminated on consolidation and are disclosed as related party balances and transactions in the note below.

#### Transactions with related parties

The Group entered into the following transactions with equity-accounted investments and parties that are related by virtue of shared control through TDR ownership:

	For the year ended 2 April 2023 £m	For the period 21 September 2022 to 3 April 2022 £m
Sale of goods to related parties	257.3	1.4
Purchase of goods from related parties	52.9	2.2
Purchase of assets from related parties	2.5	-
Rendering of services to related parties	19.3	1.8
Rendering of services from related parties	0.9	-
Purchase of property, plant and equipment from equity-accounted investments	0.2	-
Rental of property from related parties	0.6	0.2
Rendering of services to equity-accounted investments	0.1	0.1
Purchase of services from equity-accounted investments	1.3	0.5

Related parties represent the Group's parent company and its other subsidiaries, TDR, and other entities in TDR's investment portfolio.

#### Amounts due from related parties

	As at 2 April 2023 £m	As at 3 April 2022 £m
Loan balances due from related parties	58.8	1.5
Loan balances due from equity-accounted investments	2.4	1.9
Trading balances with related parties	10.3	-
<b>Total due from related parties</b>	<b>71.5</b>	<b>3.4</b>

No provisions have been recognised against the receivable balance.

On 31 December 2021, Constellation Automotive Holdings Limited disposed of its investment in CN Topco Limited for proceeds of €312.5m (£263.7m). This amount was unsecured, did not accrue interest, and was subsequently settled before 3 April 2022.

## PENSIONS AND OTHER INFORMATION *continued*

### 29. RELATED PARTY TRANSACTIONS AND DIRECTORS' EMOLUMENTS *continued*

#### Amounts due to related parties

	As at 2 April 2023 £m	As at 3 April 2022 £m
Trading balances due to related parties	22.5	3.0
Loan balances due to related parties	64.8	-
Cash held on behalf of other related parties	-	35.0
<b>Total due to related parties</b>	<b>87.3</b>	<b>38.0</b>

Amounts due to and from related parties are only offset when the Group has both the legal right and intention to settle the balances on a net basis.

As at 3 April 2022, Cinch Holdco UK Limited held £35m on behalf of New CN Topco Limited under a payment direction letter. This amount is unsecured, repayable on demand and does not accrue interest.

#### Loans due from related parties

	For the year ended 2 April 2023 £m	For the period 21 September 2022 to 3 April 2022 £m
At start of year/period	1.5	-
Loans issued	-	75.5
Recognised through group reorganisation	57.1	-
Capital repayments	-	(75.5)
Interest charged	1.7	1.5
Interest received	(1.5)	-
<b>At year/period end</b>	<b>58.8</b>	<b>1.5</b>

Following the group reorganisation, loans due from related parties are unsecured, repayable on demand and accrue interest at SONIA + 5%.

In the prior period, a loan of €90m was issued by Cinch Holdco UK Limited to CarNext BV, a CarNext subsidiary and accrued interest at EURIBOR + 5%. This loan was repaid on 1 April 2022 leaving a residual balance of £1.5m interest payable as at 3 April 2022. This interest was repaid in July 2022.

#### Loans due to related parties

	For the year ended 2 April 2023 £m	For the period 21 September 2022 to 3 April 2022 £m
At start of year/period	-	-
Recognised through group reorganisation	(85.8)	-
Loans issued	-	(60.0)
Capital repayments	20.6	60.0
Interest paid	2.7	-
Interest charged	(2.3)	-
<b>At year/period end</b>	<b>(64.8)</b>	<b>-</b>

Following the group reorganisation, loans due to related parties are unsecured, repayable on demand and accrue interest at between SONIA +3.25% and SONIA + 5%.

In the prior period a loan of €60m was issued by Constellation Automotive Group Sarl to CAG Vega 2 Limited. This loan was repaid on 30 March 2022 and did not accrue interest.

## PENSIONS AND OTHER INFORMATION *continued*

### 29. RELATED PARTY TRANSACTIONS AND DIRECTORS' EMOLUMENTS *continued*

#### Loans due from equity-accounted investments

	For the year ended 2 April 2023 £m	For the period 21 September 2022 to 3 April 2022 £m
At start of year/period	1.9	-
Recognised through group reorganisation	-	1.6
Loans issued	0.4	0.3
Foreign exchange	0.1	-
<b>At year/period end</b>	<b>2.4</b>	<b>1.9</b>

Loans to equity-accounted investments are unsecured, repayable on demand and bear no interest.

