

PINEWOOD TECHNOLOGIES PLC

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

Registered Number : 03542925



PINEWOOD TECHNOLOGIES PLC

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YEAR ENDED 31 DECEMBER 2020

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STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2020

The Company is a wholly-owned subsidiary of Pendragon PLC and operates as its Software division.

The Company's principal activity during the year was the sale of computer systems, telecommunication systems and associated support services, principally to motor vehicle retailers in the UK. There have not been any significant changes in the Company's principal activities in the year under review.

The Directors are not, at the date of this report, aware of any likely major changes in the Company's activities in the next year.

As shown in the Company's profit and loss account on page 6, turnover decreased by 28.1% from £30,937,000 in the prior year to £22,258,000 in the current year. The profit for the financial year decreased by 14.1% from £12,541,000 in the prior year to a £10,774,000 profit in the current year. These reductions were driven by a restructure of intra-group IT services to other parts of the Pendragon group as well as one-off Covid-19 customer discounts.

The Company has a strong track record and whilst historically the business achieved this growth in the UK, more recently the business has been expanding outside of the UK. We expect to continue to expand globally and accelerate our representation and implementations in a number of countries worldwide. Pinewood has representation in Europe, Africa and Asia Pacific and is actively expanding the business in these territories.

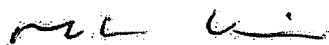
The balance sheet on page 7 of the financial statements shows that the net assets of the Company have decreased by £1,226,000 to £30,992,000. This was driven by profit for the year of £10,774,000 less dividends of £12,000,000 paid during the year.

Risks to the business include loss of manufacturer endorsement for Pinewood products and consolidation of the motor industry which could potentially affect the numbers of privately owned motor dealers using Pinewood products. Other risks to the business include fluctuations in general economic conditions, such as interest rate increases, environmental concerns and legislation and the loss of key personnel. The outbreak of the COVID-19 virus has presented the Company additional risk in terms of the impact of the economy, safety of employees and customers and uncertainty as to whether a further outbreak is possible. The Risk Control Group of Pendragon PLC has met to consider these risks and uncertainties and will continue to monitor how these risks evolve. These risks are significant to the group and are also detailed in the group financial statements.

The directors are satisfied that the Company is well positioned to take advantage of future opportunities.

The directors are of the opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

By order of the Board



M S Willis
Director

24 June 2021

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2020

The directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2020.

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 6.

Dividends of £12,000,000 were paid during the year (2019 : £10,000,000). The directors recommend the payment of a final dividend of £10,000,000 subject to approval by the Board of Directors (2019 : £12,000,000).

DIRECTORS

The directors who held office during the year were as follows:

M S Willis
W Berman (appointed 9 April 2020)
M S Casha
Pendragon Management Services Limited

EMPLOYEES

Details of the number of employees and related costs can be found in note 4 to the financial statements.

EMPLOYMENT OF DISABLED PERSONS

The Company recognises its responsibilities in employing and training disabled persons. If any employee becomes disabled it is standard practice, in all but the most extreme circumstances, to offer an alternative job and provide retraining where necessary.

EMPLOYEE INVOLVEMENT

Regular contact and exchanges of information are maintained to keep employees informed of the progress of the business.

The Company participates in policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters.

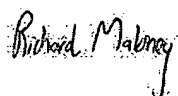
DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

RE-APPOINTMENT OF AUDITOR

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



R J Maloney
Secretary

Loxley House
Little Oak Drive
Annesley
Nottinghamshire
NG15 0DR
24 June 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT AND THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Opinion

We have audited the financial statements of Pinwood Technologies PLC ("the Company") for the year ended 31 December 2020 which comprise the Profit and Loss account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect*Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management/ directors/ sales staff
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that sales are recorded in the wrong period and the risk that Company management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as capitalised development cost assumptions.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unexpected accounts such as sales and cash.
- Assessing when revenue was recognised, particularly focusing on revenue recognised in the days before and after the year end date, and whether it was recognised in the correct year.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, antibribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Fraud and breaches of laws and regulations – ability to detect - continued*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

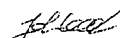
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



