



pinewood

Technologies Group PLC

**FY23 ANNUAL REPORT**

## IN THIS REPORT





## STRATEGIC REVIEW

- 4 Chairman's Statement
- 5 CEO's Review
- 6 Group Financial Summary
- 8 s172 Statement
- 10 Business Overview
- 12 Business Profiles
- 13 Life at Pinewood

## OPERATIONAL AND FINANCIAL REVIEW

- 15 Business Review
- 17 Financial Review
- 18 Risk Overview and Management
- 27 Viability Statement

## DIRECTORS REPORT

- 29 Environment, Social and Governance Report
- 30 Environmental Report
- 37 Social Report
- 38 Corporate Governance Report
- 42 Board of Directors
- 44 Audit Committee Report
- 48 Nomination Committee Report
- 50 Remuneration Committee Report
- 51 Directors' Remuneration Report
- 62 Directors' Report

## FINANCIAL STATEMENTS

- 66 Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements
- 67 Independent Auditor's Report to the Members of Pinewood Technologies Group PLC
- 76 Consolidated Income Statement
- 77 Consolidated Statement of Comprehensive Income
- 78 Consolidated Statement of Changes in Equity
- 79 Consolidated Balance Sheet
- 80 Consolidated Cash Flow Statement
- 81 Notes to the Financial Statements
- 146 Company Balance Sheet
- 147 Company Statement of Other Comprehensive Income
- 148 Company Statement of Changes in Equity
- 149 Notes to the Financial Statements of the Company
- 158 Advisors, Banks and Shareholder Information

## CHAIRMAN'S STATEMENT

**Ian Filby, Chairman**

*"We are very pleased to be reporting the first set of financial results for Pinewood following the successful sale of Pendragon's UK Motor and Leasing divisions to Lithia Motors. Pinewood is a leading provider of cloud-based Dealer Management Software and we have made positive progress during the year to build on this market position. We have continued to expand our customer base while sustaining high levels of customer retention, which is reflected in a net user churn rate of c.2%. This contributed to strong growth in revenue and profit in the period.*

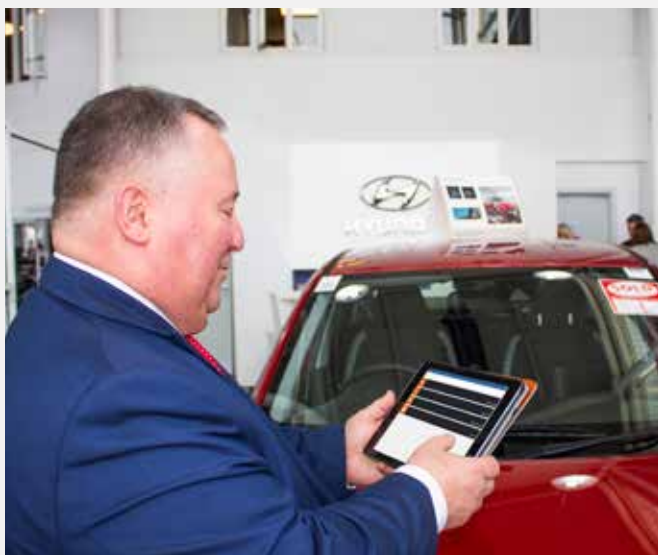
*We are excited by the opportunity that lies ahead for Pinewood as a standalone business. Following the transaction with Lithia, the business is in a robust financial position and is well positioned for growth through product innovation, user growth in existing territories and accessing the North American market in partnership with Lithia through a joint venture agreement. We are confident in the quality of our products and our market proposition, and we are looking forward to making further progress in the year ahead."*

Following the announcement on 30 June 2023 of Ian Filby's decision to stand down as non-executive chairman, the Board has not yet appointed a successor, primarily due to the process of disposing of the UK Motor and leasing divisions, which took priority in the second half of 2023 and in early 2024 and hence Ian has continued in his role as Chairman

## CEO'S REVIEW

A comprehensive strategic review was completed by the Board and its advisors during FY23 in order to unlock the potential in the Group's share price and to return value to the Group's shareholders and other stakeholders. This review resulted in the disposal of the UK Motor and Leasing segments, together with the debt and pension liabilities of the Group, which culminated in a fantastic deal for our shareholders. The transformation strategy which enables Pinewood to become a pure-play SaaS business, is an incredibly exciting prospect. Pinewood was bought by Pendragon in 1998 and, under our ownership, has steadily grown to become a profitable, high margin business and, importantly, we have developed a product that is market-leading, not just in the UK, but globally.

The fact that Pinewood has a genuine cloud-based automotive retail system sets it apart from the vast majority of its competitors and means that the work done by our development team can be continuously rolled out across our customer base in 21 countries, with no disruption to our customers. This has enabled rapid international expansion of our universal core product, providing the same solution whatever the location. Our levels of functionality are significantly higher than most of the current automotive retail system providers, both at an individual store level but also at a Group management level, enabling larger Groups to achieve additional control and efficiency savings.



Although Pinewood was established c.40 years ago, we are treating this next phase of Pinewood's expansion similar to that of a start-up. The removal of barriers to accessing large parts of the UK customer base that existed under Pendragon's ownership will facilitate rapid growth in the UK as well as accelerating our international expansion.

Our international growth has historically been driven by two main routes. Firstly, through our sales teams, who have enabled us to reach a significant number of new countries in the last few years. Secondly, through our manufacturer partners which we have very strong relationships with. In a number of countries, manufacturers have mandated Pinewood as the system of choice, where all retailers in a particular brand have to have the Pinewood system installed.

On top of this, we have an exciting new driver of growth through our strategic partnership with Lithia and we are looking forward to installing our system across their network in the US and UK. Initially, the key pieces of work relating to expanding in the US are focused on integrations with manufacturer systems and other third party 'layered apps' that are widely used in the US market. The development work will be done by our UK-based development team. Once we are in a position to test in the US, it is likely we will run the Pinewood system in parallel with current systems in pilot locations before starting a full rollout across Lithia's US stores. Given the relatively early stage of development, exact timings have not been confirmed, although we are aiming to be testing in pilot locations in H1 FY25.



Finally, the past and future success of the Group is strongly linked to the outstanding Pinewood team. The development team have built a world-class product that is continually evolving and enabling dealerships to thrive in an ever-changing auto retail landscape. In addition to this, the sales teams have worked tirelessly to expand the business while being supported by the back-office and admin teams. The low team turnover is testament to a dynamic environment and a world class product and we look forward to growing the team as we expand both in the UK and abroad.

Bill Berman  
CEO

25 April 2024

# GROUP FINANCIAL SUMMARY

<b>(£m)</b>						
	Continuing operations	Discontinued operations	13m period ended 31 January 2024	Continuing operations	Discontinued operations	Year ended 31 December 2022
Revenue	24.5	4,318.0	4,342.5	19.1	3,600.9	3,620.0
Gross Profit	21.8	485.4	507.2	17.1	440.1	457.2
Operating Profit before other income	10.0	105.8	115.8	7.0	86.3	93.3
Other income - profit on the sale of businesses and property, plant and equipment	-	41.8	41.8	-	7.7	7.7
Operating Profit	10.0	147.6	157.6	7.0	94.0	101.0
Interest	(0.1)	(65.7)	(65.8)	-	(43.8)	(43.8)
Profit Before Tax	9.9	81.9	91.8	7.0	50.2	57.2

The breakdown of continuing operations operating profit is as follows:

<b>(£m)</b>		
	13m period ended 31 January 2024	Year ended 31 December 2022
Pinewood Core Business <sup>1</sup>	13.8	11.0
PLC Costs	(2.8)	(2.5)
Legacy US Motor Business	(1.0)	(1.5)
<b>Group Total</b>	<b>10.0</b>	<b>7.0</b>

<sup>1</sup> Previously reported as Pinewood segment

## Pro-forma Comparative Information - Continuing Operations

<b>(£m)</b>			
	13m period ended 31 January 2024 (FY23)	13m period ended 31 January 2023	% Change
Revenue, including intercompany revenue <sup>1</sup>	32.0	27.7	15.5%
EBITDA <sup>2</sup>	15.6	12.4	25.8%
EBITDA Margin (%) <sup>2</sup>	48.8%	44.8%	4.0%
<b>Profit Before Tax</b>	<b>9.9</b>	<b>7.7</b>	<b>28.6%</b>

<sup>1</sup> Revenue includes intercompany amounts

<sup>2</sup> This is an Alternative Performance Measure (APM), see section 1 of financial statements

On 31 January 2024, the UK Motor and Leasing segments, together with related central support functions, were disposed of to Lithia Motors, Inc. for £377.5m. As a result, these segments have been presented as discontinued operations. The revenue and gross profit from discontinued operations in the period was £4,318.0m (FY22: £3,600.9m) and £485.4m (FY22: £440.1m) respectively. The operating profit from discontinued operations, which included the profit on disposal of businesses and property, plant and equipment, was £147.6m (FY22: £94.0m).

The UK Motor and Leasing segments that were disposed of, were trading broadly in line with management expectations for the 13 month period prior to the sale to Lithia Motors, Inc.

The sale to Lithia Motors, Inc. resulted in a profit on disposal of £40.7m. Consideration was received in cash on 1 February 2024. As announced on 5 April 2024, the Group proposes to pay a special dividend to shareholders of 24.5p per share on 7 May 2024.

### CONTINUING OPERATIONS FINANCIAL HIGHLIGHTS (FY23 WAS A 13 MONTH PERIOD, FY22 WAS A 12 MONTH PERIOD)

- Statutory revenue up 28.3% to £24.5m (FY22: £19.1m).
- Revenue including intercompany revenue<sup>1</sup> up 26.0% to £32.0m (FY22: £25.4m), driven by both inflation-linked price increases and an increase in international users.
- Statutory gross profit up 27.5% to £21.8m (FY22: £17.1m).
- Gross profit including intercompany gross profit<sup>1</sup> up 25.6% to £28.5m (FY22: £22.7m).
- Core Business operating profit<sup>1</sup> up 25.5% to £13.8m (FY22: £11.0m).



### OPERATIONAL HIGHLIGHTS

- Total users increased by 4% to 33,100.
- Strong global expansion continuing:
  - Record high international users at c.7,000, up 9%.
  - New implementations in Denmark and Luxembourg.
  - Expansion of the direct sales model in Asia Pacific.
- Continued high levels of customer retention with net user churn of c.2%, as the rate at which existing customers increased users was nearly sufficient to offset gross churn.
- Pinewood continues to build a strong partnership with Volkswagen AG and Porsche, which led to initial user implementations with large international dealer groups in both the European and the Asia Pacific market.

### STRATEGY

- Transformation into a pure-play Software-as-a-Service (SaaS) Group following the sale of the UK Motor and Leasing divisions
- Materially enhanced opportunity for growth following creation of standalone SaaS business
- Entered into a strategic partnership with Lithia Motors Inc, post period-end, creating access to the North American Market, through a £10m Joint Venture investment
- We are looking forward to rolling out our system across the Lithia network in both the UK and US
- Pinewood continued to demonstrate its growth potential, with further growth in both user numbers and expansion into new geographies
- Post period end, the Group announced a £358m return of capital to shareholders, by way of a special dividend of 24.5p.
- Pinewood will host a Capital Markets Day in October 2024, with more details to be provided in due course



### OUTLOOK

- We have had a good start to FY24 and although the broader macro-economic environment remains challenging, particularly in the UK, we do not envisage these as having a material impact on trading
- Our order bank of new customers remains strong and we are in discussions with a number of potential new customers both in the UK and internationally
- Whilst it remains early into the new financial year, the Board is confident in the prospects for the Group and expects FY24 to be in line with current market expectations.

<sup>1</sup> This is an Alternative Performance Measure. See page 15 and note 2.3 in the financial statements.

# §172 STATEMENT

## STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH §172(1) COMPANIES ACT 2006

The board of directors of Pinewood Technologies Group PLC (formerly Pendragon PLC) confirm that during the period under review, it has acted to promote the long term success of the Company for the benefit of all shareholders, whilst having regard to the matters set out in section 172(1)(a)-(f) of the Companies Act 2006 in the decisions taken during the period ended 31 January 2024, further detail of which is set out below and which are incorporated into the Strategic Report.

HOW WE ENGAGE	WHY WE ENGAGE	WHAT MATTERS TO THIS GROUP	WHAT DID WE DO AS A RESULT
<b>CUSTOMERS</b>			
<p>We continue to engage with our customers in a variety of ways, including:-</p> <p>Seeking continual feedback from both new and existing customers</p> <p>Listening to any suggested enhancements to the Pinewood system</p>	<p>Our purpose is to deliver a market-leading Dealer Management System to all of our customers</p>	<ul style="list-style-type: none"> <li>• Uninterrupted access to our system</li> <li>• Use of a market leading system</li> <li>• Having a relationship with us where they are listened to</li> </ul>	<ul style="list-style-type: none"> <li>• Improving the Pinewood system by listening to customers</li> <li>• Ensuring that our development team updates the system on a regular basis, often several times a week</li> </ul>
<b>ASSOCIATES</b>			
<p>We listen carefully to the views of all of our employees through regular employee surveys</p>	<p>We wish to continue to be a responsible employer, both in terms of continuing to ensure the health, safety and wellbeing of our employees and also ensuring we maintain a responsible approach to the pay and benefits our employees receive.</p>	<ul style="list-style-type: none"> <li>• Fair employment</li> <li>• Fair pay and benefits</li> <li>• Tackling our gender pay gap</li> <li>• Diversity and inclusion</li> <li>• Training, development and career opportunities</li> <li>• Health and safety</li> <li>• Responsible use of personal data</li> </ul>	<ul style="list-style-type: none"> <li>• We regularly review associate pay and conditions</li> <li>• We continue to enhance the range of benefits available to associates</li> </ul>
<b>SUPPLIERS</b>			
<p>Regular meetings and updates with all key suppliers with management</p> <p>Supplier payment terms reported and published</p>	<p>All our suppliers must be able to demonstrate that they take appropriate action to prevent involvement in modern slavery, corruption, bribery and breaches of competition law</p>	<ul style="list-style-type: none"> <li>• Fair trading and payment terms</li> <li>• Anti-Bribery</li> <li>• Anti-Modern Slavery</li> <li>• Operational improvement</li> </ul>	<ul style="list-style-type: none"> <li>• We surveyed all key suppliers for adherence to anti-slavery standards.</li> </ul>



HOW WE ENGAGE	WHY WE ENGAGE	WHAT MATTERS TO THIS GROUP	WHAT DID WE DO AS A RESULT
<b>COMMUNITY</b>			
Regular involvement in charity appeals	We generate community involvement through local engagement, contributing to local areas in a variety of ways.	<ul style="list-style-type: none"> <li>Charitable donations and support;</li> <li>Employment opportunities;</li> <li>Volunteering;</li> <li>Fair tax policy</li> </ul>	<ul style="list-style-type: none"> <li>We continued other charitable activities where possible</li> </ul>
<b>ENVIRONMENT</b>			
<p>Over the last 3 years, we have re-evaluated seriously our responsibilities to our customers, investors, associates, suppliers and the public in terms of how our activities impact the natural environment.</p> <p>We continue to regularly review our environment policy.</p>	We acknowledge the responsibility we have to protect the environment and to minimise the environmental impact of our activities.	<ul style="list-style-type: none"> <li>Minimising atmospheric emissions, commercial and industrial waste</li> <li>Minimising energy wastage</li> <li>Complying with statutory requirements relating to environmental matters</li> <li>Ensuring environmental priorities are accounted for appropriately in planning and decision making</li> </ul>	<ul style="list-style-type: none"> <li>Operate an obsolete asset disposal policy</li> <li>Minimise and where possible, eliminating pollution</li> <li>We continue to reduce incidences of energy wastage wherever possible, as reported in our Environment, Social and Governance Report at page 30 of this Annual Report</li> </ul>
<b>SHAREHOLDERS AND POTENTIAL SHAREHOLDERS</b>			
<p>Annual Report and Accounts</p> <p>Corporate website</p> <p>AGM</p> <p>Results announcements and presentation</p> <p>Shareholder and analyst meeting with management, followed by feedback from brokers and financial PR consultants</p> <p>Engagement via the Directors and Company Secretary</p>	We work to ensure our shareholders and their representatives have a good understanding of our strategy and business model	<ul style="list-style-type: none"> <li>Long term value creation</li> <li>Fair and equal treatment</li> <li>Growth opportunity</li> <li>Financial stability</li> <li>Transparency</li> <li>To share in the success of our business</li> <li>Dividends</li> </ul>	<ul style="list-style-type: none"> <li>The chief executive officer and chief financial officer report back to the Board after the investor roadshows</li> <li>The Group's brokers and financial advisors provide detailed feedback after full and half year announcements and investor roadshows to inform the Board about investor views</li> <li>The non-executive chairman and senior independent director are available to shareholders and respond on matters relating to their responsibilities where requested</li> <li>We continue to consult with all major shareholders in relation to our remuneration policy</li> <li>We will engage with shareholders in the future about when to resume dividends</li> </ul>

# BUSINESS OVERVIEW

## SOFTWARE - PINWOOD

Described above as 'Pinwood Core Business'. Licencing of Software as a Service to global automotive business users.



Personalised video to customers



Online payments




Integrated website solution for online buying



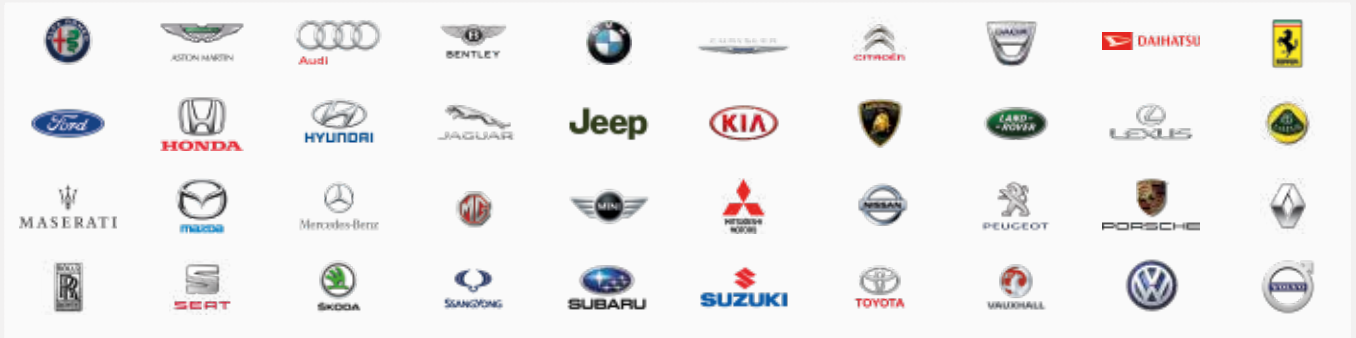
Integrated website solution for service booking

***“Our Dealer Management System is split by role-type, collating common tasks together to make dealerships more efficient. With one central database, all information is shared throughout the system.”***

Gold  
**Microsoft Partner**  


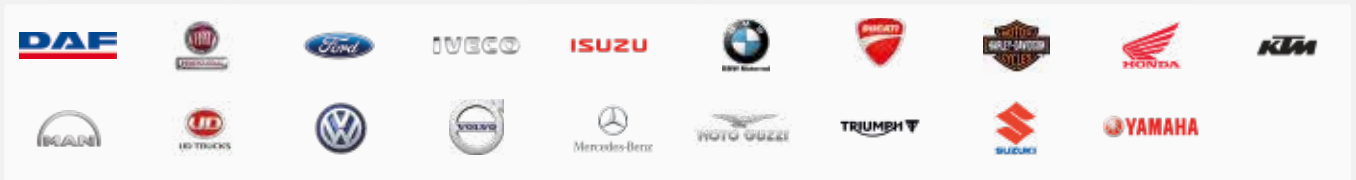
**Integration with over 50 manufacturers**

**Cars:**



**Commercial Vehicles:**

**Motorbikes:**



**Pinewood Apps**

Our apps are designed to streamline processes and improve efficiency across the whole dealership.

Our fully integrated suite of apps work seamlessly with our Pinewood DMS.

Our apps are multi-platform and users can choose their preferred tablet or mobile, across iOS, Windows and Android devices.



**Tech+** Improve the service and repair experience, including video integration and technician time management.



**Host+** Integrated video processes including 360° tours of a used vehicle in stock, or visually identifying work required following a health check.



**Sales+** Efficiently manage the vehicle sales process and provide a great customer experience - the ultimate showroom app for sales professionals.



**Stock+** Respond to enquiries with personalised videos, instantly update stock information and store vehicle documentation.



**Parts+** Issue parts on-the-move, saving time with our in-built barcode scanner.

## BUSINESS PROFILES

### UK MOTOR

Following the sale of the UK Motor segment to Lithia Motors, Inc on 31 January 2024, the UK Motor segment is now a discontinued operation.



### LEASING - PENDRAGON VEHICLE MANAGEMENT

Following the sale of the UK Motor segment to Lithia Motors, Inc on 31 January 2024, the Leasing segment is now a discontinued operation.

## NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

The Company aims to comply with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The information set out below, together with signposts to other relevant sections of the Annual Report and Accounts is intended to assist stakeholders in understanding the Company's position and approach to the following key non-financial matters.

Reporting Requirement	Our policies, standards and guidance that govern our approach	Where to find it
<b>Sustainability</b>	<ul style="list-style-type: none"> <li>Taskforce on Climate-related Financial Disclosures (TCFD) report</li> </ul>	Page 29-36
<b>Our People</b>	<ul style="list-style-type: none"> <li>Risk overview and management</li> <li>We publish our gender pay gap report on our website</li> <li>Social Report</li> <li>Life at Pinewood</li> </ul>	Page 20 Page 37 Page 37 Page 13
<b>Cyber Security</b>	<ul style="list-style-type: none"> <li>Risk overview and management</li> <li>We have an internal cyber security team called Infosec, with a range of policies that are in place</li> <li>We have an external cyber security system called Security Information &amp; Event Management (SIEM) which utilises Microsoft Defender, Microsoft Azure Sentinel, Azure Monitor and Cloudflare</li> </ul>	Page 20
<b>Anti-bribery and corruption</b>	<ul style="list-style-type: none"> <li>S172 statement</li> <li>Corporate governance report</li> <li>Audit committee report</li> </ul>	Page 8 Page 40 Page 47

# LIFE AT PINWOOD

Our people are the life and soul of Pinewood, and what makes us great. With a culture of collaboration, team members are collectively responsible for the success of the business. Working together to find the best solutions for our customers, leading the industry and helping us grow. We aim to attract, retain, and develop the best and brightest talent at Pinewood to deliver on our objective to be a world-leading dealer system provider, transforming motor retail.

Long-term success relies on inspiring and nurturing a range of talent, from all sectors and industries. We pride ourselves on seeing the potential of our team members before they even join the business and, then once they have, providing the support, encouragement and skills needed to build a long and rewarding career. Together we are unstoppable.

Our core values are at the heart of Pinewood and have been at the foundation of our customer proposition. The values are tied into every aspect of our business, whether it's the development of the Pinewood system, the support we provide to customers, or our approach to talent management:

- Innovation touches everything we create at Pinewood, embracing the latest technology with a personal responsibility to learn, adopt and use the best tools available. We aim to implement smart initiatives, encouraging learning from others and new ways of thinking.
- We are committed to keeping our customers profitable, providing long-term reliable and consistent growth for stakeholders. We work closely with OEMs to shape the future of automotive retail together, providing only the best tools for automotive retailers worldwide.
- We believe that every business has a choice and we choose to make things simple. By stripping out the complicated, we ensure retailers and receiving an intuitive system that is easy to use, and a team that is easy to do business with.

## BEGINNING YOUR JOURNEY

We review our recruitment strategies to ensure we are attracting and identifying a diverse range of talent to join and develop within our business. We continually utilise modern attraction strategies to ensure we are reaching a diverse range of candidates in a difficult marketplace.

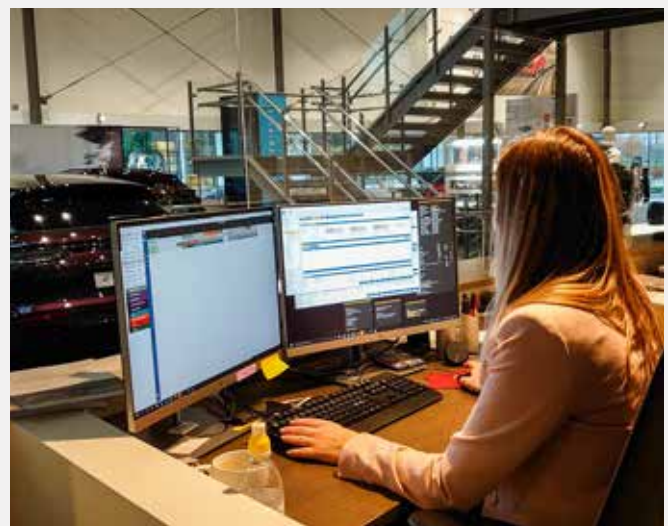
## YOUR DEVELOPMENT

We continue to provide comprehensive training to all team members, via our in-house learning and development. With specialised learning programmes for new starters, in particular, our placement and graduate schemes, providing dedicated mentoring, ensuring we provide the best possible start for our recruits.

We remain committed to investing in early career programmes, with 29% of team members recruited specifically to join either one of the graduate or early careers schemes, including Apprenticeships. During an exciting period of growth, this expresses our commitment to invest in those who are kick-starting their careers.

We maintain strong relationships with several educational institutions across the Midlands to ensure we continue our commitment to growing careers from within. Investment in career growth is a key factor when it comes to retention, with 17% of team members either being promoted or utilising their skills into a different team. This was conducted via regular one-to-ones, ensuring team members have guidance and support when it comes to progression. This is also a key reason why team turnover decreased from 34% to 13% between Dec-22 and Dec-23.

Our aim to expand internationally was demonstrated through the establishment of Pinewood Japan whereby a team consisting of experienced Projects Managers and Training and Implementation Consultants are dedicated to delivering multiple projects from 2023 to 2025 in the East Asian market.



## YOUR WORKPLACE & YOUR REWARD

Looking after our team members is essential and we continuously review our benefits offering. Our ambition is to offer an industry-competitive total reward package that values our team members and enables us to be a responsible and attractive employer.

## YOUR INCLUSION & YOUR INFLUENCE:

With over 22 nationalities across Pinewood and an above-industry average representation of females company-wide, we are committed to fostering a more diverse, inclusive, and unified culture that is representative of our team members, our customers and the society in which we live.

There are tremendous benefits to an environment where everyone feels valued and included. We cannot underestimate the positive impact that diversity and inclusion can have on how we understand our customers, drive our innovation and, most importantly, engage and inspire our people.

# OPERATIONAL AND FINANCIAL REVIEW

- 15 Business Review
- 17 Financial Review
- 18 Risk Overview and Management
- 27 Viability Statement



# BUSINESS REVIEW

The amounts below and the accompanying narrative relate to segmental results.

## SOFTWARE (£m)

Described above as 'Pinewood Core Business'. Revenue and Gross Profit include intercompany amounts

	H1 FY23	H2 FY23	FY23	H1 2022	H2 2022	FY22	Change (%)
Revenue including intercompany amounts <sup>1</sup>	14.5	17.5	32.0	12.4	13.0	25.4	26.0%
Gross Profit including intercompany amounts <sup>1</sup>	12.9	15.6	28.5	11.1	11.6	22.7	25.6%
Gross margin rate	89.0%	89.1%	89.1%	89.5%	89.2%	89.4%	-0.3%
Core Business Operating Expenses	(6.4)	(8.3)	(14.7)	(5.6)	(6.1)	(11.7)	25.6%
<b>Core Business Operating Profit<sup>1</sup></b>	<b>6.5</b>	<b>7.3</b>	<b>13.8</b>	<b>5.5</b>	<b>5.5</b>	<b>11.0</b>	<b>25.5%</b>
<b>Operating margin rate</b>	<b>44.8%</b>	<b>41.7%</b>	<b>43.1%</b>	<b>44.4%</b>	<b>42.3%</b>	<b>43.3%</b>	<b>-0.2%</b>

<sup>1</sup> This is an Alternative Performance Measure. See note 2.3 in the financial statements.  
Note: FY23 is a 13 month period ended 31 January 2024 and FY22 is the year ended 31 December 2022.

A more detailed breakdown of the Pinewood Core Business financials for FY23 can be seen below:

## (£m)

	Contribution from Pendragon	Contribution from external customers	Pinewood PLC standalone result	Share of Pinewood Group overheads	Pinewood segment as reported in Pinewood Group accounts
Revenue including intercompany amounts <sup>1</sup>	7.5	24.5	32.0	-	32.0
Gross Profit including intercompany amounts <sup>1</sup>	6.7	21.8	28.5	-	28.5
Core Business Operating Expenses	(2.4)	(12.0)	(14.4)	(0.3)	(14.7)
<b>Core Business Operating Profit<sup>1</sup></b>	<b>4.3</b>	<b>9.8</b>	<b>14.1</b>	<b>(0.3)</b>	<b>13.8</b>

<sup>1</sup> This is an Alternative Performance Measure. See note 2.3 in the financial statements.

A more detailed breakdown of the Pinewood Core Business financials for FY22 can be seen below:

## (£m)

	Contribution from Pendragon	Contribution from external customers	Pinewood PLC standalone result	Share of Pinewood Group overheads	Pinewood segment as reported in Pinewood Group accounts
Revenue including intercompany amounts <sup>1</sup>	6.3	19.1	25.4	-	25.4
Gross Profit including intercompany amounts <sup>1</sup>	5.6	17.1	22.7	-	22.7
Core Business Operating Expenses	(2.1)	(9.3)	(11.4)	(0.3)	(11.7)
<b>Core Business Operating Profit<sup>1</sup></b>	<b>3.5</b>	<b>7.8</b>	<b>11.3</b>	<b>(0.3)</b>	<b>11.0</b>

<sup>1</sup> This is an Alternative Performance Measure. See note 2.3 in the financial statements.

- As part of the transaction with Lithia Motors, Inc., Lithia UK have signed a contract to install the Pinewood system.
- The contract is for an initial three year period, which then goes onto a rolling 12 month basis.
- Strong international growth driven by expansion of the direct sales model and new implementations in Europe.
- Strong partnerships with strategic OEMs.

# BUSINESS REVIEW

## Strategy delivery – Grow and diversify Pinewood

As part of its historic Group strategy presentation, Pendragon announced its plan to 'grow and diversify Pinewood'. This included the key objectives of:

- Growing the international user base by 80% and the total user base by 10%; and,
- Further product extension enabling turn-key digital automotive retail solutions.

In FY23 Pinewood continued to focus on both elements of the 'grow and diversify' strategy.

- **Grow:** strong international growth continued in FY23 with new implementations in Denmark and Luxembourg as well as an expansion of the direct sales model in Asia Pacific. The UK and Ireland market continued to grow both in terms of users and revenues.
- **Diversify:** development of the core product continues. New products designed to support digital automotive retail are being developed to benefit both Lithia UK / Pendragon and the wider customer base. Moreover, Pinewood's strategic partnership with Lithia is expected to unlock significant opportunities in the North American Market.

## Operating Review

Pinewood is a software business that provides Software as a Service ("SaaS") in the UK and in a number of countries worldwide.

The automotive retail system market for Franchised Motor Dealers is estimated to be worth over £100 million in the UK. Two providers dominate the UK market. The global automotive retail system market which is highly fragmented, is estimated to be worth approximately £3.8bn, with over 50 different providers within Europe alone.

Pinewood's unique approach to the market is characterised by:

- a single product capable of global deployment, which simplifies future developments to the system and reduces operating costs;
- a feature-rich cloud-based solution, with no need for costly third-party add-ons;
- focus on strong manufacturer partnerships and supporting dealer profitability; and
- commitment to using the latest technology to reshape motor retail

Pinewood was an early adopter of the SaaS business model and has focused on developing recurring revenue streams. Today, c.85% of Pinewood's DMS revenues are on a recurring basis. Whilst the former Pendragon dealers (now part of Lithia UK) remain important customers to Pinewood, as Pinewood has grown, Pendragon's proportion of the Pinewood total user base has been diluted to c.15% with intra-group charging maintained at a competitive market rate.

During FY23, overall user numbers increased by 4% to c.33,100 with

the expansion delivered both internationally as well as in the UK and Ireland. Across Pinewood's international markets there was a 9% net increase in user numbers to a record high of c.7,000 users. International user growth in FY23 was particularly strong in Europe with Pinewood benefiting from new implementations in Denmark and Luxembourg.

In addition, Pinewood has further growth aspirations in the Asia Pacific region and has incorporated a subsidiary in Japan and begun to recruit a local Japanese team. This team are involved in the current implementations taking place in the Porsche dealerships in Japan.

Pinewood's growth benefits not just from sales to new customers but also from the expansion of its existing customer base. In FY23 net user churn in the UK and Ireland (excluding Pendragon) was less than 2%, as the rate at which existing customers grew users was nearly sufficient to fully offset gross churn.

In FY23 Pinewood increased its investment in the platform as development capex rose to £6.8m with 81% of development costs being capitalised (FY22 82%). New system functionality has been developed for new markets as Pinewood expands in Europe and Asia Pacific. Substantial investments have also been made in platform architecture and security.

There has also been good further progress in terms of OEM support at an international level. Pinewood continues to build a strong partnership with Volkswagen AG and Porsche, which has enabled constructive dialogue and, in some cases, initial user implementations with large international dealer groups in both the European and the Asia Pacific market.

## Financial Review

Total revenues including intercompany revenue increased by 26.0% to £32.0m compared to FY22.

Gross profit including intercompany gross profit increased by 25.6% to £28.5m. The gross margin was broadly flat compared to the prior period, following the one-off transition to more extensive use of Microsoft Azure at the end of FY21.

Core Business operating expenses increased by £3.0m or 25.6% compared to FY22. In FY23 the amortisation charge of £5.2m made up over a third of operating costs. Alongside rising personnel costs, the higher amortisation charge drove the operating cost increase, both reflecting increased investment in the development of the platform and Pinewood's operational capabilities.

As a result of these movements, core business operating profit was £13.8m, an increase of 25.5% compared to FY22.



### UK MOTOR

Following the sale of the UK Motor division to Lithia Motors, Inc on 31 January 2024, the UK Motor segment is now a discontinued operation.



### LEASING - PENDRAGON VEHICLE MANAGEMENT

Following the sale of the Leasing division to Lithia Motors, Inc on 31 January 2024, the Leasing segment is now a discontinued operation.

## FINANCIAL REVIEW

On 31 January 2024, the UK Motor and Leasing segments, together with related central support functions, were disposed of to Lithia Motors, Inc. for £377.5m. As a result, these segments have been presented as discontinued operations. The revenue and gross profit from discontinued operations in the period was £4,318.0m (FY22: £3,600.9m) and £485.4m (FY22: £440.1m) respectively. The operating profit from discontinued operations, which included the profit on disposal of businesses and property, plant and equipment, was £147.6m (FY22: £94.0m).

The sale to Lithia Motors, Inc. resulted in a profit on disposal of £40.7m. Consideration was received in cash on 1 February 2024. The Group intends to pay a special dividend to shareholders of 24.5p per share in the second quarter of 2024.

### PENSION

Following the sale of the UK Motor and Leasing divisions to Lithia Motors, Inc on 31 January 2024, all of the Group's pension obligations and liabilities have been assumed by Lithia.

### REVOLVING CREDIT FACILITY (RCF)

The Group has a £10m RCF which matures in February 2027. This facility was arranged post period end in February 2024.



# RISK OVERVIEW AND MANAGEMENT

## PRINCIPAL RISKS

Recognising that all businesses entail elements of risk, the Board maintains a policy of continuous identification and review of risks which may cause our actual future Group results to differ materially from expected results. The Board continues to carry out robust assessments of the Group's emerging and principal risks in relation to its strategy and overall business objectives. The table on pages 20 to 26 is an overview of the principal risks faced by the Group, with corresponding controls and mitigating factors. The specific risks are not intended to represent an exhaustive list of all potential risks

and uncertainties. Thorough risk reviews, involving company-wide participation, have been completed in 2023 by the Risk Control Group. Following the disposal of the UK Motor and Leasing divisions to Lithia Motors, Inc., the Group now has a different set of principal risks which can be seen below.

The risk factors outlined below should be considered in conjunction with the Group's system for managing risk, described below and in the Corporate Governance Report on page 38.



**RISK MANAGEMENT AND INTERNAL CONTROLS**

**Accountability**

The Board is responsible for risk management and internal control within the context of achieving the Group’s objectives. The system of control the Board has established covers both the Group’s financial reporting and the mitigation of business and operational risks. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

**Financial Reporting**

The executive directors oversee the preparation of the Group’s annual corporate plan; the Board reviews and approves it and monitors actual performance against it on a monthly basis. Where appropriate, during the year, revised forecasts are prepared and presented for Board review and approval. To ensure that information to be consolidated into the Group’s financial statements is in compliance with relevant accounting policies, internal reporting data is comprehensively reviewed. Reviews of the appropriateness of Group accounting policies take place at least twice a year, under the scrutiny of the Audit Committee, which considers reports on this from the Group’s Auditor, the application of IFRS and the reliability of the Group’s system of control of financial information. Controls are designed to ensure that the Group’s financial reporting presents a true and fair reflection of the Group’s financial position.

**Operational and Other Risks**

Operational management is charged by the Board with responsibility for identifying and evaluating risks faced by the Group’s businesses on a day-to-day basis and is supported by the Risk Control Group (RCG). Risks are reviewed as a top down and bottom up activity. The content of the risk registers is considered and discussed regularly through discussion with senior management and review within our governance committees.

The approach to risk control and the work of the RCG are described on page 40

The Group continues to follow the principles of the three lines assurance model and in addition to the responsibilities of management, the Group deploys specialist second line support and oversight for certain principal risks through dedicated teams including Finance & Insurance and Health & Safety.