#### Key management personnel

The Group considers key management personnel, as defined under IAS 24 Related Party Disclosures, to be Executive members of the Board. The remuneration for key management personnel for the period was as follows:

	For the year ended 2 April 2023 £m	For the period 21 September 2021 to 3 April 2022 £m
Short term employee benefits	3.2	6.5
Post-employment benefits	0.2	0.1
Share based payments	2.1	0.6
	<b>5.5</b>	<b>7.2</b>

Included in the amounts above are the following paid to the highest paid Company director in respect of qualifying services:

	For the year ended 2 April 2023 £m	For the period 21 September 2021 to 3 April 2022 £m
Director's remuneration	1.2	3.0
Company contributions to pension schemes	0.1	0.1
	<b>1.3</b>	<b>3.1</b>

As at 2 April 2023, the Group held £nil (at 3 April 2022: £nil) in respect of balances related to key management personnel. There were no other transactions during the period with key management personnel.

#### Ultimate controlling party

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

TDR Nominees 2016 Limited, a 100% subsidiary of TDR Capital LLP, acts as a nominee company and holds the entire share capital of Constellation Automotive Topco Sarl (formerly BBD Topco Sarl) as legal owner. Constellation Automotive Topco Sarl (formerly BBD Topco Sarl) in turn owns 68.5% of the immediate parent Constellation Automotive Holdings Limited, a company incorporated in the United Kingdom.

These consolidated accounts are the largest group which include the results of Constellation Automotive Holdings Limited and its subsidiaries.

## PENSIONS AND OTHER INFORMATION *continued*

### 30. GROUP UNDERTAKINGS

The Group's subsidiaries as at the year ended 2 April 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares, are 100% owned, and the proportion of voting rights is equal to the proportion of shares owned. The country of incorporation or registration is also their principal place of business. All subsidiary undertakings are included in the consolidation.

Name and Address	Nature of business
<b>Austria</b>	
<i>Börsegasse 10/5, 1010 Wien</i> BCA Autoauktionen GesmbH	Non-trading
<i>1 Lainzer Straße 16/5, 1130 Wien</i> BCA Remarketing Austria GmbH <sup>1</sup>	Vehicle Sale and Purchase
<b>Belgium</b>	
<i>Rue de l'Hospice Communal 35 - 1170 Watermael-Boitsfort</i> BCA Autoveiling – Enchères Autos S.A. <sup>2</sup> BCA Europe Transport Solutions S.A. <sup>3</sup> CarTrade2B Belgium S.A. <sup>2</sup>	Motor Vehicle Remarketing Logistics Services for the Automotive Sector Vehicle Sale and Purchase
<b>Denmark</b>	
<i>Auktionsvej 8, DK-7120, Vejle</i> BCA Autoauktion A/S BCA Transport Danmark A/S (formally Carwire A/S) T4g One Europe ApS	Motor Vehicle Remarketing Vehicle Sale and Purchase Vehicle Sale and Purchase
<b>England and Wales</b>	
<i>Form 2, 18 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, United Kingdom, RG27 9XA</i>	
Autolink Limited	Non-trading
Autos on Show Limited	Non-trading
Autotrax Limited	Non-trading
BBD Rock Limited	Intermediate Parent
BCA Automotive Ltd	Intermediate Parent
BCA Central Limited	Intermediate Parent and Management Service Company
BCA Europe Limited	Intermediate Parent and Management Service Company
BCA Fleet Solutions Limited	Motor Vehicle Processing Services
BCA Fleet Solutions 2 Limited	Non-trading
BCA Group Europe Limited	Intermediate Parent
BCA Holdings Limited	Intermediate Parent
BCA Limited	Non-trading
BCA Logistics Limited	Logistics Services for the Automotive Sector
BCA Marketplace Limited	Intermediate Parent
BCA Osprey Finance Limited	Non-trading
BCA Osprey I Limited	Intermediate Parent
BCA Osprey II Limited	Intermediate Parent
BCA Outsource Solutions Limited	Vehicle Sale and Purchase
BCA Pension Trustees Limited	Non-trading
BCA Remarketing Group Limited	Intermediate Parent
BCA Remarketing Solutions Limited	Motor Vehicle Remarketing
BCA Trading Limited	Intermediate Parent
BCA Vehicle Finance Limited	Motor Vehicle Finance
BCA Vehicle Services Limited	Motor Vehicle Processing Services