25 June 2021

John Leech (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

PROFIT AND LOSS ACCOUNT**YEAR ENDED 31 DECEMBER 2020**

Note		2020 £000	2019 £000
2	TURNOVER	22,258	30,937
	Cost of sales	(1,821)	(6,762)
	GROSS PROFIT	20,437	24,175
	Distribution costs	(4,015)	(1,728)
	Administrative expenses	(4,085)	(7,713)
3	OPERATING PROFIT	12,337	14,734
11	Profit on disposal of investments	130	-
	PROFIT BEFORE INTEREST	12,467	14,734
5	Interest payable	(13)	(19)
6	Interest receivable	994	750
	PROFIT BEFORE TAXATION	13,448	15,465
7	Tax on profit on ordinary activities	(2,674)	(2,924)
	PROFIT FOR THE FINANCIAL YEAR	10,774	12,541

All amounts relate to continuing operations.

Movements in reserves are shown in the Statement of Changes in Equity on page 8.

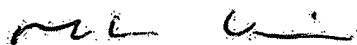
There are no amounts to be recognised in a Statement of Other Comprehensive Income and as such no separate statement has been presented. The profit for the financial year represents total comprehensive income for the period.

The notes on pages 9 to 17 form part of these financial statements.

BALANCE SHEET**AT 31 DECEMBER 2020**

Note		2020 £000	2019 £000
	FIXED ASSETS		
9	Intangible assets	9,427	8,424
10	Tangible assets	658	1,267
11	Investments	-	856
		10,085	10,547
	CURRENT ASSETS		
12	Stocks	-	11
13	Debtors	30,379	30,974
	Cash at bank and in hand	43	1,473
		30,422	32,458
14	CREDITORS: amounts falling due within one year	(7,990)	(9,172)
	NET CURRENT ASSETS	22,432	23,286
15	CREDITORS: amounts falling due in over one year	(1)	(454)
16	Provisions for liabilities and charges	(1,524)	(1,161)
	NET ASSETS	30,992	32,218
	CAPITAL AND RESERVES		
17	Called up share capital	18,050	18,050
	Profit and loss account	12,942	14,168
	TOTAL SHAREHOLDERS' FUNDS	30,992	32,218

Approved by the Board of Directors on 24 June 2021 and signed on its behalf by :



M S Willis
Director

Registered Company Number : 03542925

The notes on pages 9 to 17 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY**YEAR ENDED 31 DECEMBER 2020**

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 31 December 2018	18,050	11,693	29,743
Adjustment on initial application of IFRS 16 (net of tax)	-	(66)	(66)
Adjusted balance at 1 January 2019	18,050	11,627	29,677
Total comprehensive income for 2019			
Profit for the year	-	12,541	12,541
Total comprehensive income for the year	-	12,541	12,541
Transactions with owners, recorded directly in equity			
Dividends paid (see note 8)	-	(10,000)	(10,000)
Total contributions by and distributions to owners	-	(10,000)	(10,000)
Balance at 31 December 2019	18,050	14,168	32,218
Balance at 1 January 2020	18,050	14,168	32,218
Total comprehensive income for 2020			
Profit for the year	-	10,774	10,774
Total comprehensive income for the year	-	10,774	10,774
Transactions with owners, recorded directly in equity			
Dividends paid (see note 8)	-	(12,000)	(12,000)
Total contributions by and distributions to owners	-	(12,000)	(12,000)
Balance at 31 December 2020	18,050	12,942	30,992

The notes on pages 9 to 17 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED 31 DECEMBER 2020****1 ACCOUNTING POLICIES****(a) Basis of preparation**

Pinwood Technologies PLC is a company incorporated, domiciled and registered in England in the UK. The Company's registered number is 03542925 and the registered address is Loxley House, Little Oak Drive, Annesley, Nottinghamshire, NG15 0DR.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements are presented in thousands of UK pounds, rounded to the nearest £1,000. They have been prepared under the historical cost convention and where other bases are applied these are identified in the relevant accounting policy in the notes below.