# RISK OVERVIEW AND MANAGEMENT

NO.	PRINCIPAL RISKS	IMPACT BEFORE MITIGATION	MITIGATION
1	<p><b>INFORMATION AND CYBER SECURITY</b></p> <p>Failure to deliver or maintain robust cyber security credentials throughout our Dealership Management System (DMS) services</p> <p>Failure to protect our software assets from security threats and vulnerabilities</p> <p>Failure of Third-Party Hosting Service</p> <p>Failure to comply with legal or regulatory requirements relating to data security or data privacy in the course of our business activities</p>	<ul style="list-style-type: none"> <li>• This could lead to our customers being unable to operate their dealerships effectively, loss of information and competitive advantage and potential regulator action resulting in fines and penalties</li> <li>• This could lead to theft of intellectual property, system sabotage, data loss or misuse, and have a significant effect on our reputation. Fines and criminal penalties could be imposed and disruption to business operations and our ability to serve customers. Financial results could be adversely affected</li> </ul>	<ul style="list-style-type: none"> <li>• The business monitors cyber security threats and has systems and processes in place to deal with incidents relating to the services they provide. This is demonstrated through the ISO27001 certification.</li> <li>• We have cyber liability insurance in place, that includes Cyber Incident Response Centre, providing access to expertise to assist during a crisis.</li> </ul>
2	<p><b>PEOPLE</b></p> <p>Failure to retain key personnel or recruit the necessary additional talent to deliver our strategic ambitions</p>	<ul style="list-style-type: none"> <li>• This could lead to an inability to deliver our business strategy at the required pace and quality</li> <li>• We could miss our financial targets and adversely affect our customers owing to poor service, including development delays</li> <li>• Loss of key personnel would impact our development pipeline, our product quality, and relationships with customer and key brand partners</li> <li>• Colleague engagement and wellbeing deteriorates due to people resources being stretched</li> </ul>	<ul style="list-style-type: none"> <li>• Dedicated HR Team who continuously monitor employee satisfaction through both quantitative and qualitative measures.</li> <li>• Talent Management &amp; Recruitment programme.</li> <li>• The Pinewood Academy ensures skills are attained prior to joining the company. Pinewood Academy graduates have a high employee retention rate.</li> </ul>
3	<p><b>CUSTOMER AND SALES PARTNERS</b></p> <p>Failure to deliver the service levels we have agreed with customers and sales partners</p> <p>Failure to fulfil the ongoing contractual agreements we enter with our customer and sales partners</p>	<ul style="list-style-type: none"> <li>• Loss of a key customer or sales partner reducing profit and/or limiting growth</li> <li>• Customer dissatisfaction, leading to penalties or litigation, affecting relationships, causing reputational damage, and impacting our ability to meet our strategic goals</li> <li>• Strain on colleagues due to the extra work caused by any slippage in customer service levels or planned implementation dates</li> </ul>	<ul style="list-style-type: none"> <li>• Dedicated Business Account Management team in place. Each major customer has an account manager to provide support and advice when needed. Regular meeting with customers aiming to identify any issues, and enhance user experience with demos of new features</li> <li>• Weekly review of Development Backlog Priorities. Regular review of how realistic agreed dates with customer are and communication of expectations with customers</li> <li>• Backups stored within different geographical locations within Azure</li> </ul>

NO.	PRINCIPAL RISKS	IMPACT BEFORE MITIGATION	MITIGATION
4	<b>EXECUTION &amp; SCALABILITY</b>		
	Failure to implement our strategy effectively through inability to deliver product development or sales growth in-line with the business plan	<ul style="list-style-type: none"> <li>• We miss our financial targets, alienate key stakeholders, lose customers, and are unable to invest adequately in our business</li> </ul>	<ul style="list-style-type: none"> <li>• Quality Assurance tests for each piece of development work</li> <li>• Risk assessment in development process is now mandatory part of process</li> </ul>
5	<b>TECHNOLOGY AND INFORMATION SYSTEMS</b>		
	Failure to maintain current technology, or identify and adapt to new technological opportunities	<ul style="list-style-type: none"> <li>• This could lead to an inability to operate effectively, loss of information and competitive advantage and potential regulator action resulting in fines and penalties</li> <li>• This could limit growth and /or increase operational threats</li> </ul>	<ul style="list-style-type: none"> <li>• Multi level sign-off by Product Team; pre-release functionality reviews with key Stakeholders; in advance provision of customer development release notes</li> <li>• Continuous investment in Development (approx. 20% of turnover)</li> <li>• Microsoft Partnership which drives the business to use latest technology and tools</li> </ul>
6	<b>COMPETITION &amp; MARKET CHANGES</b>		
	Failure to meet competitive challenges such as entry of a new competitor, competitor consolidation, or changes to the franchise dealer networks or operating model	<ul style="list-style-type: none"> <li>• The relevance of our Dealership Management System could be compromised in the event our customers' needs change and we do not adapt</li> <li>• Customers migrate to alternative software providers</li> <li>• Revenues and profits could decrease owing to competitor action, and or, a change in the customer base</li> </ul>	<ul style="list-style-type: none"> <li>• Adoption of agile development methodology; continuous research into new technologies; the fact that Pinewood is so technologically advanced makes the DMS market unattractive to new entrants</li> <li>• Awareness of likely entrants and emergence of new technology; adoption of agile development methodology; regular monthly management reviews</li> </ul>
7	<b>MICRO-ECONOMIC, POLITICAL AND ENVIRONMENTAL</b>		
	<p>Global economic and business conditions deteriorate, impacting customers' willingness or ability to pay for our software or adopt a new system</p> <p>Failure to manage or mitigate currency exchange rate fluctuations</p>	<ul style="list-style-type: none"> <li>• Loss of a key customer reducing profit and/or limiting growth</li> <li>• Amounts owed by customers are not settled on time, or customer becomes insolvent, adversely affecting cashflow and liquidity</li> <li>• Financial results are adversely impacted by loss on foreign exchange rate exposure</li> </ul>	<ul style="list-style-type: none"> <li>• There is effective management of Aged Debts</li> <li>• Customer deposits are taken to mitigate against customer insolvency</li> </ul>

# RISK OVERVIEW AND MANAGEMENT

NO.	PRINCIPAL RISKS	IMPACT BEFORE MITIGATION	MITIGATION
8	<b>BUSINESS RESILIENCE &amp; COMPLIANCE</b>		
	<p>Failure to comply with legal and other requirements across multiple territories and respond to changes which could have a material effect on our business model</p> <p>Failure to manage the increased demands and costs of operating our organisation on a PLC basis</p> <p>Failure to respond to changes in legislation, such as in relation to environmental, employment, and governance, which could lead to shareholder and other stakeholder dissatisfaction</p>	<ul style="list-style-type: none"> <li>• Business disruption arising from inadequate knowledge of territory-specific regulatory requirements, and or, development of appropriate operational/financial controls</li> <li>• This could lead to fines, criminal penalties, litigation and an adverse impact on our reputation, financial results, and/or our ability to do business</li> <li>• Resources are diverted to address urgent remediation, as well as taking proceedings or defending legal or regulatory action</li> </ul>	<ul style="list-style-type: none"> <li>• Before we enter a new market, we carry out pre-entry market evaluation, which includes seeking legal advice and understanding national compliance requirement</li> <li>• We also carry out proof of concept implementations as well as reviewing other ERP systems in those markets</li> </ul>

The following risks related to the UK Motor and Leasing divisions which were disposed of to Lithia Motors, Inc. on 31 January 2024. These risks no longer exist post disposal:

NO.	PRINCIPAL RISKS	IMPACT BEFORE MITIGATION	MITIGATION
9	<b>STRATEGY</b>		
	<p>Failure to adopt the right strategy, or</p> <p>Failure of our adopted strategy to deliver the desired outcomes, or</p> <p>Failure to implement our strategy effectively</p> <p>Delay to strategic delivery and investment financial constraints</p>	<ul style="list-style-type: none"> <li>• We miss our profit growth and/or debt management target, alienate key stakeholders and are unable to invest adequately in our business</li> <li>• We do not meet our customers' needs by not achieving a coherent, connected and engaging customer journey, leading to us to be less competitive and losing market share</li> </ul>	<ul style="list-style-type: none"> <li>• Our strategy is informed by significant research and market data</li> <li>• We communicate effectively our adopted strategy to our stakeholders. Our strategic priorities were fully refreshed during 2021 and refined further in 2022 and full details are included on pages 25 to 31 of the 2022 Annual Report</li> <li>• We invest appropriately in the technological, physical and human resources to deliver our strategy, closely monitor performance against our objectives, and adjust our actions to meet our strategic goals. Our Director of Strategy and Transformation, together with other dedicated resources, supports the delivery of our strategic initiatives and provides robust governance, including financial tracking</li> <li>• Our sophisticated management information identifies threats to the success of our strategy both during the planning and implementation phases, and informs mitigating actions, both directionally and operationally</li> <li>• We ensure that we monitor our manufacturer and third party customer service measures and take action in the event of low scores</li> <li>• We focus strongly on efficient use of working capital through embedded disciplines, especially in relation to vehicle inventory</li> <li>• We review capital expenditure plans to ensure our ROI objectives are achievable</li> <li>• Our business plan has been fully refreshed in 2022 and has taken into account the latest economic predictions</li> </ul>

NO. PRINCIPAL RISKS	IMPACT BEFORE MITIGATION	MITIGATION
<p data-bbox="129 432 172 465">10</p> <p data-bbox="193 432 531 465"><b>MANUFACTURER RELATIONSHIPS</b></p> <p data-bbox="193 499 427 584">Dependence on vehicle manufacturers for the success of our business</p> <p data-bbox="193 618 427 730">Failure to maintain sustainable, mutually rewarding relationships with our manufacturers</p>	<ul data-bbox="491 499 991 1928" style="list-style-type: none"> <li>• Failure of, or weaknesses in our vehicle manufacturers' financial condition, reputation, marketing, production and distribution capabilities such as the shortage of semi-conductors along with the current Ukraine invasion limiting production of components, and other disruptions to the supply chain; or the effectiveness of the supply chain response to EU Trade Deal Rules of Origin; or a lack of alignment with manufacturers' reduced new vehicle supply due to lack of components and manufacturing capability</li> <li>• Failure to adapt to the impact of lower new vehicle registrations on future aftersales revenue streams within our business</li> <li>• Failure to adapt to manufacturer reductions in sale distribution point numbers as volumes fall, either planned or by limits to production, along with the removal of some product lines due to their inability to build profitability</li> <li>• Failure of our vehicle manufacturers to develop within required timelines to meet both regulatory and consumer requirements around BEV and hybrid emission vehicles</li> <li>• Introduction of new Chinese manufacturers into Europe and UK providing competitively priced BEV products in direct competition to our traditional OEM partner products</li> <li>• Failure to maintain good relations with our franchisors either through day to day activities or our strategic decisions impairs our ability to generate good quality earnings</li> <li>• Failure to positively adapt to OEM consolidation such as the creation of multi brand operations and network rationalisation</li> <li>• Failure to positively adapt to changes manufacturers are introducing or may make to their business models, including the introduction of agency distribution models, ensuring agency agreements are not infringing any regulatory requirements, direct sales to customers, increased involvement in the used vehicle market, and other changes that may affect the traditional dealer franchise model</li> <li>• Failure to positively adapt to changes in Competition regulation, for example via the outcome of the Aftersales block exemption review due in May 2023 which could change current protection impacting qualitative selective AR agreements, or agency introduction</li> </ul>	<ul data-bbox="1018 499 1455 1839" style="list-style-type: none"> <li>• Our diverse franchise representation avoids over reliance on any single manufacturer</li> <li>• Our close contact with our vehicle manufacturers seeks to ensure our respective goals and strategic decisions are communicated, understood and aligned, to deliver mutually acceptable performance</li> <li>• To compensate lower volumes, margins increased with greater demand than availability</li> <li>• Our appropriately targeted investment in franchise assets and our performance maintains our reputation as a quality representative for our brand manufacturers</li> <li>• Seeking multi brand representation through single sites to mitigate lower aftersales opportunities from lower new vehicle volumes, and greater new volume throughput per store</li> <li>• Build relationships with new OEM partners repurposing current locations, offering dual representation whilst the used and aftersales market builds</li> <li>• Our investment in marketing initiatives and our online presence supplement and enhance our market presence and offering over and above manufacturers' marketing efforts</li> <li>• Our diverse franchise representation ensures new vehicle inventory is supplied from a wide variety of sources</li> <li>• Our model of developing and maintaining revenues from used vehicles, aftersales, and our software and leasing segments reduces our overall reliance on new vehicle franchises</li> <li>• Our ongoing innovation and investment in customer choice as to how they wish to purchase a vehicle makes us an attractive partner to OEMs</li> <li>• Our close contact with our vehicle manufacturers ensures we are able to identify potential supply issues and collaborate to limit any impact on our customers and our business performance</li> </ul>

# RISK OVERVIEW AND MANAGEMENT

NO.	PRINCIPAL RISKS	IMPACT BEFORE MITIGATION	MITIGATION
11	COMPETITION		
	<p>Failure to meet competitive challenges to our business model or sector</p>	<ul style="list-style-type: none"> <li>• Customers migrate to alternative providers</li> <li>• Intermediary companies establish a barrier between us and our customers</li> <li>• New forms of competition would have less barriers to competitors entering the market</li> <li>• Revenues and profits could decrease owing to competitor action</li> <li>• Consolidation of existing competitors could provide economies of scale, product range and customer reach that makes our customer offer less competitive</li> <li>• The market could become more fragmented as on-line, click and collect, home delivery and subscription models become more attractive ways of purchasing to customers</li> <li>• Emerging distributors activities affect our ability to secure sufficient used inventory</li> <li>• New OEM brands entering the market with advanced BEV technology</li> </ul>	<ul style="list-style-type: none"> <li>• Our detailed market and sector monitoring systems assist early identification and effective response to any competitive or intermediary threats</li> <li>• Our scale, expertise and technological capabilities enable rapid and flexible response to market opportunities</li> <li>• Technical equipment costs and OEM connectivity solutions for aftermarket repairs are likely to limit the number of intermediary repairers creating greater retention levels</li> <li>• Reducing dependency on intermediary companies within the new vehicle space, by further investing within our own website capability providing visibility of all new vehicle unsold physical and pipeline inventory</li> <li>• Agency models reduce the risk of new vehicle supply leaking out to intermediaries giving greater protection to the brand distributor</li> <li>• Consolidating OEMs, along with the ability to multiband key market facilities, help to represent more brands through one rooftop, providing greater sales and aftermarket volumes</li> <li>• Emerging specialism, such as battery repair factories within densely represented market regions create future aftermarket opportunities for national distributors such as ourselves who have the ability to adapt facilities and invest</li> <li>• Our well-developed customer relationship management capabilities and ongoing innovation and investment in our online platforms, customer offer and fulfilment tools aim to drive industry-leading service and attract customer loyalty</li> <li>• We continually seek to develop new methods of customer interaction, particularly online. This enables the business to anticipate changing customer needs</li> <li>• Expanding relationships with new emerging brands, along with stronger OEM relationships allow for greater market area representation and coverage for sales and aftersales</li> </ul>



NO.	PRINCIPAL RISKS	IMPACT BEFORE MITIGATION	MITIGATION
12	ENVIRONMENTAL		
	<p>Progression towards greener technologies, autonomous driving, and/or pay-per-use, rather than owning a vehicle</p> <p>UK taxes change to penalise road use, fuel type, vehicle use and to increase VAT</p> <p>Failure to adapt to the changes arising as a result of the Government's future ban on sale of petrol, diesel and hybrid powered vehicles</p> <p>OEMs restricting distribution of certain vehicle models in the UK in response to emission targets</p> <p>Failure to recognise and minimise the environmental impact of our business activities</p>	<ul style="list-style-type: none"> <li>• Customers choose greener vehicles we cannot supply</li> <li>• Overall vehicle parc reduces</li> <li>• Increases in electricity costs reduces customer demand causing used BEV values to fall, impacting negatively the overall cost of ownership</li> <li>• Vehicle purchase and use declines, adversely affecting revenue opportunities</li> <li>• Lower demand for petrol, diesel and hybrid vehicles and potential impact on vehicle residual values</li> <li>• Government policy and consumer sentiment in respect of petrol, diesel and/or hybrid vehicles impacts the sale of one or all types of these vehicles</li> <li>• Reductions in sales volumes or margins due to loss of certain product lines and future aftersales opportunities</li> <li>• Investment cost to adapt to a broad range of BEV products by 2030 and PHEV and MHEV by 2035 is not adequately considered</li> </ul>	<ul style="list-style-type: none"> <li>• We represent vehicle brands which are responding effectively to the greener technology agenda and latest Government timescales</li> <li>• Our represented OEM partners have the ability to grow within the light commercial vehicle sector offering a blend of hybrid and full electric BEV options to satisfy the growing demand of home and business delivery</li> <li>• We identify trends in demand through our sophisticated management information and analysis tools and tailor our model accordingly</li> <li>• We monitor sales and demand of all vehicles by fuel type whilst using our sophisticated management information and analysis tools ensuring our inventory matches consumer demand, and can target supply by territory market depending on set emission rules</li> <li>• Our breadth of relationships with asset finance companies and geographic footprint help us to provide innovative mobility solutions for private and business vehicle users, whatever their needs. These provisions can be delivered through our national footprint locations, or via online platforms</li> <li>• We maintain the right level of tax expertise to interpret and assess proposed changes, respond with well-informed advice and effectively assist our strategic planning and the design and implementation of appropriate mitigating actions</li> <li>• The Group's Environment Policy has recently been refreshed, in order to provide further specific oversight and direction as to the impact of the Company's activities on climate change, nature loss, solid waste (including single use plastics) and resource availability. We continue to develop, enhance and monitor our operational standards, ensuring that environmental priorities are accounted for appropriately in planning and decision making, and where possible, the impact of our activities on the environment is reduced or minimised</li> <li>• We carefully monitor the future product offerings of our current and future OEM partners, along with emerging brands, ensuring we maintain and grow partnerships with those producing relevant product meeting consumer demands</li> </ul>

# RISK OVERVIEW AND MANAGEMENT

NO.	PRINCIPAL RISKS	IMPACT BEFORE MITIGATION	MITIGATION
13	<b>REGULATORY AND COMPLIANCE</b>		
	<p>Failure to comply with legal and other requirements and respond to changes which could have a material effect on our business model, for example, such as our ability to provide Finance &amp; Insurance products to our customers, or adverse changes in trade tariffs</p> <p>Failure to respond to changes in legislation, in particular in relation to environmental, employment, and governance, which could lead to shareholder and other stakeholder dissatisfaction</p>	<ul style="list-style-type: none"> <li>• This could lead to fines, criminal penalties, litigation and an adverse impact on our reputation, financial results, and/or our ability to do business</li> <li>• We may be restricted from continuing certain business activities, such as those regulated by the FCA</li> <li>• Resources are diverted to address urgent remediation, as well as taking proceedings or defending legal or regulatory action</li> <li>• The ability to obtain appropriate inventory is impeded and/or purchase costs rise</li> </ul>	<ul style="list-style-type: none"> <li>• We maintain appropriate expertise to interpret, assess and respond to proposed changes in regulation, enabling us to adapt our model and processes to comply with changes in a seamless manner</li> <li>• Our culture focuses strongly on good compliance, with emphasis on doing the right thing and delivering good performance</li> <li>• We operate a Finance &amp; Insurance Services Regulatory Board with a supporting governance framework and continue to review and invest in systems and processes to minimise the risk of non-compliance to FCA regulations</li> <li>• Our team of compliance specialists design, and we communicate effectively, processes that support our businesses to minimise the risk of non-compliance across a range of areas</li> <li>• In the case of new vehicles, our diverse representation mitigates the risk and for parts we maintain alternative sources of supply where possible</li> <li>• In September 2021 we implemented a committee to provide strategic direction and oversight to our Environmental, Social and Governance agendas. The work of the committee will be informed by our self-assessment of ESG practices, which has been completed using an independent benchmarking tool. Further information can be found at page 29 within our ESG Report</li> </ul>

# VIABILITY STATEMENT

## VIABILITY STATEMENT

In accordance with provision 31 of the UK Corporate Governance Code, published by the Financial Reporting Council in July 2018 (the 'Code'), taking into account the company's current position and principal risks, the Directors have assessed the viability and prospects of the company over the three-year period to 31 January 2027. The Directors believe this period to be appropriate as the Group's strategic planning encompasses this period.

Following the sale of the UK Motor and Leasing divisions to Lithia Motors, Inc. and the payment of the special dividend of 24.5p per share on 7th May 2024, the Group is forecasting to be in a net cash position. The Group's three-year review considers the Group's profit and loss, cash flows, debt and other key financial ratios over the period. During this period, the three-year review forecasts indicate that the Group will be highly cash generative.

These metrics are subject to a stress-test that has a 10% reduction in revenue. Given the Group's activity is Software as a Service (SaaS), with net customer 'churn' of c.2%, as well as annual price increases for all customers that are out of their initial three year contract, this is a severe but plausible downside scenario. When the 10% revenue reduction was applied in FY24, the Group was still forecast to generate £2.9m of cash in the year. The Group has a £10m RCF facility that they do not expect to utilise.

Based on the results of this analysis, the Directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment. The Directors are mindful of the potential impact of a macro-economic downturn but after assessing the risks do not believe there to be a material risk to going concern.

In addition, further discussion of the principal risks affecting Pinewood Technologies Group PLC can be found within the Annual Report and Accounts on pages 18 to 26. The risk disclosures section of the consolidated financial statements set out the principal risks the Group is exposed to, including information and cyber security, people, customers and sales partners, execution and scalability, technology and information systems and competition & market changes. The Board considers risks during the year through the Risk Control Group and annually at a Board meeting with ad hoc reporting as required.

Approved by order of the Board

### Ollie Mann

Chief Financial Officer

25 April 2024

The principal risks and the mitigation steps that the Board considered as part of this viability statement were as follows:

- Failure to deliver or maintain robust cyber security credentials throughout our system. We mitigate these risks by monitoring cyber security threats and having systems and processes in place to deal with incidents, which is demonstrated through the ISO 27001 certification. We also have cyber liability insurance in place, that includes Cyber Incident Response Centre, providing access to expertise to assist during a crisis.
- The ability to retain key personnel or recruit the necessary additional talent to deliver our strategic ambitions. We mitigate these risks through a dedicated HR team who monitor employee satisfaction and a talent management & recruitment programme.

During FY23, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Directors believe that the Group is able to manage its business risks successfully, having taken into account the current economic outlook and the results of the severe but plausible downside scenario for the three-year viability period. Accordingly, the Board believes that, taking into account the Group's current position, and subject to the principal risks faced by the business, the Group will be able to continue in operation and to meet its liabilities as they fall due for the period up to 31 January 2027.

# DIRECTORS' REPORTS

- 29 Environmental, Social and Governance Report
- 30 Environmental Report
- 37 Social Report
- 38 Corporate Governance Report
- 42 Board of Directors
- 44 Audit Committee Report
- 48 Nomination Committee Report
- 50 Remuneration Committee Report
- 51 Directors' Remuneration Report
- 62 Directors' Report



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As set out in some detail at page 5 of this Annual Report, following the successful completion of the sale of the Group's motor retail and leasing businesses to Lithia UK Holding Limited on 31 January 2024 (the "Disposal") the Group is now a pure-play, independent Software as a Service ("SaaS") business, trading under the name of Pinewood Technologies Group PLC.

As a result of the transaction described above, the Group now considers it necessary to reassess and reset our approach in terms of our environmental, social and governance ("ESG") objectives, ensuring they are appropriate to, and focused on the SaaS business the Group has now become. To this end, the Company's ESG committee will

- Establish cyber security and ESG engagement sessions to deliver an effective ESG strategy and conduct a deep dive on Pinewood's climate strategy;
- Set out where the Group aspires to be in the future, in terms of future targets and plans to improve our ESG reporting and the efficacy of the measures we implement;
- Establish how the Group aims to achieve our targets, with appropriately defined milestones achievable over the short term (within 2 years), medium term (within 2-5 years) and long term (over 5 years), against which we can monitor our progress, and what action we intend to take where we identify our progress has been behind target.

Clearly, the disposal of the Group's motor retail and leasing businesses changes the entire premise and emphasis of our ESG strategy and implementation from that reported in the prior year; we anticipate that investors will recognise this although we intend to ensure that our ESG initiatives remain embedded into both our strategic objectives and remuneration incentives going forward.

## ENVIRONMENTAL REPORT

Pinewood continues to operate a formal Environment Policy; which has been reviewed and updated, reflecting our position as a pure-play SaaS business. We continue to recognise our responsibility to protect the environment and minimise the environmental impact of our activities. In partnership with our employees, customers and suppliers, the Group aims to operate to high standards of environmental protection appropriate to its business activities.

The Group's Environment Policy includes specific oversight and direction from the Board of directors as to the impact of the Group's activities on climate change and resource availability. We will continue to develop, enhance and monitor our operational standards, ensuring that environmental priorities are accounted for appropriately in planning and decision making, and where possible, the impact of our activities on the environment is reduced or minimised.

In accordance with Listing Rule 9.8.6R(8), we set out in the TCFD overview table beginning on page 30 certain climate-related financial

disclosures aligned to the four recommendations and eleven recommended disclosures contained within the TCFD additional guidance (Implementing the Recommendations of the Task Force on Climate Related Financial Disclosures (2021 TCFD Annex)).

The Group is also required to comply with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 amended sections 414C, 414CA, and 414CB of the Companies Act 2006, (UK Climate-related Financial Disclosures (CFD)).



Within the TCFD overview table, we have also included disclosures by each of the recommended disclosures, identifying whether we consider such disclosures to be either consistent with the recommendations of the TCFD or, where disclosures have only been partially made or omitted, a further description of any steps taken or planned to ensure our disclosures are consistent in the future, including relevant timeframes.

In particular, of the eleven TCFD recommended disclosures, considering these as a pure-play SaaS business, the Company considers that it is consistent with full disclosure for 9 items and partially consistent with 2 disclosures : (i) Strategy B - financial impact of climate related risks - due to the disposal, we have not been able to assess the impact that climate related risks may have on the SaaS business. This includes the impact climate related risks may have on the group's financial planning process. We will continue to assess the impact climate related risks may have on financial planning in the next financial year. ii) Metrics and Targets B - Scope 3 emissions - Scope 3 emissions have been disclosed only for emissions from employee commuting. This is due to the Group not currently having the ability to capture the required additional data sets for the remaining scope 3 categories. We will look to enhance the collation of scope 3 emissions data in the next financial year. As more specifically set out in the TCFD Overview tables on pages 30 to 33.

# ENVIRONMENTAL REPORT

TCFD OVERVIEW				
Disclosure Level: ● Full ● Partial ● Omitted				
Recommendation	Recommended disclosures	Summary of Progress/ Measures planned to ensure future consistency with the recommendation	Reference	Disclosure Level
<b>GOVERNANCE</b>				
<b>Disclose the organisation's governance around climate-related risks and opportunities</b>	a) Describe the Board's oversight of climate related risks and opportunities	<p>The Board is responsible for our climate ambition and our approach to climate related risks and opportunities, embodied in our Environment Policy which is reviewed annually. The Board is ultimately responsible for setting the Group's risk appetite and for risk management and internal control systems, delegating authority to the Audit Committee, ESG Committee and Risk Control Group in setting the Group's risk appetite and implementing appropriate oversight of ESG risks. Although the ESG Committee did not meet formally in 2023, given the focus on the disposal, it will meet at least twice annually, and reporting of ESG matters is a standing agenda item at Board meetings. ESG matters will also be considered by the recently formed Strategy Working Group, which will meet at least four times per annum, and more frequently if required. The ESG Committee will consider how climate related risks and opportunities impacts on budgets, business plans and will decide how climate-related strategies are implemented, as well as monitoring progress.</p> <p><b>FY 24 priorities</b> We will continue to consider the impact of climate related risks at Board level, in the context of the consideration of our strategy, including how climate related issues potentially impact our strategy and financial performance. ESG committee to meet formally.</p>	<b>Annual Report</b> Environmental, social and governance report page 29	●
	b) Describe management's role in assessing and managing climate related risks and opportunities	<p>The Board as a whole is ultimately accountable for the Group's climate strategy and approach to TCFD, however the Board has established an Environmental, Social and Governance (ESG) Committee to assist the Board.</p> <p>The ESG Committee will meet at least twice a year and comprises the Group Chief Executive Officer (CEO) and Group Chief Financial Officer (CFO), a non-executive director from the main Board and other members of the senior management team as appropriate. It will receive reports from senior managers to ensure that progress is being made towards meeting the Group's specific Climate Risk (CR) KPIs and ongoing CR commitments, including greenhouse gas (GHG) emissions reduction targets and plastics recycling initiatives.</p> <p>Together with the Risk Control Group (RCG), the ESG Committee exercises day to day oversight of climate risks. The ESG Committee has a direct reporting line to the Audit Committee and will provide suitable reports as to its progress. The Audit Committee meets at least three times a year and comprises all the independent Non-Executive Directors of the Board. In line with the governance process used for financial management, it considers the potential impact of climate change on the financial statements, including the output of the Group's scenario analysis, the costs to achieve the Group's climate related and environmental targets and their impact on the financial statements and related disclosures.</p> <p><b>FY 24 priorities</b> Continue to consider appropriate ESG reporting, including considering how climate-related issues are factored into budgets, business plans, performance objectives, capital expenditure and investment decisions. Climate will be further considered in our energy and other supplier procurement processes.</p>	<b>Annual Report</b> Environmental, social and governance report page 29	●

TCFD OVERVIEW		Disclosure Level: ● Full ● Partial ● Omitted		
Recommendation	Recommended disclosures	Summary of Progress/ Measures planned to ensure future consistency with the recommendation	Reference	Disclosure Level
<b>STRATEGY</b>				
<p><b>Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material</b></p>	<p>a) Describe the climate-related risks and opportunities the organisation has identified in the short, medium and long term</p>	<p>The material climate related risks and opportunities were considered for the pre-disposal group and are set in the table at page 34 of this report. Given the Disposal, the Group is now a pure-play SaaS business leaving little residual climate risk in the remaining business. The Group will explore the range of climate impacts that may have the potential to present short term (meaning within 2 years which is our budgeting period), medium term (meaning 4-5 years aligned to the period of our strategic forecasting) and long term (greater than 5 years) risks and opportunities to Pinewood as documented at pages 20 to 22 of this report. Medium term risks for Pinewood include matters such as the increasing cost of energy, with longer term risks including items such as the resilience of cloud hosting provision depending on geographic location and potential exposure to extreme weather phenomena. Further climate risk and opportunity screening exercise will provide further analysis on the pure-play SaaS business going forwards.</p> <p><b>FY24 priorities</b> Given the disposal, the Group is now a pure-play SaaS business. We will work towards reassessing the impact climate related risks may have within the next financial year.</p>	<p><b>Annual Report</b> Risk Management, page 25 Environmental, social and governance report page 29</p>	●
	<p>b) Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy and financial planning</p>	<p>Given the disposal, the group is now a pure-play SaaS business with two physical office locations and cloud based hosting. As such, the group does not expect climate related factors to have a significant impact on the products and services (dealer management system software licenses) that it will offer going forwards.</p> <p><b>FY24 priorities</b> The group is yet to assess the impact climate related factors will have on the products and services offered. We expect to perform this exercise in the next financial year.</p>	<p><b>Annual Report</b> Risk Management, page 25 Environmental, social and governance report page 29</p>	●
	<p>c) Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario</p>	<p>The group has considered the impact climate related risks may have on the SaaS business taking into consideration two climate related scenarios:</p> <ul style="list-style-type: none"> <li>• below 2 degrees: As a pure play SaaS business, the group will be providing software licenses in the future. As such, we do not expect this climate related scenario to have a significant impact on the products and services that the Group will offer.</li> <li>• above 3 degrees: We do not expect our products or services to be significantly impacted under an increased physical risk scenario. The Group leases two physical office locations which are located in urban areas. These locations are not expected to be significantly affected by climate risks and the group has contingency measures for remote working for all employees. Servers are leased from third party providers who have contingency plans in place to address any physical risks to ensure continuity of services provided to the Group. In line with the above, the Group considers itself to be resilient to climate related physical risks.</li> </ul> <p><b>FY24 priorities</b> The Group aims to perform a more in-depth climate related risk scenario analysis to align itself better with the new SaaS operating model.</p>		●

# ENVIRONMENTAL REPORT

TCFD OVERVIEW				
Disclosure Level: ● Full ● Partial ● Omitted				
Recommendation	Recommended disclosures	Summary of Progress/ Measures planned to ensure future consistency with the recommendation	Reference	Disclosure Level
<b>RISK MANAGEMENT</b>				
<b>Disclose how the organisation identifies, assesses and manages climate related risks</b>	a) Describe the organisation's processes for identifying and assessing climate-related risks	<p>Environmental is included as a principal risk as part of our risk management overview processes. The ESG Committee continue to review, assess and consider any climate related risks which may impact upon our operations, and report to the RCG, and ultimately the Audit Committee and Board where necessary.</p> <p>Our approach to the identification and assessment of climate-related risks fits into our already established risk management framework. These risks are identified, classified and assessed alongside the other risks which the Group faces. See pages 18 to 26 on risk management in the Group. Climate change risks and, where applicable, opportunities are reported to the Executive Team and the Board. Climate-related risks have been assessed in accordance with our Group risk framework and we have continued to consider climate change as an emerging risk to our business, rather than a principal risk.</p> <p><b>FY24 priorities</b> The Group intends to further revise its Environmental Policy, in the context of being a pure-play SaaS business, and ensuring that a specific focus on climate related issues become embedded in the Policy. As detailed above, consideration of climate related issues will become a standing agenda item of the Board.</p>	<b>Annual Report Risk Management, page 25</b>	●
	b) Describe the organisation's processes for managing climate related risks.	<p>The business is subject to regular risk identification, assessment and review, which includes consideration of environmental and climate related risk. Climate risk is considered a sub-risk to our main environmental risk. See pages 18 to 26 on risk management in the Group.</p> <p><b>FY24 priorities</b> We intend to use the outcome of our climate risk and opportunity screening process to further inform and support the monitoring of any climate related risks identified.</p>	<b>Annual Report Risk Management, page 25</b>	●
	c) Describe how processes for identifying, assessing and managing climate related risks are integrated into the organisation's overall risk management	<p>Environmental is included as a principal risk as part of our risk management overview processes. Climate change has been considered as part of the environmental risk and is not considered to be a standalone principal risk. The ESG Committee will continue to review, assess and consider any climate related risks which may impact upon our operations and report to the RCG, and, ultimately, the Audit Committee and Board where necessary.</p> <p><b>FY24 priorities</b> Develop a specific sub-risk designed to identify, manage and assess climate related risks</p>	<b>Annual Report Risk Management, page 25</b>	●



TCFD OVERVIEW				
Disclosure Level: ● Full ● Partial ● Omitted				
Recommendation	Recommended disclosures	Summary of Progress/ Measures planned to ensure future consistency with the recommendation	Reference	Disclosure Level
<b>METRICS AND TARGETS</b>				
<b>Disclose the metrics and targets used to assess and manage relevant climate-related risks and such opportunities where such information is material</b>	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	<p>The Group has been reporting on energy and carbon emissions since 2013. More information on the Group's carbon emissions is provided on page 36.</p> <p><b>FY24 priorities</b> Given the disposal transaction, we plan to revise our climate related metrics and consider additional metrics relevant to the new business in the next financial year.</p>	<b>Annual Report</b> Environmental, social and governance report page 29	●
	b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 (greenhouse gas (GHG) emissions and the related risks	<p>The Group discloses scope 1, scope 2 and scope 3 emissions in line with the GHG protocol. Further details on carbon emissions is provided on page 36. The Group currently discloses only scope 3 employee commuting carbon emissions due to the inability to capture data for remaining scope 3 categories. See disclosures at page 36 of this Annual Report.</p> <p><b>FY24 priorities</b> The group aims to enhance the data capture process for the remaining scope 3 categories in the next financial year.</p>	<b>Annual Report</b> Environmental, social and governance report page 29	●
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	<p>The Group has currently set interim targets, namely:</p> <ul style="list-style-type: none"> <li>• achieve an overall reduction in carbon emissions by 5% by year end 2024; and</li> <li>• reduce our use of single use plastics procured through the Group's supply chain and increase the amount of single use plastics recycled.</li> </ul> <p><b>FY24 priorities</b> Due to the disposal, the group will look towards developing additional targets relevant to the pure play SaaS business</p>	<b>Annual Report</b> Director's Remuneration Report, page 55 Environmental, social and governance report page 29	●

# ENVIRONMENTAL REPORT

Outlined below are the material climate related risks and opportunities as applicable to the pre-disposal combined group (“Pre-Disposal Group”) for the 13 month period prior to the sale of the Group’s motor retail and vehicle leasing businesses to Lithia UK Holding Limited on 31 January 2024.

Area	Risk	Time horizon and scenario	Impact and rating	Metric
Policy & Legal	<p><b>Increased reporting requirements and adverse energy regulation due to climate change</b></p> <p>The Pre-Disposal Group was already impacted by regulation introduced to reduce energy use and emissions. Given the Disposal, however, the costs and resource required to ensure the Group remains compliant with additional motor vehicle and climate change related reported will cease.</p>	Medium term, although no longer applicable following the Disposal	Minor	Annual cost (£) of internal resources used to monitor climate legislation and compliance: will reduce following the Disposal.
	<p><b>Carbon pricing mechanisms</b></p> <p>The potential introduction of a carbon tax in the UK for the motor vehicle sector could increase vehicle manufacturing and transportation costs. However, given the Disposal and the nature of the post-Disposal business, carbon emissions will automatically decrease as the carbon footprint of the Group decreases due to both its smaller size and the nature of its operations as a pure play software as a service business.</p>	Medium term, although no longer applicable following the Disposal	Minor	No relevant metric.
Market Risks	<p><b>Changing consumer preferences (such as to BEVs) and increased sensitivity to ESG</b></p> <p>For the Pre-Disposal Group, a reduction in consumer spending could have an adverse effect on revenue and profitability. With environmental awareness growing in importance, customers may have changed their preferences to purchase more sustainable alternatives, including BEVs. Given the Disposal, changing consumer preferences as they applied to the pre-Disposal Group should not impact the post-Disposal Group as the Group becomes a pure play software as a service business.</p>	Medium term, although no longer applicable following the Disposal	Minor	The Pre-Disposal Group recorded the annual number of BEVs and PEVs sold; this will no longer be a concern for the post-Disposal Group.
	<p><b>Increased costs of raw materials</b></p> <p>Increases in raw material costs in supply chains could adversely affect the profitability of the Pre-Disposal Group, with climate change likely to result in increased raw material costs, supply disruptions and delayed deliveries. Increased energy costs impacted the pre-Disposal Group. However, given the Disposal and the nature of the post-Disposal business, which is significantly less dependent on raw materials and supply chains for its operations, the impact will be significantly reduced.</p>	Longer Term, although no longer applicable following the Disposal	Minor	Annual cost (£) of material and equipment supply.
	<p><b>Availability of raw materials</b></p> <p>For the pre-Disposal Group, a reduced supply of vehicle components could result in a supply of vehicles and parts not meeting the pre-Disposal Group’s demand, leading to delays and disruptions, impacting our revenue streams. However, given the Disposal and the nature of the post-Disposal business, which is significantly less dependent on raw material availability its supply chains for its operations, the impact will be significantly reduced.</p>	Longer Term, although no longer applicable following the Disposal	Minor	Number of suppliers who cite delays relating to the availability of raw materials used in manufacturing.  Percentage annual increase in energy prices.