## PENSIONS AND OTHER INFORMATION *continued*

### 30. GROUP UNDERTAKINGS *continued*

Name and Address	Nature of business
<b>England and Wales <i>continued</i></b>	
<i>Form 2, 18 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, United Kingdom, RG27 9XA</i>	
British Car Auctions Limited	Motor Vehicle Remarketing
Carland.com Limited	Non-trading
CAG Vega 1 Limited	Non-trading
CAG Vega 2 Limited	Non-trading
CAG Sirius 1 Limited <sup>4</sup>	Non-trading
CAG Sirius 2 Limited	Non-trading
CAG Zeta 1 Limited <sup>4</sup>	Non-trading
CAG Zeta 2 Limited	Non-trading
CAG Lynx 1 Limited <sup>4</sup>	Non-trading
Constellation Automotive Limited	Intermediate Parent
Constellation Automotive Financing plc	Financing Services
Constellation Automotive Group Limited	Intermediate Parent
Constellation Developments Limited	Intermediate Parent
Expedier Catering Limited	Non-trading
Expert Remarketing Limited	Non-trading
Life on Show Limited	Motor Vehicle Photographic Services
Paragon Automotive 2009 Limited	Non-trading
Paragon Automotive Limited	Non-trading
Paragon Automotive Logistics Ltd	Logistics Services for the Automotive Sector
Paragon Automotive Services Limited	Non-trading
Paragon Fleet Solutions Limited	Non-trading
Paragon Remarketing Services Limited	Non-trading
Paragon Vehicle Services Limited	Non-trading
Pennine Metals B Limited	Intermediate Parent
Scottish Motor Auctions (Holdings) Limited	Intermediate Parent
Sensible Automotive Limited	Logistics Services for the Automotive Sector
SMA Vehicle Remarketing Limited	Non-trading
Smart Prepared Systems Limited	Non-trading
Supreme Wheels Direct Ltd	Motor Vehicle Processing Services
TF1 Limited	Intermediate Parent
The British Car Auction Group Limited	Intermediate Parent
Tradeouts Limited	Non-trading
VAM UK Acquisition Corporation Limited	Non-trading
Walon Automotive Services Limited	Non-trading
Walon Limited	Logistics Services for the Automotive Sector
We Buy Any Car Limited	Vehicle Sale and Purchase

## PENSIONS AND OTHER INFORMATION *continued*

### 30. GROUP UNDERTAKINGS *continued*

Name and Address	Nature of business
<b>England and Wales <i>continued</i></b>	
<i>Boundary Way, Lufton Trading Estate, Yeovil, Somerset BA22 8HZ</i>	
Magna Motors Limited	Non-trading
<i>C/O Marshall Volkswagen Milton Keynes, Greyfriars Court, Milton Keynes, Buckinghamshire MK10 0BN</i>	
Astle Limited <sup>5</sup>	Franchised motor dealership
Audi South West Limited <sup>5</sup>	Dormant
CMG 2007 Limited <sup>5</sup>	Dormant
Crystal Motor Group Limited <sup>5</sup>	Franchised motor dealership
Dealcairn Limited <sup>6</sup>	Property holding
Driveline Limited <sup>7</sup>	Franchised motor dealership
Exeter Trade Parts Specialists LLP <sup>5</sup>	Motor parts sales
Hanjo Russell Limited <sup>5</sup>	Dormant
Marshall Commercial Vehicles Limited <sup>5</sup>	Dormant
Marshall Motor Group Limited <sup>5</sup>	Franchised motor dealership
Marshall Motor Holdings Limited <sup>5</sup>	Non-trading
Marshall North West Limited <sup>5</sup>	Franchised motor dealership
Marshall of Cambridge (Garage Properties) Limited <sup>5</sup>	Property investment and development
Marshall of Ipswich Limited <sup>5</sup>	Franchised motor dealership
Marshall of Peterborough Limited <sup>5</sup>	Franchised motor dealership
Marshall of Scunthorpe Limited <sup>5</sup>	Franchised motor dealership
Marshall of Stevenage Limited <sup>5</sup>	Franchised motor dealership
Motorline (Broad Oak) Limited <sup>7</sup>	Franchised motor dealership
Motorline (Canterbury) Limited <sup>7</sup>	Franchised motor dealership
Motorline (Kent) Limited <sup>7</sup>	Franchised motor dealership
Motorline (UK) LLP <sup>7</sup>	Dormant
Motorline Holdings Limited <sup>7</sup>	Franchised motor dealership
Motorline Limited <sup>7</sup>	Franchised motor dealership
Motorline TPS Limited <sup>7</sup>	Motor parts sales
Pentagon Limited <sup>5</sup>	Franchised motor dealership
Pentagon South West Limited <sup>5</sup>	Dormant
Prep-Point Ltd <sup>5</sup>	Maintenance and repair of motor vehicles
Ridgeway Bavarian Limited <sup>5</sup>	Franchised motor dealership
Ridgeway Garages (Newbury) Limited <sup>5</sup>	Franchised motor dealership
Ridgeway TPS Limited <sup>5</sup>	Motor parts sales
S G Smith Automotive Limited <sup>5</sup>	Holding Company
S G Smith Holdings Limited <sup>5</sup>	Dormant
S G Smith (Motors) Beckenham Limited <sup>5</sup>	Franchised motor dealership
S G Smith (Motors) Crown Point Limited <sup>5</sup>	Franchised motor dealership
S G Smith (Motors) Croydon Limited <sup>5</sup>	Dormant
S G Smith (Motors) Forest Hill Limited <sup>5</sup>	Franchised motor dealership
S G Smith (Motors) Limited <sup>5</sup>	Dormant
S G Smith (Motors) Sydenham Limited <sup>5</sup>	Dormant
S G Smith Trade Parts Ltd <sup>5</sup>	Motor parts sales
Silver Street Automotive Limited <sup>5</sup>	Franchised motor dealership
Tim Brinton Cars Limited <sup>5</sup>	Property holding
Wood in Hampshire Limited <sup>5</sup>	Dormant