The Company's ultimate parent undertaking, Pendragon PLC, includes the Company in its consolidated financial statements. The consolidated financial statements of Pendragon PLC are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the Company Secretary, Pendragon PLC, Loxley House, Little Oak Drive, Annesley, Nottinghamshire, NG15 0DR.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of Pendragon PLC include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

Judgements

The Company applies judgement in how it applies its accounting policies, which do not involve estimation, but could materially affect the numbers disclosed in these financial statements. Management use judgement in capitalising development costs as internally generated intangible assets. Management assess whether a product is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use of sell the asset. In the current year expenditure of £3,257,000 (2019: £4,056,000) relating to the costs of labour and overhead has been capitalised in development costs. If the development expenditure does not meet the above criteria it is expensed to the income statement."

Accounting estimates

The preparation of financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The directors consider the following to be the key estimate applicable to the financial statements, which has a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year or in the long-term:

Key estimate area	Key assumption	Potential impact within the next financial year	Potential impact in the longer term	Note reference
Capitalised development costs	Capitalised development costs relate to software enhancement are held at cost less amortisation less any impairment. It is considered that this expenditure forms part of one CGU. An impairment exists when its recoverable amount is less than the book value held in the accounts. There are a number of factors which could impact the recoverable amount which is reliant upon it to be able to generate income in the future which may not be certain, which creates a risk of this recoverable amount being lower than the balance held. The period of recovery for amortisation is estimated as five years.	✓	✓	9

NOTES TO THE FINANCIAL STATEMENTS continued**YEAR ENDED 31 DECEMBER 2020****1 ACCOUNTING POLICIES (continued)****(a) Basis of preparation continued**

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have performed a going concern assessment until December 2022 which indicate that, taking account of reasonably possible downsides, the anticipated impact of Covid-19 on the operations, its financial resources and the company's ability to access funding through the group's centralised treasury arrangements, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

The assessment is dependent on Pendragon PLC providing additional financial support during that period. Pendragon PLC has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the assessment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The Company participates in the Pendragon group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries, and as a result is dependent on the Pendragon group. As a result, the directors have considered the wider impact on the Pendragon PLC group ("the Group") in their going concern assessment.

The Group has seen an improved trading position after lock-down restrictions were lifted in June as announced through the Group IMS on 23 October 2020. Despite this, the directors consider that the current economic outlook presents significant uncertainty in terms of sales volume and pricing and that each of Brexit, the threat from further Coronavirus lock-downs and the risk of rising unemployment when government support measures are withdrawn, present uncertainties to future trading conditions.

Whilst the Group directors have instituted measures to preserve cash there is uncertainty over future trading results and cash flows. The Group meets its day-to-day working capital requirements from a revolving credit facility of £175.0m and senior note of £60m together with manufacturer stocking facilities and cash balances. The revolving credit facility is due for renewal on 1 March 2023 and includes covenants, a breach of which would result in the amounts drawn becoming repayable on demand. The Group did not require use of Government backed borrowing facilities such as the Coronavirus large business interruption loan scheme. The Group remained compliant with its banking covenants throughout the year to 31 December 2020.

Following the Coronavirus lock-downs in 2020 and 2021 the Group instigated a number of mitigating actions to protect it against the financial impact of the closures and ensure compliance with covenants at the balance sheet date. This included drawing down on government support measures such as the Corona virus job retention scheme, utilising the retail discount scheme for rates and deferring VAT, as well as utilising support measures from vehicle manufacturers and stocking loan providers to extend vehicle payment periods. The Group also reviewed its level of planned capital expenditure and either cancelled or postponed certain projects.

In the context of the above, the Group Directors have prepared cash flow forecasts for the period to 31 December 2022 which indicate that, taking account of reasonably possible downsides, the Group will have sufficient funds to meet its liabilities as they fall due for that period. The Group Directors have assessed the potential on-going impacts of the Coronavirus pandemic including the risk of further national lockdowns coupled with the risk of residual supply issues following the end of the Brexit transition period, leading to wider economic disruption.

The Directors of the Company have assessed the conclusions reached by the Group directors and agree with their conclusions.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 1.

(b) Turnover. Turnover from the sale of goods is recognised in the profit and loss account, net of discounts, on satisfaction of the Company's performance obligations under the sale contracts, which is when the Company has satisfied its performance obligations to the customer and the customer has obtained control of the goods or services being transferred. In general this occurs when equipment has been supplied or when service has been completed. Turnover from services comprises the provision of software hosting, training and system installation fees and is recognised in the Profit and Loss Account as the services are delivered or utilised.