Area	Risk	Time horizon and scenario	Impact and rating	Metric
Reputation Risks	<p><b>Cost of capital linked to sustainability criteria</b> With the increasing importance of ESG and sustainability, stakeholder concern for developing our ESG programme is likely to increase. Failing to proactively communicate how we will reduce our environmental impact could result in the loss of potential capital, whether debt or equity.</p>	Short term, although unlikely to be applicable following the Disposal	Moderate	Annually evaluating sustainability criteria on capital.
	<p><b>Loss of revenue linked to damaged reputation</b> Reputational damage from a customer perspective could be material and significantly affect the business's financial performance. Customers could switch to our competitors, who are performing better in relation to ESG and sustainability. However, given the Disposal and the nature of the post-Disposal business, which is less reliant on retail customer/end user reputation and review, this risk will be significantly reduced</p>	Short term, although unlikely to be applicable following the Disposal	Minor	We constantly review press reports and social media commentary.
Technology risks	<p><b>The operational impact of the shift to lower emissions alternatives &amp; BEVs</b> For the pre-Disposal Group, shifting the product range to more efficient and sustainable products would have been a gradual process until 2035. The pre-Disposal Group anticipated increasing demand for BEVs, in all timeframes, and was ready for this change from a sales perspective. However, equally, the pre-Disposal Group was aware of the impact this would have on aftersales revenue. BEVs have fewer parts, use fewer fluids, do not possess exhaust systems and exhibit lower wear from use (for example, regenerative braking decreases wear on brake pads). The pre-Disposal Group expected total aftersales revenue opportunities to decrease as demand for BEVs increases. However, BEVs will still need to be serviced and repaired by highly trained technicians, with similar servicing schedules to ICE engines. The pre-Disposal Group planned to take advantage of this BEV specialisation over its independent competitors, who may need more preparation time to deal with widespread BEV servicing demands (refer to opportunity two).</p> <p>Again, given the Disposal and the nature of the post-Disposal business, there will be no operational impact of the shift to lower emissions alternatives and BEVs going forward.</p>	Short term, although unlikely to be applicable following the Disposal	Minor	Annual revenue (£) relating to aftersales servicing.
	<p><b>Costs to transition to lower emissions technology and BEVs</b> BEVs are already increasing their market share annually. Newer sustainable technology will come onto the market over the coming years. Adopting or deploying new practices or processes would have come at a cost to the pre-Disposal Group business. However, the pre-Disposal Group expected changes to occur gradually over time, and as it aimed to reduce its carbon emissions, it may have needed to invest in lower-emission technology, including but not limited to the transition to BEVs, resulting in increased costs.</p> <p>Given the Disposal and the nature of the post-Disposal business, there will be no costs of transitioning to lower emissions technology going forward.</p>	Short term, although unlikely to be applicable following the Disposal	Minor	Annual cost (£) associated with training technicians for BEV servicing. Annual cost (£) associated with installing BEV infrastructure, such as charging points

# ENVIRONMENTAL REPORT

Area	Risk	Time horizon and scenario	Impact and rating	Metric
Resource Efficiency	<p><b>On-site renewable energy</b> Mitigating carbon pricing through investing in renewable energy is an opportunity. By installing renewable solar PV at pre-Disposal Group sites, energy costs can be further reduced. The pre-Disposal Group total carbon footprint can be reduced by procuring renewable energy for its sites for the remainder of its energy use.</p> <p>Following the Disposal, the property estate will be reduced to office accommodation in Birmingham, and a small satellite office in London, with limited opportunity to install renewable energy sources.</p>	Short term	Minor	Annual energy generation potential (KWh) from on-site renewable energy schemes
	<p><b>Energy efficiency in operations</b> Investment in resource efficiency across the pre-Disposal Group will lower energy intensity and lead to cheaper and more consistent operating costs, enhancing operational efficiency. This will be accomplished by decreasing energy, water, and waste across the pre-Disposal Group. The power needed for the pre-Disposal Group's workshops, heating, ventilation, air conditioning, and lighting were its primary energy users.</p> <p>Following the Disposal, the post-Disposal Group will not perform any material operations which could benefit from resource efficiency investments.</p>	Short term	Minor	Annual percentage change in Scope 1 and 2 emissions

For the purpose of the above table, interms of impact and rating:- Minor shall mean the risk has relatively little , or non-material financial impact; Moderate shall mean the risk has a moderate financial impact Major shall mean the risk has a major or material financial impact.

## GLOBAL GREENHOUSE GAS EMISSIONS DATA

The current period is a 13 month period and the prior period is a 12 month period.

Source	Tonnes of CO <sub>2</sub> e	
	31.12.23 to 31.01.24	01.01.22 – 31.12.22
Scope 1: Direct emissions from activities for which the company own or control – emissions generated by its internal fleet operations (Scope 1/tCO <sub>2</sub> e)	3,634	2,630
Scope 2: Indirect emissions from the use of purchased electricity and gas (Scope 2/ tCO <sub>2</sub> e)	13,373	12,169
Scope 3: emissions generated by employee commuting (Scope 3/ tCO <sub>2</sub> e)	6,793	6,548
<b>TOTAL GROSS SCOPE 1, 2 &amp; 3 EMISSIONS:/ tCO<sub>2</sub>e</b>	<b>23,800</b>	<b>21,347</b>
Energy consumption used to calculate above emissions:/kWh (Scope 2)	69,931,129	65,517,250
Scope 1, 2 & 3 Intensity Ratio (tonnes of CO <sub>2</sub> per £m of revenue)	5.5	5.9

Methodology: (i) Scope 1 and Scope 2 emissions have been reported where the Group has operational control of a property or an asset. This includes emissions from driving activities as detailed in note (ii). (ii) CO<sub>2</sub> emitted from driving activity comprising internal vehicle movements (scope 1) and employee commuting (scope 3) is the result of analysis of mileage, vehicle and employee commute data over defined three year periods (2021-23 for 2023 data and 2020-2022 for 2022 data) to quantify the total mileage and CO<sub>2</sub> emissions across internal operations (company cars, service loans, demonstrators, parts vans and employee commutes. Vehicle sales are outside the scope of the review). The mileage of vehicles was extracted from vehicle stock and sales information. A vehicle master list was provided from CAP HPI to provide carbon emissions data for each vehicle. Employee home and work postcode information was used to calculate commuting distances, with an average CO<sub>2</sub> emissions per mile (based on the UK average) used to calculate total emissions (iii) Other than employee commuting, scope 3 emissions are currently not included, as the business does not have the capability to capture the required additional data set. Following the completion of the divestment of the motor retail, leasing and parts businesses on 31 January 2024, the Company is now a pure-play SaaS business: consequently, we have extrapolated the global greenhouse gas emissions data for the remaining Pinewood only business in the table above. (iv) We use the latest UK Government GHG Conversion Factors for Company Reporting, published by DEFRA, to calculate our greenhouse gas emissions.

# SOCIAL REPORT

## OUR PEOPLE

We aim to be a responsible employer through all that we do. The health, safety and wellbeing of our associates are primary considerations in the way we do business. We work to attract, develop and retain the best talent, equipped with the right skills for the future.

## OUR INCLUSION

We strongly believe that diversity, inclusion and equality of opportunity for all our associates, no matter who they are, will be essential to our future success. People are the heart of our business and we remain committed to fostering a culture that is representative of the societies in which we live. We aim to ensure that our associates can bring their authentic selves to work and achieve their full potential and have established four core diversity Employee Resource Groups centred around; LGBT+, Gender Equality, Faith and Culture and Disability to enable and give voice to the diverse membership of our associates.

Throughout all our attraction, recruitment, selection, employment and internal promotion processes, all employment decisions are taken without reference to irrelevant or discriminatory criteria.

We continue to make appointments at Board and immediately below Board level in accordance with a formal, rigorous and transparent procedure. Appointments are based on merit and objective criteria, and within this context, we aim to promote diversity of gender, social and ethnic backgrounds, alongside cognitive and personal strengths in accordance with Principle J of the UK Corporate Governance Code (Code).

## GENDER BALANCE

We describe our approach to Board composition diversity in the Nomination Committee's report on page 48.

### Number of Group Employees by category

	as at 31 January 2024			as at 31 December 2022		
	Male	Female	Total	Male	Female	Total
Director	8	2	10	7	1	8
Senior Manager	3	0	3	7	2	9
All employees	142	76	218	4,022	1,312	5,334

Prior to the disposal transaction on 31 January 2024 the Group had 5,548 employees and the table above reflects the number of employees post disposal as at 31 January 2024 and the comparative for the Group as at 31 December 2022.

## GENDER PAY GAP REPORTING

The company's annual report containing data on our gender pay gap will be published in full on our website [www.pinewoodplc.com](http://www.pinewoodplc.com) in accordance with the statutory timescale.

## OUR REWARD

We regularly review our benefits offering and have robust practices in place to ensure we offer an industry competitive total reward package.

We continue to invest in our market leading benefits platform which enables our associates to see the full value of their package with us, and also offers flexibility and choice with their benefits. The platform also extends to everyday offers and discounts.

Pinewood continues to invest in pension scheme arrangements and insured benefits to ensure our associates are protected in the event of an unexpected change of circumstances relating to health.

## OUR DEVELOPMENT

Training and development is tailored and targeted to roles or services as part of a blended learning offering integrating online learning with virtual and classroom training.

Training is systematically planned and delivered to ensure Pinewood meets regulatory and statutory requirements and to ensure that both our associates and customers are not exposed to any risks. Individual and business development needs are identified in real time through performance check-ins and skills sensing networks.



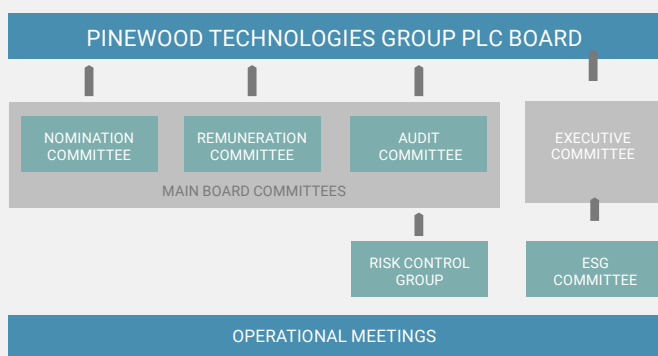
# CORPORATE GOVERNANCE REPORT

The UK Corporate Governance Code (Code) applies to the Company and is available on the FRC website at <https://www.frc.org.uk>. During the period ended 31 January 2024, the Company complied with the majority of the applicable provisions of the Code, with the exception of the provisions detailed below in the 'Non-compliance with the Code' section. The corporate governance statement as required by Disclosure Guidance and Transparency Rules 7.2.1 is set out below.

## OUR BOARD

The Board sets our Company's strategy and ensures we have in place the financial and human resources to meet our objectives. We take collective responsibility for Pinewood's long term success. The executive directors, led by the chief executive officer, are responsible for running the Company and our Group through the executive committee comprising of the executive directors and members of senior management to effect that strategy, including the environmental, social and governance impacts of the same, and work within prescribed delegated authority, such as capital expenditure limits. The executives direct and monitor business performance through regular operational meetings with their respective leadership teams and set and regularly review the effectiveness of key operating controls, reporting to the Board on these and any variances. The Board as a whole reviews management performance.

Although the Board delegates to the chief executive and chief financial officer responsibility for briefing key stakeholders, major shareholders and the investor community, the non-executive chairman holds himself available to engage with shareholders, together with the Senior Independent Director, where appropriate. Information from engagement with shareholders is shared with the entire Board and taken into account in financial planning and strategy.



The Board has three committees: Audit, Nomination and Remuneration, each made up entirely of non-executive directors. The Risk Control Group (RCG) is a committee of the executive directors, the company secretary and Group head of internal audit. Other members from the senior management of the Group's operating group functions are co-opted onto the RCG as required from time to time. In addition, the Board has established an Environmental, Social and Governance

(ESG) Committee, which is mandated to assist the Board in: reviewing the strategies, policies and performance of the Company in relation to environmental, social and governance matters and proffering ways to drive improvement in these areas as appropriate, understand the Company's impact on the environment, understanding the Company's social impact and ensure that the Board is aware of the processes and mechanisms used by the Company to engage with key stakeholders on sustainability matters. Each committee operates within delegated authority and terms of reference, set by the Board, reviewed annually and available to view on the company's website. Details of each committee's work appear on the next few pages of this Report. Executive Directors can attend Board committees at times, to assist their business, but only with the committee's prior agreement.

## LEADERSHIP AND BOARD COMPOSITION

As at 25th April 2024, the Board comprises two executive directors, five non-executive directors, including the non-executive chairman and two directors nominated by Lithia Motors Inc. The respective responsibilities of the Board, the non-executive chairman and the chief executive are clearly defined by the Board in formal responsibilities documents, which the Board reviewed and readopted in April 2023. The roles of chief executive officer and non-executive chairman are fully segregated. The Board remains committed to the progressive refreshing of our membership, so as to maintain the right balance of skills, experience, independence and knowledge of the Company to enable us to continue to operate effectively. Following the announcement on 30 June 2023 of Ian Filby's decision to stand down as non-executive chairman, the Board has not yet appointed a successor, primarily due to the process of disposing of the UK Motor and leasing divisions, which was took priority in the second half of 2023 and in early 2024 and hence Ian has continued in his role as Chairman. Once this recruitment is complete, the Board considers that an appropriate combination of executive and non-executive directors will be in place in accordance with the Code.

As noted below, in accordance with the Code, all Directors will be subject to annual re-election at the Annual General Meeting of the company. Details of the Directors offering themselves for election in 2024, together with directors' brief biographical details appear on page 42, and gender balance details are on page 37.

## NON-EXECUTIVE DIRECTORS AND INDEPENDENCE

The non-executive chairman (who, on appointment to that role, fulfilled the requirement to be independent) has ensured that the Board performs effectively through a well-functioning combination of Board and Committee meetings and other appropriate channels for strategic input and constructive challenge for non-executive directors. The chairman has had meetings with the non-executive directors without the executive directors present, where necessary, to assist Board effectiveness, and, following the 2023 year end, conducted individual meetings with each director to arrive at his and the Board's



# CORPORATE GOVERNANCE REPORT

assessment of the director's respective contributions, training needs and independence. Led by the senior independent director, the directors have assessed the chairman's effectiveness in his role.

The Board has routinely operated conflict management procedures and has deemed these procedures effective. Through these, and the evaluations which are described below, we have concluded that:-

- the Board's collective skills, experience, knowledge of the company and independence allow it and its committees to discharge their respective duties properly;
- the Board and each of its committees is of the right size and balance to function effectively;
- we have satisfactory plans for orderly succession to Board roles;
- the non-executive chairman and respective committee chairmen are performing their roles effectively;
- all non-executive directors are independent in character and judgment;
- other than the Lithia appointed directors, which will be managed through the conflict clearance process, no director has any relationships or circumstances which could affect their exercising independent judgement; and
- the non-executive chairman and each of the non-executive directors is devoting the amount of time required to attend to the company's affairs and their duties as a Board member.

During 2023, the Board received briefings from company executives to familiarise directors with strategic developments and key aspects of the Group's business, and in particular, in relation to the proposed and subsequent divestment of the Company's motor retail, parts distribution and leasing businesses.

## BOARD EVALUATION

The Board and its committees conducted formal evaluations of their effectiveness in 2023, addressing questions based closely on the Code, applicable good governance topics and drawn from best corporate practice. The results were reviewed by the non-executive chairman, the Committee chairmen and the Board as a whole and the non-executive chairman has factored suggested improvements into our 2023 Board programme. More details on the Board's approach to individual and Board evaluation are on the company's website.

## RE-ELECTION OF DIRECTORS

In accordance with the UK Corporate Governance Code, all current Directors will be subject to annual re-election or election (in the case of new Directors) at the AGM.

## NON-COMPLIANCE WITH THE CODE

The Chairman of the Board, Ian Filby, was also Chairman of the Remuneration Committee from 1 January 2023 to 10 July 2023, at which point Jemima Bird became a director and Chair of the

Remuneration Committee. Following the decision of Mike Wright to step down as a non-executive director and chair of the remuneration committee to pursue other interests in June 2022, it was necessary for Ian Filby to chair the committee on a temporary and interim basis to ensure the effective continuation of the business of the committee, until such time as an independent chair with recent and relevant experience was appointed. This was not compliant with provision 32 of the Code.

On 31 January 2024, Oliver Mann was appointed as an executive director and on 1 February 2024, Mark Willis stepped down as an executive director. Therefore, for one day, on 31 January 2024, there was non-compliance with provision 11 of the Code, as at least 50% of the board, excluding the chairman, were not independent.

## INFORMATION AND SUPPORT

To ensure our decisions are fully informed and debated, the chairman ensures that our Board's business agenda is set timely to allow appropriately detailed information to be circulated to all directors before meetings. The company secretary facilitates the flow of information within the Board, attends all Board meetings and is responsible for advising the Board and its Committees, through their respective chairmen, on corporate governance and matters of procedure. All directors have access as appropriate to support on matters of procedure, law and governance and in relation to their own induction and professional development as Board members. All directors are entitled to take independent advice at the Company's expense, and to have the Company and other Board members provide the information required to enable them to make informed judgements and discharge their duties effectively.

## HOW THE BOARD MANAGES RISK

The Board and our Committees each operate to a set meeting agenda which ensures that all relevant risks are identified and addressed by appropriate controls. We review management information which helps us to prescribe operating controls and monitor performance against our strategy and business plans. The non-executive directors have particular responsibility for monitoring financial and performance reporting, to ensure that progress is being made towards our agreed goals. The Board's responsibilities also include assessing the effectiveness of internal controls and management of risk. To manage risk within the Group, the Board have considered reports produced by the internal audit team in the period and where material issues have arisen have sought to mitigate these issues. After these mitigations were put in place, the Board has considered the control environment to be effective.

## WORK OF THE RISK CONTROL GROUP

The accountability framework described on page 19 is designed to ensure comprehensive management of risk across the Group's businesses. A revised, overarching Risk Management Policy



## BOARD ATTENDANCE

Current Directors	Board	Audit	Nomination	Remuneration
William Berman <sup>(B)</sup>	10/10	3/3	N/A	N/A
Jemima Bird <sup>1 (I) (R)</sup>	4/4	2/2	2/2	2/2
Martin Casha <sup>2</sup>	8/9	N/A	N/A	N/A
Dietmar Exler <sup>(I) (SID)</sup>	10/10	2/3	N/A	3/4
Ian Filby <sup>3 (N)</sup>	9/10	N/A	3/4	3/4
Nikki Flanders <sup>(I)</sup>	7/10	3/3	3/4	4/4
Brian Small <sup>(I) (A)</sup>	9/10	3/3	4/4	4/4
Mark Willis	10/10	3/3	N/A	N/A
Oliver Mann <sup>4</sup>	N/A	N/A	N/A	N/A
Chris Holzshu <sup>4</sup>	N/A	N/A	N/A	N/A
George Hines <sup>4</sup>	N/A	N/A	N/A	N/A

(I) Considered by the Board to be independent

(SID) Senior Independent Director

(A) Committee chairman

(N) Committee chairman

(R) Committee chairman

1. Joined the Board on 10 July 2023, consequently attendance reflects the period 10 July 2023 onwards.

2. Stepped down from the Company on 07 October 2023; consequently, attendance reflects the period 01 January 2023 to 07 October 2023.

3. Announced he was stepping down to pursue other interests on 30 June 2023. Ian has continued in his role until a successor can be found.

4. Joined the Board on 31st January 2024, consequently there were no meetings held in the period which they were eligible to attend

was introduced in October 2019, and reviewed and renewed in October 2023, setting out the principles and approaches by which we implement effective enterprise risk management. The Risk Management Policy remained appropriate in 2023. The RCG, made up of the chief operating officer, former chief financial officer and, by invitation, other members of the Group's senior operational and financial management, meets regularly to consider the detailed work on risk assessment performed by leaders and key business areas and oversees the effective implementation of new measures designed to mitigate or meet any specific risks or threats. The chair of the Audit Committee, and a representative of the external auditors attend by invitation. The RCG reports to the Audit Committee on its work. The Board and any of its committees is able to refer specific risks to the RCG for evaluation and for controls to be designed or modified; this occurs in consultation with executive management. The executive directors are responsible for communicating and implementing mitigating controls and operating suitable systems of check. The RCG met three times in 2023.

In addition to reviewing and refining the Group's corporate risk register for Board review and adoption, the RCG continues to monitor and review the Group's anti-bribery controls, including the development of e-learning, gifts and hospitality training, Modern Slavery Act 2015 awareness and further initiatives designed to reduce incidences of theft and fraud. The RCG ensures any internal control deficiencies identified are swiftly remediated.



# BOARD OF DIRECTORS

## IAN FILBY

Non-executive Chairman  
(N\*)

Ian joined the company on 01 November 2021 as non-executive chairman, following a 40 year career in retail, a large proportion of which was spent with Alliance Boots. In his last executive role, Ian was the chief executive officer of furniture retailer DFS, which significantly increased its market leadership in both online and in physical stores during his tenure; Ian's extensive executive experience enables him to provide effective leadership of Pinewood's Board and advise in relation to the company's future strategy.

## BILL BERMAN

Chief Executive Officer

Bill joined the company on 18 April 2019 as a Non-Executive Director, and became Chief Executive Officer on 19 February 2020. Formerly the President and Chief Operating Officer of AutoNation, the largest automotive retailer in America, Bill has executive experience in the effective deployment of automotive technology management systems, enabling him to provide effective leadership of Pinewood's Board and advise in relation to the Company's future strategy.

## OLLIE MANN

Chief Financial Officer

Ollie joined the company in December 2005. He previously worked at Deloitte, where he qualified as a chartered accountant. He has held a number of senior finance roles across the then wider organisation including Group Financial Controller and Director of Group Finance. Ollie had a key role in the disposal of the UK Motor and Leasing divisions of the Company to Lithia Motors, Inc. Ollie's accounting, financial and investor relations experience adds significant value to the Board.

## BRIAN SMALL

Non-Executive Director  
(A\*) (N) (R) (F)

Brian joined the company on 10 December 2019, following an extensive executive career in the retail sector, where most recently he held the position of Chief Finance Officer at JD Sports Fashion Plc between 2004 and 2018. Brian is also non-executive director and chairman of the Audit Committee of Mothercare Plc. Brian qualified as a chartered accountant with Price Waterhouse in 1981, and with industry experience across a range of retailers, he brings additional financial and strategic perspectives to the Board.

## NIKKI FLANDERS

Non-Executive Director  
(A) (N) (R)

Nikki joined the company on 01 April 2020 and has over 25 years in-depth retail experience, from physical to online, leading on growth and transformation strategies across multiple goods and services categories, including digital services, energy and telco products. She is currently the Managing Director of the Customer division (UK and Ireland) at SSE plc. Her previous roles include that of Chief Operating Officer at Drax plc, Managing Director for Digital at Telefonica Plc and other senior leadership roles within Centrica Plc, Marks and Spencer plc and WH Smith plc. Nikki is widely recognised as a leading advocate for Diversity & Inclusion and in conjunction with her career experience brings deep commercial, customer and people leadership experience with valuable insights.

### Key to memberships, roles and re-election status

\* Committee chairman

\*\* Acting Committee chairman from 01 June 2022

(SID) Senior Independent Director

(A) Audit Committee

(N) Nomination Committee

(R) Remuneration Committee

(F) Audit committee member with recent and relevant financial experience

More detailed professional biographies of the Directors are on the Company's website [www.pinewoodtech.com](http://www.pinewoodtech.com)

**DIETMAR EXLER**

Non-Executive Director  
(SID) (A) (N) (R)

Dietmar joined the company on 20 April 2020, following an extensive executive career including experience in the automotive sector, banking and sports management. Dietmar currently serves as Chief Operating Officer of AMB Sports & Entertainment. Prior to that, he held the position of President and Chief Executive Officer of Mercedes-Benz USA and Head of Region, NAFTA Mercedes-Benz. His previous automotive sector specific executive experience, enables Dietmar to contribute the industry perspective in relation to the deployment of dealer management systems and is of significant value to the Board. Dietmar was appointed SID on 24 February 2021.

**JEMIMA BIRD**

Non-Executive Director (A)  
(N) (R)

Jemima joined the company on 10 July 2023. Jemima is the founder of Hello Finch Limited, a strategic brand and marketing consultancy alongside being a Non-Executive Director and chair of the Remuneration Committee for both Headlam Group PLC and Revolution Bars PLC, where she is also the Senior Independent Director. Jemima brings three decades of retail experience across multiple consumer sectors including food, fashion and leisure.

**CHRIS HOLZSHU**

Director

Chris joined the Pinewood board on 31 January 2024 and currently serves as Executive Vice President and Chief Operations Officer for Lithia & Driveway (LAD). Since joining LAD in 2003, the organisation has experienced tremendous growth under his leadership, now exceeding USD \$35 billion in revenue and #145 on the Fortune 500. LAD is the number one automotive retailer in the North America, with continued expansion expected across the United States, Canada and Western Europe. Over the past two decades, Chris' leadership experience at LAD also includes serving as a Chief Financial Officer and Chief People Officer which position him to bring a unique operational and change management perspective to the Pinewood Board.

**GEORGE HINES**

Director

George joined the Pinewood board on 31 January 2024, and brings 30 years of software product development and digital transformation leadership in retail, eCommerce, hospitality and live event marketing to our Board. George currently serves as the Chief Innovation & Technology Officer for Lithia & Driveway (LAD). In his role, he drives digital innovation, technology strategy and execution for LAD's 500+ automotive retail stores, eCommerce channel and automotive finance company. Additionally, he brings a focus on human-centered design from customer and employee experience transformations. George's international work experience in South America and Europe will provide a global perspective on leveraging auto retail technology platforms for the Pinewood Board.

**Company Secretary**

Oliver Mann

**Registered Office**

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

**Registered number** 2304195

# AUDIT COMMITTEE REPORT

***The Audit Committee is a committee of the Board and has been chaired by Brian Small since January 2020, made up entirely of independent non-executive directors. Their names and qualifications are on page 42 and attendance at meetings in the table on page 41.***

## KEY RESPONSIBILITIES OF THE AUDIT COMMITTEE

- monitors the integrity of the financial statements and formal announcements
- reviews and approves the Annual Report and Accounts for adoption by the Board
- recommends to the Board the selection of the external auditor and its terms of appointment and monitors its effectiveness and independence
- governs policy for the allocation of non-audit work to the audit firm
- reviews internal controls and risk management
- monitors the effectiveness of the internal audit function
- reviews and monitors whistleblowing arrangements

Its terms of reference detail its key responsibilities and appear, with relevant background information, on the company's website [www.pinewoodtech.com](http://www.pinewoodtech.com).

## THE COMMITTEE'S WORK THE PERIOD BEGINNING 1 JANUARY 2023

The Audit Committee met three times in the period and this report describes its work and conclusions.

## FINANCIAL STATEMENTS REVIEW

The Committee received the auditor's memorandum on the company's 2022 financial statements and the auditor's memorandum on the unaudited 2023 interim results. In each case, it discussed the auditor's findings with the auditor, satisfied itself of the integrity of the financial statements and recommended the financial statements for approval by the Board. Key aspects of those discussions and relevant considerations and conclusions are below:-

## AUDIT RISK CONSIDERED BY THE COMMITTEE

The table on page 45 sets out the key audit risks and judgments applied, for the 2023 year end results, which the Committee considered and discussed with the auditor, and the Committee's conclusions.

These are the key risks considered by the committee.

Audit risk considered by the Committee	Evidence considered and conclusion reached
<b>PRESENTATION OF DISCONTINUED OPERATIONS AND CALCULATION OF PROFIT AND LOSS ON DISPOSAL (IN THE GROUP AND PARENT COMPANY)</b>	
<p>The disposal group trading results to the disposal date (31 January 2024) are required to be presented as part of discontinued operations, with comparative results restated on a consistent basis.</p> <p>At the disposal date, assets and liabilities of the disposal group were derecognised from the consolidated balance sheet, with the difference between the value of net assets disposed of and the proceeds from the disposal recognised in the consolidated income statement as a gain on disposal.</p> <p>The disposal was effected through the sale of a 100% owned indirect subsidiary of the parent company. Ahead of the disposal, a restructuring exercise was undertaken which recognised an impairment in subsidiaries and a dividend received, resulting in a profit on disposal in the parent company.</p> <p>The Audit Committee recognised the disposal of the UK Motor and leasing business as a key accounting matter because of the size of the disposal group as a proportion of the overall group and the consequent disclosure requirements.</p>	<p>The committee considered an accounting paper produced by a third party specialist that gave assurance that the Company had sufficient distributable reserves to pay the special dividend of 24.5p to shareholders</p> <p>The Committee followed the steps set out in the accounting paper prepared by the third party, and ensured that all conditions of the Lithia disposal SPA were adhered to. As a result, the committee were comfortable that the correct profit on disposal had been calculated.</p> <p>The disposal group was deemed to have met the criteria as an 'asset held for sale' once the transaction with Lithia had been approved by shareholders.</p> <p>When considering the discontinued operations, the committee determined that PLC costs and Legacy US Motor costs should be included in continuing operations, as they will be incurred by the Group going forward.</p>

These are the other risks considered by the committee.

Audit risk considered by the Committee	Evidence considered and conclusion reached
<b>CAPITALISATION OF SOFTWARE INTANGIBLE ASSETS</b>	
<p>The Company has capitalised software development costs. There is judgement in determining whether the Pinewood system is one asset or whether it would be more appropriate to identify a number of separate assets. The Company consider the system to be one asset.</p>	<p>The Committee consider the Pinewood system to be one asset which is continuously developed. The system is the same version in all countries that the customers operate in. The updates that are done to the system, which can be several times a week, are rolled out across all countries at the same time. For this reason, the Committee is comfortable with the conclusion that the Pinewood system is one asset.</p>

# AUDIT COMMITTEE REPORT

## EXTERNAL AUDITOR APPOINTMENT AND PERFORMANCE EVALUATION

The Committee considered Auditor effectiveness and independence of the audit, during the year.

The Committee arrived at its recommendation to the Board on the auditor's appointment by:

- applying exclusively objective criteria;
- evaluating the ability of the audit firm to demonstrate its independence;
- assessing the effectiveness of the audit firm in the performance of its audit duties; and
- assessing the audit firm's adherence to applicable professional standards.

The Committee chairman oversaw the company's evaluation of the auditor's performance, and noted that the current auditor, KPMG had issued to the company all requisite assurances of its independence. The Committee reported its conclusions to the Board, namely, that there are no existing or historical relationships or other matters which adversely affect the independence of KPMG as the company's auditor, and no performance shortcomings or unresolved issues relating to fee levels.

The lead audit partner, Craig Parkin, was appointed in early 2021.

## POLICY ON AUDIT TENDERING

KPMG was appointed as auditor in September 1997. Under current EU legislation on audit firm rotation, the current auditor cannot be reappointed after 2023. Consequently, the period ended 31 January 2024 will be the final period which KPMG will act as the company's auditor. Following the conclusion of a competitive tender process and pending approval at the AGM, RSM UK Audit LLP will be appointed as the Company's auditor for the 11 month period ended 31 December 2024 onwards. The Committee has concluded none of the directors' independence in considering this matter is impaired in any way and none has a potential or actual conflict of interest in relation to KPMG or in the consideration of the appointment of an alternative auditor pursuant to the tender process, whether in regard to appointment, fees, evaluation of performance or potential performance, any decision as to competitive tender for audit services, or any other matter.

## REVIEW OF NON-AUDIT SERVICES

The Committee reviewed the company's policy on its use of its audit firm for non-audit work. Its main principles are that the auditor is excluded from providing certain non-audit services the performance of which is considered incompatible with its audit duties, but is eligible to tender for other non-audit work on a competitive basis and can properly be awarded such work if its fees and service represent

value for money. The policy can be viewed on the company's website. The Committee considered reports on the extent and nature of non-audit work available, the allocation during the year of that work to accountancy and audit firms, including KPMG LLP, and the associated fees. Details of audit and non-audit work performed by KPMG and the related fees appear annually in the notes to the company's financial statements. A full statement of the fees paid to KPMG LLP for work performed during the year is set out in note 2.5 to the financial statements on page 93. Having satisfied itself on each item for its review, the Committee reported to the Board that:-

- the company's existing policy continues to be appropriate, has been adhered to throughout the year, and is operating effectively to provide the necessary safeguards to independence of the external auditor;
- there are no facts or circumstances relating to the award or performance of non-audit work that affect the independence of KPMG LLP as auditor;
- no contract for non-audit services has been awarded to KPMG LLP in any circumstance of perceived or potential conflict of interest or non-compliance with the company's policy; and
- the fees KPMG LLP have earned from non-audit services provided during the year are not, either by reason of their amount or otherwise, such as might impair its independence as auditor. The ratio of non-audit to audit fees was 0.48:1 in FY23 (FY22: 0.13:1). Non-audit fees in the period relate to the half year interim review, consistent with prior periods, and reporting accountant procedures in relation to the disposal related circular work which the Committee determined was most appropriately performed by the Company's auditor and were satisfied that this did not impair their independence as auditor.

## REVIEW OF INTERNAL AUDIT PERFORMANCE

The Committee chairman oversaw the Committee's evaluation of the internal auditor's performance, using questionnaires covering all aspects of the internal auditor work and relationship to the audit and received the auditor's view on that performance. He reviewed the results with the Committee members and company management and reported the Committee's conclusions to the Board. The Committee concluded that the scope and quality of the internal audit work done reflects an effective, well-functioning team. The internal audit function has moved to Lithia following the disposal of the UK Motor and Leasing segments. The committee is currently evaluating its options on replacing the internal audit function.

## FRC CORPORATE REPORTING REVIEW

The FRC Corporate Reporting Review Team ("FRC") asked the company to clarify its approach to assessing the recoverable amount of its directly-held subsidiaries, with particular reference to amounts excluded from cash flow forecasting for cash generating units (CGUs)

and adjustments overlaid on value-in-use estimates, and an apparent inconsistency relating to the extent of estimation uncertainty involved. We responded to the FRC, who having confirmed they had received a satisfactory response to our enquiries, encouraged the company to enhance its explanation of the methodology applied, where that differs from the assessment of CGUs for the consolidated accounts.

We also agreed to ensure that the key estimates disclosure relating to assets and liabilities in the parent company's balance sheet in the FY23 annual report and accounts is reflective of any significant risk at 31 January 2024.

The FRC also invited the company to comment on their observations on aspects of its compliance with the Taskforce for Climate-related Financial Disclosures (TCFD) recommendations, as required by the Listing Rules, principally in respect of climate-related effects on strategy and relevant metrics and targets.

We agreed to enhance its TCFD disclosures by including in its FY23 annual report and accounts: an analysis of the key risks over defined short-, medium- and long-term horizons; risks, impacts and mitigations that are specific to its circumstances; further detail linking metrics to material risks and opportunities; clarification of the nature of metrics used to form views on likely trends in demand; and further details of carbon reduction targets, with the related timeline.

The FRC review that led to them asking the company about these matters was based on our annual report and accounts for the year ended 31 December 2022 and did not benefit from any detailed knowledge of our business or an understanding of the underlying transactions entered into. This work by the FRC provides no assurance that our report and accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

#### REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROLS

The Committee reviewed the effectiveness of the company's system of internal control and financial risk management. It received reports from the internal auditor on each of these areas and from the RCG, whose work is described on page 40 on the company's risk register, emerging risks and corresponding internal controls. It scrutinised the key risks register, as revised by the RCG, and approved it for adoption by the Board. Its work informed and supported the Board's assessments detailed under "How the Board manages risk" on page 40.

#### REVIEW OF ANTI-BRIBERY CONTROLS AND WHISTLEBLOWING

The Committee reviewed the company's anti-bribery processes and controls and evaluated and approved these and the company's bribery risk assessment. On its recommendation, the Board readopted the

company's anti-bribery policy statements and associated controls. The Committee considered reports on known instances of alleged wrongdoing and matters reported on the company's third party operated confidential reporting line and their investigation, reviewed the adequacy of whistleblowing procedures and commissioned follow-up action and improvements in risk-related controls.

Our current anti-bribery value statements and our policies on the control of fraud, theft and bribery risks appear on the company's website and are drawn to the attention of all parties seeking to transact with the Group. Our whistleblowing procedures are published internally on our intranet and their existence is regularly reinforced in our team member communications. The policy is available at [www.pinewood.co.uk](http://www.pinewood.co.uk)

There have been no incidents of actual corruption or bribery recorded in our businesses in FY23.



#### APPROVAL

This report was approved by the Committee and signed on its behalf by:-

**Brian Small**  
Chairman of the Audit Committee  
25 April 2024

# NOMINATION COMMITTEE REPORT

***The Nomination Committee is chaired by Ian Filby, who assumed the role on his appointment as non-executive chairman following his appointment in November 2021. Dietmar Exler, the Senior Independent Director, chaired one meeting during the year in relation to matters concerning the succession of the non-executive chairman. The Nomination Committee is made up entirely of independent non-executive directors. Their names and qualifications are on page 42 and attendance at meetings in the table at page 41 above.***

## KEY RESPONSIBILITIES OF THE NOMINATION COMMITTEE

- reviews the Board's size, structure and composition and leads recruitment to Board positions
- undertakes annual Board performance evaluation
- satisfies itself on the company's refreshing of Board membership and succession planning

Its terms of reference detail its key responsibilities and appear, with relevant background information, on the company's website [www.pinewoodtech.com](http://www.pinewoodtech.com).