## PENSIONS AND OTHER INFORMATION *continued*

### 30. GROUP UNDERTAKINGS *continued*

Name and Address	Nature of business
<b>England and Wales <i>continued</i></b>	
Wood of Salisbury Limited <sup>5</sup>	Dormant
<i>The Airport, Carlisle, Cumbria, CA6 4NW</i> Cold Fell Group Limited E.C.M. (Vehicle Delivery Service) Limited	Intermediate Parent Logistics Services for the Automotive Sector
<b>Finland</b>	
<i>Lamminsuontie 1, 01750 Vantaa Finland</i> BCA Finland Oy <sup>8</sup> T4G One Europe Finland Oy <sup>9</sup>	Motor Vehicle Remarketing Vehicle Sale and Purchase
<b>France</b>	
<i>5 rue Charles de Gaulle - 94140 Alfortville</i> BC Remarketing S.A.S BCAuto Enchères S.A.S	Motor Vehicle Remarketing Motor Vehicle Remarketing
<i>53 rue Boissière 75116 Paris</i> CarTrade2B France S.A.S	Vehicle Sale and Purchase
<i>99 rue du Président Edouard Herriot, 69002 Lyon</i> Proov Station S.A.S (16%) <sup>10</sup>	Inspection Services for the Automotive Sector
<i>12 boulevard René Descartes, 86360 Chasseneuil-du-Poitou</i> Centre De Rénovation De Véhicules D'Occasion Lens (CRVO LENS) S.A.S (50%)	Motor Vehicle Processing Services
<i>zone Industrielle, Saint-Ustre, 86220 Ingrandes</i> Centre De Rénovation De Véhicules D'Occasion Ingrandes (CRVO) S.A.S (50%)	Motor Vehicle Processing Services
<b>Germany</b>	
<i>Alsfelder Str.23, 36272 Niederaula</i> Fleet Control Monitor GmbH (76%)	Vehicle Inventory Management
<i>Flosshafenstrasse 5, 41460 Neuss</i> BCA Auctions GmbH BCA Autoauktionen GmbH BCA Automotiv GmbH & Co. KG BCA Automotiv Verwaltungs GmbH BCA Europe GmbH CarTrade2B GmbH	Motor Vehicle Remarketing Motor Vehicle Remarketing Motor Vehicle Remarketing Intermediate Parent Intermediate Parent Vehicle Sale and Purchase

## PENSIONS AND OTHER INFORMATION *continued*

### 30. GROUP UNDERTAKINGS *continued*

Name and Address	Nature of business
<b>Germany</b> <i>continued</i>	
<i>Herzogstrasse 15, 40217 Düsseldorf</i> ZABATUS Grundstücks – Vermietungsgesellschaft mbH & Co. Objekt BCA Neuss KG (94%)	Property Leasing
<b>Hungary</b>	
<i>1061 Budapest, Andrásy út 36. 2. em. 5. , Magyarország</i> BCA Hungária Gépjármű-aukciós Kft.	Non-trading
<b>Italy</b>	
<i>Montanaso Lombardo (LO), Via Emilia 143/A, CAP 26836</i> BCA Italia SRL CT2B Italia SRL	Motor Vehicle Remarketing Vehicle Sale and Purchase
<b>Jersey</b>	
<i>47 Esplanade, St Helier, Jersey, JE1 0BD</i> H.I.J. Limited Rockingham (RT) Limited Rockingham (GW) Limited Rockingham (CP) Limited	Intermediate Parent Property Management Property Management Property Management
<b>Netherlands</b>	
<i>De Landweer 4, 3771 LN Barneveld</i> BCA Administratie B.V. BCA Auctions Holdings B.V. BCA Autoveiling B.V. FleetSelect B.V.	Vehicle Sale and Purchase Intermediate Parent Motor Vehicle Remarketing Motor Vehicle Remarketing
<b>Norway</b>	
<i>Kragerudveien 80, 2013 Skjetten, Norway</i> BCA Bilauksjon AS T4G One Europe Norge AS	Motor Vehicle Remarketing Vehicle Sale and Purchase
<b>Poland</b>	
<i>Rabowicka 9, 62-020 Swazędze</i> BCA Polska Sp. z.o.o.	Motor Vehicle Remarketing
<b>Portugal</b>	
<i>Av. Antonio Augusto de Aguiar, 38 - 6º, 1050-016 Lisboa</i> G – Grupo – Investimentos e Participações, S.A. S.P.L.A. – Sociedade Portuguesa de Leilões de Automóveis, S.A.	Intermediate Parent Motor Vehicle Remarketing
<i>Rua Quinta do Recanto 37, 2725-234 Mem Martins, Portugal</i> CarTrade2B Unipessoal, Lda	Vehicle Sale and Purchase