(c) Intangible assets. Internally generated intangible assets relate to activities that involve the development of dealer management systems by the Company. Development expenditure is capitalised only if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the costs of labour and overhead costs that are directly attributable to preparing the asset for its intended use. Any expenditure incurred by the research department that does not meet the above criteria is expensed to the income statement.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses and is amortised over a period of five years.

Other intangible assets are stated at cost less accumulated amortisation and any impairment losses. This category of asset, which includes purchased computer software, are amortised by equal instalments over four years.

(d) Property, plant and equipment. Depreciation is provided to write off the cost less the estimated residual value of assets by equal instalments over their estimated useful economic life as follows:

Leasehold properties - 2% per annum or over the period of the lease if less than 50 years
Plant and equipment - 10 to 33% per annum

(e) Investments. Investments held as fixed assets are stated at cost less any impairment losses. For Investments the recoverable amount is estimated at each balance sheet date. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO THE FINANCIAL STATEMENTS continued**YEAR ENDED 31 DECEMBER 2020****1 ACCOUNTING POLICIES (continued)**

(f) Stocks. Goods for sale are based on an average purchase cost principle and are written down to net realisable value by providing for obsolescence on a time in stock based formula approach.

Net realisable value is based on estimated selling price less further costs expected to be incurred to disposal.

(g) Trade and other debtors. Trade and other debtors are recognised initially at fair value and are subsequently stated at amortised cost using the effective interest method, less any impairment losses.

(h) Trade and other creditors. Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

(i) Cash and cash equivalents. Cash and cash equivalents comprise cash balances and call deposits.

(j) Impairment excluding stocks and deferred tax assets.

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is measured for impairment losses in accordance with IFRS 9 using an expected credit loss (ECL) model. The impairment model applies to financial assets measured at amortised cost. The calculation of ECLs are a probability-weighted estimate of credit losses. For trade receivables, the Company applies the simplified approach set out in IFRS 9 to measure expected credit losses using a lifetime expected credit loss allowance. The Company considered a trade or other receivables, including intercompany receivables, to be in default when the borrower is unlikely to pay its credit obligations to the Company in full after all reasonable actions have been taken to recover the debt.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit').

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Interest receivable and interest payable. Interest payable and similar charges include interest payable and finance charges on shares classified as liabilities. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

(l) Taxation. Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on 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 recognised: initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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 income tax assets and liabilities are offset when there is a legally enforceable rights to offset current tax assets against current tax liabilities.

(m) Post-retirement benefits. The Company participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2020

1 ACCOUNTING POLICIES (continued)

(n) Leases.

Leases as a Lessee - Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. Cost comprises the initial amount of the lease liability adjusted for any initial direct costs incurred less any lease incentives received. Depreciation is recognised on a straight line basis over the period of the lease the right of use asset is expected to be utilised.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease or when this is not readily attainable, the Company's incremental borrowing rate. Lease payments include fixed rental payments and amounts expected to be payable under a residual value guarantee. Generally the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is subsequently increased by the interest cost on the lease liability and reduced by payments made. It is remeasured when there is a change in future lease payments arising from a change of index or rate, a variation in amounts payable following contractual rent reviews and changes in the assessment of whether an extension/termination option is reasonably certain to be exercised. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases as a Lessee - Policy applicable before 1 January 2019

Leases are classified as operating leases wherever the lease does not transfer substantially all the risks and rewards of ownership to the Company. Rentals paid under operating leases are charged directly to the profit and loss account on a straight line basis over the period of the lease. Leases subject to predetermined fixed rental uplifts have their rentals accounted for on a straight line basis recognised over the life of the lease. Lease incentives received and paid are recognised in the profit and loss account as an integral part of the total lease expense over the term of the lease.

(o) Dividends on shares presented within shareholders funds. Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

(p) Government grants are recognised when there is reasonable assurance the grants will be received and the conditions of the grant will be complied with. Income from Government grants during 2020 of £428,000, being the Coronavirus Job Retention Scheme, is included within payroll expenses.