## THE COMMITTEE'S WORK IN 2023

The Nomination Committee met four times in 2023 and in early 2024 to conclude its ordinary year end business. This report describes its work and conclusions.

## REVIEW OF BOARD COMPOSITION AND BALANCE

In February 2023, the Committee completed its year end work by reviewing the structure of the Board, in relation to its size composition and potential vacancies, the combination of executive to non-executive directors and the balance of the Board, to ensure that no one individual or group of individuals dominated discussion of decision making. Other than the requirement to recruit an additional non-executive director to fulfil the role of Remuneration Committee chair, the Committee concluded that the size and structure outlined still remained appropriate for the Company, and considered that both the size, structure and balance of the Board remained appropriate, although the structure did not preclude the appointment of additional directors, such as non-executive directors with specialist skills should the Committee, and ultimately the Board, consider it necessary and prudent to do so in line with the execution of the Company's strategy.

The adequacy of time devoted by the non-executive directors to Board business, and the independence of the non-executive directors was also considered and the Committee concluded that all non-executive directors were able to devote sufficient time to their roles, and all remained independent. In addition, the Committee further noted that Ms Nikki Flanders and Mr Dietmar Exler should be recommended for reappointment as non-executive directors on further one year terms on conclusion of their current appointments in December 2023.

In July 2023, the Committee met to consider and recommend the appointment of Jemima Bird as an additional non-executive director and chair of the Company's Remuneration Committee: Jemima was duly appointed to the Board on 10 July 2023. The Committee further considered the appropriateness of appointing additional non-executive directors recommended by key shareholders of the Company; the Committee concluded that it would be prudent to pause the progression of any such appointments at that time on the basis that the disposal of the Company's UK Motor and leasing businesses was in progress, and secondly, the appointment of a non-executive chairman to succeed Mr Filby should ideally occur before any further appointments to the Board are considered and concluded.

The Committee met twice in August 2023 to consider in detail the Board and Committee structure of the Company post-completion of the disposal of the Company's UK Motor and leasing businesses, including the size, composition and structure of the Board as well as consideration of candidates for certain executive director positions. The committee met in the last quarter of 2023 to consider the appointment of the new Chief Financial Officer and the two Lithia Motors, Inc. directors that all would be joining the board once the Lithia transaction completed.



## EVALUATION

The annual evaluations of the Board and its members were conducted by the Board and are described on page 40. As part of that process, the Committee conducted an evaluation of its own performance.

## DIVERSITY

All appointments made, including those of Board members, adhere to the company's diversity and equal opportunities policy, which can be viewed on the company's website. For non-executive director appointments, where executive search consultants are instructed, they are done so in a manner consistent with this policy. The Committee is mindful of the proposals outlined in the FCA Policy Paper: Diversity and Inclusion on Company Boards and Executive Management, and will aim to consider how the company will aim to comply the recommendations where they align with its overall business strategy. At present, the company has not adopted a gender balance target for its Board, although continues to make appointments at Board and immediately below Board level in accordance with a formal, rigorous and transparent procedure. Appointments are based on merit and objective criteria, and within this context, we aim to

promote diversity of gender, social and ethnic backgrounds, alongside cognitive and personal strengths in accordance with Principle J of the Code. In order to further this objective, we continue to partner with external recruitment agencies, and maintain our relationship with agencies committed to reaching and providing access to diverse talent pools to assist with these processes.

As required by the Disclosure Guidance and Transparency Rule ("DTR") the Board notes that at the end of the year, two of the ten directors were female, representing 20% which is below the DTR target of 40%. There is a further DTR target whereby at least one of the roles of Chair, SID, CEO or CFO is held by a female, which the Company did not meet due to the current make-up of the Board of directors. Finally, the DTR has a target that at least one Director is from a minority ethnic background, which the Company did not meet due to the current make-up of the Board of directors. We would like to further strengthen the Board's diversity and enhance our sector experience. We are scanning the market for suitable potential future candidates to recruit when the time is right.



# REMUNERATION COMMITTEE REPORT

***The Remuneration Committee is a committee of the Board, and is currently chaired by Jemima Bird. It is comprised entirely of independent non-executive directors. Their names and qualifications are on pages 42 and 43 and attendance at meetings in the table on page 41.***

## KEY RESPONSIBILITIES OF THE COMMITTEE

- has delegated responsibility for determining the policy for Executive Director remuneration and setting remuneration for the chairman, executive directors, the company secretary and the immediately below board level of senior management;
- reviews workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting executive director remuneration;
- ensures that executive directors are provided with appropriate incentives which align their interests with those of shareholders, and encourage enhanced performance in the short and medium term, as well as achievement of the company's longer term strategic goals;
- determines targets for any performance related pay schemes;
- seeks shareholder approval for triannual renewal of remuneration policy and any long-term incentive arrangements

The terms of reference of the Remuneration Committee are available at [www.pinewoodtech.com](http://www.pinewoodtech.com).

## THE COMMITTEE'S WORK IN 2023

The Remuneration Committee met four times in 2023. The Directors' Remuneration Report, beginning at page 51 describes its work and conclusions.

# DIRECTORS' REMUNERATION REPORT

## REMUNERATION COMMITTEE CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholder

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the 13 month financial period ended 31 January 2024.

This report comprises two sections being this **Annual Statement** and the **Annual Report on Remuneration** which details the remuneration paid to Directors for the 13 month period ended 31 January 2024 and how the remuneration policy will be operated for the year ending 31 December 2024.

The current directors' remuneration policy, which was approved by a majority of shareholders at the 2023 AGM, is set out in the annual report and financial statements 2022.

### **DIRECTORS' REMUNERATION MAJOR DECISIONS & CHANGES:**

#### **2023 pay outcomes**

Connected to the sale of the motor and leasing assets, the remuneration committee was required to consider the treatment of the 2023 annual bonus and outstanding LTIP awards in August 2023 for inclusion in the Sale & Purchase Agreement (SPA).

**Annual Bonus:** Following a review of performance against the targets that were set at the start of 2023, the Committee assessed that the annual bonus was tracking to pay out at the maximum. As such, the Committee agreed that the bonus would be payable in full albeit on the normal payment timetable in 2024.

Lithia will make a transition bonus payment to Bill Berman for an amount of £1.1m subject to his continued employment for 12 months following Disposal Completion, to ensure the smooth and continuous operation of the Company. Lithia will also fund the cost of the related employer's National Insurance contribution on this transaction bonus.

**LTIP:** Consistent with the advice received from the Company's corporate lawyers, the sale of the motor and leasing assets was treated as a demerger for the purposes of the LTIP rules, meaning that outstanding LTIP awards vested at completion, subject to the Committee's assessment of performance and the length of time the relevant awards had been held.

While the Committee did consider whether it would be appropriate to continue to vest the awards at the respective normal vesting dates, this was not considered practicable given the significant number of senior employees transferring outside of the group (which triggered automatic vesting), and the fact that the original Pendragon performance targets would no longer be relevant to Pinewood going forward. As such, the Committee determined that all LTIP award holders should be treated equally and the schemes would therefore vest on the same terms.

As a result, and as previously disclosed, the 2020 LTIPs vested on the normal 31 October 2023 vesting date at 91.6% of the maximum and, given that the performance period had been completed, the 2021 LTIPs vested at 91.6% at completion. In respect of the 2022 and 2023 LTIPs, the Committee assessed the relevant performance targets and the length of time the relevant awards had been held and determined that 66.6% of maximum awards (i.e. on-target performance) should vest at completion.

#### **Implementation of the Policy for the period ended 31 December 2024**

The current remuneration policy was approved by shareholders at the 2023 AGM. While the Committee does not intend to make changes to fixed pay levels, it does intend to review incentive provision (i.e. annual bonus and LTIP) to ensure that it is appropriately aligned to Pinewood's strategy going forward, noting that Pinewood will be a pure technology Software as a Service business. As such, and to the extent required, major shareholders and the main shareholder representatives will be consulted should a new remuneration policy be required to be submitted to the 2024 AGM.

#### **Board changes**

As part of the Transaction, Mark Willis stepped down as the CFO and Oliver Mann was appointed as his replacement. Reflecting that this is Oliver's first CFO role, the Committee set Oliver's remuneration package below that of his predecessor, and below market levels, with the intention of increasing it over time as his experience in the role grows. Accordingly, the main elements of his remuneration package on appointment were a base salary of £200,000, an annual bonus of up to 150% and an LTIP of up to 150%. His base salary will be subject to review during 2024 subject to individual and Company performance and considering appropriate market data.

I hope we receive your support in respect of our Annual report, and any remuneration policy changes as appropriate, at the forthcoming AGM.

Yours sincerely

**Jemima Bird**

Chair of the Remuneration Committee

# DIRECTORS' REMUNERATION REPORT

## REMUNERATION DISCLOSURE

This report complies with the requirements of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Companies (Miscellaneous Reporting) Regulations 2018 and The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 (the Regulations) and has been prepared in accordance with the UK Corporate Governance Code and the UKLA Listing Rules. The parts of the report which have been audited in accordance with the Regulations have been identified.

## CURRENT REMUNERATION POLICY

The current remuneration policy was approved by shareholders at, and took effect from, the AGM held on 30 June 2023. The full policy approved by shareholders at the 2023 AGM is presented in the annual report and financial statements 2022. However, as outlined above, it is the intention of the committee to review the Director's Remuneration Policy to ensure that it is fit for purpose and appropriately reflects Pinewood's strategy going forwards, noting that Pinewood will be a pure technology Software as a Service business.

The remuneration principles and overarching aim of our remuneration policy continues to be framed in such a way as to provide and maintain the link between executive pay and strategy, aiming to:

- ensure remuneration arrangements are clear and transparent, promoting effective engagement with shareholders and our associates;
- ensure remuneration structures avoid complexity, with an easy to understand rationale and operation;
- avoid reputational and other risks arising from excessive rewards, and avoiding or otherwise mitigating behavioural risks that may arise from target-based incentive plans;
- clearly explain the range of possible values of rewards to individual directors including any other limits or discretions;
- provide proportionate awards linked to delivery of strategy and long-term performance and ensuring poor performance is not rewarded;
- ensure incentive schemes drive behaviours consistent with company purpose, values and strategy;
- attract and retain directors of the calibre necessary to run the business effectively with levels of remuneration that are arrived at responsibly and also reflect their individual contribution to the value of the company;
- weight remuneration towards variable pay;
- encourage executives to build significant levels of share ownership, through the retention of vested share awards.



# Annual Report on Remuneration

## NON-EXECUTIVE DIRECTORS' APPOINTMENTS

Name	Commencement	Expiry/cessation	Unexpired at date of report (months)
Brian Small	10.12.19	31.12.25	23
Nikki Flanders	13.03.20	31.12.24	11
Dietmar Exler	20.04.20	31.12.24	11
Ian Filby	01.11.21	31.12.24	11
Jemima Bird	10.07.23	31.12.26	34

## THE COMMITTEE'S WORK IN 2023/2024

- determined annual bonus awards in respect of 2022 & 2023 performance
- set and revised the annual bonus plan terms for 2023
- determined performance targets and granted LTIP awards in July 2023
- noted remuneration trends across the Group
- considered the gender pay gap report
- Appointed and onboarded a new Remuneration Committee Chair

## ADVISORS

During 2023, the Committee received external advice from PwC in the first half of the year, who received fees of £117,690 in respect of the same. In the second half of the year the committee received external advice from FIT, who received fees of £62,526. PwC were engaged part way through the year to support with the Lithia transaction, and therefore there became a conflict of interest and the Remuneration Advisors were changed. The Group General Counsel and the Chief People Officer also provided additional advice. The Group General Counsel also acts as secretary to the Committee.

## HISTORY OF CHIEF EXECUTIVE REMUNERATION

In terms of the single total figure of remuneration for executive directors in 2023/2024, shareholders should be aware that all outstanding long term incentives vested at completion of the transaction. For 2021, the data in the LTIP column in the single total figure of remuneration for executive directors table on page 54 for 2021 reflects the outcome

of the October 2020 and July 2021 LTIP awards at the equivalent of base salary, and is included in the table as the applicable performance period concluded at the end of the financial year 2021. The 2020 award vested in October 2023 and the 2021 award vested on 31 January at completion of the transaction as outlined in the letter to shareholders.

Chief Executive	2023 13 month period	2022	2021	2020	2019 <sup>2</sup>	2018	2017	2016	2015	2014
Total Remuneration £k (single figure)	2,740	1,313	3,561 <sup>1</sup>	510	464	589	727	1,605	1,775	3,472
Annual bonus award (% of maximum that could have been paid)	150% <sup>2</sup>	73%	100%	100%	0%	0%	30%	87%	100%	100%
Percentage of LTIP vesting <sup>3</sup>	79.13% <sup>3</sup>	0%	0%	0%	0%	0%	0%	100%	56%	100%

1. Of the single total remuneration figure attributable to 2021 of £3,561k, £2,016k is the cash equivalent as a percentage of salary for LTIPs awarded in October 2020 and July 2021, which do not vest until October 2023 and July 2024 respectively. The CEO did not receive a cash payment in 2021 of £3,561k: actual payment received in 2021 was £1,545k.

2. Following a review of performance against the targets that were set at the start of 2023, the Committee assessed that the annual bonus was tracking to pay out at the maximum and this was agreed as part of the transaction

3. Percentage of shares vesting under the Pendragon Long Term Incentive Plan against the maximum number of shares that could have been received; the October 2020 LTIP vested in October 2023, the July 2021 LTIP vested early in Jan 24 due to the transaction, at 91.6% due to satisfying performance conditions which were previously approved by the Remuneration Committee. The 2022 and 2023 LTIPs vested early at 66.6% as agreed by the Remuneration Committee upon completion of the transaction

# DIRECTORS' REMUNERATION REPORT

## SINGLE TOTAL FIGURE OF REMUNERATION FOR EXECUTIVE DIRECTORS (AUDITED INFORMATION)

	Base Salary £000		Taxable benefits <sup>1</sup> £000		Pension <sup>2</sup> £000		Bonus <sup>3</sup> £000		LTIP <sup>4</sup> £000		Single total figure £000		Total Fixed Remuneration £000		Total Variable Remuneration £000	
	2023 <sup>5</sup>	2022	2023 <sup>5</sup>	2022	2023	2022	2023	2022	2023 2022 and 2023 vested LTIPs	2022	2023	2022	2023	2022	2023	2022
<b>Current Directors</b>																
William Berman	596	550	167	143	41	17	825	603	1,111	0	2,740	1,313	804	710	1,936	603
Martin Casha <sup>*</sup>	297	320	8	8	16	48	0	351	0	0	291	727	291	376	0	351
Mark Willis <sup>**</sup>	328	303	23	15	15	0	454	332	611	0	1,431	650	366	318	1,065	332
Ollie Mann <sup>***</sup>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

\*Leaver 07/10/23. Data shown is from 01/01/23 to leave date

\*\* Leaver 01.02.2024

\*\*\* Appointed on 31.01.2024, no values to display as no services provided in reporting period

1. Taxable Benefits include life assurance, private health cover in the UK (& abroad if applicable), professional subscriptions, the provision of tax support for expatriate associates and the provision of up to two cars (at the Director's election), one of which is fully expensed.

2. Salary supplement in lieu of pension contribution.

3. Bonus Award paid in 2024 equivalent to 150% of base (annual) salary based on 2023 performance achievement.

4. 2020 LTIP Vested in October 2023 at 91.6% performance. 2021 LTIP vested early on 31 January 24 at 91.6% performance. 2022 and 2023 LTIPs vested early at 66.6% performance. Early vesting is a result disposal.

2023 figure includes 2022 and 2023 LTIP which vested at the point of transaction at 66.6%. The 2020 LTIP vested as normal in October 2023. The 2021 LTIP vested early at the point of transaction.

The value of the share gain for all awards is as follows. Share gain values for all plans are below.

5. 13 months of data has been reported as the statutory year-end was changed to 31 January 2024.

## SHARE GAIN VALUES FROM VESTED LTIPS

The gains made by directors on the exercise of the individual LTIP arrangements are shown below, these gains were realised in the period ending 31 January 2024.

Current Directors	2020 LTIP	2021 LTIP	2022 LTIP	2023 LTIP
	£'000	£'000	£'000	£'000
William Berman	2,852	1,439	842	1,122
Martin Casha <sup>*</sup>	932	803	-	-
Mark Willis <sup>**</sup>	1,569	791	463	617

\*Leaver 07/10/23. Data shown is from 01/01/23 to leave date

\*\* Leaver 01.02.2024

## SINGLE TOTAL FIGURE OF REMUNERATION FOR NON-EXECUTIVE DIRECTORS 2023 (AUDITED INFORMATION)

	Basic Fee £000		Taxable benefits £000		SID/Committee Chair Fee £000		Single total figure £000	
	2023 <sup>1</sup>	2022	2023 <sup>1</sup>	2022	2023 <sup>1</sup>	2022	2023 <sup>1</sup>	2022
<b>Current Directors</b>								
Jemima Bird <sup>2</sup>	28	0	-	-	3	-	31	0
Dietmar Exler	54	50	-	-	4	4	58	54
Ian Filby	163	150	-	-	-	-	163	150
Nikki Flanders	54	50	-	-	-	-	54	50
Brian Small <sup>5</sup>	54	50	-	-	11	10	65	60
Mike Wright <sup>3</sup>	0	25	-	-	-	5	0	30
Chris Holzshu <sup>4</sup>	0	0	-	-	-	-	0	0
George Hines <sup>4</sup>	0	0	-	-	-	-	0	0

1) 13 months of data has been reported due to disposal of significant part of the business

2) Pro rated from start date 10.07.23

3) Leaver 01/06/22

4) Appointed on 31.01.2024, no values to display as no services provided in reporting period

5) Not included in the table above, Brian Small was additionally paid £15k of back pay in 2024 for fees related to unpaid PFIS responsibility (£5k per annum over 3 years) which had not previously been reported or paid.

## PENSIONS

Following the sale of the UK Motor and Leasing divisions to Lithia Motors, Inc on 31 January 2024, all of the Group's pension obligations and liabilities have been assumed by Lithia.



## PERFORMANCE RELATED PAY FOR 2023: ANNUAL BONUS

Given their commercial sensitivity, we do not publish the details of targets in advance. However, the Committee considered the targets to be measurable and appropriately stretching at point of award. For 2023, the maximum annual bonus opportunity was 150% of base salary, only achievable for performance 25% in excess of the Company's target underlying profit based on the FY 2021 Corporate Plan. The 2023 bonus performance metric was set as underlying profit for the full year, determined in accordance with a combination of the Company's 2021 Corporate Plan and Broker Consensus, this was considered to be both reflective of the continued uncertain trading background, but also based on a realistic assessment of the Company's trading prospects for the full year at the time of the award. Due to the sale of the UK motor and leasing business the remuneration committee was asked to consider how the annual bonus would be treated. The committee determined that the annual bonus was tracking to pay out at maximum. As such, and as per the SPA documents, the bonus was paid at maximum.

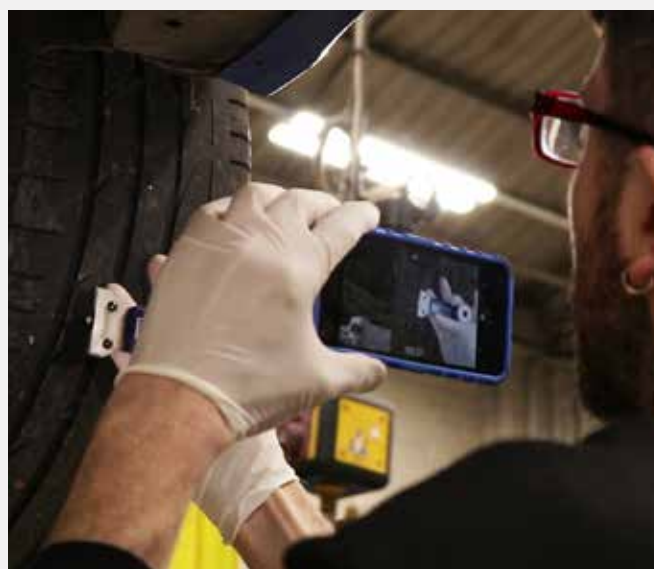
## LONG TERM INCENTIVE PLAN AWARDS ("LTIP") AWARDED IN 2023

The Committee granted awards in the form of nil cost share options pursuant to the Company's LTIP to the executive directors in August

2023. Vesting of the Awards under the LTIP was subject to the satisfaction of certain performance conditions. 70% was based on achieving a defined earnings per share target. 5% was based on an ESG metric to achieve a reduction in the Company's overall Carbon Emissions. 25% was based on Strategic Metrics aligned to the Company's Strategy.

## LONG TERM INCENTIVES VESTING IN 2023

Consistent with the advice received from the Company's corporate lawyers, the transaction was treated as a demerger for the purposes of the LTIP rules, meaning that the Committee determined in principle the extent to which LTIP awards vested. Account was taken of the performance against the targets and the length of time the awards had been held.



The committee considered whether it was appropriate to continue the awards, however due to the significant number of senior employees that would transfer outside of the group (triggering the automatic vesting of LTIP awards), and the fact that most of the performance targets would no longer be relevant the Committee agreed that all LTIP award holders should be treated equally and the schemes would therefore vest on the same terms. As a result the 2020 LTIP scheme vested in the normal way on October 31st at 91.6% of maximum (previously disclosed in 2021 and 2022 Annual Report).

The performance period for the 2021 LTIP scheme due to vest in 2024 had also been completed and previously disclosed and so on completion this also vested at 91.6% of maximum. Outstanding LTIP schemes due to vest in 2025 & 2026 were reviewed and the performance was assessed as 66.6% of maximum and these schemes also vested on completion.

# DIRECTORS' REMUNERATION REPORT

## IMPLEMENTATION OF THE REMUNERATION POLICY IN THE FINANCIAL PERIOD ENDING 31 DECEMBER 2024

The policy in respect of the executive directors will be applied as follows:

Element of Pay	Implementation of Policy
BASE SALARY	<p>Other than potential adjustments to take account of market conditions and changes in role scope to reflect additional responsibilities undertaken, base salary will continue to be set in accordance with the remuneration policy.</p> <p>Base salaries for 2024:</p> <ul style="list-style-type: none"> <li>• Chief Executive Officer: £550,000</li> <li>• Chief Financial Officer: £200,000</li> </ul>
BENEFITS	No changes are expected to be made to these elements of remuneration within the financial year ending 31 December 2024.
PENSION	No changes are expected to be made to the pension contributions, our Executive Directors will receive an equivalent pension contribution of 6%.
ANNUAL BONUS	It is the intention of the Committee to review the Director's Remuneration Policy with respect to the Annual Bonus to ensure that it is fit for purpose and reflects that Pinewood will be a pure technology Software as a Service business. The intention is to consult with major shareholders prior to submitting a new policy at the forthcoming AGM for shareholder approval
LONG TERM INCENTIVE PLAN	It is the intention of the Committee to do a review of the Director's Remuneration Policy with respect to the LTIP to ensure that it is fit for purpose and reflects that Pinewood will be a pure technology Software as a Service business. The intention is to consult with major shareholders prior to submitting a new policy at the forthcoming AGM for shareholder approval
SHAREHOLDING GUIDELINES	<p>The minimum shareholding requirement for the CEO is 200% of salary (100% for all other Executive Directors), to be built up within 5 years of appointment to the board.</p> <p>Until such time as the policy is met, Executive Directors will be required to hold any vested deferred bonus shares and LTIP awards that vest (after sale of shares to cover associated personal tax liabilities).</p>
MALUS AND CLAWBACK	Malus and clawback will continue to operate in prevailing respect of the annual bonus and long-term incentive plan, in accordance with the parameters detailed in the remuneration policy.





## POLICY ON NON-EXECUTIVE DIRECTORS' REMUNERATION

The company's policy on non-executive directors' remuneration is reviewed annually by the Board. Remuneration for non-executive directors is confined to fees alone, without a performance related element. Non-executive directors may elect to receive all or part

of their fees in the form of benefits in kind, typically the provision of a motor vehicle for their use. The company considers that the remuneration of the non-executive directors remains consistent with the time commitments associated with individual positions and wider market practice among companies of a comparable size.

Fee Type	Fee Level	Change in 2023
Chairman fee	£162,500	None
Basic fee:	£54,167	None
Supplementary fees:		
Senior Independent Director	£4,333	None
Audit Committee Chairman	£10,833	None
Remuneration Committee Chairman	£5,417	None
Nomination Committee Chairman	Nil	None

\*13 months of data has been reported due to disposal of significant part of the business resulting in a 13 month accounting period  
Notes accompanying the future Remuneration Policy table:

1. Malus and clawback – malus and clawback may operate in respect of the annual bonus and long term incentive plan. This approach applies to all executive directors and senior management immediately below Board level. Malus will typically be an adjustment to the cash award or number of shares before an award has been made or released. Clawback requires the executive to make a cash repayment to the company or the surrender of shares or other benefits provided by the company. The overall intention is that, in exceptional circumstances, malus will apply before awards are paid or vest. Clawback will apply under the annual bonus scheme, for up to three years from when the cash payment is made, and malus will apply to any deferred shares (awarded at the same time as the cash payment) for the three-year period of the deferral. Under the LTIP, clawback will continue to apply for up to two years following the three-year vesting period.

As a minimum, the events in which malus and clawback may apply are as follows:

- Material misstatement of financial statements.
- Gross misconduct/fraud of the participant.
- Where there has been an error in the calculation of performance outcomes, the value of awards, or the number of shares under an award.
- Participant has caused reputational damage to the Company.
- Participant has wholly or in part caused the corporate failure of the Company.

Malus and clawback provisions are kept under review, in the light of prevailing Financial Reporting Council guidance.

2. Due to the disposal, the company has become a pure technology and SAAS company. As a result the Remuneration Committee will be consulting on a new pay policy that is appropriate for this type of business in the run up to the AGM. For the purposes of this report we have left the current pay policy references in place
3. Salary – base salaries are set by reference to the criteria specified in the table above. If a salary is initially set below the market rate, a phased realignment may be made over time.
4. Annual bonus – a target of underlying (adjusted) profit was selected as this measure directly correlates to Company's overall business plan. The specific measures, targets and weightings may vary from year to year in order to align with the Company's strategy and the measures will be dependent on the Company's goals over the year under review. Performance measures are determined by the Remuneration Committee who seek external guidance on the appropriateness of any performance targets set relative to the market.
5. Long term incentive plans – LTIP: under the Company's current long term incentive plan, performance shares are awarded up to a maximum of 150% of salary if significantly challenging performance targets are attained. The Remuneration Committee has currently selected two performance metrics for the LTIP, each with an equal weighting (i) EPS: this remains the key internal measure of long term financial performance, as well as being well understood by the executives and our investors as providing a clear incentive to deliver the Company's long term growth prospects; and (ii) qualitative strategic performance metrics aligned to the Company's strategic milestones. The vesting schedule outlines the vesting percentages in relation to both the EPS performance targets, which were set after taking into account internal scenario analysis, current market expectations and the current trading environment, and delivery against the strategic milestones as detailed in the Group's published strategic plan.
6. Pensions - Pension supplement in lieu of pension is set at a level in line with the wider workforce
7. Benefits - benefit levels are set to be competitive relative to companies of a comparable size.
8. Annual Bonus and LTIP Policy - Remuneration Committee Discretions: The Committee will operate the annual bonus plan and LTIP in accordance with their respective rules and in accordance with the Listing Rules, where relevant. Consistent with market practice, the Committee retains discretion in a number of respects with regard to the operation and administration of these plans. These include the following (albeit with quantum and performance targets restricted to the descriptions detailed in the future policy table above):
  - who participates in the plans;
  - the timing of grant of award and/or payment;
  - the size of an award and/or payment;
  - the determination of vesting and/or meeting targets with the ability to override the formulaic outcome in light of overall business proposals
  - discretion required when dealing with a change of control (e.g. the timing of testing performance targets) or restructuring of the Group;
  - determination of good/bad leaver cases for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen;
  - adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, share buybacks and special dividends); and
  - the annual review of performance measures and weighting, and targets for the annual bonus plan and LTIP from year to year or on award.

The Committee also retains the ability to adjust the targets and/or set different measures and alter weightings for the annual bonus plan and to adjust targets for the LTIP if events occur (such as a material divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy.

The company retains the authority to honour any commitments entered into with current or former directors that have been disclosed to shareholders in previous remuneration reports (e.g. all historic awards that were granted under any LTIPs that remain outstanding, as detailed in the company's latest Annual Report), and which remain eligible to vest based on their original award terms. Details of any payments to former directors will be set out in the Annual Report on remuneration as they arise. With regard to any promotions to executive director positions, the company will retain the ability to honour payments agreed prior to executives joining the Board, albeit any payments agreed in consideration of being promoted to the Board will be consistent with the policy on new appointments as an executive director detailed in the Remuneration Policy at [www.pendragonplc.com](http://www.pendragonplc.com) to executive director positions, the company will retain the ability to honour payments agreed prior to executives joining the Board, albeit any payments agreed in consideration of being promoted to the Board will be consistent with the policy on new appointments as an executive director detailed in the Remuneration Policy at [www.pendragonplc.com](http://www.pendragonplc.com)

# DIRECTORS' REMUNERATION REPORT

## TOTAL SHAREHOLDER RETURN<sup>1</sup>

The graph below shows the total shareholder return ("TSR")<sup>2</sup> on the company's shares in comparison to the FTSE Small Cap Index (excluding investment companies)<sup>3</sup>. TSR has been calculated as the percentage change, during the relevant period, in the market price of

the shares, assuming that any dividends paid are reinvested on the ex-dividend date. The relevant period is the ten years ending 31 January 2024. The notes at the foot of the graph provide more detail of the TSR calculation.

PINEWOOD TECHNOLOGIES GROUP PLC TO 31 JANUARY 2024



1. This report is required, pursuant to the Large and Medium sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, regulation 18, Performance Graph.  
 2. Total Shareholder Return ("TSR") is calculated over the ten years ended on 31 January 2024 and reflects the theoretical growth in the value of a shareholding over that period, assuming dividends (if any) are reinvested in shares in the company. The price at which dividends are reinvested is assumed to be the amount equal to the closing price of the shares on the ex-dividend date plus the gross amount of annual dividend. The calculation ignores tax and reinvestment charges. For each company in the index, the TSR statistics are normalised to a common start point, which gives the equivalent to investing the same amount of money in each company at that time. The percentage growth in TSR is measured over the chosen period. To obtain TSR growth of the relevant index over the chosen period, the weighted average of TSR for all the companies in the index is calculated. In this case, it is the FTSE Small Cap Index (excluding investment companies) as explained in Note 3. The weighting is by reference to the market capitalisation of each company in the index in proportion to the total market capitalisation of all the companies in the index at the end of the chosen measurement period.  
 3. The FTSE Small CAP index has been selected as it represents the equity market in which the Company was a constituent member for the majority of the relevant ten year period ending 31 January 2024 detailed above.

## DIRECTORS' SHAREHOLDINGS (AUDITED)

The shareholdings of all Directors, including the shareholdings of their connected persons as at 31 January 2024, are set out below. The CEO has a shareholding requirement of 200% of salary, with other Executive Directors having a shareholding requirement of 100% of salary. There is no company policy on non-executive director share ownership. This was considered by the Remuneration Committee during 2022 and as our NEDs actively look to purchase shares, we do not feel it is necessary to have a minimum shareholding requirement for non-executives at this time. We will continue to monitor any evolutions in UK best practice to determine if this should change in future.

## DIRECTORS' SHAREHOLDINGS (AUDITED)

	Number of shares held outright		Awards over nil-cost options		Shareholding requirement (% of base salary)	Shareholding as at 31 January 2024 incl shares not subject to performance requirements (% of base salary)
	As at 31 January 2024	As at 31 December 2022	Vested on 31 October 2023	All remaining options vested on completion on the disposal to Lithia		
<b>Executive Directors</b>						
William Berman	1,462,114	1,462,114	4,739,668	9,360,425	200%	947%
Martin Casha	Nil	11,098,524	1,548,796	2,209,849	100%	Nil
Mark Willis	804,163	804,163	2,606,817	5,148,232	100%	947%
Ollie Mann	24,739	24,739	82,728	393,916	100%	91%
<b>Non Executive Directors</b>						
Dietmar Exler	210,000	210,000	-	-	N/A	N/A
Nikki Flanders	Nil	N/A	-	-	N/A	N/A
Brian Small	400,000	400,000	-	-	N/A	N/A
Ian Filby	Nil	Nil	-	-	N/A	N/A
Jemima Bird	Nil	N/A	-	-	N/A	N/A
Chris Holzshu	Nil	N/A	-	-	N/A	N/A
George Hines	Nil	N/A	-	-	N/A	N/A

## PERCENTAGE CHANGE IN CHIEF EXECUTIVE REMUNERATION

The table below illustrates the percentage change in the remuneration awarded to the Directors over the last 3 years and that of the group's employees across its entire UK business.

	Salary/Fees			Benefits			Bonus (Including deferred amount) (% of base salary)		
	2023 13 month period	2022	2021	2023 13 month period	2022	2021	2023 13 month period	2022	2021
<b>Executive Directors</b>									
Chief Executive	8.4%	0.0%	7.8%	16.8%	-15.9%	-	36.8%	-26.9%	99.8%
Chief Operating Officer	-16.6%	4.2%	7.0%	0.0%	14.3%	-22.2%	-100.0%	-23.9%	103.1%
Chief Financial Officer <sup>1</sup>	8.3%	0.0%	3.8%	53.3%	15.4%	30.0%	36.7%	-26.9%	101.8%
Chief Financial Officer <sup>2</sup>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Non Executive Directors</b>									
Ian Filby	8.7%	500.0%	100.0%	-	-	-	-	-	-
Dietmar Exler	8.0%	0.0%	42.9%	-	-	-	-	-	-
Nikki Flanders	8.0%	0.0%	38.9%	-	-	-	-	-	-
Brian Small	8.0%	0.0%	-3.8%	-	-	-	-	-	-
Jemima Bird	100.0%	-	-	-	-	-	-	-	-
Mike Wright <sup>3</sup>	-	-	-	-	-	-	-	-	-
Chris Holzshu <sup>4</sup>	-	-	-	-	-	-	-	-	-
George Hines <sup>4</sup>	-	-	-	-	-	-	-	-	-
All Employees (average)	8.1%	8.7%	7.0%	6.5%	-27.0%	-33.3%	2.5%	12.1%	39.0%

1) Leaver 01.02.24

2) New CFO appointed on 31.01.24, no values to display as no services provided in the reporting period

3) Leaver 01/06/22

4) Appointed on 31.01.2024, no values to display as no services provided in reporting period

5) Brian Small paid £15k of back pay in 2024 for fees related to unpaid PFIS responsibility (£5k per annum over 3 years) which had not previously been reported or paid.

# DIRECTORS' REMUNERATION REPORT

## CHIEF EXECUTIVE OFFICER PAY RATIO

The table below shows our chief executive officer pay ratio at 25th, median and 75th percentiles of our UK associates. The ratios have been calculated based on the single total figure of remuneration for the chief executive officer and the total pay for the associates based on our gender pay gap data under Option B of The Companies (Miscellaneous Reporting) Regulations 2018. We have used Option B as the Company has already completed comprehensive data collection and analysis for the purposes of gender pay gap reporting, and continues to do so on a monthly basis. The gender pay gap data used was collated on 31 December 2023.

Financial year	Method	25th percentile pay ratio (lower quartile)	Median pay ratio (median)	75th percentile pay ratio (upper quartile)
2023	Option B	28:1	23:1	17:1
2022	Option B	26:1	25:1	16:1
2021	Option B	30:1	25:1	19:1

1. Total pay for the percentile employees taken from our gender pay gap data includes the following pay elements: base salary, holiday pay, hourly pay, national minimum wage top ups, car allowance, acting up allowance, monthly advances, team member vouchers subject to national insurance, benefit schemes, statutory sick pay, maternity pay and paternity pay. Associates who have not received pay (in terms of salary and adjustments) but has still received other salary payments are excluded from our gender pay gap data.

## RELATIVE IMPORTANCE OF SPEND ON PAY

The table below illustrates the year-on-year change in total team member pay (being the aggregate of staff costs as set out in note 2.4 to the financial statements and distributions to shareholders (being declared dividends).

Team member pay			Distribution to shareholders		
13m period ended 31 January 2024	Year ended 31 December 2022	% change	13m period ended 31 January 2024	Year ended 31 December 2022	% change
£259.9m	£227.8m	14.1%	£358.4m	£0m	-

## SHAREHOLDERS' VOTES ON REMUNERATION AT THE 2023 AGM

2022 Directors' Remuneration Report	Number	Proportion of votes cast
Votes cast in favour	440,159,402	43.56
Votes cast against	570,236,199	56.44
Total votes cast in favour or against	1,010,395,601	
Votes withheld	9,631,600	
2023 Remuneration Policy	Number	Proportion of votes cast
Votes cast in favour	586,637,790	58.06
Votes cast against	423,737,970	41.94
Total votes cast in favour or against	1,010,375,760	
Votes withheld	9,642,396	

In relation to the advisory vote on Directors' Remuneration Report (the "Report"), 56.44% of our shareholders voted against this resolution at our AGM in June 2023. In addition, at the AGM in June 2023, 56.44% of our shareholders voted against approving the 2022 Directors' Remuneration Report, 41.82% voted against the re-election of Bill Berman, 40.14% voted against the re-election of Martin Casha, 42.26% voted against the re-election of Dietmar Exler and 45.14% voted against the re-election of Ian Filby. Our analysis confirms that opposition to these matters was restricted to a number of our main shareholders, who together at the time held approximately 40% of our issued share capital.