## PENSIONS AND OTHER INFORMATION *continued*

### 30. GROUP UNDERTAKINGS *continued*

Name and Address	Nature of business
<b>Romania</b>	
<i>Bucharest, 1st district, Buzesti St. no. 50-52, module 12, 11th floor</i> BC Autolicitatii România - S.R.L	Non-trading
<b>Scotland</b>	
<i>199 Siemens Street, Blochairn, Glasgow, Scotland, G21 2BU</i> BCA 100 Limited <sup>11</sup>	Non-trading
Motor Auctions (Properties) Limited <sup>11</sup>	Property Leasing
Scottish Motor Auctions Limited <sup>11</sup>	Non-trading
<b>Spain</b>	
<i>Sagasta, 15 Planta 2 puerta Izquierda 28004 Madrid</i> BCA España Autosubastas de Vehículos SL	Motor Vehicle Remarketing
BCA Management de Vehiculos SL	Vehicle Sale and Purchase
BCA Servicios Inmobiliarios SL	Property Leasing
<b>Sweden</b>	
<i>Box 5208, 151 13 Södertälje</i> BCA Vehicle Remarketing AB	Motor Vehicle Remarketing
CarTrade2B AB	Vehicle Sale and Purchase
<b>Switzerland</b>	
<i>Zugerstrasse 72 6340 Baar</i> BCA AutoRemarketing Schweiz AG <sup>12</sup>	Motor Vehicle Remarketing

<sup>1</sup> incorporated on 3 March 2023

<sup>2</sup> registered office address changed from Rue de l'Hospice Communal 35 - 1170 Watermael-Boitsfort on 14 December 2021

<sup>3</sup> registered office address changed from Parc de l'Alliance, Boulevard de France 9 A, 1420, Braine l'Alleud on 27 March 2019

<sup>4</sup> subsidiaries for which exemption from audit by virtue of s479A of the Companies Act 2006 has been taken for the period ended 2 April 2023

<sup>5</sup> registered office address changed from Airport House, The Airport, Cambridge CB5 8RY to C/O Marshall Volkswagen Milton Keynes, Greyfriars Court, Milton Keynes, Buckinghamshire MK10 0BN on 30 August 2023

<sup>6</sup> registered office address changed from Motorline House, Shalloak Road, Broad Oak, Canterbury, Kent CT2 0PR to C/O Marshall Volkswagen Milton Keynes, Greyfriars Court, Milton Keynes, Buckinghamshire MK10 0BN on 31 August 2023

<sup>7</sup> registered office address changed from Motorline House, Shalloak Road, Broad Oak, Canterbury, Kent CT2 0PR to C/O Marshall Volkswagen Milton Keynes, Greyfriars Court, Milton Keynes, Buckinghamshire MK10 0BN on 30 August 2023

<sup>8</sup> registered office address changed from c/o AAtsto Castren & Snellman Oy, PL 233, 00131 Helsinki on 29 July 2021

<sup>9</sup> incorporated on 2 March 2023

<sup>10</sup> on 16 December 2022 the shareholding reduced from 22% to 16%.

<sup>11</sup> registered office address changed from 1 Dunlop Square, Deans Industrial Estate, Livingston, EH54 8SB on 1 December 2022

<sup>12</sup> registered office address changed from Bodenackerstrasse 3 8957 Spreitenbach on 25 November 2022

## PENSIONS AND OTHER INFORMATION *continued*

### 30. GROUP UNDERTAKINGS *continued*

#### Equity-accounted investments

Associates and joint ventures had no contingent liabilities or capital commitments as at 2 April 2023 and 3 April 2022.

Reconciliation to carrying amounts:

	Associates		Joint Ventures		Total £m
	Proov Station £m	Automotion Events <sup>1</sup> £m	CRVO Ingrandes £m	CRVO Lens £m	
As at 21 September 2022	-	-	-	-	-
Acquisitions through group reorganisation	1.4	0.2	0.7	1.7	4.0
Additions	0.5	0.2	-	1.7	2.4
Share of loss	(0.3)	(0.1)	(0.2)	(0.7)	(1.3)
<b>As at 3 April 2022</b>	<b>1.6</b>	<b>0.3</b>	<b>0.5</b>	<b>2.7</b>	<b>5.1</b>
Disposal of discontinued operation	-	(0.3)	-	-	(0.3)
Share of (loss)/profit	(0.2)	-	(0.5)	0.5	(0.2)
Reclassification to financial assets	(1.4)	-	-	-	(1.4)
<b>As at 2 April 2023</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.2</b>	<b>3.2</b>

<sup>1</sup>For the year ended 2 April 2023, Automotion Events results was equity accounted for prior to the disposal of Cinch Group on 28 November 2022.

#### *Cessation of equity accounting – Proov Station S.A.S*

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

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

The tables below provide summarised financial information of the Group's current and previous equity-accounted investments. The information disclosed reflects the amounts presented in the financial statements of the relevant equity-accounted investments and not the Group's share of those amounts. They are shown as at the date of the most recent financial statements, which may not be coterminous to the Group. They have been amended to reflect adjustments made by the entity for differences in accounting policies.