2 TURNOVER

The Company principally generates turnover from the supply of dealer management systems to motor vehicle dealers. These systems include consultancy, training and installation services and the right to use the Company's software over a contractual period. Products and services may be sold separately or in bundled packages. Examples of a bundled package will include system consultancy, on and off site training for users together with the right for a number of users to use the software. For bundled packages, the Company accounts for individual products and services separately as they are distinct items, as each performance obligation within that contract is separately identifiable from other items in the bundled package. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells these items and are separately identified on the customer's contract and subsequent invoice. Full details of these elements of the Company's turnover are provided in the consolidated financial statements of Pendragon PLC for the year ended 31 December 2020.

Turnover by major products/service lines	2020	2019
	£000	£000
Dealer management systems and support	22,258	30,937
Turnover from external customers	22,258	30,937
Timing of turnover recognition	2020	2019
	£000	£000
At point in time	1,298	5,214
Over time	20,960	25,723
Turnover from external customers	22,258	30,937
Primary geographical markets	2020	2019
	£000	£000
UK and Europe	21,628	30,307
Africa	446	524
Asia Pacific	184	106
Turnover from external customers	22,258	30,937
Contract balances	2020	2019
	£000	£000
Contract liabilities	4,157	4,082

Contract liabilities relate to advance consideration received from customers for the software as a service product for which revenue is recognised over time. This will be recognised as revenue when the customers use the service in the next financial year. Contract liabilities are included within Accruals and deferred income in Creditors: amounts falling due within one year.

There are no contract assets.

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2020

3 OPERATING PROFIT

Operating profit has been arrived at after charging the following to the Profit and Loss Account:

	2020	2019
	£000	£000
Depreciation of tangible fixed assets - owned	208	255
Depreciation of tangible fixed assets - leased	475	432
Amortisation of intangible assets	3,267	2,833
Research and development expenditure	758	564
Auditor's remuneration- audit	20	20
Operating lease charges - plant and equipment	-	1

There are no amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements.

4 EMPLOYEES

The average number employed by the Company in the following areas was:

	2020	2019
	Number	Number
Sales	50	57
After sales	91	102
Administration	59	67
	200	226

Costs incurred in respect of these employees were :

	2020	2019
	£000	£000
Wages and salaries	6,829	7,422
Less - receipts from the Government Coronavirus Job Retention Scheme	(428)	-
Social security costs	687	777
Other pension costs	388	421
	7,476	8,620

No director of the Company received or waived any remuneration for services to the Company during the year (2019 : £nil).

The directors are employed by Pendragon PLC and full details of their remuneration can be found in the Directors Remuneration Report section of that company's annual report. A management charge is levied on the Company which incorporates an element of recharge for the remuneration of the directors amounting to £18,000 (2019 : £10,000).

5 INTEREST PAYABLE

	2020	2019
	£000	£000
Finance lease interest payable	13	19

6 INTEREST RECEIVABLE

	2020	2019
	£000	£000
Intra group interest receivable	994	578
Bank interest receivable	-	172
	994	750

7 TAXATION

	2020	2019
	£000	£000
UK corporation tax at the UK average statutory rate of 19.00% (2019 : 19.00%)		
Current tax on income for the year	2,310	2,673
Adjustments in respect of prior periods	1	1
Total current tax	2,311	2,674

Deferred taxation:

Origination and reversal of temporary differences	362	241
Adjustments in respect of prior periods	1	9
Total deferred tax	363	250
Tax on profit on ordinary activities	2,674	2,924

Factors affecting tax charge for the period:

	2020	2019
	£000	£000
The tax assessed is higher (2019 : lower) than the standard rate of corporation tax in the UK of 19.00% (2019 : 19.00%). The differences are explained below:		
Profit on ordinary activities before tax	13,448	15,465

Tax on profit at the UK average statutory rate of 19.00% (2019 : 19.00%)	2,555	2,938
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Effects of:

Permanent differences arising in respect of fixed assets	5	4
Expenses not deductible in determining taxable profit	(178)	-
Dividend income	153	-
Adjustments to tax charge in respect of previous periods	2	10
Impact of corporation tax rate change	137	(28)
Tax on profit on ordinary activities	2,674	2,924

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. The deferred tax asset at 31 December 2020 has therefore been measured using 19%. A UK corporation tax rate of 25% was announced in the Chancellor's Budget of 3 March 2021, along with a temporary extension to the loss carry-back rules allowing up to £2m of tax losses to be carried back to the preceding 3 periods. The 25% rate will apply from 1 April 2023 and the carry-back of losses is expected to apply to year ends 31 December 2020 and 31 December 2021. If these two measures had been substantively enacted at the balance sheet date the deferred tax liability would have increased by £265,000.