In relation to the above votes against the Directors' remuneration policy, we listened to the feedback and concerns raised by our shareholders in terms of how the Policy was implemented for 2022 and made further adjustments to the remuneration policy in accordance with best practice for the next cycle (which was approved at the June 2023 AGM). In relation to the votes against the 2022 Directors' Remuneration Report and the re-election of the four directors, we listened to shareholder feedback and conducted a strategic review of the group which resulted in the sale of the UK Motor and Leasing divisions and a subsequent special dividend of 24.5p to shareholders.

## SHARE PRICE INFORMATION AND PERFORMANCE

Other than those detailed above, there are no share option or long term incentive schemes in which the directors are eligible to participate. The middle market price of Pendragon ordinary shares at 31 January 2024 was 36.35 pence and the range during the year was 17.6 pence to 28.8 pence.

## SHAREHOLDER APPROVED REMUNERATION POLICY

The following table summarises how our shareholder approved remuneration policy fulfills the factors set out in provision 40 of the 2018 UK Corporate Governance Code.

AREA	Implementation
CLARITY	The committee is committed to providing transparent disclosures to shareholders and the workforce about executive remuneration arrangements. The director's remuneration report sets out the detail of such arrangements in a clear and transparent way. Our AGM allows shareholders to ask questions on remuneration arrangements
SIMPLICITY	Our remuneration arrangements for executive directors are simple in nature and understood by all participants, having operated in a similar manner for a number of years. Executive directors receive fixed pay (salary, benefits, pension) and participate in a single short term annual bonus and a single long-term incentive plan (LTIP)
PREDICATABILITY	Payouts under the annual bonus and LTIP schemes are dependent on Company performance over the short and long term and are governed by achievement against set targets. These schemes have strict maximum opportunities, which are outlined in the directors remuneration report.
RISK	The committee has designed incentives that do not encourage inappropriate risk-taking. The committee retain discretion in both the annual bonus and LTIP schemes to adjust payouts where the formulaic outcomes are not considered reflective of underlying performance and individual contribution. Robust withholding and recovery provisions apply to variable incentives.
PROPORTIONALITY	Payouts from variable incentive schemes require strong performance against challenging conditions over the short and longer term. Performance conditions have been selected to support group strategy and consist of both financial and non-financial metrics. The committee retains discretion to override formulaic outcomes in both schemes to ensure they are appropriate and reflective of overall performance.
ALIGNMENT TO CULTURE	Performance measures used in our variable incentive schemes are selected to be consistent with the Company's purpose, values and strategy. The use of annual bonus deferral, LTIP holding periods and our shareholding requirement provide a clear link to the ongoing performance of the group and ensures alignment with shareholders.

## APPROVAL

This report was approved by the Committee and signed on its behalf by:

### **Jemima Bird**

Chair of the Remuneration Committee

25 April 2024

# DIRECTORS' REPORT

## STRATEGIC REVIEW AND PRESCRIBED REPORTING

Our Strategic Review on page 16 contains the information, prescribed by the Companies Act 2006, required to present a fair review of the company's business, a description of the principal risks and uncertainties it faces, and certain of the information on which reports and statements are required by the UK Corporate Governance Code. The Board approved the Strategic Review set out on page 7 and the Viability Statement set out on page 27. Additional information on which the directors are required by law to report is set out below and in the following:-

- Environmental, Social and Governance Report
- Board of Directors
- Audit Committee Report
- Nomination Committee Report
- Directors' Remuneration Report
- Directors' Report
- Directors' Responsibility Statement

In the interests of increasing the relevance of the Report and reducing the environmental impacts of over-lengthy printed reports, we have placed on our website at certain background information on the company the disclosure of which, in this Report, is not mandatory. We monitor reaction to the publication of shareholder information on our website, to help shape our shareholder communication and future improvements.

## RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the financial statements on pages 76 to 145. No interim dividend was paid during the year, and the directors are proposing to pay a special dividend of 24.5p a share on 7 May 2024.

## APPOINTMENT AND POWERS OF THE COMPANY'S DIRECTORS

Appointment and removal of directors is governed by the company's articles of association (the Articles), the UK Corporate Governance Code (the Code), the Companies Acts and related legislation. Subject to the Articles (which shareholders may amend by special resolution), relevant legislation and any directions given by special resolution, the company and its group is managed by its board of directors. By resolutions passed at company general meetings, the shareholders have authorised the directors: (i) to allot and issue ordinary shares; (ii) to offer and allot ordinary shares in lieu of some or all of the dividends; and (iii) to make market purchases of the company's ordinary shares (in practice, exercised only if the directors expect it to result in an increase in earnings per share). Details of movements in the company's share capital are given in note 4.4 to the financial statements.

From time to time, Pinewood provides financial assistance to its independent employee benefits trust to facilitate the market purchase of ordinary shares in the company for use in connection with various

of the company's employee incentive schemes. The company did not purchase any shares in this way in 2023.

## BUSINESS AT THE AGM

At the AGM, a separate shareholders' resolution is proposed for each substantive matter. We will issue to our shareholders the company's annual report and financial statements together with the notice of AGM, giving not less than the requisite period of notice. The notice sets out the resolutions the directors are proposing and has explanatory notes for each. At the AGM, directors' terms of appointment are available for inspection and, as well as dealing with formal AGM business, the Board takes the opportunity to give an update to shareholders on the company's trading position. The Chairman and each committee chairman are available to answer questions put by shareholders present.

## DIRECTORS AND THEIR INTERESTS IN SHARES

Current directors are listed on pages 42 and 43. Details of the terms of appointment and notice period of each of the current directors, together with executives directors' respective interests in shares under the company's long term incentive plan (non-executive directors have none), appear in the Directors' Remuneration Report on pages 51 to 61. Directors who served during 2023 and their respective interests in the company's issued ordinary share capital are shown in the table below. All holdings shown are beneficial. None of the directors holds options over company shares, other than nil paid options pursuant to the LTIP as described on page 59 in the director's remuneration report. Executive directors will aim to fulfil the requirements of the company's share ownership policy applicable to them within five years of appointment. There is no company policy requiring non-executive directors to hold a minimum number of company shares.



## DIRECTORS' ROTATION

The UK Corporate Governance Code (July 2018) imposes an obligation that all Directors should be subject to annual re-election.

Directors' shareholdings	Number at 31.01.24	Number at 31.12.22
William Berman	1,462,114	1,462,114
Oliver Mann	24,739	24,739
Martin Casha	nil	11,098,524
Dietmar Exler	210,000	210,000
Ian Filby	nil	nil
Nikki Flanders	nil	nil
Mark Willis	804,163	804,163
Brian Small	400,000	400,000
Jemima Bird	nil	nil
Chris Holzshu	nil	nil
George Hines	nil	nil

#### INDEMNITIES TO DIRECTORS

In line with market practice and the company's Articles, each director has the benefit of a deed of indemnity from the company, which includes provisions in relation to duties as a director of the company or an associated company, qualifying third party indemnity provisions and protection against derivative actions. Copies of these are available for shareholders' inspection at the AGM.

#### SHARE CAPITAL

As at 31 January 2024, Pinewood's issued share capital comprised a single class: ordinary shares of 5 pence each. The Articles permit the creation of more than one class of share, but there is currently none other than ordinary shares. Details of the company's share capital are set out in note 4.4 to the accounts. All issued shares are fully paid. The company issued 65,679,118 shares during the period under review. The rights and obligations attaching to the company's ordinary shares are set out in the Articles. The Company is currently authorised to issue up to two-thirds of its current issued share capital pursuant to a resolution passed at its 2023 AGM.

#### SIGNIFICANT DIRECT OR INDIRECT SHAREHOLDINGS

At 31 March 2024 the directors had been advised of the following interests in the shares of the company:-

#### VOTING RIGHTS, RESTRICTIONS ON VOTING RIGHTS AND DEADLINES FOR VOTING RIGHTS

Shareholders (other than any who, under the Articles or the terms of the shares they hold, are not entitled to receive such notices) have the right to receive notice of, and to attend and to vote at, all general and (if any) applicable class meetings of the company. A resolution put to the vote at any general or class meeting is decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is properly demanded. At a general meeting, every member present in person has, upon a show of hands, one vote, and on a poll, every member has one vote for every 5 pence nominal amount of share capital of which they are the holder. In the case of joint holders of a share, the vote of the member whose name stands first in the register of members is accepted to the exclusion of any vote tendered by any

Shareholder	Number of shares	Percentage of voting rights of the issued share capital
Lithia Motors Inc	345,953,559	19.86
Fidelity Management and Research	169,122,548	9.71
Newlyn Management	149,025,000	8.55
Schroders	147,326,631	8.46
Harwood Capital Management Group	125,400,000	7.20
UBS Group	57,802,010	3.32
Hosking Partners	57,407,362	3.29
Gumshoe Capital Management	46,751,382	2.68
Kestrel Investment Partners	45,133,033	2.59
Dimensional Fund Advisors	41,738,463	2.40

# DIRECTORS' REPORT

other joint holder. Unless the Board decides otherwise, a shareholder may not vote at any general or class meeting or exercise any rights in relation to meetings whilst any amount of money relating to his shares remains outstanding.

A member is entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at a general meeting. Further details regarding voting can be found in the notes to the notice of the AGM. Details of the exercise of voting rights attached to the ordinary shares held by the company's Employee Benefit Trust are set out below. None of the ordinary shares, including those held by the Employee Benefit Trust, carries any special voting rights with regard to control of the company.

To be effective, electronic and paper proxy appointments and voting instructions must be received by the company's registrars not later than 48 hours before a general meeting.

The Articles may be obtained from Companies House in the UK or upon application to the company secretary. Other than those prescribed by applicable law and the company's procedures for ensuring compliance with it, there are no specific restrictions on the size of a holding nor on the transfer of shares, which are governed by the Articles and prevailing legislation. The directors are not aware of any agreement between holders of the company's shares that may result in restrictions on the transfer of securities or the exercise of voting rights. No person has any special rights of control over the company's share capital.

## SHARES HELD BY THE PENDRAGON EMPLOYEE BENEFIT TRUST

As at 31 January 2024, the company's Employee Benefit Trust with Accuro Trustees (Jersey) Limited (the Trustee) held 12,420,787 shares, representing 0.71% of the total issued share capital at that date (2022: 1,541,801; 0.09%). The Trustee has waived its voting rights attached to these shares.

By order of the Board

**Oliver Mann**  
Company Secretary  
25 April 2024

It holds these shares to enable it to satisfy entitlements under the company's share schemes. During the year, the EBT facilitated the vesting of the company's LTIPs and share option schemes, following the sale of the motor assets and leasing businesses to Lithia.

## CONTRACTS

None of the directors had an interest in any contract with the Group (other than their service agreement or appointment terms and routine purchases of vehicles for their own use) at any time during 2023. The company and members of its group are party to agreements relating to banking, properties, employee share plans and motor vehicle franchises which alter or terminate if the company or group company concerned undergoes a change of control. None is considered significant in terms of its likely impact on the business of the Group as a whole.

## RESEARCH AND DEVELOPMENT ACTIVITIES

The Company undertakes both research and development activities as part of the development of the Pinewood system. The system is being continually evolved and enhanced.

## POLITICAL DONATIONS

The company and its group made no political donations (2022: £ nil).

## 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 Group's auditors are 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 Group's auditors are aware of that information.



# FINANCIAL STATEMENTS

<b>66</b>	Statement of Directors' Responsibilities in Respect of the Annual Report and Financial Statements	<b>80</b>	Consolidated Cash Flow Statement
<b>67</b>	Independent Auditor's Report to the Members of Pinewood Technologies Group PLC	<b>81</b>	Notes to the Financial Statements
<b>76</b>	Consolidated Income Statement	<b>146</b>	Company Balance Sheet
<b>77</b>	Consolidated Statement of Comprehensive Income	<b>147</b>	Company Statement of Comprehensive Income
<b>78</b>	Consolidated Statement of Changes in Equity	<b>148</b>	Company Statement of Changes in Equity
<b>79</b>	Consolidated Balance Sheet	<b>149</b>	Notes to the Financial Statements of the Company
		<b>158</b>	Advisors, Banks and Shareholder Information



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

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The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, 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 Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, and reliable and, in respect of the parent Company financial statements only, prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent 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 Group or the parent 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 parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its 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 Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule ("DTR") 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

Approved by order of the Board

**Ollie Mann**

Chief Financial Officer

25 April 2024

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINWOOD TECHNOLOGIES GROUP PLC (FORMERLY PENDRAGON PLC)

## 1. Our opinion is unmodified

We have audited the financial statements of Pinewood Technologies Group PLC ("the Company") (formerly Pendragon PLC) for the 13 month period ended 31 January 2024 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity, the Consolidated Cash Flow Statement, and the related notes, including the accounting policies.

### In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 January 2024 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 28 April 1997. The period of total uninterrupted engagement is for the 27 financial years ended 31 January 2024. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview	
<b>Materiality:</b> Group financial statements as a whole	£4.4m (2022: £3.45m) 1.2% of Group net assets (2022: 5% of normalised Group profit before tax)
<b>Coverage</b>	100% of Group net assets (2022: 92% of Group profit before tax)
<b>Key audit matters</b>	
<b>Event driven</b>	<b>New:</b> Presentation of discontinued operations, calculation of profit on disposal and assessment of availability of distributable reserves (Group and Parent Company Key Audit Matter)

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINWOOD TECHNOLOGIES GROUP PLC (CONTINUED)

## 2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<p><b>Presentation of discontinued operations, calculation of profit on disposal and assessment of availability of distributable reserves (Group and Parent Company Key Audit Matter)</b></p> <p>(Group profit on disposal: £40.7 million; Parent Company profit on disposal: £29.4 million)</p> <p>Refer to page 45 (Audit Committee Report), page 143 (accounting policy) and pages 143-144 and 153 (financial disclosures).</p>	<p><b>Significant unusual transaction:</b></p> <p>The disposal of the UK Motor and Leasing business (the "disposal group") completed on 31 January 2024.</p> <p>The disposal group trading results to the date of disposal are required to be presented as part of discontinued operations, with comparatives restated on a consistent basis.</p> <p>At the disposal date, assets and liabilities have been derecognised from the Consolidated Balance Sheet, with the difference in value of net assets disposed of and the proceeds from the disposal recognised in the Consolidated Income Statement as the Group profit on disposal.</p> <p>The Company carried out a number of restructuring steps as part of the disposal, recording dividends from certain subsidiaries, impairing investments in other subsidiaries and then recording a profit on the final disposal.</p> <p>We have identified the disposal of the UK Motor and Leasing business as a key audit matter because of the size of the disposal group as a proportion of the overall Group, the quantum of the profit on disposal in the Group and Parent Company financial statements and the consequent disclosure requirements.</p>	<p>We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Accounting analysis:</b> We inspected the share purchase agreement and restructuring step plan for the disposal to assess the appropriateness of key accounting entries;</li> <li>• <b>Test of details:</b> We reperformed the profit on disposal calculations;</li> <li>• <b>Test of details:</b> With the assistance of our tax specialists, we evaluated the tax impact of the disposal;</li> <li>• <b>Test of details:</b> We assessed whether the proposed special dividend by the parent company is expected to be supported by available distributable reserves;</li> <li>• <b>Assessing experience of external experts:</b> We evaluated the competence and objectivity of external experts appointed by the Group to determine the level of available distributable reserves;</li> <li>• <b>Test of details:</b> We evaluated the adequacy of the Group's allocation of costs between continuing and discontinued operations in the Consolidated Income Statement;</li> <li>• <b>Assessing transparency:</b> We assessed the adequacy of the Group's presentation of the disposal group as a discontinued operation in compliance with the relevant accounting standard; and</li> <li>• <b>Assessing transparency:</b> We assessed the adequacy of the Group's disclosure of the judgements involved in allocating costs between continuing and discontinued operations in the Consolidated Income Statement.</li> </ul> <p><b>Our results:</b> We found the presentation of discontinued operations and the profit on disposal calculations to be acceptable.</p>

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINWOOD TECHNOLOGIES GROUP PLC (CONTINUED)

## 2. Key audit matters: including our assessment of risks of material misstatement *continued*

We continue to perform procedures over carrying value of Parent Company's investments in subsidiaries and debt due from Group entities. However, following the disposal of the UK Motor and Leasing business on 31 January 2024, we have not assessed this as one of the most significant risks in our current period audit and, therefore, it is not separately identified in our report this period. Used vehicle inventory provision and Valuation of post retirement benefit obligation are no longer identified as key audit matters following the disposal of the UK Motor and Leasing business on 31 January 2024.

## 3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £4.4m (2022: £3.45m), determined with reference to a benchmark of Group net assets (2022: normalised Group profit before tax) of which it represents 1.2% (2022: 5%).

Materiality for the parent Company financial statements as a whole was set at £1.7m (2022: £2.6m), determined with reference to a benchmark of the parent Company total assets, of which it represents 0.3% (2022: 0.2%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £3.3m (2022: £2.6m) for the Group and £1.3m (2022: £2.0m) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.22m (2022: £0.17m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 5 (2022: 35) reporting components, we subjected 4 (2022: 11) to full scope audits for group purposes and none (2022: 5) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit in 2022 for group purposes, but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for the percentages illustrated on the next page.

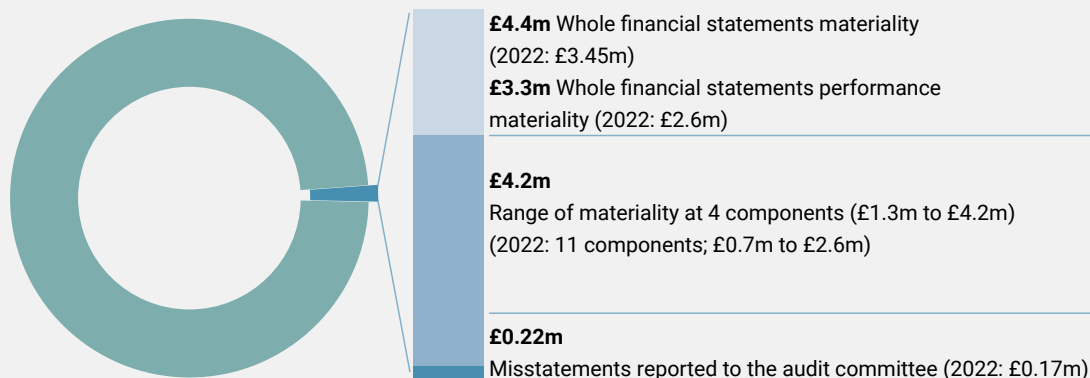
The remaining 0% (2022: 0%) of total Group revenue, 2% of Group profit before tax (2022: 8%) and 0% (2022: 1%) of total Group assets is represented by 1 (2022: 19) reporting component, none of which individually represented more than 2% (2022: 3%) of any of total Group revenue, Group profit before tax or total Group assets. For this component, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The scope of the audit work performed was fully substantive as we did not rely upon the Group's internal control over financial reporting. The Group audit team performed all of the audit work in relation to the 4 (2022: 16) components, including the audit of the parent Company.

**Net assets** £360.4m  
(Normalised Group profit before tax 2022: £69.8m)

**Group materiality** £4.4m  
(2022: £3.45m)

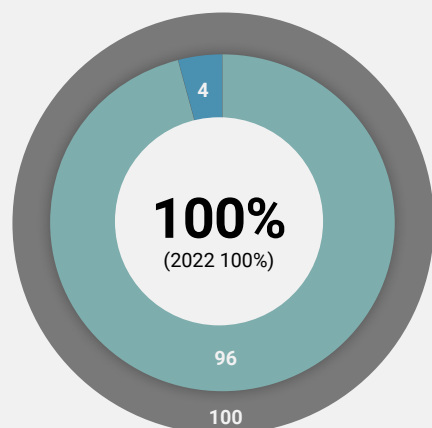
- Group net assets
- Group materiality



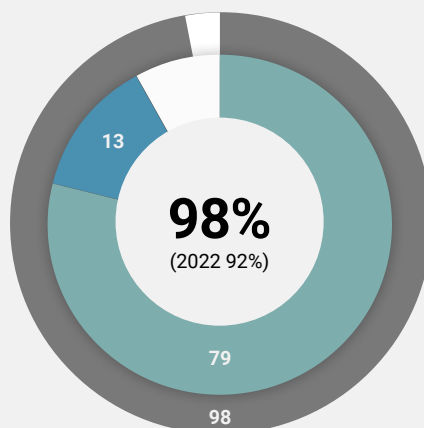
# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINWOOD TECHNOLOGIES GROUP PLC (CONTINUED)

## 3. Our application of materiality and an overview of the scope of our audit *continued*

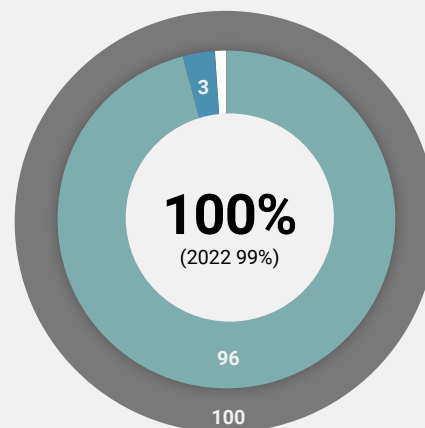
Group revenue



Group profit before tax



Group total assets



- Full scope for group audit purposes 2023
- Specified risk-focused audit procedures 2023
- Full scope for group audit purposes 2022
- Specified risk-focused audit procedures 2022
- Residual components

## 4. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the parent Company or to cease their operations, and as they have concluded that the Group's and the parent 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 their 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").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and parent Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and parent Company's available financial resources over this period were adverse macroeconomic conditions resulting in loss of key customers and increasing costs.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's financial forecasts.

We assessed the completeness of the going concern disclosure.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINWOOD TECHNOLOGIES GROUP PLC (*CONTINUED*)

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## 4. Going concern *continued*

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 Group's or parent Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and parent Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- the related statement under the Listing Rules set out on page 81 is materially consistent with the financial statements and our audit knowledge.

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 Group or the parent Company will continue in operation.

## 5. 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 internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, audit committee and Risk Control Group minutes.
- Considering remuneration incentive schemes and performance targets for directors.
- 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, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that Group and component management may be in a position to make inappropriate accounting entries; and
- the risk that new and used vehicle revenue for the year that forms part of the discontinued operations is misstated as a result of revenue being recorded in the wrong period.

We did not identify any additional fraud risks. We also performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Evaluated the business purpose of significant unusual transactions.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINWOOD TECHNOLOGIES GROUP PLC (*CONTINUED*)

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## 5. Fraud and breaches of laws and regulations – ability to detect *continued*

### *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 through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

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 Group 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 Group 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.

We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities.

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.

### *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.



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINWOOD TECHNOLOGIES GROUP PLC (*CONTINUED*)

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## **6. We have nothing to report on the other information in the Annual Report**

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

### ***Strategic report and directors' report***

Based solely on our work on the other information:

- 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.

### ***Directors' remuneration report***

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

### ***Disclosures of emerging and principal risks and longer-term viability***

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement on page 27 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risk disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability statement, set out on page 27 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINWOOD TECHNOLOGIES GROUP PLC (*CONTINUED*)

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## **6. We have nothing to report on the other information in the Annual Report *continued***

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. 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 absence of anything to report on these statements is not a guarantee as to the Group's and parent Company's longer-term viability.

### ***Corporate governance disclosures***

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Report relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review and to report to you if a corporate governance statement has not been prepared by the Company. We have nothing to report in these respects.

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Report disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures;
- we have not identified material misstatements therein; and
- the information therein is consistent with the financial statements; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

## **7. We have nothing to report on the other 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited 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.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINWOOD TECHNOLOGIES GROUP PLC (*CONTINUED*)

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## 8. Respective responsibilities

### *Directors' responsibilities*

As explained more fully in their statement set out on page 66, the directors are responsible for: the preparation of the financial statements including 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 Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

### *Auditor's responsibilities*

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](http://www.frc.org.uk/auditorsresponsibilities).

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

## 9. 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.

Craig Parkin (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants

One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH  
25 April 2024

# CONSOLIDATED INCOME STATEMENT

Period ended 31 January 2024

	Notes	13m period ended 31 January 2024 £m	Year ended 31 December 2022 £m
<b>Continuing operations</b>			
<b>Revenue</b>	2.1	<b>24.5</b>	19.1
Cost of sales		(2.7)	(2.0)
<b>Gross profit</b>		<b>21.8</b>	17.1
Operating expenses	2.2	(11.8)	(10.1)
<b>Operating profit</b>		<b>10.0</b>	7.0
Finance expense	4.3	(0.1)	-
Finance income	4.3	-	-
<b>Net finance costs</b>		<b>(0.1)</b>	-
<b>Profit before taxation</b>		<b>9.9</b>	7.0
Income tax expense	2.6	(1.6)	(1.3)
<b>Profit for the period/year from continuing operations</b>		<b>8.3</b>	5.7
<b>Discontinued operations</b>			
<b>Profit for the period/year from discontinued operations, net of tax *</b>		<b>73.4</b>	39.8
<b>Profit for the period/year</b>		<b>81.7</b>	45.5
<b>Earnings per share</b>			
Basic earnings per share	2.7	<b>117.0p **</b>	65.4p
Diluted earnings per share	2.7	<b>117.0p **</b>	63.0p
<b>Earnings per share - continuing operations</b>			
Basic earnings per share	2.7	<b>11.9p **</b>	8.2p
Diluted earnings per share	2.7	<b>11.9p **</b>	7.9p

\* The discontinued operations in the 13m period to 31 January 2024 and the year ended 31 December 2022 are in respect of the Group's motor and leasing businesses.

\*\* The Basic earnings per share and diluted earnings per share measure for the current period/year apply to continuing and total operations.

On 5 April 2024, the Company announced that it would undertake a capital reorganisation whereby 1 new Ordinary Share of 100 pence each will be issued for every 20 existing Ordinary Shares of 5 pence each. This is an adjusting post balance sheet event and therefore the earnings per share calculations for the current period and prior period financial statements have been presented reflecting the revised number of shares post the capital reorganisation.

The notes on pages 81 to 145 form part of these financial statements

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

13 month Period ended 31 January 2024

	Notes	13m period ended 31 January 2024 £m	Year ended 31 December 2022 £m
<b>Profit for the period/year</b>		<b>81.7</b>	45.5
<b>Other comprehensive income/(expense)</b>			
Items that will never be reclassified to profit and loss:			
Defined benefit plan remeasurement (losses) and gains	5.1	<b>(11.3)</b>	8.2
Income tax relating to defined benefit plan remeasurement losses and (gains)	2.6	<b>2.3</b>	(1.6)
		<b>(9.0)</b>	6.6
Items that are or may be reclassified to profit and loss:			
Foreign currency translation differences of foreign operations		<b>(0.1)</b>	0.5
		<b>(0.1)</b>	0.5
<b>Other comprehensive (expense)/income for the year, net of tax</b>		<b>(9.1)</b>	7.1
<b>Total comprehensive income for the year</b>		<b>72.6</b>	52.6
Total comprehensive income for the period attributable to equity shareholders of the company arises from:			
Continuing operations		<b>8.2</b>	6.2
Discontinued operations - see note 3.3		<b>64.4</b>	46.4
		<b>72.6</b>	52.6

The notes on pages 81 to 145 form part of these financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

13 Month period ended 31 January 2024

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Translation differences £m	Retained earnings £m	Total £m
<b>Balance at 1 January 2023</b>	69.9	56.8	5.6	12.6	0.5	135.6	<b>281.0</b>
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	-	-	-	81.7	<b>81.7</b>
Other comprehensive income for the year, net of tax	-	-	-	-	(0.1)	(9.0)	<b>(9.1)</b>
<b>Total comprehensive income for the period</b>	-	-	-	-	(0.1)	72.7	<b>72.6</b>
Issue of ordinary shares	3.3	-	-	-	-	(3.3)	-
Share based payments	-	-	-	-	-	5.9	<b>5.9</b>
Reserve realised due to re-organisation (see note 4.4)	-	-	-	(12.6)	-	12.6	-
Income tax relating to share based payments	-	-	-	-	-	(0.1)	<b>(0.1)</b>
EBT consideration on repurchased shares	-	-	-	-	-	1.0	<b>1.0</b>
<b>Balance at 31 January 2024</b>	73.2	56.8	5.6	-	0.4	224.4	<b>360.4</b>
<b>Balance at 1 January 2022</b>	69.9	56.8	5.6	12.6	-	80.7	<b>225.6</b>
<b>Total comprehensive income for the year</b>							
Profit for the year	-	-	-	-	-	45.5	<b>45.5</b>
Other comprehensive income for the year, net of tax	-	-	-	-	0.5	6.6	<b>7.1</b>
<b>Total comprehensive income for the year</b>	-	-	-	-	0.5	52.1	<b>52.6</b>
Share based payments	-	-	-	-	-	3.3	<b>3.3</b>
Income tax relating to share based payments	-	-	-	-	-	(0.1)	<b>(0.1)</b>
Own shares issued by EBT	-	-	-	-	-	0.1	<b>0.1</b>
Own shares purchased by EBT	-	-	-	-	-	(0.5)	<b>(0.5)</b>
<b>Balance at 31 December 2022</b>	69.9	56.8	5.6	12.6	0.5	135.6	<b>281.0</b>

The notes on pages 81 to 145 form part of these financial statements

# CONSOLIDATED BALANCE SHEET

At 31 January 2024

	Notes	31 January 2024 £m	31 December 2022 £m
<b>Non-current assets</b>			
Property, plant and equipment	3.2	1.1	515.9
Goodwill	3.1	0.3	144.6
Other intangible assets	3.1	13.8	12.4
Finance lease receivables		-	14.8
Deferred tax assets	2.6	-	11.6
<b>Total non-current assets</b>		<b>15.2</b>	<b>699.3</b>
<b>Current assets</b>			
Inventories	3.4	-	620.3
Trade and other receivables	3.6	421.8	115.7
Finance lease receivables		-	2.4
Current tax assets		0.3	3.3
Cash and cash equivalents	4.2	47.4	171.9
Assets classified as held for sale	3.3	-	6.1
<b>Total current assets</b>		<b>469.5</b>	<b>919.7</b>
<b>Total assets</b>		<b>484.7</b>	<b>1,619.0</b>
<b>Current liabilities</b>			
Bank overdraft	4.2	-	(102.5)
Interest bearing loans and borrowings	4.2	(93.0)	(1.7)
Lease liabilities	4.7	(0.4)	(20.0)
Trade and other payables	3.7	(23.0)	(812.0)
Deferred income	3.8	(6.5)	(38.2)
<b>Total current liabilities</b>		<b>(122.9)</b>	<b>(974.4)</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	4.2	(0.2)	(91.0)
Lease liabilities	4.7	(0.6)	(197.9)
Trade and other payables	3.7	-	(35.7)
Deferred income	3.8	-	(36.4)
Deferred tax	2.6	(0.6)	-
Retirement benefit obligations	5.1	-	(2.6)
<b>Total non-current liabilities</b>		<b>(1.4)</b>	<b>(363.6)</b>
<b>Total liabilities</b>		<b>(124.3)</b>	<b>(1,338.0)</b>
<b>Net assets</b>		<b>360.4</b>	<b>281.0</b>
<b>Capital and reserves</b>			
Called up share capital	4.4	73.2	69.9
Share premium account	4.4	56.8	56.8
Capital redemption reserve	4.4	5.6	5.6
Other reserves	4.4	-	12.6
Translation reserve	4.4	0.4	0.5
Retained earnings		224.4	135.6
<b>Total equity attributable to equity shareholders of the Company</b>		<b>360.4</b>	<b>281.0</b>

Approved by the Board of Directors on 25 April 2024 and signed on its behalf by:



**W Berman**  
Chief Executive

**O Mann**  
Chief Financial Officer

The notes on pages 81 to 145 form part of these financial statements  
Registered Company Number: 02304195

# CONSOLIDATED CASH FLOW STATEMENT

13 month Period ended 31 January 2024

	Notes	13 m period ended 31 January 2024 £m	Year ended 31 December 2022 £m
<b>Cash flows from operating activities</b>			
Profit for the period/year		81.7	45.5
Adjustment for taxation	2.6	10.1	11.7
Adjustment for net financing expense		65.8	43.8
		157.6	101.0
Depreciation and amortisation		30.7	33.5
Share based payments		5.9	3.3
Profit on disposal of own shares by EBT		0.5	-
Profit on sale of businesses and property, plant and equipment		(41.8)	(7.7)
Impairment of goodwill		-	3.6
Impairment of property, plant and equipment		-	1.2
Contribution into defined benefit pension scheme		(14.2)	(13.1)
Changes in inventories	3.4	38.5	(119.8)
Changes in trade and other receivables		(45.9)	(15.2)
Changes in trade and other payables		39.7	150.8
Movement in contract hire vehicle balances	3.5	(57.3)	(20.9)
Cash generated from operations		113.7	116.7
Taxation paid		(6.6)	(1.4)
Bank and stocking interest paid		(45.4)	(25.5)
Bank interest received		1.9	-
Lease interest paid		(16.2)	(14.7)
Finance lease interest received		1.0	1.0
<b>Net cash from operating activities</b>		<b>48.4</b>	<b>76.1</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of businesses net of fees paid	6.1	1.3	3.9
Fees paid in advance of completion on business disposal to Lithia	6.1	(6.6)	-
Cash disposed as part of business disposal	6.1	(15.3)	-
Purchase of property, plant, equipment and intangible assets	3.1, 3.2	(40.2)	(44.3)
Proceeds from sale of property, plant, equipment and intangible assets	3.1, 3.2	11.0	13.3
Receipt of lease receivables		2.4	2.0
<b>Net cash used in investing activities</b>		<b>(47.4)</b>	<b>(25.1)</b>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities		(19.0)	(22.2)
Repayment of loans		(4.0)	(90.5)
Proceeds from issue of loans (net of directly attributable transaction costs)		-	93.8
Disposal of shares by EBT		-	0.1
Purchase of shares by EBT		-	(0.5)
<b>Net cash outflow from financing activities</b>		<b>(23.0)</b>	<b>(19.3)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(22.0)</b>	<b>31.7</b>
Cash and cash equivalents at 1 January		69.4	37.6
Effects of exchange rate changes on cash held		-	0.1
<b>Cash and cash equivalents at 31 January 2024/31 December 2022</b>	4.2	<b>47.4</b>	<b>69.4</b>

The notes on pages 81 to 145 form part of these financial statements



# NOTES TO THE FINANCIAL STATEMENTS

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## SECTION 1 - BASIS OF PREPARATION

Presented below are those accounting policies that relate to the financial statements as a whole and includes details of new accounting standards that are or will be effective for 2024 or later years. To facilitate the understanding of each note to the financial statements those accounting policies that are relevant to a particular category are presented within the relevant notes.

On 6 February 2024, the Company extended its accounting reference period to end on 31 January 2024. On 13 February 2024, the Company changed its name to Pinewood Technologies Group PLC (formerly Pendragon PLC).

Pinewood Technologies Group Plc is a Group domiciled in the United Kingdom. The consolidated financial statements of the Group for the 13 month period ended 31 January 2024 comprise the Group and its subsidiaries and the Group's interest in jointly controlled entities, together referred to as the 'Group'.

The consolidated financial statements of the Group as at and for the 13 month period ended 31 January 2024 (2022: 12 month period ended 31 December 2022) are prepared in accordance with UK-adopted international accounting standards.

The Group has elected to prepare its parent Company financial statements in accordance with FRS 101. These are presented on pages 146 to 157.

The financial statements are presented in millions of UK pounds, rounded to the nearest £0.1m. 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.

### Going concern

The Directors are, at the time of approving the financial statements, satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. The Directors have considered the potential impact of a 10% reduction in revenue. Given the Group's activity is Software as a Service (SaaS), with net customer 'churn' of less than 2%, as well as annual price increases for all customers that are out of their initial three year contract, this is a severe but plausible downside scenario. When the 10% revenue reduction was applied in FY24, the Group was still forecast to generate £2.9m of cash in the year.

The Group meets its day-to-day working capital requirements from operating in a net cash position and being a highly cash generative business. As at 31 January 2024, the Group had cash of £47.4m and debt of £93.2m. Following receipt of the proceeds from the sale of the UK Motor and Leasing business and repayment of debt on 1 February 2024, the Group had net cash of £372.3m. This will be used to pay a special dividend of £358.4m on 7 May 2024. The Group is forecasting a cash inflow of £5.9m in FY24. The Group also has access to a £10m RCF, which expires in February 2027 and is not forecast to be utilised in the forecast period.

In the context of the above, the directors have prepared cash flow forecasts for the period to 30 April 2025 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 Directors have modelled scenarios as follows:

1. A base cash flow forecast. The 2024 figures in this forecast are based on the Group's FY24 budget, which reflect current run-rates and expected strategic improvements. The 2024 figures in the base cash flow forecast are based on the 2024 budget.
2. A severe, but plausible downside scenario. The directors have also prepared a sensitised forecast which considers the impact of a 10% reduction in revenue when compared to the base case. In this scenario, the Group would remain cash generative.

The Directors are mindful of the potential impacts to macro-economic conditions but after assessing the risks do not believe there to be a material risk to going concern.

Based on the above, the directors are confident that the Group and 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 the directors believe it remains appropriate to prepare the financial statements on a going concern basis.

# NOTES TO THE FINANCIAL STATEMENTS

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## SECTION 1 - BASIS OF PREPARATION

### Judgements

The Group 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. The following accounting judgements, without estimation, have been applied in these financial statements.

In presenting continuing and discontinuing operations, it was necessary to reconsider the allocation of expenses to the segments that are now classified as a discontinued operation. Only those expenses which will cease to be incurred on disposal of the discontinued operations are presented within discontinuing operations i.e. corporate overhead expenses will continue to be incurred and are therefore recognised within continuing operations within the Consolidated Statement of Comprehensive Income. The full costs associated with the crystallisation of long-term incentive plans (LTIPs) have been included within discontinued operations given that the sale was the trigger for the LTIPs ending earlier than scheduled. As disclosed in the directors' remuneration report, the Group will discuss with shareholders the design and costs associated with any future LTIPs.

Internally generated intangible assets relate to activities that involve the development of the dealer management system by the Group's Pinewood division. The Directors consider the dealer management system to be one separately identifiable intangible asset that is continuously developed. Accordingly, subsequent expenditure that does not relate to ongoing maintenance or research activities provides additional future economic benefit and meets the definition of an intangible asset.