## PENSIONS AND OTHER INFORMATION *continued*

### 30. GROUP UNDERTAKINGS *continued*

#### *Proov Station S.A.S*

	As at 31 December 2022	As at 31 December 2021
	€m	€m
Non-current assets	4.2	4.1
Current assets	9.0	3.8
Current liabilities	(6.8)	(5.2)
<b>Net assets</b>	<b>6.4</b>	<b>2.7</b>

	For the year ended 31 December 2022	For the year ended 31 December 2021
	€m	€m
Operating income	5.2	4.0
Operating costs	(8.0)	(6.1)
<b>Operating loss</b>	<b>(2.8)</b>	<b>(2.1)</b>
Net finance costs	(0.1)	(0.1)
Income tax	0.4	0.4
<b>Result for the year</b>	<b>(2.5)</b>	<b>(1.8)</b>

#### *Disposal of Automotion Events Ltd*

On 28 November 2022, CAHL distributed its investment in the Cinch Group to its parent, Constellation Automotive Group Sarl. As a result, Automotion Events Ltd ceased to be an associate of CAHL from this date.

#### *Automotion Events Ltd*

	As at 31 March 2023	As at 31 March 2022
	£m	£m
Non-current assets	0.1	0.2
Current assets	0.2	0.6
Non-current liabilities	(0.1)	0.0
Current liabilities	(0.4)	(0.7)
<b>Net assets</b>	<b>(0.2)</b>	<b>0.1</b>

	For the year ended 31 March 2023	For the year ended 31 March 2022
	£m	£m
Operating income	0.6	0.9
Operating costs	(0.8)	(1.1)
Depreciation and amortisation	-	-
<b>Operating loss</b>	<b>(0.2)</b>	<b>(0.2)</b>
Net finance costs	-	-
Income tax	-	-
<b>Result for the year</b>	<b>(0.2)</b>	<b>(0.2)</b>

## PENSIONS AND OTHER INFORMATION *continued*

### 30. GROUP UNDERTAKINGS *continued*

#### *Centre De Rénovation De Véhicules D'Occasion Ingrandes*

	As at 31 December 2022	As at 31 December 2021
	€m	€m
Non-current assets	4.5	5.0
Current assets	3.0	3.0
Non-current liabilities	(5.6)	(4.1)
Current liabilities	(2.2)	(2.7)
<b>Net assets</b>	<b>(0.3)</b>	<b>1.2</b>

	For the year ended 31 December 2022	For the year ended 31 December 2021
	€m	€m
Operating income	14.4	12.6
Operating costs	(15.3)	(12.8)
Depreciation and amortisation	(0.7)	(0.6)
<b>Operating loss</b>	<b>(1.6)</b>	<b>(0.8)</b>
Net finance costs	(0.1)	(0.1)
Income tax	-	-
<b>Result for the year</b>	<b>(1.7)</b>	<b>(0.9)</b>

#### *Centre De Rénovation De Véhicules D'Occasion Lens*

	As at 31 December 2022	As at 31 December 2021
	€m	€m
Non-current assets	13.0	9.3
Current assets	4.3	4.7
Non-current liabilities	(3.0)	(5.9)
Current liabilities	(7.4)	(1.1)
<b>Net assets</b>	<b>6.9</b>	<b>7.0</b>

	For the year ended 31 December 2022	For the year ended 31 December 2021
	€m	€m
Operating income	11.5	-
Operating costs	(11.1)	(0.4)
Depreciation and amortisation	(1.1)	(0.3)
<b>Operating loss</b>	<b>(0.7)</b>	<b>(0.7)</b>
Net finance costs	-	-
Income tax	-	-
<b>Result for the year</b>	<b>(0.7)</b>	<b>(0.7)</b>

#### **Transactions with non-controlling interests**

There were no transactions with non-controlling interests in the year ended 2 April 2023 (period ended 3 April 2022: £nil).

## **PENSIONS AND OTHER INFORMATION *continued***

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

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

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

The Group holds a beneficial interest in listed motor dealer group, Lookers Plc. A public offer was made by Global Auto Holdings Ltd in July 2023 to acquire all issued and to be issued shares in Lookers Plc at 130 pence per share, which was approved by the shareholders and the FCA in September 2023. The takeover is expected to be effective from October 2023.

On 30 June 2023, Marshall Motor Group disposed of all Toyota and Lexus franchises held (19 businesses in total).