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2020

8	DIVIDENDS	2020	2019
		£000	£000
	Ordinary shares		
	Final dividend paid - £0.665 (2019 : £0.554) per share	12,000	10,000

9	INTANGIBLE ASSETS	Development costs	Other intangibles	Total
		£000	£000	£000
	Cost			
	At 31 December 2019	14,960	622	15,582
	Additions	4,265	5	4,270
	At 31 December 2020	19,225	627	19,852
	Amortisation			
	At 31 December 2019	6,554	604	7,158
	Charge for the year	3,257	10	3,267
	At 31 December 2020	9,811	614	10,425
	Net book value			
	At 31 December 2020	9,414	13	9,427
	At 31 December 2019	8,406	18	8,424

Intangible assets amortisation is recorded in administrative expenses in the profit and loss account.

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with IAS 38.

10	TANGIBLE FIXED ASSETS	Leasehold property owned	Leasehold property leased	Plant & equipment owned	Motor vehicles leased	Total
		£000	£000	£000	£000	£000
	Cost					
	At 31 December 2019	296	1,654	1,923	276	4,149
	Additions	11	-	45	19	75
	Disposals	-	-	(2)	(77)	(79)
	At 31 December 2020	307	1,654	1,966	218	4,145
	Depreciation					
	At 31 December 2019	245	951	1,605	81	2,882
	Charge for the year	28	351	180	124	683
	Disposals	-	-	(1)	(77)	(78)
	At 31 December 2020	273	1,302	1,784	128	3,487
	Net book value					
	At 31 December 2020	34	352	182	90	658
	At 31 December 2019	51	703	318	195	1,267

11	INVESTMENTS	Shares in subsidiary undertakings
		£000
	Cost	
	At 31 December 2019	941
	Disposals	(941)
	At 31 December 2020	-
	Provisions	
	At 31 December 2019	85
	Disposals	(85)
	At 31 December 2020	-
	Net book value	
	At 31 December 2020	-
	At 31 December 2019	856

During the year, Evans Halshaw Vehicle Management Services Limited, was voluntarily struck off the Register of Companies. A profit on disposal arose of £130,000 from the final distribution of that company.

Shares in subsidiary undertakings are stated at cost. Pinewood Technologies PLC owns directly 100% of the issued ordinary share capital of Pinewood Computers Limited, which is incorporated in the United Kingdom and has a registered office at Loxley House, Little Oak Drive, Annesley, Nottinghamshire, NG15 0DR.

In March 2021 the Company has formed a new company registered in Sweden, Pinewood Technologies Northern Europe AB by subscribing for 100% of the issued share capital of £2,200.

12	STOCKS	2020	2019
		£000	£000
	Goods for resale	-	11

Stocks are all held at cost, there was no write down to net realisable value in the year (2019 : £nil).

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2020

13 DEBTORS

	2020	2019
	£000	£000
Trade debtors	1,701	1,676
Amounts owed by group undertakings	27,935	28,278
Other debtors	637	975
Prepayments	106	45
	30,379	30,974

Amounts owed by group undertakings are repayable on demand and bear no interest.

14 CREDITORS : amounts falling due within one year

	2020	2019
	£000	£000
Lease liabilities	486	440
Payments received on account	123	134
Trade creditors	911	612
UK Corporation tax	652	1,854
Other taxation and social security	721	623
Accruals and deferred income	5,097	5,509
	7,990	9,172

Amounts owed to group undertakings are repayable on demand and bear no interest.