### Accounting Estimates

The preparation of financial statements in conformity with adopted IFRSs 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 period/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 do not consider there to be any areas of estimation uncertainty that could be significant under IAS 1, 'Presentation of Financial Statements', being areas of estimation uncertainty with a significant risk of a material change to the carrying value of assets and liabilities within the next financial year.

### Climate change

In preparing these financial statements, management has taken into account climate change risks. This has included reassessing the estimated useful lives of assets and developing assumptions, used in determining estimates, by considered potential impacts of climate risks and the Group's planned response.

# NOTES TO THE FINANCIAL STATEMENTS

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## SECTION 1 - BASIS OF PREPARATION

### **Basis of consolidation**

The consolidated financial statements include the financial statements of Pinewood Technologies Group Plc, all its subsidiary undertakings and investments. Consistent accounting policies have been applied in the preparation of all such financial statements.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intragroup balances and any unrealised gains or losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

### **Foreign currencies**

Transactions in foreign currencies are translated to the respective functional currency of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. 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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to sterling at foreign exchange rates ruling at the dates the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to sterling at rates approximating to the foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised directly in equity, in the foreign currency translation reserve, to the extent the hedge is effective. To the extent the hedge is ineffective, such differences are recognised in profit or loss. When the hedged net investment is disposed of, the cumulative amount in equity is transferred to profit and loss on disposal.

In respect of all foreign operations, any differences that have arisen after 1 January 2004, the date of transition to IFRS, are presented as a separate component of equity.

### **Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise deposits with banks and financial institutions, bank and cash balances, and liquid investments, net of bank overdrafts. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. In the balance sheet, bank overdrafts are included in current borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

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## SECTION 1 - BASIS OF PREPARATION

### Government grants

Government grants are recognised when there is reasonable assurance the grants will be received and the conditions of the grant will be complied with. There was no income support from government grants during the 13 month period to 31 Jan 2024 (2022: £nil). The Group received a local authority grant of £4.5m in respect of the construction of a property which replaced a similar property which was subject to a compulsory purchase order. The grant received was directly credited against the expenditure incurred.

### Impairment

The carrying amounts of the Group's assets, other than inventories (see note 3.4) and deferred tax assets (see note 2.7), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill 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.

In assessing fair value less costs to sell, the estimated future cash flows are multiplied by an appropriate trading multiple or by assessing the fair value of the individual assets.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other groups of assets ('the cash generating unit'). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash generating units. Following the disposal of the Motor and Leasing segments management have determined that the cash generating unit of the Group is the Software segment.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then, to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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. The impact of the current period impairment review can be seen in note 3.1.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 1 - BASIS OF PREPARATION

### Adoption of new and revised standards and new standards and interpretations not yet adopted

In 2023 the following amendments had been endorsed by the UK became effective and therefore were adopted by the Group:

- IFRS 17 Insurance Contracts - this has not had a significant impact on the Group's consolidated financial statements.

### Other standards

A number of new standards, amended standards and interpretations are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements. The following new standards, amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendment to IFRS 16 – Leases on sale and leaseback
- Amendment to IAS 1 – Non-current liabilities with covenants
- Amendment to IAS 7 and IFRS 7 - Supplier finance agreements
- Amendments to IAS 21 - Lack of Exchangeability

### Alternative performance measures

The Group uses a number of key performance measures ('KPI's') which are non-IFRS measures to monitor the performance of its operations. The Group believes these KPIs provide useful historical financial information to help investors and other stakeholders evaluate the performance of the business and are measures commonly used by certain investors for evaluating the performance of the Group. As a result of the disposal, the group is now a pure play SaaS business and as such the alternative performance measures used have changed, with comparatives also provided. The Group will the following KPIs on a consistent basis and they are defined and reconciled as follows:

**Revenue including intercompany revenue** is reconciled in note 2.3 to the nearest GAAP measure.

**Gross profit including intercompany gross profit** is reconciled on page 15 of the annual accounts to the nearest GAAP measure.

**Core business operating profit** is reconciled on page 15 of the annual accounts to the nearest GAAP measure

**Core business operating expenses** is reconciled on page 15 of the annual accounts to the nearest GAAP measure

**Continuing operations EBITDA** - Continuing operations earnings before Interest, Tax, Depreciation and Amortisation.

	13m period ended 31 January 2024 £m	Year ended 31 December 2022 £m
Operating Profit	10.0	7.0
Depreciation and Amortisation	5.6	4.3
EBITDA	15.6	11.3

**EBITDA Margin (%)** – Continuing operations EBITDA divided by Revenue, including intercompany revenue

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 2 - RESULTS AND TRADING

This section contains the notes and information to support the results presented in the income statement:

2.1 Revenue	2.5 Audit fees
2.2 Net operating expenses	2.6 Taxation
2.3 Operating segments	2.7 Earnings per share
2.4 Staff costs	

### 2.1 Revenue

#### Accounting policy

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

The following is a description of principal activities from which the Group generates its revenue categorised by the reportable segments as detailed in note 2.3.

#### Software

The Group, through its Pinewood business, supplies dealer management systems to motor vehicle dealers. These systems include consultancy, training and installation services and the right to use the Group'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 Group 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.

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Software	Pinewood supply its software on a hosting basis and licence specific numbers of users to access this service. As such Pinewood supply 'Software as a Service' (SaaS). The software licences are provided only in conjunction with a hosting service, the customer cannot take control of the licence or use the software without the hosting service and as such the customer cannot benefit from the licence on its own and the licence is not separable from the hosting services. Therefore, the licence is not distinct and would be combined with the hosting service. The Group's assessment of its performance obligation under IFRS 15 of providing SaaS is that revenue is recognised over the period of the contract. SaaS is billed one month in advance of a quarterly billing cycle ensuring payment is received prior to commencement of usage.
Training, Installation and Consultancy	The Group recognises revenue on the provision of any consultancy time, training and installation at the point of providing and delivering the service. Consultancy hours are billed at the time of delivery. Training courses are billed at the time of booking which may be in advance of the date the training is scheduled for. Installation hours are billed at the time of completion of the service.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 2 - RESULTS AND TRADING

### 2.1 Revenue *continued*

#### UK Motor segment - discontinued operation

The UK Motor segment principally generates revenue from the sale of new and used motor vehicles, together with the supply of motor vehicle parts, servicing and repair activities, collectively referred to as aftersales. Products and services may be sold separately or in bundled packages. Examples of a bundled package will include the supply of a vehicle with an extended warranty or a servicing plan. For bundled packages, the Group 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 proportionately 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 invoice.

The Group had a number of manufacturer partners who will provide goods/services to customers, for example a warranty or free servicing when purchasing a new vehicle. Such items do not have a contractual obligation on the Group as the obligation lies with the manufacturer and therefore no revenue is recognised in respect of these items.

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
New and used vehicles, parts and accessories	The Group recognises revenue on the sale of motor vehicles and parts revenue when they have been supplied to the customer. The satisfaction of the performance obligation occurs on delivery or collection of the product. Vehicles are usually paid for prior to delivery though selected corporate operators may be granted terms of up to seven days. Parts are either paid for on delivery or within one month, dependant upon whether or not the customer is retail or has trade terms.
Aftersales service and repairs	The Group recognises revenue when the one time service has been completed. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Payment terms are upon completion of the service or within one month, dependant upon whether or not the customer is retail or trade.
Commissions received	The Group receives commissions when it arranges finance and insurance packages for its customers to purchase its products and services, acting as agent on behalf of various finance and insurance companies. Any commission earned is recognised when the customer draws down the finance or commences the insurance policy from the supplier which coincides with the delivery of the product or service. Commissions receivable are paid typically in the month after the finance is drawn down.
Vehicle warranty	The Group offers a warranty product on vehicles supplied with a guarantee period typically ranging from 3 months to 3 years. The Group recognises revenue on warranties on a straight-line basis over the warranty period. The performance obligation of the Group, being the rectification of mechanical faults on vehicles sold, will be the period over which the customer can exercise their rights under the warranty and therefore revenue should be recognised over the period of the warranty. Warranties are paid for prior to the commencement of the policy. The unrecognised income is held within deferred income (see note 3.8). There were no such warranties offered for sale in the US Motor segment.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 2 - RESULTS AND TRADING

### 2.1 Revenue *continued*

#### Leasing

The leasing segment generates revenue from the provision of vehicle leasing services, principally to fleets run by various commercial operators. Vehicles are supplied to customers on operating leases and may include servicing and maintenance agreements, which are bundled into the overall contract. For bundled packages, the Group 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. At the end of each contract the Group will generate revenue from the disposal of the vehicle, recovery of any rectification work and in some instances additional rentals beyond the original contract term.

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Leasing	Where vehicles are supplied to a leasing group for contract hire purposes and the Group undertakes to repurchase the vehicle at a predetermined date and value the transfer of control is deemed not to have transferred outside the Group and consequently no sale is recognised. As a result the accounting for the arrangement reflects the Group's retention of the asset to generate future rentals and, in accordance with IFRS 16 Leases, the Group is considered to be an operating lessor for all arrangements in place. The initial amounts received in consideration from the leasing group are held as deferred income allocated between the present value of the repurchase commitment, held within trade and other payables and a residual amount of deferred revenue held within deferred income. A finance charge is accrued against the present value of the repurchase commitment and recorded as a finance expense in the income statement. The remaining deferred revenue, which effectively represents rentals received in advance, is taken to the income statement on a straight line basis over the related lease term. No additional disclosures are made under IFRS 16 as there are no future rentals receivable. These vehicles are held within 'property, plant and equipment' at their cost to the Group and are depreciated to their residual values over the terms of the leases. These assets are transferred into inventory at their carrying amount when they cease to be rented and they become available for sale as part of the Group's ordinary course of business. Rentals are billed and paid for on a monthly basis.
Maintenance	The Group offer a maintenance contract to customers to cover routine servicing and unexpected repairs of vehicles under a leasing contract. Revenue is recognised over the period of the contract on a straight line basis. Maintenance contracts are billed and paid for on a monthly basis.
Used Vehicles	The Group recognises revenue on the sale of ex contract hire motor vehicles when they have been supplied to the customer. This occurs on delivery or collection of the product. Vehicles are paid for on delivery.



# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 2 - RESULTS AND TRADING

### 2.1 Revenue continued

#### Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major products/service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's four strategic divisions, which are its reportable segments, see note 2.3.

	Continuing operations		Discontinued operations						Total	
	Software		UK Motor		Leasing		Sub total		Total	
	13m period ended 31 January 2024 £m	Year ended 31 December 2022 £m	13m period ended 31 January 2024 £m	Year ended 31 December 2022 £m	13m period ended 31 January 2024 £m	Year ended 31 December 2022 £m	13m period ended 31 January 2024 £m	Year ended 31 December 2022 £m	13m period ended 31 January 2024 £m	Year ended 31 December 2022 £m
<b>Primary geographical markets</b>										
Europe	23.1	18.1	4,235.1	3,536.2	82.9	64.7	4,318.0	3,600.9	<b>4,341.1</b>	3,619.0
Africa	0.6	0.6	-	-	-	-	-	-	<b>0.6</b>	0.6
Asia and Middle East	0.8	0.4	-	-	-	-	-	-	<b>0.8</b>	0.4
Revenue from external customers	24.5	19.1	4,235.1	3,536.2	82.9	64.7	4,318.0	3,600.9	<b>4,342.5</b>	3,620.0
<b>Major products/service lines</b>										
Aftersales revenue	-	-	343.7	276.1	-	-	343.7	276.1	<b>343.7</b>	276.1
Used vehicle revenue	-	-	2,190.2	1,808.6	-	-	2,190.2	1,808.6	<b>2,190.2</b>	1,808.6
New vehicle revenue	-	-	1,701.2	1,451.5	-	-	1,701.2	1,451.5	<b>1,701.2</b>	1,451.5
Software revenue	24.5	19.1	-	-	-	-	-	-	<b>24.5</b>	19.1
Leasing revenue	-	-	-	-	82.9	64.7	82.9	64.7	<b>82.9</b>	64.7
Revenue from external customers	24.5	19.1	4,235.1	3,536.2	82.9	64.7	4,318.0	3,600.9	<b>4,342.5</b>	3,620.0
<b>Timing of revenue recognition</b>										
At point in time	2.5	1.4	4,221.4	3,526.7	48.0	30.9	4,269.4	3,557.6	<b>4,271.9</b>	3,559.0
Over time	22.0	17.7	13.7	9.5	34.9	33.8	48.6	43.3	<b>70.6</b>	61.0
Revenue from external customers	24.5	19.1	4,235.1	3,536.2	82.9	64.7	4,318.0	3,600.9	<b>4,342.5</b>	3,620.0

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 2 - RESULTS AND TRADING

### 2.1 Revenue continued

#### Contract liabilities

The Group recognises the following contract liabilities:

	<b>13 m period ended 31 January 2024 £m</b>	Year ended 31 December 2022 £m
Deposits received from customers	-	30.4
Unearned proportion of warranty policies sold	-	21.2
Unearned proportion of software as a service sold	<b>6.5</b>	-

Movements in the deferred income balance in respect of the warranty policies and software as a service income are presented in note 3.8 which shows the value of policies and service sold during the year and the income recognised during the year.

### 2.2 Net operating expenses

	Continuing Operations £m	Discontinued Operations £m	<b>13 m period ended 31 January 2024 £m</b>	Continuing Operations £m	Discontinued Operations £m	Year ended 31 December 2022 £m
Net operating expenses:						
Distribution costs	(7.6)	(212.9)	<b>(220.5)</b>	(5.5)	(179.7)	(185.2)
Administrative expenses	(4.2)	(169.8)	<b>(174.0)</b>	(4.6)	(176.7)	(181.3)
Impairment loss on trade receivables	-	(0.3)	<b>(0.3)</b>	-	(0.3)	(0.3)
Rents received	-	3.4	<b>3.4</b>	-	2.9	2.9
	<b>(11.8)</b>	<b>(379.6)</b>	<b>(391.4)</b>	<b>(10.1)</b>	<b>(353.8)</b>	<b>(363.9)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 2 - RESULTS AND TRADING

### 2.3 Operating segments

There were three reportable segments, as described below, which were the Group's strategic business units prior to the disposal of the UK Motor and Leasing segments to Lithia UK Holding Limited on 31 January 2024. The segments offered different ranges of products and services and were managed separately because they require their own specialism in terms of market and product. For each of these segments, the Executive Committee which is deemed to be the Chief Operating Decision Maker (CODM), reviewed internal management reports on at least a monthly basis. The review of these management reports enabled the CODM to allocate resources to each segment and form the basis of strategic and operational decisions, such as acquisition strategy, closure programme or working capital allocation. The following summary describes the operations in each of the Group's reportable segments operational in the period:

**Software.** This segment comprises the Group's activities as a dealer management systems provider.

**UK Motor.** Following the sale of the entire issued share capital of Pendragon NewCo 2 Limited to Lithia UK Holding Limited on 31 January 2024, the UK Motor segment is now a discontinued operation.

**Leasing.** Following the sale of the entire issued share capital of Pendragon NewCo 2 Limited to Lithia UK Holding Limited on 31 January 2024, the Leasing segment is now a discontinued operation.

The tables of financial performance presented in the Operational and Financial Review on pages 15 to 17 are based upon these segmental reports.

Inter-segment transfers and transactions are entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

<b>13 month period ended 31 January 2024</b>	Continuing operations Software £m	UK Motor £m	Leasing £m	Group Interest £m	Discontinued operations Sub total £m	<b>Total £m</b>
Revenue including intercompany amounts	32.0	4,235.1	99.8	-	4,334.9	<b>4,366.9</b>
Inter-segment revenue	(7.5)	-	(16.9)	-	(16.9)	<b>(24.4)</b>
<b>Revenue from external customers</b>	<b>24.5</b>	<b>4,235.1</b>	<b>82.9</b>	<b>-</b>	<b>4,318.0</b>	<b>4,342.5</b>
Operating profit	10.0	124.6	23.0	-	147.6	<b>157.6</b>
Finance expense	(0.1)	-	(3.3)	(65.5)	(68.8)	<b>(68.9)</b>
Finance income	-	-	-	3.1	3.1	<b>3.1</b>
<b>Segmental profit</b>	<b>9.9</b>	<b>124.6</b>	<b>19.7</b>	<b>(62.4)</b>	<b>81.9</b>	<b>91.8</b>

Other items included in the income statement are as follows:

Depreciation and impairment	(0.4)	(24.8)	(28.2)	-	(53.0)	<b>(53.4)</b>
Amortisation	(5.2)	(0.2)	(0.2)	-	(0.4)	<b>(5.6)</b>
Share based payments	-	(5.9)	-	-	(5.9)	<b>(5.9)</b>
Other income - profit on the sale of businesses and property, plant and equipment	-	41.8	-	-	41.8	<b>41.8</b>

As explained in Note 1, in presenting continuing and discontinuing operations, it was necessary to reconsider the allocation of expenses to segments. As a result, the operating profit by segment has changed to reallocate expenses that will continue to be incurred into the Software segment.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 2 - RESULTS AND TRADING

### 2.3 Operating segments *continued*

Year ended 31 December 2022	Continuing operations Software £m	UK Motor £m	Leasing £m	Group Interest £m	Discontinued operations Sub total £m	Total £m
Revenue including intercompany amounts	25.4	3,536.2	83.7	-	3,619.9	<b>3,645.3</b>
Inter-segment revenue	(6.3)	-	(19.0)	-	(19.0)	<b>(25.3)</b>
<b>Revenue from external customers</b>	<b>19.1</b>	<b>3,536.2</b>	<b>64.7</b>	<b>-</b>	<b>3,600.9</b>	<b>3,620.0</b>
Operating profit	7.0	74.1	19.9	-	94.0	<b>101.0</b>
Finance expense	-	-	(2.5)	(42.3)	(44.8)	<b>(44.8)</b>
Finance income	-	-	-	1.0	1.0	<b>1.0</b>
<b>Segmental profit</b>	<b>7.0</b>	<b>74.1</b>	<b>17.4</b>	<b>(41.3)</b>	<b>50.2</b>	<b>57.2</b>

Other items included in the income statement are as follows:

Depreciation and impairment	(0.1)	(28.5)	(36.1)	-	(64.6)	<b>(64.7)</b>
Impairment of property, plant and equipment	-	(1.2)	-	-	(1.2)	<b>(1.2)</b>
Amortisation	(4.2)	(0.6)	(0.1)	-	(0.7)	<b>(4.9)</b>
Share based payments	-	(3.3)	-	-	(3.3)	<b>(3.3)</b>
Other income - profit on the sale of businesses and property, plant and equipment	-	7.7	-	-	7.7	<b>7.7</b>

As explained in Note 1, in presenting continuing and discontinuing operations, it was necessary to reconsider the allocation of expenses to segments. As a result, the operating profit by segment has changed to reallocate expenses that will continue to be incurred into the Software segment.

#### **Geographical information.**

All segments originate in the United Kingdom. The UK Motor and Leasing segments are discontinued operations.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 2 - RESULTS AND TRADING

### 2.4 Staff costs

The average number of people employed by the Group in the following areas was:

	Continuing Operations £m	Discontinued Operations £m	13 m period ended 31 January 2024 £m	Continuing Operations £m	Discontinued Operations £m	Year ended 31 December 2022 £m
Sales	33	1,800	<b>1,833</b>	30	1,793	1,823
Aftersales	-	2,500	<b>2,500</b>	-	2,487	2,487
Administration	173	1,049	<b>1,222</b>	163	1,053	1,216
	206	5,349	<b>5,555</b>	193	5,333	5,526

Following the disposal of the UK Motor and Leasing business to Lithia UK Holding Limited on 31 January 2024 employees in the discontinued operations transferred to the new owners and are no longer employed by the Group.

Costs incurred in respect of these employees were:

	Continuing Operations £m	Discontinued Operations £m	13 m period ended 31 January 2024 £m	Continuing Operations £m	Discontinued Operations £m	Year ended 31 December 2022 £m
Wages and salaries	13.3	215.3	<b>228.6</b>	10.3	181.8	192.1
Social security costs	1.4	20.9	<b>22.3</b>	1.1	19.3	20.4
Contributions to defined contribution plans (see note 5.1)	0.4	5.8	<b>6.2</b>	0.6	11.1	11.7
Income/(cost) recognised for defined benefit plans (see note 5.1)	-	(0.2)	<b>(0.2)</b>	-	0.3	0.3
Surplus on disposal of pension scheme	-	0.5	<b>0.5</b>	-	-	-
Share based payments (see note 4.6)	-	5.9	<b>5.9</b>	-	3.3	3.3
	15.1	248.2	<b>263.3</b>	12.0	215.8	227.8

Information relating to directors' emoluments, share options and pension entitlements is set out in the Directors' Remuneration Report on pages 51 to 61.

### 2.5 Audit fees

	Continuing Operations £'000	Discontinued Operations £'000	13 m period ended 31 January 2024 £'000	Continuing Operations £'000	Discontinued Operations £'000	Year ended 31 December 2022 £'000
Auditor's remuneration:						
Fees payable to the company's auditor for the audit of the company's annual accounts	265.0	501.0	<b>766.0</b>	265.0	505.0	770.0
Fees payable to the company's auditor and its associates for other services:						
Audit of the Group's subsidiaries pursuant to legislation	50.0	400.0	<b>450.0</b>	50.0	335.0	385.0
Audit-related assurance services	-	167.0	<b>167.0</b>	-	155.0	155.0
Other assurance services	-	425.0	<b>425.0</b>	-	-	-
	315.0	1,493.0	<b>1,808.0</b>	315.0	995.0	1,310.0

# NOTES TO THE FINANCIAL STATEMENTS

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## SECTION 2 - RESULTS AND TRADING

### 2.6 Taxation

#### Accounting policy

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in the statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the period/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 using the balance sheet liability method, recognising 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. 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.

#### Estimates and judgements

The actual tax on the Group's profits is determined according to complex laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid on profits which are recognised in the financial statements. The Group considers the estimates, assumptions and judgements to be reasonable but this can involve complex issues which may take a number of years to resolve. The final determination of tax liabilities could be different from the estimates reflected in the financial statements but the Group believes that none have a significant risk of causing a material adjustment to the carrying amount of the liability within the next financial year.

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income. The unrecognised deferred tax assets are disclosed below.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 2 - RESULTS AND TRADING

### 2.6 Taxation continued

	Continuing Operations £m	Discontinued Operations £m	13 m period ended 31 January 2024 £m	Continuing Operations £m	Discontinued Operations £m	Year ended 31 December 2022 £m
UK corporation tax:						
Current tax on profit for the period/year	1.6	-	<b>1.6</b>	1.0	1.6	2.6
Adjustments in respect of prior periods	(0.7)	(0.1)	<b>(0.8)</b>	-	0.3	0.3
	0.9	(0.1)	<b>0.8</b>	1.0	1.9	2.9
Overseas taxation:						
Current tax on profit for the year	-	-	-	-	-	-
Adjustments in respect of prior periods	-	-	-	-	-	-
	-	-	-	-	-	-
Total current tax	0.9	(0.1)	<b>0.8</b>	1.0	1.9	2.9
Deferred tax expense:						
Origination and reversal of temporary differences	0.7	7.6	<b>8.3</b>	0.3	8.0	8.3
Adjustments in respect of prior periods	-	1.0	<b>1.0</b>	-	0.5	0.5
Total deferred tax	0.7	8.6	9.3	0.3	8.5	8.8
Total income tax expense in the income statement	1.6	8.5	<b>10.1</b>	1.3	10.4	11.7
	Continuing Operations £m	Discontinued Operations £m	13 m period ended 31 January 2024 £m	Continuing Operations £m	Discontinued Operations £m	Year ended 31 December 2022 £m
Profit before taxation	9.9	81.9	<b>91.8</b>	7.0	50.2	57.2
Tax on profit from continuing operations at UK rate of 23.64% (2022: 19.00%)	2.3	19.4	<b>21.7</b>	1.3	9.6	10.9
Differences:						
Tax effect of expenses that are not deductible in determining taxable profit	-	0.7	<b>0.7</b>	-	1.4	1.4
Permanent differences arising in respect of fixed assets	-	1.1	<b>1.1</b>	-	(1.7)	(1.7)
Unrecognised losses	-	0.1	<b>0.1</b>	-	0.3	0.3
Employee share option plan	(0.3)	(2.4)	<b>(2.7)</b>	-	-	-
Impact of UK corporation tax rate change	0.3	(1.8)	<b>(1.5)</b>	-	-	-
Non-taxable disposal of investments in subsidiaries	-	(9.5)	<b>(9.5)</b>	-	-	-
Adjustments to tax charge in respect of previous periods	(0.7)	0.9	<b>0.2</b>	-	0.8	0.8
Total income tax expense in the income statement	1.6	8.5	<b>10.1</b>	1.3	10.4	11.7

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 2 - RESULTS AND TRADING

### 2.6 Taxation *continued*

#### Tax rate

The UK tax rate applying throughout 2023 was 23.6% (2022: 19%), the tax rate increased from 19% to 25% on 1 April 2023. The rate change to 25% was substantively enacted on 24 May 2021, in 2021 a proportion of deferred tax assets and deferred tax liabilities that were forecast to unwind after 2023 were translated to 25%. In 2023 any deferred tax assets and liabilities remaining at 31 January 2024 have been translated to 25%.

The adjustment to prior period tax charge of £0.7m in 2023 continuing operations is the release of a historic brought forward liability which has no probability of requiring payment. This liability related to a historic group relief claim from a joint venture partner where payment for the group relief was separately settled. The adjustment to prior period tax charge of £0.9m in 2023 discontinued operations primarily relates to a taxable reversal of an impairment of amounts due from group undertakings.

#### Factors affecting the tax charge

The tax charge is decreased by the release of prior year provisions relating to UK corporation tax returns. The tax charge is increased by the incidence of non-deductible expenses including the impairment of goodwill and non-qualifying depreciation.

#### Pillar 2

Following the disposal of the UK Motor and leasing business the remaining Pinewood Technologies Group PLC will not be within scope of the enacted Pillar 2 rules due to revenue being below the threshold of €750m.

#### Unrecognised deferred tax assets

There is an unrecognised loss of £2.5m (2022: £1.2m) relating to the US operations following the sale of the final dealerships in 2021. These losses are likely to increase as the US operation continues to incur losses in administering the final transactions in the wind down of the business. These US losses carry forward indefinitely. The previously unrecognised intra-EU losses (2022: £13.8m) and capital losses net of rolled over gains (2022: £52.5m) relate to companies disposed of during the period.

#### Deferred tax assets/(liabilities)

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 deferred tax assets all relate to the UK.

	31 January 2024 £m	31 December 2022 £m
Deferred tax assets	-	11.6
Deferred tax liabilities	(0.6)	-
Deferred tax (liabilities)/assets	(0.6)	11.6



# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 2 - RESULTS AND TRADING

### 2.6 Taxation *continued*

The table below outlines the deferred tax (liabilities)/assets that are recognised on the balance sheet, together with their movements in the period/year;

	At 1 January 2022 £m	(Charged) to consolidated income statement £m	(Charged) to other comprehensive income £m	At 31 December 2022 £m
Property, plant and equipment	8.0	(1.7)	-	6.3
Retirement benefit obligations	5.1	(2.5)	(1.6)	1.0
Other short term temporary differences	1.7	(1.2)	(0.1)	0.4
Losses	7.3	(3.4)	-	3.9
<b>Tax assets</b>	<b>22.1</b>	<b>(8.8)</b>	<b>(1.7)</b>	<b>11.6</b>

	At 1 January 2023 £m	(Charged)/ credited to consolidated income statement £m	Credited/ (charged) to other comprehensive income £m	Disposed £m	At 31 January 2024 £m
Property, plant and equipment	6.3	(8.7)	-	2.6	0.2
Retirement benefit obligations	1.0	(3.4)	2.3	0.1	0.0
Other short term temporary differences	0.4	1.4	(0.1)	(5.1)	(3.4)
Losses	3.9	1.4	-	(2.7)	2.6
<b>Tax (liabilities)/assets</b>	<b>11.6</b>	<b>(9.3)</b>	<b>2.2</b>	<b>(5.1)</b>	<b>(0.6)</b>

During 2023 the Group disposed of the UK motor and leasing business along with the an associated current tax asset and deferred tax assets and liabilities. As part of the disposal LTIPs vested at the end of January 2024 which gave a tax deduction to Pinewood Technologies Group PLC which could not be group relieved to the UK motor and leasing business due to limitations in the UK group relief rules. The tax deduction on LTIPs generated a carried forward loss which is expected to be utilised in full against future profits.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 2 - RESULTS AND TRADING

### 2.7 Earnings per share

#### Accounting policy

The Group presents basic and diluted earnings per share ('EPS') data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares in issue during the period. The shares held by the EBT have been excluded from the calculation until such time as they vest unconditionally with the employees. Diluted EPS is calculated by dividing the profit and loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue taking account of the effects of all dilutive potential ordinary shares, which comprise of share options granted to employees and LTIPs.

#### Earnings per share calculation

	13m period ended 31 January 2024 Earnings per share pence	13m period ended 31 January 2024 Earnings Total £m	Year ended 31 December 2022 Earnings per share pence	Year ended 31 December 2022 Earnings Total £m
Basic earnings per share from continuing operations	11.9	8.3	8.2	5.7
Basic earnings per share from discontinued operations	105.1	73.4	57.2	39.8
Basic earnings per share	117.0	81.7	65.4	45.5
Diluted earnings per share from continuing operations	11.9	8.3	7.9	5.7
Diluted earnings per share from discontinued operations	105.1	73.4	55.1	39.8
Diluted earnings per share	117.0	81.7	63.0	45.5

The calculation of basic, adjusted and diluted earnings per share is based on the following number of shares in issue (millions):

	13m period ended 31 January 2024 Number	Year ended 31 December 2022 Number
Weighted average number of ordinary shares in issue	69.8	69.6
Weighted average number of dilutive shares under option	-	2.6
Weighted average number of shares in issue taking account of applicable outstanding share options	69.8	72.2
Non-dilutive shares under option	-	1.0

On 5 April 2024, the Company announced that it would undertake a capital reorganisation whereby 1 new Ordinary Share of 100 pence each will be issued for every 20 existing Ordinary Shares of 5 pence each. This is an adjusting post balance sheet event and therefore the earnings per share calculations for the current period and prior period financial statements have been presented reflecting the revised number of shares post the capital reorganisation.

# NOTES TO THE FINANCIAL STATEMENTS

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## SECTION 3 - OPERATING ASSETS AND LIABILITIES

This section contains the notes and information to support those assets and liabilities presented in the Consolidated Balance Sheet that relate to the Group's operating activities.

3.1	Intangible assets and goodwill	3.5	Movement in contract hire vehicle balances
3.2	Property, plant and equipment	3.6	Trade and other receivables
3.3	Assets held for sale and discontinued operations	3.7	Trade and other payables
3.4	Inventories	3.8	Deferred income

### 3.1 Intangible assets and goodwill

#### Accounting policies

All business combinations are accounted for by applying the purchase method. Goodwill represents the excess of the cost of acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary undertakings at the effective date of acquisition and is included in the balance sheet under the heading of intangible assets. The goodwill is allocated to cash generating units (CGUs), which are franchise groups and other business units. An impairment test is performed annually as detailed below. Goodwill is then held in the balance sheet at cost less any accumulated impairment losses.

Adjustments are applied to bring the accounting policies of the acquired businesses into alignment with those of the Group. The costs associated with reorganising or restructuring are charged to the post acquisition income statement. For those acquisitions made prior to 1 January 2004, goodwill is recorded on the basis of its deemed cost which represented its carrying value as at 1 January 2004 under UK GAAP. Fair value adjustments are made in respect of acquisitions. If at the balance sheet date the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities can only be established provisionally then these values are used. Any adjustments to these values made within 12 months of the acquisition date are taken as adjustments to goodwill.

Internally generated intangible assets relate to activities that involve the development of dealer management systems by the Group's Pinewood division. 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 Group 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. If the development expenditure does not meet the above criteria it 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.

Intangible assets other than goodwill are stated at cost less accumulated amortisation and any impairment losses. This category of asset includes purchased computer software and internally generated intangible assets which are amortised by equal instalments over four years and the fair value of the benefit of forward sales orders assumed on acquisition, which is amortised by reference to when those orders are delivered.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Intangible assets arising on an acquisition are recognised separately from goodwill if the fair value of the asset can be identified separately and measured reliably. Amortisation is calculated on a straight line basis over the estimated useful life of the intangible asset. Amortisation methods and useful lives are reviewed annually and adjusted if appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 3 - OPERATING ASSETS AND LIABILITIES

### 3.1 Intangible assets and goodwill *continued*

	Continuing operations			Discontinued operations			Total £m
	Goodwill £m	Development costs £m	Sub Total £m	Goodwill £m	Other intangibles £m	Sub Total £m	
<b>Cost</b>							
At 1 January 2022	0.3	25.4	<b>25.7</b>	406.5	4.5	411.0	<b>436.7</b>
Additions	-	5.7	<b>5.7</b>	-	0.5	0.5	<b>6.2</b>
Disposals	-	-	-	(8.2)	(0.1)	(8.3)	<b>(8.3)</b>
At 31 December 2022	0.3	31.1	<b>31.4</b>	398.3	4.9	403.2	<b>434.6</b>
At 1 January 2023	0.3	31.1	<b>31.4</b>	398.3	4.9	403.2	<b>434.6</b>
Additions	-	6.8	<b>6.8</b>	-	0.2	0.2	<b>7.0</b>
Classified as non-current assets held for sale	-	-	-	(398.3)	(5.1)	(403.4)	<b>(403.4)</b>
At 31 January 2024	0.3	37.9	<b>38.2</b>	-	-	-	<b>38.2</b>
<b>Amortisation</b>							
At 1 January 2022	-	14.7	<b>14.7</b>	256.5	4.1	260.6	<b>275.3</b>
Amortised during the year	-	4.2	<b>4.2</b>	-	0.7	0.7	<b>4.9</b>
Impairment of goodwill	-	-	-	3.6	-	3.6	<b>3.6</b>
Amortised during the year	-	-	-	(6.1)	(0.1)	(6.2)	<b>(6.2)</b>
At 31 December 2022	-	18.9	<b>18.9</b>	254.0	4.7	258.7	<b>277.6</b>
At 1 January 2023	-	18.9	<b>18.9</b>	254.0	4.7	258.7	<b>277.6</b>
Amortised during the period	-	5.2	<b>5.2</b>	-	0.4	0.4	<b>5.6</b>
Classified as non-current assets held for sale	-	-	-	(254.0)	(5.1)	(259.1)	<b>(259.1)</b>
At 31 January 2024	-	24.1	<b>24.1</b>	-	-	-	<b>24.1</b>
<b>Carrying amounts</b>							
At 1 January 2022	0.3	10.7	<b>11.0</b>	150.0	0.4	150.4	<b>161.4</b>
At 31 December 2022	0.3	12.2	<b>12.5</b>	144.3	0.2	144.5	<b>157.0</b>
At 31 January 2024	0.3	13.8	<b>14.1</b>	-	-	-	<b>14.1</b>

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 3 - OPERATING ASSETS AND LIABILITIES

### 3.1 Intangible assets and goodwill *continued*

The following have been recognised in the income statement within net operating expenses:	13 m period ended 31 January 2024 £m	Year ended 31 December 2022 £m
Amortisation of internally generated intangible assets	5.2	4.2
Amortisation of other intangible assets	0.4	0.7
Impairment of goodwill	-	3.6
Research and development costs (expensed)	1.6	1.2

Goodwill is allocated across a single cash-generating unit which is Pinewood, following the disposal of the Group's UK Motor and Leasing cash generating units. This is the lowest level at which cash-generating units are formed. Therefore there is a consistent approach to performing the annual impairment test to assess the carrying value of this amount is taken. This value was determined by comparing the carrying value of the asset with the higher of its fair value less costs to sell (where value is determined by applying a trading multiple to the estimated future cash flow or by assessing the depreciated replacement cost of the individual assets) and value in use (where value is determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions):

The Pinewood CGU's goodwill carrying value have been based on its fair value less costs to sell. There is significant headroom between the carrying value of the goodwill asset and the fair value less costs to sell and as such no sensitivity disclosures are relevant as at 31 January 2024.

During the previous year goodwill was allocated across multiple cash-generating units which were the UK Motor franchise groups, Pinewood and Leasing. This was the lowest level at which cash-generating units were formed. There was therefore a consistent approach to performing the annual impairment test to assess the carrying value of goodwill. This value was determined by comparing the carrying value of the asset with the higher of its fair value less costs to sell (where value is determined by applying a trading multiple to the estimated future cash flow or by assessing the depreciated replacement cost of the individual assets) and value in use (where value is determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions):

Future cash flows were projected into perpetuity with reference to the Group's forecasts for 2023. The 2023 forecast was derived from the corporate plan, approved by the Board and compiled on a bottom up basis. New car volume growth was based on the latest SMMT forecasts. Used car and aftersales revenue and gross profit growth has been based on latest run-rates for the CGUs. The 2024 to 2027 forecast represents a projection from the 2023 bottom up forecast with new volume growth based on the latest market projections and run-rates applied to determine used volume growth, with associated gross profits calculated from adjusted GPUs. Short term income and costs growth have been applied at 2.0% and 2.5% respectively. These have been applied based on short term market inflation assumptions. Future cash flows also include any climate related risks and opportunities, such as the HM Government's decision to move to PHEV and BHEV by 2030.

At 31 December 2022, it was anticipated that the units will grow revenues in the future. For the purpose of the impairment testing at 31 December 2022, a long-term growth rate of 2.0% had been assumed beyond 2026. The growth rate of 2.0% that has been used in the impairment calculations was based on long-term inflation.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 3 - OPERATING ASSETS AND LIABILITIES

### 3.1 Intangible assets and goodwill *continued*

Goodwill has been reviewed for any possible impairment and as a result of this review there was no impairment charge made during the period (2022: £3.6m).

Goodwill by segment	31 January	31 December
	2024	2022
	£m	£m
Pinewood	0.3	0.3
UK Motor	-	122.3
Leasing	-	22.0
	0.3	144.6

#### Sensitivity of assumptions at 31 December 2022

The forecasts used to determine impairment at 31 December 2022 were sensitive to the key assumptions used in preparing those forecasts. Future uncertainty with respect to the markets we operated in could have an effect on sales volumes and margins and the general costs of doing business. The key assumptions used in our forecasts were the vehicle volumes and margins. The sensitivities below indicate the total change in the value in use forecast, keeping other assumptions constant.