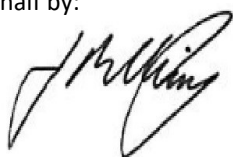
## COMPANY FINANCIAL STATEMENTS

### COMPANY BALANCE SHEET

	Note	As at 2 April 2023 £m	As at 3 April 2022 £m
<b>Non-current assets</b>			
Investments	4	960.7	1,251.6
Deferred tax asset		-	0.8
<b>Total non-current assets</b>		<b>960.7</b>	<b>1,252.4</b>
<b>Current assets</b>			
Trade and other receivables	5	7.4	7.3
<b>Total current assets</b>		<b>7.4</b>	<b>7.3</b>
<b>Total assets</b>		<b>968.1</b>	<b>1,259.7</b>
<b>Current liabilities</b>			
Trade and other payables	6	(8.3)	(8.7)
<b>Total current liabilities</b>		<b>(8.3)</b>	<b>(8.7)</b>
<b>Total liabilities</b>		<b>(8.3)</b>	<b>(8.7)</b>
<b>Net assets</b>		<b>959.8</b>	<b>1,251.0</b>
<b>Equity shareholder's funds</b>			
Share capital	7	100.0	100.0
Share premium	7	821.5	1,421.5
Retained profit/(accumulated losses)		38.3	(270.5)
<b>Total shareholder's funds</b>		<b>959.8</b>	<b>1,251.0</b>

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company profit and loss account and the related notes. The loss for the Parent Company for the year ended 2 April 2023 was £0.3m (period ended 3 April 2022: £270.5m).

The financial statements on pages 119 to 124 were approved by the Board on 26 September 2023 and were signed on its behalf by:



J A Mullins

Company registration number: 13634625

## COMPANY CASH FLOW STATEMENT

	For the year ended 2 April 2023 £m	For the period 21 September 2021 to 3 April 2022 £m
<b>Cash flows from operating activities</b>		
Loss for the period	(0.3)	(270.5)
Adjustments for:		
Income tax charge/(credit)	0.1	(1.7)
Net finance (income)/costs	(0.4)	3.3
Impairment of investment	-	260.2
Changes in working capital:		
Trade and other receivables	-	-
Trade and other payables	(0.4)	8.7
<b>Cash flow from operations</b>	<b>(1.0)</b>	-
Interest received	0.5	-
Income tax received	0.9	-
<b>Net cash flow from operating activities</b>	<b>0.4</b>	-
<b>Cash flows from investing activities</b>		
Proceeds from disposal of discontinued operations	-	263.7
Additional shares subscribed for in existing subsidiaries	-	(520.5)
<b>Net cash outflow from investing activities</b>	-	<b>(256.8)</b>
<b>Cash flows from financing activities</b>		
Proceeds from shares issued	-	263.2
Amounts loaned to subsidiary undertakings	(0.4)	(6.4)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(0.4)</b>	<b>256.8</b>
Net increase in cash and cash equivalents	-	-
Foreign exchange on cash held	-	-
Cash and cash equivalents at beginning of year/period	-	-
<b>Cash and cash equivalents at year/period end</b>	-	-

## COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £m	Share premium £m	Retained earnings £m	Total £m
<b>On incorporation on 21 September 2021</b>		-	-	-	-
<i>Total comprehensive income for the period</i>					
Loss for the period		-	-	(270.5)	(270.5)
<b>Total comprehensive expense for the period</b>		-	-	<b>(270.5)</b>	<b>(270.5)</b>
<i>Contributions and distributions</i>					
Shares issued in group reorganisation	7	100.0	1,158.3	-	1,258.3
Net proceeds from shares issued	7	-	263.2	-	263.2
<b>Total transactions with owners</b>		<b>100.0</b>	<b>1,421.5</b>	-	<b>1,521.5</b>
<b>Balance at 3 April 2022</b>		<b>100.0</b>	<b>1,421.5</b>	<b>(270.5)</b>	<b>1,251.0</b>
<i>Total comprehensive income for the year</i>					
Loss for the year		-	-	(0.3)	(0.3)
<b>Total comprehensive expense for the year</b>		-	-	<b>(0.3)</b>	<b>(0.3)</b>
<i>Contributions and distributions</i>					
Capital reduction		-	(600.0)	600.0	-
Distribution in specie		-	-	(290.9)	(290.9)
<b>Total transactions with owners</b>		-	<b>(600.0)</b>	<b>309.1</b>	<b>(290.9)</b>
<b>Balance at 2 April 2023</b>		<b>100.0</b>	<b>821.5</b>	<b>38.3</b>	<b>959.8</b>

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### Basis of preparation

Constellation Automotive Holdings Limited ('CAHL', the 'Company') is a UK private company limited by shares. These Company financial statements for the year ended 2 April 2023 have been prepared on a going concern basis in accordance with UK-adopted International Accounting Standards ('IFRSs') and the applicable legal requirements of the Companies Act 2006. The accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The financial statements have been prepared under the historical cost convention. The financial statements and the notes to the financial statements are presented in millions of Pounds Sterling ('£m') except where otherwise indicated.

The accounting policies applied in the preparation of these Company financial statements are the same as those set out in note 4 of the Annual Report and Accounts 2023, with the exception of note 2 'Basis of consolidation' and the policy on investments in subsidiaries, which are stated at cost less impairment.