15 CREDITORS : amounts falling due in over one year

	2020	2019
	£000	£000
Lease liabilities	1	454

16 DEFERRED TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2020	2019
	£000	£000
Deferred tax assets	263	268
Deferred tax liabilities	(1,787)	(1,429)
	(1,524)	(1,161)

The movement in the deferred tax (liabilities)/assets for the year is as follows:

	Accelerated capital allowances	Other short term temporary differences	Total
	£000	£000	£000
At 31 December 2018	290	(1,216)	(926)
Recognition of deferred tax on initial application of IFRS 16	-	15	15
Adjusted balance at 1 January 2019	290	(1,201)	(911)
Charged to income statement	(38)	(212)	(250)
At 31 December 2019	252	(1,413)	(1,161)
At 1 January 2020	252	(1,413)	(1,161)
Charged to income statement	(4)	(359)	(363)
At 31 December 2020	248	(1,772)	(1,524)

The directors believe that the deferred tax asset recognised is recoverable as they expect taxable profits to arise in the foreseeable future.

17 CALLED UP SHARE CAPITAL

	2020	2019
	£000	£000
Allotted, called up and fully paid :		
18,050,000 (2019 : 18,050,000) ordinary shares of £1 each	18,050	18,050

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2020

18 LEASING

Lease liabilities	2020 £000	2019 £000
Balance at 1 January	894	1,127
Additions to right of use assets	19	199
Interest expense related to lease liabilities	13	19
Repayment of lease liabilities (including interest element)	(439)	(451)
Balance at 31 December	487	894
Non-current	1	454
Current	486	440
	487	894
Amounts recognised in profit or loss	2020 £000	2019 £000
Depreciation of right of use assets	475	432
Interest on lease liabilities	13	19
Expenses relating to low value and short-term leases	-	1
	488	452

The Company leases a property. In addition there are other leases in respect of items of plant and equipment which includes the rental of motor vehicles. None of the leases includes contingent rentals.

19 CONTINGENT LIABILITIES

The Company is party to multi-lateral cross guarantees in respect of the indebtedness of Pendragon PLC and its UK subsidiaries in favour of certain lenders to the Group.

20 PENSIONS

The defined contribution pension scheme was closed at the end of April 2006 and replaced by an alternative defined contribution scheme (group stakeholder arrangement). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The Company is a member of a funded group wide pension scheme, the Pendragon Group Pension Scheme providing benefits based on final pensionable pay. There is no stated policy for allocating assets and liabilities in relation to the scheme and therefore the Company accounts for its contributions on a straight line basis. At 31 December 2020 the scheme had a deficit on an IAS 19 basis of £75,500,000 (2019 : £59,000,000).

The Pendragon Group Pension Scheme is a funded defined benefit scheme that was set up during 2012 to receive the assets and liabilities of the Pendragon Group's previous six defined benefit schemes. The Scheme's actuarial valuation was carried out as at 31 December 2018 using the defined accrued benefits funding credit method. At this date the market value of the Scheme's assets was £418.1m; these assets represented 78% of the value of the technical provisions of £535.2m (excluding any defined contribution assets). The main assumptions used for this valuation were that the annual rate of return on existing investments would be 2.47% and the annual rate of pension increases would be between 2.65% - 3.45%. The employer contributions paid to the Scheme during the year was based upon actuarial advice.

The triennial valuation of the pension scheme reflecting the position as at 31 December 2018 was agreed by the Trustees on 17 March 2020. This has resulted in the Pendragon group raising its annual contribution to the pension scheme to £12.5m from 1 January 2020 from £7.0m in the prior year and will increase by 2.25% per annum. The next triennial valuation of the pension scheme will reflect the position as at 31 December 2021.

To comply with the Government's automatic enrolment legislation, the Company chose to participate in the People's Pension Scheme in April 2013. This is a defined contribution occupational pension scheme provided by B&CE.

The pension charge cost in respect of the group stakeholder arrangement and the People's Pension Scheme for the year was £388,000 (2019 : £421,000).

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2020

21 EVENTS AFTER THE BALANCE SHEET DATE

In March 2021 the Company has formed a new company registered in Sweden, Pinewood Technologies Northern Europe AB by subscribing for 100% of the issued share capital of £2,200. The company will be the trading entity for Pinewood Technologies in Sweden as it builds its market share in that country.

22 ULTIMATE PARENT COMPANY

The Company is a subsidiary undertaking of Pendragon PLC which is the ultimate parent company incorporated in the UK.

No other group financial statements include the results of the Company