The directors and management have considered and assessed reasonably possible changes to the key assumptions. Within a downside scenario, the reasonably possible changes to the key assumptions are a severe downturn to vehicle volumes and margins. This considers both a worsening in economic conditions and restricted new car supply due to manufacturing constraints. This gives sensitivity of an overall reduction in free cashflow of 11.2%.

This downside sensitivity, there was no effect on both the Pinewood and Leasing segment goodwill values, only UK Motor, which gives rise to an impairment charge to the Vauxhall CGU of £7.5m, no other CGU impairment noted. The breakdown point for the Vauxhall CGU would require a reduction in both new and units of 2.8% into perpetuity or a reduction in both new and used GPU of 1.2% into perpetuity.

### 3.2 Property, plant and equipment

#### Accounting policy

Freehold land is not depreciated. Depreciation is provided to write off the cost less the estimated residual value of other assets by equal instalments over their estimated useful economic lives. On transition to IFRS as at 1 January 2004, all land and buildings were restated to fair value as permitted by IFRS 1, which is then treated as the deemed cost. All other assets are initially measured and recorded at cost.

Depreciation rates are as follows:

- Freehold buildings – 2% per annum
- Right of use assets - over the period of the lease
- Leasehold property improvements – 2% per annum or over the period of the lease if less than 50 years
- Fixtures, fittings and office equipment – 10 – 20% per annum
- Plant and machinery – 10 – 33% per annum
- Motor vehicles – 20 – 25% per annum
- Contract hire vehicles are depreciated to their residual value over the period of their lease

The residual value of all assets, depreciation methods and useful economic lives, if significant, are reassessed annually.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 3 - OPERATING ASSETS AND LIABILITIES

### 3.2 Property, plant and equipment *continued*

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is possible that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in the income statement.

The depreciation charge in respect of property, plant and equipment is recognised within administrative expenses within the income statement.

	Continuing operations			Discontinued operations					Total £m
	Land & buildings £m	Plant & equipment £m	Sub Total £m	Land & buildings £m	Plant & equipment £m	Motor vehicles £m	Contract hire vehicles £m	Sub Total £m	
<b>Cost</b>									
At 1 January 2022	7.0	2.1	<b>9.1</b>	676.3	84.5	2.5	224.8	988.1	<b>997.2</b>
Additions			-	47.5	10.3	0.2	46.6	104.6	<b>104.6</b>
Business disposals			-	(0.5)	(1.9)	-	-	(2.4)	<b>(2.4)</b>
Other disposals	(6.7)	(0.1)	<b>(6.8)</b>	(32.3)	(9.8)	(0.3)	-	(42.4)	<b>(49.2)</b>
Contract hire vehicles transferred to inventory			-	-	-	-	(51.4)	(51.4)	<b>(51.4)</b>
Classified as non-current assets held for sale			-	(2.8)	-	-	-	(2.8)	<b>(2.8)</b>
Reinstated from non-current assets held for sale			-	3.8	-	-	-	3.8	<b>3.8</b>
At 31 December 2022	0.3	2.0	<b>2.3</b>	692.0	83.1	2.4	220.0	997.5	<b>999.8</b>
At 1 January 2023	0.3	2.0	<b>2.3</b>	692.0	83.1	2.4	220.0	997.5	<b>999.8</b>
Additions	1.4	0.1	<b>1.5</b>	18.3	9.4	0.4	55.6	83.7	<b>85.2</b>
Business disposals	-	-	-	-	(0.1)	-	-	(0.1)	<b>(0.1)</b>
Other disposals	-	-	-	(33.9)	(4.2)	(0.1)	-	(38.2)	<b>(38.2)</b>
Contract hire vehicles transferred to inventory			-				(53.3)	(53.3)	<b>(53.3)</b>
Classified as non-current assets held for sale	-	-	-	(676.4)	(88.2)	(2.7)	(222.3)	(989.6)	<b>(989.6)</b>
At 31 January 2024	1.7	2.1	<b>3.8</b>	-	-	-	-	-	<b>3.8</b>

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 3 - OPERATING ASSETS AND LIABILITIES

### 3.2 Property, plant and equipment *continued*

	Continuing operations			Discontinued operations					Total £m
	Land & buildings £m	Plant & equipment £m	Sub Total £m	Land & buildings £m	Plant & equipment £m	Motor vehicles £m	Contract hire vehicles £m	Sub Total £m	
<b>Depreciation</b>									
At 1 January 2022	7.0	2.0	<b>9.0</b>	332.3	61.8	1.0	93.6	488.7	<b>497.7</b>
Charge for the year	-	0.1	<b>0.1</b>	21.6	6.8	0.1	36.1	64.6	<b>64.7</b>
Impairment	-	-	-	1.0	0.2	-	-	1.2	<b>1.2</b>
Business disposals	-	-	-	(0.5)	(1.7)	-	-	(2.2)	<b>(2.2)</b>
Other disposals	(6.7)	(0.1)	<b>(6.8)</b>	(27.2)	(9.2)	(0.3)	-	(36.7)	<b>(43.5)</b>
Contract hire vehicles transferred to inventory	-	-	-	-	-	-	(34.6)	(34.6)	<b>(34.6)</b>
Classified as non-current assets held for sale	-	-	-	(0.9)	-	-	-	(0.9)	<b>(0.9)</b>
Reinstated from non-current assets held for sale	-	-	-	1.5	-	-	-	1.5	<b>1.5</b>
At 31 December 2022	0.3	2.0	<b>2.3</b>	327.8	57.9	0.8	95.1	481.6	<b>483.9</b>
At 1 January 2023	0.3	2.0	<b>2.3</b>	327.8	57.9	0.8	95.1	481.6	<b>483.9</b>
Charge for the period	0.4	-	<b>0.4</b>	18.0	6.7	-	28.3	53.0	<b>53.4</b>
Disposals	-	-	-	(32.4)	(3.9)	-	-	(36.3)	<b>(36.3)</b>
Contract hire vehicles transferred to inventory	-	-	-	-	-	-	(36.3)	(36.3)	<b>(36.3)</b>
Classified as non-current assets held for sale	-	-	-	(313.4)	(60.7)	(0.8)	(87.1)	(462.0)	<b>(462.0)</b>
At 31 January 2024	0.7	2.0	<b>2.7</b>	-	-	-	-	-	<b>2.7</b>
<b>Carrying amounts</b>									
At 1 January 2022	-	0.1	<b>0.1</b>	344.0	22.7	1.5	131.2	499.4	<b>499.5</b>
At 31 December 2022	-	-	-	364.2	25.2	1.6	124.9	515.9	<b>515.9</b>
At 31 January 2024	1.0	0.1	<b>1.1</b>	-	-	-	-	-	<b>1.1</b>
<b>Assets leased out under operating leases</b>									
Cost at 31 January 2024	-	-	-	-	-	-	-	-	-
Accumulated depreciation at 31 January 2024	-	-	-	-	-	-	-	-	-
Accumulated impairment at 31 January 2024	-	-	-	-	-	-	-	-	-
Carrying value of assets leased out under operating leases at 31 January 2024	-	-	-	-	-	-	-	-	-



# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 3 - OPERATING ASSETS AND LIABILITIES

### 3.2 Property, plant and equipment *continued*

	31 January 2024 £m	31 December 2022 £m
Building projects currently under construction for which no depreciation has been charged during the period	-	7.6
Future capital expenditure which has been contracted for but not yet provided in the financial statements - property development and refurbishment	-	2.8
Cumulative interest charges capitalised as construction costs and included in land and buildings	-	6.0
The following items have been charged to the income statement as operating expenses during the period/year:		
Depreciation of property, plant and equipment - leased	12.3	15.2
Depreciation of contract hire vehicles - leased	28.3	36.1
Depreciation of property, plant and equipment - owned	12.8	13.4

<b>Cash flow statement information</b>	31 January 2024 £m	31 December 2022 £m
Additions to property, plant, equipment and intangible assets:		
Additions to land and buildings	(19.7)	(47.5)
Additions to plant and equipment	(9.5)	(10.3)
Additions to motor vehicles	(0.4)	(0.2)
Additions to intangible assets (see note 3.1)	(7.0)	(6.2)
Total additions	(36.6)	(64.2)
Additions to property, plant and equipment of disposal group held for sale	(8.6)	-
Less additions of property, plant and equipment acquired under leases for which no cash flow arises (excludes fees capitalised of £0.7m (2022: £2.6)) (see note 4.7)	5.0	19.9
Cash flows from investing activities in respect of additions to property, plant and equipment	(40.2)	(44.3)

Cash flows relating to the purchase of contract hire vehicles are disclosed within Movement in contract hire vehicle balances (see note 3.5).

### 3.3 Assets held for sale and discontinued operations

#### Accounting policy

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are measured in accordance with the Group's accounting policies. Thereafter the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss. Non-current assets classified as held for sale are available for immediate sale and a resultant disposal is highly probable within one year.

A non-current asset that stops being classified as held for sale is remeasured at the lower of its carrying amount prior to the asset or disposal group being classified as held for sale, adjusted for any depreciation or amortisation that would have been recognised if the asset had not been classified as held for sale, or, its recoverable amount at the date of the decision not to sell.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 3 - OPERATING ASSETS AND LIABILITIES

### 3.3 Assets held for sale and discontinued operations *continued*

#### Discontinued operations

During 2023 the Group agreed to sell its entire motor and leasing businesses together with related central activities to Lithia UK Holding Limited. The sale received shareholder approval in October 2023 and completed on 31 January 2024, the balance sheet date of this report. The motor business, leasing business and related central activities were classified as a disposal group held for sale in October 2023. The comparative consolidated statement of profit or loss and other comprehensive income has been represented to show these discontinued operations separately from continuing operations. The US Motor business is now classified as continuing as operations continue in administering the final transactions of that business.

The results of the discontinued operations and other financial information relating to the discontinued operation for the period is set out below.

#### Income statement

Results from discontinued operations

	Notes	13m period ended 31 January 2024 £m	Year ended 31 December 2022 £m
<b>Revenue</b>	2.1	4,318.0	3,600.9
Cost of sales		(3,832.6)	(3,160.8)
<b>Gross profit</b>		485.4	440.1
Operating expenses	2.2	(379.6)	(353.8)
<b>Operating profit before other income</b>		105.8	86.3
Other income - gains on the sale of businesses and property, plant and equipment (see below)		41.8	7.7
<b>Operating profit</b>		147.6	94.0
Finance expense	4.3	(68.8)	(44.8)
Finance income	4.3	3.1	1.0
<b>Net finance costs</b>		(65.7)	(43.8)
<b>Profit before taxation</b>		81.9	50.2
Income tax (expense)/credit	2.6	(8.5)	(10.4)
<b>Profit for the period/year</b>		73.4	39.8
<b>Earnings per share</b>			
Basic earnings per share	2.7	105.1p	57.2p
Diluted earnings per share	2.7	105.1p	55.1p

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 3 - OPERATING ASSETS AND LIABILITIES

### 3.3 Assets held for sale and discontinued operations *continued*

The following items have been credited to the income statement during the period/year:

	<b>13 m period ended 31 January 2024 £m</b>	Year ended 31 December 2022 £m
Profit on sale of assets classified as held for sale:		
Profit on disposal of businesses to Lithia UK Holding Limited	<b>40.7</b>	-
Profit on disposal of property, plant and equipment classified as held for sale	<b>1.2</b>	8.0
Profit on sale of assets classified as held for sale:	<b>41.9</b>	8.0
Profit on disposal of businesses not classified as held for sale	<b>(0.1)</b>	-
Profit on disposal of property, plant and equipment not classified as held for sale	-	(0.3)
Other income - gains on the sale of businesses and property, plant and equipment	<b>41.8</b>	7.7

#### Cash flows from/(used in) discontinued operations

Net cash from operating activities	<b>17.5</b>	57.8
Net cash used in investing activities	<b>(40.4)</b>	(19.4)
Net cash used in financing activities	<b>(22.9)</b>	(19.3)
Net cash (decrease)/increase generated by discontinued operation	<b>(45.8)</b>	19.1

	Total Net book value £m
Net assets at the date of disposal:	
Goodwill	144.3
Other intangible assets	0.4
Property, plant and equipment	555.3
Inventories	669.5
Trade and other receivables	117.8
Finance lease receivables	16.1
Trade and other payables	(908.3)
Bank balances and cash in hand	15.3
Retirement benefit obligations	0.5
Lease liabilities	(207.0)
Deferred income	(97.1)
Deferred tax assets	5.1
Current tax assets	8.8
	320.7
Profit on sale of businesses	40.7
Total proceeds - satisfied in cash received on 1 February 2024 - included in Trade and other receivables - see note 3.6	361.4
Proceeds due from sale of to Lithia UK Holding Limited.	377.5
Less proceeds unpaid as at 31 January 2024	(377.5)
Transaction fee expense incurred in Lithia sale	(16.1)
Less fees remaining unpaid at 31 January 2024	9.5
Cash flows from investing activities in respect of proceeds from sale of discontinued operation included within net cash used in investing activities	(6.6)

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 3 - OPERATING ASSETS AND LIABILITIES

### 3.3 Assets held for sale and discontinued operations *continued*

#### Balance sheet

The Group held a number of freehold properties that were being marketed for sale at 31 december 2022. These properties were valued using a combination of external qualified valuers and in-house experts. These properties that were classified as held for sale that were unsold at 31 January were included in the assets sold to Lithia UK Holding Limited and therefore at the balance date the Group had no remaining assets held for sale.

Assets classified for sale comprise:	<b>31 January 2024 £m</b>	31 December 2022 £m
Property, plant and equipment	-	6.1

### 3.4 Inventories

#### Accounting policies

Motor vehicle inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are included and cost is based on price including delivery costs less specific trade discounts. Fair value reviews of stock are conducted regularly utilising our market intelligence and analysis of the market which we conduct by segment and by model, these fair values are updated in the light of any changing trends by model line. The assessment of fair values involves an element of estimation: the Group takes the age profile of our inventories at the year end, estimates the likely sale period and the expected profit or loss on sale to determine the fair value at the balance sheet date. Whilst this data is deemed representative of current values it is possible that ultimate sales values can vary from those applied. Parts inventories 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.

Consignment vehicles are regarded as being effectively under the control of the Group and are included within inventories on the balance sheet as the Group has the significant risks and rewards of ownership even though legal title has not yet passed. The corresponding liability is included in trade and other payables. Movements in consignment vehicle inventory and its corresponding liability within trade and other payables are not included within movements of inventories and payables as stated in the consolidated cash flow statement as no cash flows arise in respect of these transactions until the vehicle is either sold or purchased at which point it is reclassified within new and used vehicle inventory.

Motor vehicles are transferred from contract hire activities at the end of their lease term to inventory at their depreciated cost. No physical cash flow arises from these transfers.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 3 - OPERATING ASSETS AND LIABILITIES

### 3.4 Inventories *continued*

#### Balance sheet

	<b>31 January 2024 £m</b>	31 December 2022 £m
New and used vehicles	-	559.7
Consignment vehicles	-	35.3
Vehicle parts and other inventories	-	25.3
	-	620.3
	<b>31 January 2024 £m</b>	31 December 2022 £m
Inventories recognised as an expense during the year	<b>3,787.6</b>	3,126.2
Carrying value of inventories subject to retention of title clauses	-	462.1
Write-down of inventories to net realisable value (included within cost of sales)	-	8.1

Prior to the disposal of inventory to Lthia UK Holding Limited on 31 January, used vehicle inventory was written down to net realisable value with a write-down of £11.5m (2022: £6.9m). The key assumptions underpinning the write-down of net realisable value of the used vehicle inventory are (i) the time to sell each vehicle; (ii) the expected sales price at the date of sale. Sensitivities have been performed on the key assumptions; (i) a 30 day sensitivity has been used for the time to sell each vehicle as this is a plausible scenario and (ii) a £500 sensitivity has been used for the expected sales price at the date of sale as in the region of £500 variations in GPUs have been seen in previous reporting periods. The inventory was sold to Lithia UK Holding Limited on 31 January 2024 and the value applied in the computation of the profit on disposal includes this write down.

If the average time to sell a vehicle is increased by 30 days then it would increase the write-down of the used vehicle inventory by £4.7m (2022: £2.5m). If the expected sales prices at the date of sale were to decrease by £500 per vehicle, then it would increase the expense recognised in the income statement of the write-down of used vehicle inventory by £4.8m (2022: £3.7m). Whereas if the average time to sell a vehicle is decreased by 30 days then it would decrease the value of the expense recognised of the write-down of used vehicle inventory by £3.8m (2022: £2.3m). Also if the expected sales prices at the date of sale were to increase by £500 per vehicle then it would decrease the expense recognised of the write-down of used vehicle inventory by £3.2m (2022: £2.4m) in the period ending 31 January 2024. As all inventory was disposed as part of the business disposal the overall income statement balance would have no sensitivity to these changes as an expense in the period would be matched by a gain on disposal.

#### Cash flow statement information

	<b>31 January 2024 £m</b>	31 December 2022 £m
Movement in inventory	<b>620.3</b>	(107.5)
Inventory changes in business disposals Other	<b>(1.5)</b>	(37.2)
Non cash movement in consignment vehicles	<b>43.5</b>	8.1
Transfer value of contract hire vehicles from fixed assets to inventory	<b>45.7</b>	16.8
Inventory changes in business disposals Lithia	<b>(669.5)</b>	-
Cash flow increase/(decrease) due to movements in inventory	<b>38.5</b>	(119.8)

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 3 - OPERATING ASSETS AND LIABILITIES

### 3.5 Movement in contract hire vehicle balance

	31 January 2024 £m	31 December 2022 £m
Depreciation	28.3	36.1
Changes in trade and other payables and deferred income	20.2	(7.9)
Purchases of contract hire vehicles	(102.5)	(46.6)
Unwinding of discounts in contract hire residual values	(3.3)	(2.5)
	<b>(57.3)</b>	<b>(20.9)</b>

### 3.6 Trade and other receivables

#### Accounting policy

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

Impairment losses are measured in accordance with IFRS 9, which is based on 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. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group considers a trade or other receivable to be in default when the borrower is unlikely to pay its credit obligations to the Group in full after all reasonable actions have been taken to recover the debt.

#### Credit risk management

The Group is exposed to credit risk primarily in respect of its trade receivables and financial assets. Trade receivables are stated net of provision for estimated impairment losses. Exposure to credit risk in respect of trade receivables is mitigated by the Group's policy of only granting credit to certain customers after an appropriate evaluation of credit risk. Credit risk arises in respect of amounts due from vehicle manufacturers in relation to bonuses and warranty receivables. This risk is mitigated by the range of manufacturers dealt with, the Group's procedures in effecting timely collection of amounts due and management's belief that it does not expect any manufacturer to fail to meet its obligations. Financial assets comprise trade and other receivables (as above) and cash balances. The counterparties are banks and management does not expect any counterparty to fail to meet its obligations. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Before granting any new customer credit terms the Group uses external credit scoring systems to assess the potential new customer's credit quality and defines credit limits by customer. These limits and credit worthiness are regularly reviewed and use is made of monitoring alerts provided by the providers of the credit scoring systems. The Group has no customer that represents more than 5% of the total balance of trade receivables.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 3 - OPERATING ASSETS AND LIABILITIES

### 3.6 Trade and other receivables *continued*

#### Balance sheet

	<b>31 January 2024 £m</b>	31 December 2022 £m
Trade receivables	<b>3.6</b>	58.9
Allowance for doubtful debts	<b>(0.5)</b>	(0.3)
	<b>3.1</b>	58.6
Manufacturer bonus receivables	-	23.3
Proceeds receivable in respect of sale of business to Lithia UK Holding Limited	<b>377.5</b>	-
Other receivables	<b>41.2</b>	24.3
Prepayments	-	9.5
	<b>421.8</b>	115.7

All amounts are due within one year.

The proceeds receivable in respect of sale of the UK Motor and Leasing businesses to Lithia UK Holding Limited were received on 1 February 2024.

Other receivables comprises of £40.3m due from Lithia UK Holding Limited in relation to settlement of intra-group balances between the two parties at 31 January 2024 (of which £28.0m was received on 1 February 2024).

Total trade receivables held by the Group at 31 January 2024 was £3.1m (31 December 2022: £58.6m).

The average credit period taken on sales of goods is 29 days (2022: 29 days). No interest is charged on trade receivables. The Group makes an impairment provision based on the expected credit losses it deems likely to incur. The calculation is based on an average of previous default experiences which is assessed against the risk of the current total in light of current economic expectations. An expense has been recognised in respect of impairment losses during the 13 month period of £0.3m (2022: £0.3m).

The ageing of trade and other receivables at the reporting date was:

	<b>Trade receivables 2024 £m</b>	<b>Manufacturer bonus receivables 2024 £m</b>	<b>Other receivables 2024 £m</b>	Trade receivables 2022 £m	Manufacturer bonus receivables 2022 £m	Other receivables 2022 £m
Not past due	<b>2.8</b>	-	<b>418.7</b>	27.6	22.8	23.4
Past due 0-30 days	<b>0.1</b>	-	-	19.8	0.2	0.6
Past due 31-120 days	<b>0.1</b>	-	-	8.5	0.3	0.3
Past due 120+ days	<b>0.6</b>	-	-	3.0	-	-
	<b>3.6</b>	-	<b>418.7</b>	58.9	23.3	24.3
Provision for impairment	<b>(0.5)</b>	-	-	(0.3)	-	-
	<b>3.1</b>	-	<b>418.7</b>	58.6	23.3	24.3

Included within the Other receivables of £417.7m at 31 January 2024 is £416.6m in respect of the sale consideration and settlement of other inter party balances due from Lithia UK Holding Limited.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 3 - OPERATING ASSETS AND LIABILITIES

### 3.6 Trade and other receivables *continued*

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	<b>31 January 2024 £m</b>	31 December 2022 £m
Balance at 1 January 2023 / 1 January 2022	0.3	0.3
Utilisation	(0.3)	(0.3)
Impairment loss recognised	0.8	0.3
Reclassified as assets held for sale	(0.3)	-
Balance at 31 January 2024 / 31 December 2022	<b>0.5</b>	0.3

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

#### Finance lease receivables

Where the group acts as a lessor of properties of which it is a lessee and the term of the head lease and sub lease are coterminous, rather than recognise a right of use asset the Group recognises a finance lease receivable which is measured at the net present value of future cash receipts discounted at the Group's incremental borrowing rate. The finance income element of rentals received under these leases is credited so as to give a constant rate of finance income on the remainder of the obligation. Finance income is credited in the income statement. The finance lease receivable is reduced by rentals received and increased by the interest income recognised.

	<b>31 January 2024 £m</b>	31 December 2022 £m
Non-current	-	14.8
Current	-	2.4
	-	17.2

Finance lease rentals are invoiced quarterly on standard rent quarter days, no credit terms are extended beyond these dates. Expected credit losses in respect of finance lease receivables are deemed immaterial.



# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 3 - OPERATING ASSETS AND LIABILITIES

### 3.7 Trade and other payables

#### Accounting policy

Trade and other payables are recognised initially at fair value and are subsequently stated at amortised cost using the effective interest method, less any write-offs.

#### Balance sheet

	<b>31 January 2024 £m</b>	31 December 2022 £m
Trade payables	<b>0.5</b>	71.7
Vehicle stocking loans	-	547.4
Contract hire buyback commitments	-	58.2
Consignment vehicle liabilities	-	35.3
Payments received on account	-	30.4
Other taxation and social security	<b>3.3</b>	2.9
Accruals and other deferred income	<b>19.2</b>	101.8
	<b>23.0</b>	847.7
Non-current	-	35.7
Current	<b>23.0</b>	812.0
	<b>23.0</b>	847.7

Trade payables are classified as other financial liabilities. Fair value is deemed to be the same as carrying value.

Details of the stocking loan facilities are presented in the Capital Management section of note 4.2 below.

The non-current element of trade and other payables relates to contract hire buyback commitments where the Group has contracted to repurchase vehicles, at predetermined values and dates, that have been let under operating leases or similar arrangements.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 3 - OPERATING ASSETS AND LIABILITIES

### 3.8 Deferred income

#### Software as a Service

The Group invoices customers of its Dealer Management System on a Software as a Service basis and is billed one month in advance of a quarterly billing cycle. Revenue and income are recognised over the quarter billed and any unrecognised income is held within deferred income. Movements for 2023 are stated gross to include external and intra group income.

#### Warranty policies sold

The income received in respect of warranty policies sold and administered by the Group is recognised over the period of the policy on a straight line basis. The unrecognised income is held within deferred income. All warranty contracts and deferred income entitlement were sold to Lithia UK Holding Limited on 31 January 2024.

#### Contract hire

Vehicles supplied to a leasing group for contract hire purposes where the Group undertakes to repurchase the vehicle at a predetermined date are accounted for in accordance with IFRS 16 Leases, where the Group is considered to be an operating lessor for all arrangements in place. The initial amounts received in consideration from the leasing group are allocated between the present value of the repurchase commitment, held within trade and other payables and a residual amount of deferred revenue held within deferred income. The deferred revenue, which effectively represents rentals received in advance, is taken to the income statement on a straight line basis over the related lease term. All Contract Hire contracts and deferred income entitlement were sold to Lithia UK Holding Limited. on 31 January 2024.

	Software as a service £m	Warranty policies £m	Contract hire £m	Total £m
At 1 January 2023	-	21.2	53.4	<b>74.6</b>
Created in the period	28.5	24.1	53.1	<b>105.7</b>
Recognised as income during the period	(22.0)	(13.9)	(34.9)	<b>(70.8)</b>
Warranty claims paid	-	(5.9)	-	<b>(5.9)</b>
Balance transferred on disposal of business	-	(25.5)	(71.6)	<b>(97.1)</b>
At 31 January 2024	6.5	-	-	<b>6.5</b>

Recognition of opening balance as at 31 December 2022

Recognised during the year	-	12.5	25.7	<b>38.2</b>
Balance transferred on disposal of business	-	8.7	27.7	<b>36.4</b>
	-	21.2	53.4	<b>74.6</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## SECTION 4 - FINANCING ACTIVITIES AND CAPITAL STRUCTURE

This section contains the notes and information to support the elements of both debt and equity financing as presented in the Consolidated Balance Sheet.

4.1	Accounting policies	4.5	Dividends
4.2	Financial instruments and derivatives	4.6	Share based compensation
4.3	Net financing costs	4.7	Leases
4.4	Capital and reserves		

### 4.1 Accounting policies

IFRS 9 requires an entity to recognise a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, an entity measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability. Subsequent to initial recognition financial assets and financial liabilities are classified and measured as described below.

#### Financial assets

IFRS 9 classifies assets according to the business model for their realisation, as determined by the expected contractual cashflows. This classification determines the accounting treatment, and the classification under IFRS 9 is by reference to the accounting treatment i.e. amortised cost, fair value through other comprehensive income or fair value through profit and loss.

A financial asset is measured at amortised cost if both of the following conditions are met:  
the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and  
the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are therefore classified and measured in these financial statements at amortised cost.

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Group measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 4 - FINANCING ACTIVITIES AND CAPITAL STRUCTURE

### 4.1 Accounting policies *continued*

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

#### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

#### Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

#### Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

#### Impairment of financial assets

IFRS 9 adopts an expected credit loss approach (ECL). The IFRS 9 approach does not require a credit event (an actual loss or a debt past a number of days due) to occur but is based on changes in expectations of credit losses. IFRS 9 also requires that impairment of financial assets be shown as a separate line item in either the statement of comprehensive income or the income statement.

#### Financial assets

	IFRS 9 classification	£m
Trade and other receivables	Amortised cost	417.5
Finance lease receivables	Amortised cost	-
Cash and cash equivalents	Amortised cost	47.4

**Trade and other receivables** - see note 3.6

#### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 4 - FINANCING ACTIVITIES AND CAPITAL STRUCTURE

### 4.1 Accounting policies *continued*

#### Loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. The effective interest basis is a method of calculating the amortised cost of a financial liability and of allocating interest payments over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

**Trade and other payables** - see note 3.7

#### Hedging Instruments

The Group no longer holds any hedging instruments to hedge currency risks arising from its activities. There are no material Group operations conducted in currencies other than GBP.

### 4.2 Financial instruments and derivatives

#### Cash and cash equivalents

	Carrying value and fair value 31 January 2024 £m	Carrying value and fair value 31 December 2022 £m
Bank balances and cash equivalents	47.4	69.4
Cash and cash equivalents in the Balance Sheet	47.4	171.9
Bank overdrafts repayable on demand and used for cash management in the Balance Sheet	-	(102.5)
Cash and cash equivalents in the statement of cash flows	47.4	69.4

Bank overdrafts reflect the aggregated overdrawn balances of Group companies (even if those companies have other positive cash balances).

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 4 - FINANCING ACTIVITIES AND CAPITAL STRUCTURE

### 4.2 Financial instruments and derivatives *continued*

#### Borrowings

As at 31 January 2024, borrowing facilities comprised an amortising Senior Term Finance Agreement (SFA), maturing March 2027, with an outstanding principal balance of £93m and a Revolving Credit Facility (RCF) of £75m, maturing March 2026, with extension at the option of lenders to March 2027. Irrevocable notices to cancel and repay both were given by the balance sheet date and all facilities were cancelled and repaid on 1 February 2024. Subsequent to the balance sheet date, the Group has signed a new £10m RCF with Barclays Bank, expiring in March 2027.

As at 31 January 2024, total facility commitments and expiry are as set out below:

	Expiry Date	£m
RCF	February 2024	75.0
SFA	February 2024	97.0
		172.0

At the date of this report the RCF remains undrawn.

For the 13 month period to 31 January 2024, the following margins and fees were in place:

	Current margin	Commitment (non-utilisation) fee
RCF	5.00%	2.25%
SFA	6.00%	n/a

For the 13 month period to 31 January 2024, the following covenants were in place:

The leverage covenant is calculated as the ratio of bank borrowings less cash in hand and at bank to underlying profit before tax, depreciation, amortisation and finance charges (excluding vehicle stocking plan interest charges disclosed in note 4.3) calculated on an IAS 17 basis. This ratio can not exceed 2.00 times. At the final reported covenant end period of 31 December 2023 the ratio was 0.3 times.

The fixed charge cover covenant is calculated as the ratio of underlying profit before tax, depreciation, amortisation and finance charges (excluding vehicle stocking plan interest charges disclosed in note 4.3) calculated on an IAS 17 basis plus rent paid, to finance charges (excluding vehicle stocking plan interest charges disclosed in note 4.3) plus payments for rent, scheduled amortisation under the SFA and pension contributions. This ratio must exceed 1.60 times. At the final reported covenant end period of 31 December 2023 the ratio was 2.5 times.

The minimum underlying EBITDA covenant is calculated as for the leverage covenant ratio i.e. underlying profit before tax, depreciation, amortisation and finance charges (excluding vehicle stocking plan interest charges disclosed in note 4.3) calculated on an IAS 17 basis. This must exceed £75.0m and at the final reported covenant end period of 31 December 2023 was £111.2m.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 4 - FINANCING ACTIVITIES AND CAPITAL STRUCTURE

### 4.2 Financial instruments and derivatives *continued*

#### Summary of borrowings

	Carrying value 31 January 2024 £m	Fair value 31 January 2024 £m	Carrying value 31 December 2022 £m	Fair value 31 December 2022 £m
<b>Non-current:</b>				
SFA	-	-	90.8	90.8
Other loan notes	0.2	0.2	0.2	0.2
Lease liabilities	0.6	0.6	197.9	197.9
<b>Total non-current</b>	<b>0.8</b>	<b>0.8</b>	<b>288.9</b>	<b>288.9</b>
SFA	93.0	93.0	1.7	1.7
Bank overdraft	-	-	102.5	102.5
Lease liabilities	0.4	0.4	20.0	20.0
<b>Total current</b>	<b>93.4</b>	<b>93.4</b>	<b>124.2</b>	<b>124.2</b>
<b>Total borrowings</b>	<b>94.2</b>	<b>94.2</b>	<b>413.1</b>	<b>413.1</b>

The Group had terminated its SFA and therefore repaid the principal outstanding of £93m on 1 February 2024.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 4 - FINANCING ACTIVITIES AND CAPITAL STRUCTURE

### 4.2 Financial instruments and derivatives *continued*

#### Reconciliation of movements of liabilities to cash flows arising from financing activities

13 month period ended 31 January 2024	Borrowings		Equity			Total £m
	Long term borrowings £m	Finance Lease £m	Share capital £m	Other reserves £m	Retained earnings £m	
At 1 January 2023	92.7	217.9	69.9	75.5	135.6	591.6
<b>Cash flows from financing activities</b>						
Payment of lease liabilities	-	(19.0)	-	-	-	(19.0)
Repayment of loans	(4.0)	-	-	-	-	(4.0)
Proceeds from issue of loans (net of directly attributable transaction costs)	-	-	-	-	-	-
Proceeds from issue of loans (net of directly attributable transaction costs)	-	(207.0)	-	-	-	(207.0)
	(4.0)	(226.0)	-	-	-	(230.0)
<b>Other changes</b>						
The effect of changes in foreign exchange rates	-	-	-	(0.1)	-	(0.1)
New leases undertaken - non cash	-	10.0	-	-	-	10.0
Issue of ordinary shares to the benefit of the EBT for which no cash flow arises	-	-	3.3	-	(3.3)	-
Disposal of leases - non cash	-	(0.5)	-	-	-	(0.5)
Liability-related : Lease expenses - non cash	-	(0.4)	-	-	-	(0.4)
Liability-related : Amortisation of fees and expenses	4.5	-	-	-	-	4.5
Equity-related : Total other changes	-	-	-	(12.6)	92.1	79.5
<b>At 31 January 2024</b>	<b>93.2</b>	<b>1.0</b>	<b>73.2</b>	<b>62.8</b>	<b>224.4</b>	<b>454.6</b>
<b>Year ended 31 December 2022</b>						
At 1 January 2022	87.3	222.1	69.9	75.0	80.7	535.0
<b>Cash flows from financing activities</b>						
Payment of lease liabilities	-	(22.2)	-	-	-	(22.2)
Repayment of loans	(90.5)	-	-	-	-	(90.5)
Proceeds from issue of loans (net of directly attributable transaction costs)	93.8	-	-	-	-	93.8
	3.3	(22.2)	-	-	-	(18.9)
<b>Other changes</b>						
The effect of changes in foreign exchange rates	0.1	0.1	-	-	-	0.2
New leases undertaken - non cash	-	35.3	-	-	-	35.3
Disposal of finance leases - non cash	-	(17.6)	-	-	-	(17.6)
Liability-related : Lease expenses - non cash	-	0.2	-	-	-	0.2
Liability-related : Amortisation of fees and expenses	2.0	-	-	-	-	2.0
Equity-related : Total other changes	-	-	-	0.5	54.9	55.4
<b>At 31 December 2022</b>	<b>92.7</b>	<b>217.9</b>	<b>69.9</b>	<b>75.5</b>	<b>135.6</b>	<b>591.6</b>

Interest payments in respect of the above borrowings are reported in operating cash flows in the Consolidated Cash Flow Statement.



# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 4 - FINANCING ACTIVITIES AND CAPITAL STRUCTURE

### 4.2 Financial instruments and derivatives *continued*

#### Fair value hierarchy

Financial instruments carried at fair value are required to be measured by reference to the following levels:

Level 1: quoted prices in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The RCF and SFA have been measured by a Level 2 valuation method.

The effective interest rates for all borrowings are all based by reference to SONIA. Leases are effectively held at fixed rates of interest within the range set out below. Information regarding classification of balances and interest, the range of interest rates applied in the year to 31 December 2022 and repricing periods, is set out in the table below.

	Classification	Carrying value £m	Classification	Interest classification	Interest rate range	Repricing periods
Bank balances and cash equivalents	Loans and receivables	47.4	Amortised cost	Floating GBP	0.45%-4.50%	6 months or less
<b>Borrowings</b>						
Non - current:						
Other loan notes	Other financial liabilities	0.2	Amortised cost	Fixed GBP	12.50%	n/a
Lease liabilities	Other financial liabilities	0.6	Amortised cost	Fixed GBP	10.00%	n/a
Total non-current		0.8				
RCF	Other financial liabilities	-	Amortised cost	Floating GBP	N/A - not drawn	6 months or less
SFA	Other financial liabilities	93.0	Amortised cost	Floating GBP	6.75% - 8.94%	6 months or less
Lease liabilities	Other financial liabilities	0.4	Amortised cost	Fixed GBP	10.00%	n/a
Total current		93.4				
Total borrowings		94.2				

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	31 January 2024 £m	31 December 2022 £m
Pound sterling	94.2	413.1

# NOTES TO THE FINANCIAL STATEMENTS

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## SECTION 4 - FINANCING ACTIVITIES AND CAPITAL STRUCTURE

### 4.2 Financial instruments and derivatives *continued*

#### Treasury policy, financial risk, funding and liquidity management

##### Financial risk management

The Group is exposed to the following risks from its use of financial instruments:

Funding and liquidity risk - the risk that the Group will not be able to meet its financial obligations as they fall due.

Credit risk - the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Market risk - the risk that changes in market prices, such as interest rates and foreign exchange rates, have on the Group's financial performance.

The Group's quantitative exposure to these risks is explained throughout these financial statements whilst the Group's objectives and management of these risks is set out below.

##### Treasury policy and procedures

Group treasury matters are managed within policy guidelines set by the Board with prime areas of focus being liquidity and interest rate exposure. Management of these areas is the responsibility of the Group's central treasury function. The Board does not permit the speculative use of derivatives.

##### Funding and liquidity management

The Group is financed primarily by its SFA, RCF, vehicle stocking credit lines and operating cash flow. The RCF and SFA are committed facilities which mature within appropriate timescales and are maintained at levels in excess of planned requirements.

Each business within the Group is responsible for its own day-to-day cash management and the overall cash position is monitored on a daily basis by the Group treasury department.