### 2. EMPLOYEES AND DIRECTORS

There were no employees of the Company during the year ended 2 April 2023 (period ended 3 April 2022: nil).

### 3. NET FINANCE COSTS

Net finance costs relate to net foreign exchange losses incurred in the Company during the year ended 2 April 2023.

### 4. INVESTMENTS IN SUBSIDIARIES

	Total £m
<b>Cost</b>	
At incorporation on 21 September 2021	-
Acquisitions through group reorganisation	1,258.3
Additions	520.5
Disposal of business	(267.0)
Impairment	(260.2)
<b>At 3 April 2022</b>	<b>1,251.6</b>
Disposal of business	(290.9)
<b>At 2 April 2023</b>	<b>960.7</b>

On 4 October 2021, Constellation Automotive Holdings Limited (the 'Company') acquired the entire shareholding of Constellation Automotive Group Limited, CN Topco Limited and Cinch Holdings Sarl with their related subsidiaries, in exchange for the issuance of 100,000,000 £1 shares to its parent company Constellation Automotive Group Sarl.

During the prior period, the company subscribed for £331.1m of shares in CAG Vega 1 Limited, a new subsidiary, and a further £189.4m in Cinch Holdings Sarl.

On 31 December 2021, Constellation Automotive Holdings Limited disposed of CN Topco Limited and its subsidiaries to New CN Topco Limited, a company related by virtue of shared control through ownership. The consideration for disposal was €312.5m (£263.7m), resulting in a loss on disposal of £3.3m arising due to foreign exchange movements.

Investments in Company undertakings are recorded at cost less impairment. The cost of investments acquired through group reorganisation are based on the predecessor cost from Constellation Automotive Group Sarl, with subsequent investment based on the fair of value of consideration given. During the prior period, the Company recognised an impairment of the investment in Cinch Holdings Sarl, to an amount broadly similar to the net assets of the Cinch Group in the CAHL Group consolidated accounts.

At 3 April 2022 the Company owned 100% of the issued share capital of Constellation Automotive Group Limited, Cinch Holdings Sarl and CAG Vega 1 Limited. On 28 November 2022, CAHL distributed its investment in Cinch Holdings Sarl to its parent, Constellation Automotive Group Sarl, at carrying value. The company owns directly and indirectly the subsidiary undertakings listed in note 29 of the Annual Report and Accounts 2023.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

### 5. TRADE AND OTHER RECEIVABLES

	As at 2 April 2023 £m	As at 3 April 2022 £m
Amounts owed by subsidiary undertakings	7.4	7.3
<b>Total trade and other receivables</b>	<b>7.4</b>	<b>7.3</b>

Amounts owed by subsidiary undertakings include a loan of £6.8m that is unsecured, repayable on demand and bears interest at SONIA plus 3.25% per annum. All remaining balances are unsecured, have no fixed rate of repayment and are repayable on demand.

### 6. TRADE AND OTHER PAYABLES

	As at 2 April 2023 £m	As at 3 April 2022 £m
Accruals and other payables	0.1	0.5
Amounts owed to subsidiary undertakings	8.2	8.2
<b>Total trade and other payables</b>	<b>8.3</b>	<b>8.7</b>

Amounts owed to subsidiary undertakings are unsecured, repayable on demand and bears no interest.

### 7. SHARE CAPITAL AND RESERVES

The details of the Company's share capital and the nature of the reserves are disclosed in note 24 of the Annual Report and Accounts 2023.

### 8. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

#### Financial risk management

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

#### Market risk

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

#### Foreign exchange risk

The Company has no direct significant interaction with foreign currency. Members of the Group in which the Company holds its investment operate in continental Europe, which means that through its investment the Company has some indirect exposure to foreign exchange risk.

#### Interest rate risk

The Company has no external debt and therefore has no significant exposure to interest rate risk.

#### Credit risk

Credit risk is the risk of financial loss in the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally through receivables from Group companies.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

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

#### **Liquidity risk**

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

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company currently meets all liabilities from intercompany loans. The Company's liability for operating expenses is monitored on an ongoing basis to ensure cash resources are adequate to meet liabilities as they fall due.

#### **Capital risk management**

The aim of the Company is to maintain sufficient funds to enable it to make suitable investments and incremental acquisitions whilst minimising recourse to bankers and/or shareholders.

#### **Fair values**

The fair values of all financial instruments are equal to their carrying values.

### 9. RELATED PARTY TRANSACTIONS

Remuneration of the Directors' who constitute key management personnel of the Company has been disclosed in note 29 of the Annual Report and Accounts 2023.

### 10. COMMITMENTS AND CONTINGENCIES

#### **Capital commitments**

There are no capital commitments to disclose in this report.

#### **Contingencies**

There are no disputes with any third parties that would result in a material liability for the Company.

The Company has entered into an agreement over various bank loans and overdrafts of certain Group undertakings and has granted as security a fixed and floating charge over all its present and future assets.