The maturity of non-current borrowings is as follows, excluding lease liabilities:

	31 January 2024 £m	31 December 2022 £m
Between 1 and 2 years	-	7.3
Between 2 and 5 years	0.2	83.7
	0.2	91.0

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 4 - FINANCING ACTIVITIES AND CAPITAL STRUCTURE

### 4.2 Financial instruments and derivatives *continued*

Maturities include contractual repayment dates for the amortising SFA. As at the balance sheet date, the Group had terminated its SFA and therefore repaid the principal outstanding of £93m, together with accrued interest and an early repayment premium of 2% of the principal, the following day. The Group also has £0.2m of loan notes outstanding with a contractual repayment date of March 2027. The maturities therefore represent the final repayment dates for these facilities and the total cash outflows associated with all borrowings, assuming interest rates remain at the same rates as at the period/year end, are estimated on an undiscounted basis as follows:

	Carrying amount	Contractual cashflows	Within 6 months	6 - 12 months	1-2 years	2-5 years	over 5 years
RCF	-	-	-	-	-	-	-
SFA	93.0	94.9	94.9	-	-	-	-
Loan notes	0.2	0.3	-	-	-	0.3	-
	93.2	95.2	94.9	-	-	0.3	-
Leases liabilities	1.0	1.1	0.3	0.2	0.5	0.1	-
Trade payables	0.5	0.5	0.5	-	-	-	-
	94.7	96.8	95.7	0.2	0.5	0.4	-

The Group has the following undrawn borrowing facilities:

	31 January 2024 £m	31 December 2022 £m
Expiring in 1-2 years	70.0	-
Expiring in 2-5 years	-	70.0
	70.0	70.0

The above reflects that £5m has been drawn on the RCF by way of bank guarantees to third parties, but such amounts do not constitute borrowings.

#### Interest rate risk management

The objective of the Group's interest rate policy is to minimise interest costs whilst protecting the Group from adverse movements in interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk whereas borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group does not actively manage cash flow interest rate risk as the Board believes that the retail sector in which the Group operates provides a natural hedge against interest rate movements. Consequently, it is normal Group policy to borrow on a floating rate basis. Following the disposal of the Group's motor businesses, the Group is expected to have little to no drawn debt so interest rate risk management shall not be a primary concern going forward. For this reason, presentation of an interest rate risk sensitivity analysis is now not relevant.

#### Foreign exchange risk management

The Group faces currency risk in respect of its net assets denominated in currencies other than sterling. On translation into sterling, movements in currency will affect the value of these assets. The Group's policy is therefore to match, where possible, net assets in overseas subsidiaries which are denominated in a foreign currency with borrowings in the same currency. With very little US assets remaining at the year end following the disposal all US business interests in prior years, no material hedging requirement remains so the Group now has no USD borrowings (2022: nil) against its net assets held in overseas subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 4 - FINANCING ACTIVITIES AND CAPITAL STRUCTURE

### 4.2 Financial instruments and derivatives *continued*

#### Hedges of net investments in overseas operations

A gain or loss in respect of an effective hedge of a net investment in an overseas operation is recognised directly in equity. Any ineffective portion of the hedge is recognised in the income statement. Included within bank borrowings are balances denominated in US dollars which are designated as a hedge of the net investment in the Group's US subsidiaries. Foreign exchange differences on translation of the borrowings to sterling at the balance sheet date are recognised within the translation differences reserve in equity, net of exchange differences in respect of the net investments being hedged.

	31 January 2024 \$m	31 December 2022 \$m
Aggregate fair value of borrowings designated as hedge of net investment in the Group's US subsidiaries	-	-
	<b>£m</b>	<b>£m</b>
Foreign exchange gains/(losses) on translation of borrowings to sterling at balance sheet date	-	-
Foreign exchange (losses)/gains on translation of net investments to sterling at balance sheet date	(0.1)	0.5
Net exchange gain/(loss) recognised within translation reserve in equity	(0.1)	0.5

#### Capital management

Following the disposal of the Group's UK Motor and Leasing businesses, the Group views its financial capital resources as primarily comprising share capital, cash generated through operating cashflow and access to a new RCF, which nonetheless is expected to remain largely undrawn. As the Group's continuing business is Software as a Service (SaaS), involving payment of licence fees in advance for periods of use, the Group is now expected to remain cash positive.

Core debt is essentially funded by the Group's SFA. The Group requires its revolving credit facility to fund its day-to-day working capital requirements. A fundamental element of the Group's financial resources was the provision of vehicle stocking credit lines, provided by the vehicle manufacturers' funding arms and other third party providers. The Group's funding of its vehicle inventories is set out below:

	31 January 2024 £m	31 December 2022 £m
New and used vehicles	-	559.7
Consignment vehicles	-	35.3
	-	595.0

Amounts included within trade and other payables in respect of these are:

Manufacturer finance arm	-	286.0
Third party stock finance	-	296.7
	-	582.7

Inventories are stated net of any Value Added Tax (VAT) whilst the related creditor is a gross amount. The creditor may also be higher than the inventory value due to timing of the vehicle sale and payment of the related liability.

When considering vehicle stocks from a funding risk view point we split the funding into that which is funded by the vehicle manufacturers through their related finance arms and that funded through third party stock finance facilities and bank borrowings. Financing for stock other than through bank borrowings is shown in trade creditors in the balance sheet.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 4 - FINANCING ACTIVITIES AND CAPITAL STRUCTURE

### 4.3 Net financing costs

#### Accounting policy

Finance income comprises interest income on funds invested, return on net pension scheme assets and gains on hedging instruments that are recognised in profit and loss. Interest income is recognised as it accrues in profit and loss, using the effective rate method.

Finance expense comprises interest expense on borrowings, unwinding of the discount on provisions, interest on net pension scheme obligations and losses on hedging instruments recognised in profit and loss. All borrowing costs are recognised in profit and loss using the effective interest method.

Gross finance costs directly attributable to the construction of property, plant and equipment are capitalised as part of the cost of those assets until such a time as the assets are substantially ready for their intended use or sale.

<b>Finance expense</b>	<b>13m period ended 31 January 2024 £m</b>	<b>Year ended 31 December 2022 £m</b>
Continuing operations - Recognised in profit and loss		
Interest payable on leases	0.1	-
<b>Total finance expense in continuing operations</b>	<b>0.1</b>	<b>-</b>
Discontinued operations - Recognised in profit and loss		
Interest payable on bank borrowings, SFA, Senior note and loan notes	15.6	10.8
Vehicle stocking plan interest	30.1	14.7
Interest payable on leases	16.2	14.7
Costs incurred on refinancing	-	2.6
Costs incurred on early redemption of SFA	4.1	-
Net interest on pension scheme obligations	-	0.3
Less: interest capitalised	(0.5)	(0.8)
<b>Total interest expense being interest expense in respect of financial liabilities held at amortised cost</b>	<b>65.5</b>	<b>42.3</b>
Unwinding of discounts in contract hire residual values	3.3	2.5
<b>Total finance expense in discontinued operations</b>	<b>68.8</b>	<b>44.8</b>
<b>Total finance expense</b>	<b>68.9</b>	<b>44.8</b>

Included within the finance expense in discontinued operations is interest of £0.5m which has been capitalised during the period on assets under construction at an average rate of 9.67% (2022: £0.8m).

<b>Finance income</b>	<b>13m period ended 31 January 2024 £m</b>	<b>Year ended 31 December 2022 £m</b>
Discontinued operations - Recognised in profit and loss		
Net interest on pension scheme obligations	0.2	-
Bank interest receivable	1.9	-
Interest receivable on finance leases	1.0	1.0
<b>Total finance income in discontinued operations</b>	<b>3.1</b>	<b>1.0</b>

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 4 - FINANCING ACTIVITIES AND CAPITAL STRUCTURE

### 4.4 Capital and reserves

#### Ordinary share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Allotted, called up and fully paid shares of 5p each	Number	£m
At 31 December 2022	1,396,944,405	69.9
Share issues	65,979,118	3.3
At 31 January 2024	1,462,923,523	73.2

During the 13 month period to 31 January 2024, 65,979,118 ordinary shares were issued at par value for proceeds of £3.3m. These shares were subsequently acquired by the EBT in order to satisfy pending share awards.

On 1 February 2024 a further 279,388,880 were issued to Lithia Motors, Inc. for a consideration of 10.7377 pence per share, totalling £30.0m pursuant to the business disposal agreement.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group. All shares rank equally with regard to the Group's residual assets.

#### Capital redemption reserve

The capital redemption reserve has arisen following the purchase by the Group of its own shares and comprises the amount by which distributable profits were reduced on these transactions in accordance with s733 of the Companies Act 2006. There were no transfers into the capital redemption reserve during the period in respect of shares purchased by the Group and subsequently cancelled (2022: £nil).

#### Other reserves

Other reserves included the amount of demerger reserve arising on the demerger of the Group from Williams Holdings PLC in 1989. During the period the Company restructured its investments resulting in a reclassification of £12.6m in respect of the merger reserve to profit and loss.

#### Own shares held by Employee Benefit Trust (EBT)

Transactions of the Group-sponsored EBT are included in the Group financial statements. In particular, the trust's purchases of shares in the Group, which are classified as own shares, are debited directly to equity through retained earnings. When own shares are sold or reissued the resulting surplus or deficit on the transaction is also recognised within retained earnings.

The market value of the investment in the Group's own shares at 31 January 2024 was £4.5m (31 December 2022: £0.3m), being 12.4m (2022: 1.5m) shares with a nominal value of 5p each, acquired at an average cost of £0.05 each (2022: £0.33). The trustee of the EBT is Accuro Trustees (Jersey) Limited. Shares in trust have been awarded to Executive Directors and employees under the Pendragon 1999 Approved Executive Share Option Scheme, Pendragon 1999 Unapproved Executive Share Option Scheme and to satisfy amounts under LTIPs. Details of the plans are given in the Directors' Remuneration Report on pages 51 to 61.

Dividends on the shares owned by the trust, the purchase of which were funded by interest free loans to the trust from Pinewood Technologies Group Plc, are waived. All expenses incurred by the trust are settled directly by Pinewood Technologies Group Plc and charged in the accounts as incurred.

The trust is regarded as a quasi subsidiary and its assets and results are consolidated into the financial statements of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

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## SECTION 4 - FINANCING ACTIVITIES AND CAPITAL STRUCTURE

### 4.4 Capital and reserves *continued*

#### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the net investment in foreign operations as well as from the translation of liabilities held to hedge the respective net investment in foreign operations.

### 4.5 Dividends

An dividend for of 24.5p per ordinary share amounting to a total of £358.4m is proposed to be paid on 7 May 2024 (2022: nil) as previously communicated to shareholders in the circular to shareholders dated October 2023 in respect of the sale of part of the business to Lithia Motors Inc. Lithia UK Holding Limited, who hold 279,388,880 ordinary shares waived their right to a dividend as per the terms of the business sale outlined in the afore mentioned circular. Interim accounts for the 14 month period to 29 February 2024 have been deposited at Companies House as the relevant accounts for the purpose of this distribution.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 4 - FINANCING ACTIVITIES AND CAPITAL STRUCTURE

### 4.6 Share based compensation

#### Accounting policy

The Group operates a number of employee share option schemes and an executive share ownership plan 'exsop' awarded in 2010. The fair value at the date at which the share options are granted is recognised in the income statement on a straight line basis over the vesting period, taking into account the number of options that are expected to vest. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The number of options that are expected to become exercisable is reviewed at each balance sheet date and if necessary estimates are revised.

#### Executive share options

The number and weighted average exercise prices of share options is as follows:

	Weighted average exercise price 2024	Number of options millions 2024	Weighted average exercise price 2022	Number of options millions 2022
Outstanding at beginning of period	31.8p	2.8	24.0p	3.8
Exercised during the period	31.8p	(1.4)	13.5p	(0.5)
Lapsed during the period	31.8p	(1.4)	13.5p	(0.5)
Outstanding at the end of the period	0.0p	-	31.8p	2.8
Exercisable at the end of the period	0.0p	-	31.8p	2.8

Movements in the number of options to acquire ordinary shares under the Group's various share option schemes, together with exercise prices and the outstanding position at 31 January 2024 were as follows:

Exercise period	Date of grant	Exercise price per share	At 31	Exercised Number	Lapsed Number	At 31
			December 2022 Number			January 2024 Number
19 September 2017 to 19 September 2024	18 September 2014	31.82p	2,829,500	(1,450,000)	(1,379,500)	-
			2,829,500	(1,450,000)	(1,379,500)	-

All grants of share options were issued pursuant to the 2009 Executive Share Option Scheme, which prescribed an earnings per share performance criterion. It is a precondition to the exercise of grants made under the 2009 Scheme that the growth in the Group's earnings per share over the prescribed three year period must exceed by at least 3 percent per annum compound the annual rate of inflation as shown by the RPI Index.

The weighted average share price at the date of exercise for share options exercised in the period/year was 36.35p (2022: 27.50p).

All options are settled by physical delivery of shares.



# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 4 - FINANCING ACTIVITIES AND CAPITAL STRUCTURE

### 4.6 Share based compensation *continued*

The fair value of the services received in return for share options is measured by reference to the fair value of the options granted. The estimate of the fair value of the services received in respect of share option schemes was measured using the Black-Scholes option pricing model. The weighted average fair value of the options at the date of grant for those that are outstanding at 31 January 2024 is nil (2022: 7.7p) as there are no options outstanding at the period end.

As part of the disposal transaction of the motor vehicle retail and leasing businesses to Lithia UK Holding Limited on 31 January 2024, Lithia UK Holding Limited agreed to directly purchase from employees a total of 1,450,000 shares which had vested pursuant to the Company's Share Option Plan.

#### Executive Long Term Incentive Plan ("LTIPs")

The number and weighted average exercise prices of executive LTIPs is as follows:

	Weighted average exercise price 2024	Number of options millions 2024	Weighted average exercise price 2022	Number of options millions 2022
Outstanding at the start of the period	0.00p	63.7	0.00p	44.1
Granted during the period	0.00p	15.8	0.00p	19.6
Lapsed during the period	0.00p	(13.5)	0.00p	-
Exercised during the period	0.00p	(66.0)	0.00p	-
Outstanding at the end of the period	-	-	0.00p	63.7

Movements in the number of options to acquire ordinary shares under the Group's LTIP, together with the outstanding position at 31 January 2024 were as follows:

Exercise period	Date of grant	At 31 December 2022 Number	Granted Number	Lapsed Number	Exercised Number	At 31 January 2024 Number
27 October 2023	28 October 2020	27,648,123	-	(2,968,844.0)	(24,679,279)	-
12 July 2024	13 July 2021	16,506,004	-	(1,895,156.0)	(14,610,848)	-
13 August 2025	14 August 2022	19,562,808	-	(8,620,367.0)	(10,942,441)	-
11 July 2026	10 July 2023	-	15,792,361	-	(15,792,361)	-
		63,716,935	15,792,361	(13,484,367)	(66,024,929)	-

As part of the disposal transaction of the motor vehicle retail and leasing businesses to Lithia UK Holding Limited on 31 January 2024, Lithia UK Holding Limited agreed to directly purchase from employees a total of 65,118,689 shares which had vested pursuant to the Company's Long Term Incentive Plan.

During the year, the Company modified the existing conditions attached to LTIPs as part of disposal transaction. These modifications represented changes in non-market based terms, and therefore there was no impact on the fair value of the options. An incremental charge of £2.9m (2022: £nil) was incurred by these modifications which included the acceleration of vesting.

The weighted average fair value of the LTIPs exercised during the period is 34.69p (2022: n/a)

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 4 - FINANCING ACTIVITIES AND CAPITAL STRUCTURE

### 4.6 Share based compensation *continued*

Consistent with the advice received from the Company's corporate lawyers, the sale of the UK Motor and Leasing divisions was treated as a demerger for the purposes of the LTIP rules, meaning that outstanding LTIP awards vested at completion, subject to the Committee's assessment of performance and the length of time the relevant awards had been held.

While the Committee did consider whether it would be appropriate to continue to vest the awards at the respective normal vesting dates, this was not considered practicable given the significant number of senior employees transferring outside of the group (which triggered automatic vesting), and the fact that the original Pendragon performance targets would no longer be relevant to Pinewood going forward. As such, the Committee determined that all LTIP award holders should be treated equally and the schemes would therefore vest on the same terms.

As a result, and as previously disclosed, the 2020 LTIPs vested on the normal 31 October 2023 vesting date at 91.6% of the maximum and, given that the performance period had been completed, the 2021 LTIPs vested at 91.6% at completion. In respect of the 2022 and 2023 LTIPs, the Committee assessed the relevant performance targets and the length of time the relevant awards had been held and determined that 66.6% of maximum awards (i.e. on-target performance) should vest at completion.

The fair value at the date at which the share options are granted is recognised in the income statement on a straight line basis over the vesting period, taking into account the number of options that are expected to vest. The number of options that are expected to become exercisable is reviewed at each balance sheet date and if necessary estimates are revised. The fair value of the services received in return for the LTIPs is measured by reference to the fair value of the LTIPs granted. For the options granted in the current year, as these are vested within 12 months, there are no market based performance conditions attached and management doesn't expect to pay any dividends to the shareholders for current year, the average market price is used to calculate the share based payment charge instead of using an option pricing model.

<b>Executive LTIP Scheme</b>	<b>Year ended 31 December 2022</b>
Number of share options granted in period	<b>19,562,808</b>
Weighted average share price (pence)	<b>24.10</b>
Weighted average exercise price (pence)	<b>0.00</b>
Weighted average fair value (pence)	<b>23.72</b>
Expected volatility (%)	<b>53.5%</b>
Expected life (years)	<b>3.0</b>
Risk free rate (%)	<b>3.8%</b>
Expected dividend yield (%)	<b>0.0%</b>

Expected volatility in the table above in respect of the 2022 award was determined by calculating the historical volatility of the Group's share price over the corresponding historical period. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of exercise restrictions and associate turnover.

#### **Income statement**

The Group recognised a total net expense, including the charge recognised for the accelerated vesting, of £5.9m (2022: £3.3m) as an employee benefit cost in respect of all equity-settled share based payment transactions included within administration costs.

# NOTES TO THE FINANCIAL STATEMENTS

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## SECTION 4 - FINANCING ACTIVITIES AND CAPITAL STRUCTURE

### 4.7 Leases

#### Accounting policies

##### Leases as a Lessee

At inception of a contract, the Group 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 Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

The Group 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 Group's incremental borrowing rate. Lease payments include fixed rental payments and amounts expected to be payable under a residual value guarantee. Generally the Group uses its incremental borrowing rate as the discount rate. The Group 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.

Sale and leaseback transactions. When a transfer of an asset is made and it is deemed a sale in accordance with IFRS 15, the resulting right-of-use asset arising from the leaseback is measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller/lessee. Gain or loss is recognised only at the amount that relates to the rights transferred to the buyer/lessor.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the Balance Sheet.

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

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 4 - FINANCING ACTIVITIES AND CAPITAL STRUCTURE

### 4.7 Leases *continued*

#### Balance Sheet

Prior to the sale of the business to Lithia UK Holding Limited the Group leased a large number of properties for use as motor vehicle dealerships, parts distribution warehouses, storage compounds and offices. At 31 January 2024, following the disposal to Lithia, the Group retained a single property lease with 2.5 years to expiry. This lease does not contain an extension clause. The lease has a break clause allowing the Group to terminate the agreement earlier than the lease expiry date. The Group has applied judgement in that unless it is reasonably certain that such a break option will be exercised, the calculation of the lease liability and right of use asset is made up to the expiry date of the lease.

Right of use assets are presented as part of property, plant and equipment as presented in note 3.2.

#### Right of Use Assets

	Land & buildings £m	Motor vehicles £m	Total £m
<b>Balance at 1 January 2022</b>	126.4	0.1	<b>126.5</b>
Additions to right of use assets	22.5	-	<b>22.5</b>
Depreciation charge	(15.1)	(0.1)	<b>(15.2)</b>
Impairment	(0.2)	-	<b>(0.2)</b>
Disposals of right of use assets	(3.1)	-	<b>(3.1)</b>
<b>Balance at 31 December 2022</b>	<b>130.5</b>	<b>-</b>	<b>130.5</b>
<b>Balance at 1 January 2023</b>	130.5	-	<b>130.5</b>
Additions to right of use assets	5.7	-	<b>5.7</b>
Depreciation charge	(12.3)	-	<b>(12.3)</b>
Impairment	-	-	-
Disposals of right of use assets	(1.1)	-	<b>(1.1)</b>
Classified as non-current assets held for sale	(122.0)	-	<b>(122.0)</b>
<b>Balance at 31 January 2024</b>	<b>0.8</b>	<b>-</b>	<b>0.8</b>

Disposals of right of use assets have occurred on assignment of leases, derecognition on entering into sub leases and early terminations.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 4 - FINANCING ACTIVITIES AND CAPITAL STRUCTURE

### 4.7 Leases *continued*

Lease liabilities	Land & buildings £m	Motor vehicles £m	Total £m
<b>Balance at 1 January 2022</b>	(222.0)	(0.1)	<b>(222.1)</b>
Additions to right of use assets	(34.9)	-	<b>(34.9)</b>
Additions to lease receivables	(0.4)	-	<b>(0.4)</b>
Interest expense related to lease liabilities	(14.7)	-	<b>(14.7)</b>
Disposals of lease liabilities	17.6	-	<b>17.6</b>
Repayment of lease liabilities (including interest element)	36.8	0.1	<b>36.9</b>
Exchange adjustments	(0.1)	-	<b>(0.1)</b>
Other movements	(0.2)	-	<b>(0.2)</b>
<b>Balance at 31 December 2022</b>	<b>(217.9)</b>	<b>-</b>	<b>(217.9)</b>
Non-current	(197.9)	-	<b>(197.9)</b>
Current	(20.0)	-	<b>(20.0)</b>
<b>Balance at 31 December 2022</b>	<b>(217.9)</b>	<b>-</b>	<b>(217.9)</b>
<b>Balance at 1 January 2023</b>	<b>(217.9)</b>	<b>-</b>	<b>(217.9)</b>
Additions to right of use assets	(5.3)	-	<b>(5.3)</b>
Additions to lease receivables	-	-	-
Interest expense related to lease liabilities	(12.2)	-	<b>(12.2)</b>
Repayment of lease liabilities (including interest element)	26.3	-	<b>26.3</b>
Other movements	-	-	-
Transfer of liability to Liabilities held for sale as part of a disposal group	208.1	-	<b>208.1</b>
<b>Balance at 31 January 2024</b>	<b>(1.0)</b>	<b>-</b>	<b>(1.0)</b>
Non-current	(0.6)	-	<b>(0.6)</b>
Current	(0.4)	-	<b>(0.4)</b>
<b>Balance at 31 January 2024</b>	<b>(1.0)</b>	<b>-</b>	<b>(1.0)</b>

The calculation of the lease liability and the right of use asset relies upon the estimation of a suitable interest rate. The Group has applied rates to represent the different types of leases it has by applying its incremental borrowing rate for shorter term leases and a higher rates based upon market rates for borrowing against equivalent assets with similar risk profiles in specific markets for medium to longer term leases.

Other future possible cash outflows not included in the lease liability include the payment of dilapidations in respect of properties where the lease contains specific condition of return clauses. Whilst the Group endeavours to maintain its properties to a high standard it is likely that such payments will be made in the future when lease contracts end.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 4 - FINANCING ACTIVITIES AND CAPITAL STRUCTURE

### 4.7 Leases *continued*

#### Amounts recognised in profit or loss

	2024 £m	2022 £m
Depreciation of right of use assets	12.3	15.2
Impairment of right of use assets	-	0.2
(Losses)/gains on the disposal, termination and assignment of leases (non-underlying) (included in Other income - gains on the sale of businesses and property, plant and equipment)	(0.1)	0.6
Interest on lease liabilities	16.2	14.7
Expense relating to variable lease payments not included in lease liabilities	0.2	0.1
Expenses relating to low value leases	0.8	0.7
Expenses relating to short term leases	3.0	6.5

Of the £16.2m lease liability interest charge, £4.0m was the charge after classification as assets held for sale.

Expenses relating to variable lease payments not included in lease liabilities relate to the payment of dilapidation claims made on properties.

#### The Group as lessor

##### Leases as a Lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Where the Group acts as a Lessor of an operating lease, receipts of lease payments are recognised in the income statement on a straight line basis over the period of the lease. Where the Group acts as a Lessor of a finance lease the Group will, rather than recognise a right of use asset, recognise a finance lease receivable, this being the present value of future lease receipts discounted at the interest rate implicit in the lease or if this is not specified the Group's incremental borrowing rate. The finance lease receivable will be increased by the interest received and reduced by payments made by the lessee.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 4 - FINANCING ACTIVITIES AND CAPITAL STRUCTURE

### 4.7 Leases *continued*

#### Balance Sheet

#### Lease receivables

<b>Land and buildings</b>	<b>13m period ended 31 January 2024 £m</b>	<b>Year ended 31 December 2022 £m</b>
<b>Balance at 1 January 2023 / 2022</b>	<b>17.2</b>	17.6
Additions to lease receivables	1.3	2.6
Interest income related to lease receivables	1.0	1.0
Disposals of lease liabilities	-	(1.0)
Payment of lease receivables (including interest element)	<b>(3.4)</b>	(3.0)
Disposals on sale of business (see note 6.1)	<b>(16.1)</b>	-
<b>Balance at 31 January 2024 / 31 December 2022</b>	<b>-</b>	17.2
Non-current	-	14.8
Current	-	2.4
	-	17.2

The following table sets out a maturity analysis of lease payments receivable, showing the undiscounted lease payments to be received after the reporting date:

	<b>31 January 2024 £m</b>	<b>31 December 2022 £m</b>
Less than one year	-	3.3
Between one and two years	-	3.1
Between two and three years	-	2.5
Between three and four years	-	2.3
Between four and five years	-	2.3
More than five years	-	8.0
<b>Total undiscounted lease receivable</b>	<b>-</b>	21.5
Unearned finance income	-	(4.3)
	-	17.2

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 4 - FINANCING ACTIVITIES AND CAPITAL STRUCTURE

### 4.7 Leases *continued*

At the 31 January 2024 (31 December 2022) balance sheet date, the Group had contracted with tenants for the following future minimum lease payments on leases classified as operating leases.

	31 January 2024 Property £m	31 December 2022 Property £m
Less than one year	-	2.4
Between one and two years	-	2.3
Between two and three years	-	2.2
Between three and four years	-	1.8
Between four and five years	-	1.1
More than five years	-	2.8
	-	12.6

The Group has no properties that are treated as investment properties.

### Amounts recognised in profit or loss

	13m period ended 31 January 2024 £m	Year ended 31 December 2022 £m
Operating lease rentals received	3.4	2.9
Interest received on finance lease receivables	1.0	1.0
	4.4	3.9



# NOTES TO THE FINANCIAL STATEMENTS

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## SECTION 5 - PENSION SCHEMES

This section explains the pension scheme obligations of the Group.

### 5.1 Pension obligations

#### Accounting policy

The Group operated a number of defined benefit and defined contribution plans during the period. At the balance sheet date, the Group had disposed of its defined benefit plan, and its obligations under any defined contribution arrangements in respect of the majority of its employees were similarly disposed of with the departure of those Group employees on the sale of the Group's interests in the motor and leasing divisions. The commentary immediately following therefore pertains to arrangements that existed during the period up until the disposal. The assets of the defined benefit plan and one defined contribution plan are held in independent trustee administered funds. The Group also operates a Group Personal Pension Plan which is a defined contribution plan where the assets are held by the insurance Group under a contract with each individual.

Defined contribution plans - A defined contribution plan is one under which the Group pays fixed contributions and has no legal or constructive obligation to pay further amounts. Therefore, no assets or liabilities of these plans are recorded in these financial statements. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement when they are due.

Defined benefit plans - Pension accounting costs for defined benefit plans are assessed by determining the pension obligation using the projected unit credit method after including a net return on the plan assets. Under this method, in accordance with the advice of qualified actuaries, the amounts charged in respect of employee benefits reflect the cost of benefits accruing in the period and the cost of financing historical accrued benefits. The Group recognises all actuarial gains and losses arising from defined benefit plans in the statement of other comprehensive income immediately.

The present value of pension obligations is measured by reference to market yields on high quality corporate bonds which have terms to maturity approximating to the terms of the related pension liability. Plan assets are measured at fair value. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Under IAS 19 Employee Benefits, the Group recognises an interest expense or income which is calculated on the net defined benefit liability or asset respectively by applying the discount rate to the net defined benefit liability or asset.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses and the return on plan assets (excluding interest) are immediately recognised directly in the statement of other comprehensive income. Actuarial gains and losses are the differences between actual and interest income during the period, experience losses on scheme liabilities and the impact of any changes in assumptions. Details of the last independent statutory actuarial valuation and assumptions are set out below.

# NOTES TO THE FINANCIAL STATEMENTS

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## SECTION 5 - PENSION SCHEMES

### 5.1 Pension obligations *continued*

#### **Pension arrangements**

The Group operated six defined benefit pension schemes (one of which had a defined contribution section) which closed to new members and accrual of future benefits on 30 September 2006 and a defined contribution scheme which was closed to new contributions from April 2006. All affected employees were offered membership of a defined contribution pension arrangement with Friends Provident. A Group Personal Pension arrangement with Legal & General replaced the Friends Provident arrangement from 1 January 2010. Total contributions paid by the Group in the period to the Legal & General arrangement were £2.6m (2022: £4.7m). To comply with the Government's automatic enrolment legislation, the Group chose to participate in the People's Pension Scheme in April 2013. This is a defined contribution occupational pension scheme provided by B&CE. Total contributions paid by the Group to the People's Pension in the period were £3.6m (2022: £6.0m). The combined contributions to the Group's Personal Pension arrangement and the Peoples Pension scheme therefore totalled £6.2m in the period (2022: £10.7m).

During 2012 the Trustees merged the six defined benefit schemes into one new defined benefit scheme, 'the Pendragon Group Pension Scheme', which remains closed to new members and accrual of future benefits. The assets of the six schemes have all been transferred into the new scheme and the benefits previously accrued in the six schemes were transferred without amendment of the benefit entitlement of members to the new scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The Board of the Trustees of the pension scheme is currently composed of a single professional independent trustee. The Trustee of the scheme is required to act in the best interest of the scheme's beneficiaries. The appointment of the Trustee is determined by the scheme's trust documentation.

#### **Funding**

The Pendragon Group Pension Scheme is fully funded by the Group's subsidiaries. The funding requirements are based on the Scheme's actuarial measurement framework set out in the funding policies of the Scheme. Employees are not required to contribute to the plans.

#### **Central Asset Reserve**

Pinewood Technologies Group Plc was a general partner and the Pendragon Group Pension Scheme is a limited partner of the Pendragon Scottish Limited Partnership (the Partnership). The Partnership holds properties with a book value of £45.1m (with a most recent market valuation of £47.1m), which have been leased back to the Group at market rates. The Group, until disposal to Lithia UK Holding Limited, retained control over these properties, including the flexibility to substitute alternative properties. As such, the Partnership is consolidated into the results of the Group. During the period the Group has paid £4.0m to the Pendragon Group Pension Scheme through the Partnership (2022: £3.2m).

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 5 - PENSION SCHEMES

### 5.1 Pension obligations *continued*

#### IAS 19 assumptions

The IAS assumptions have been applied to calculate the surplus in the Scheme that was disposed of to Pendragon Newco2 Limited, a subsidiary of Lithia UK Holding Limited on 31 January 2024.

The principal assumptions used by the independent qualified actuaries for the purposes of IAS 19 for all schemes were:

	<b>13m period ended 31 January 2024</b>	Year ended 31 December 2022
Inflation - RPI	<b>3.10%</b>	3.25%
Inflation - CPI	<b>2.75%</b>	2.85%
Discount rate	<b>4.85%</b>	5.00%
Mortality table assumption *	<b>109% of the standard tables S3PMA/ S3PFA_M, Year of birth, no age rating projected using CMI_2022 (1.25%)</b>	111% of the standard tables S3PMA/ S3PFA_M, Year of birth, no age rating projected using CMI_2021 (1.25%)

\*The mortality table assumption implies the following expected future lifetime from age 65:

	<b>13m period ended 31 January 2024</b>	Year ended 31 December 2022
Males aged 45	<b>22.1</b>	22.7
Females aged 45	<b>24.2</b>	24.7
Males aged 65	<b>20.8</b>	21.4
Females aged 65	<b>22.8</b>	23.2

The sensitivities regarding the principal assumptions used to measure scheme liabilities are set out below. The Group regards these sensitivities as reasonably likely to occur.

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.50%	Decrease of 5.7%/increase of 6.3%
Rate of inflation	Increase/decrease by 0.25%	Increase of 1.5%/decrease of 1.5%
Mortality	Increase in life expectancy of 1 year	Increase by 2.9%

The sensitivities shown above are approximate. The discount rate sensitivity has been set at 1.00% for 2022 to reflect current market uncertainty. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the period ending 31 January 2024 is 12 years (2022: 14 years).

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 5 - PENSION SCHEMES

### 5.1 Pension obligations *continued*

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the value of the schemes liabilities, which is derived from cash flow projections over long periods and thus inherently uncertain, are:

<b>Scheme assets and liabilities</b>	<b>31 January 2024 £m</b>	<b>31 December 2022 £m</b>
Global equities	16.5	31.0
Credit funds	116.4	134.9
Private markets	48.1	69.0
Liability driven investments	84.1	86.3
Diversified growth fund	22.4	20.7
Cash	79.7	24.4
Fair value of scheme assets	367.2	366.3
Present value of funded defined benefit obligations	(366.7)	(368.9)
	0.5	(2.6)
Scheme assets and liabilities disposed as part of business disposal (see note 6.2)	(0.5)	0
Net liability on the balance sheet	-	(2.6)

In addition to the assets and liabilities set out above there are a small number of insurance policies (with a value of £5.2m at the last triennial valuation date of 31 December 2021) purchased to pay annuities to 70 pensioners. These policies represent both an asset and liability of the scheme and therefore have no impact on the net deficit position. These arrangements were also disposed of as at the balance sheet date.

None of the fair values of the assets shown above include any of the Group's own financial instruments or any property occupied by, or other assets used by, the Group.

The Group has reviewed implications of the guidance provided by IFRIC 14 and have concluded that it is not necessary to make any adjustments to the IAS 19 figures in respect of an asset ceiling or Minimum Funding Requirement that would affect the value disposed of during the period or as at 31 January 2024.

The Trust Deed provides the Scheme employer with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Based on this right, any net surplus in the UK scheme is recognised in full.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 5 - PENSION SCHEMES

### 5.1 Pension obligations *continued*

#### Movements in the net liability for defined benefit obligations recognised in the balance sheet

	13m period ended 31 January 2024 £m	Year ended 31 December 2022 £m
Net liability for defined benefit obligations at 1 January 2023/1 January 2022	(2.6)	(23.6)
Contributions received	14.2	13.1
Expense recognised in the income statement	0.2	(0.3)
Actuarial gains and losses recognised in the statement of other comprehensive income	(11.3)	8.2
Pension balance disposed as part of business sale on 31 January 2024 (see note 6.2)	(0.5)	-
Net liability for defined benefit obligations at 31 January 2024 / 31 December 2022	-	(2.6)

<b>Total in the income statement</b>	<b>2024 £m</b>	<b>2022 £m</b>
Net interest on obligation	(0.2)	0.3

The expense is recognised in the following line items in the income statement:	<b>2024 £m</b>	<b>2022 £m</b>
Finance costs	(0.2)	0.3

The expected discount rate as at 31 January 2024 was 4.85%. This compares to the discount rate of 5.00% used in the calculation of the interest income for the period ending 31 December 2022.

#### Past service costs

The High Court ruling in the Lloyds Banking Group Pension Trustees Limited v Lloyds Bank plc and others published in October 2018 held that UK pension schemes with Guaranteed Minimum Pensions (GMPs) accrued from 17 May 1990 must equalise for the different effects of these GMPs between men and women. Allowance was made in the benefit obligations at 31 December 2018 for the estimated impact, with a cost recorded as a benefit change in the Income Statement. The Trustees and Company have yet to implement GMP equalisation and there is no new evidence. Therefore, the previous GMP equalisation allowance has been retained but adjusted for the passage of time and to reflect the estimated impact of changes in market conditions.

A further High Court ruling on 20 November 2020 in the Lloyds Bank Trustees' case extends the scope of the GMP equalisation to include previous transfer values paid from the scheme since 1990. An allowance for the estimated impact of this was included in the benefit obligations at 31 December 2020 of £3.3m and similarly recorded as a past service cost in the Income Statement in 2020. This approximate allowance for GMP equalisation in historic transfers out of the Plan has been retained but adjusted for the passage of time and to reflect the estimated impact of changes in market conditions.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 5 - PENSION SCHEMES

### 5.1 Pension obligations *continued*

#### Actuarial gains and losses recognised directly in the statement of other comprehensive income

	13m period ended 31 January 2024 £m	Year ended 31 December 2022 £m
Cumulative amount at 1 January 2023 / 1 January 2022	(29.2)	(37.4)
Recognised during the period	(11.3)	8.2
Balance on disposal of business on 31 January 2024	40.5	-
Cumulative amount at 31 January 2024 / 31 December 2022	-	(29.2)

#### Defined benefit income recognised in statement of other comprehensive income

	13m period ended 31 January 2024 £m	Year ended 31 December 2022 £m
Return on plan assets, excluding interest income	(12.5)	(184.1)
Experience gain on scheme liabilities	(1.1)	(25.6)
Changes in assumptions underlying the present value of scheme obligations	2.3	217.9
	(11.3)	8.2

#### Changes in the present value of the defined benefit obligation

	13m period ended 31 January 2024 £m	Year ended 31 December 2022 £m
Opening present value of defined benefit obligation	368.9	569.2
Interest cost	19.5	10.1
Remeasurements:		
Experience adjustments	1.1	25.6
Actuarial gains due to changes in demographic assumptions	(7.5)	(1.3)
Actuarial losses/(gains) to changes in financial assumptions	5.2	(216.6)
Benefits paid	(20.5)	(18.1)
Defined benefit obligation disposed as part of business disposal (see note 6.1)	(366.7)	-
Closing present value of defined benefit obligation	-	368.9

#### Movement in fair value of scheme assets during the period

	13m period ended 31 January 2024 £m	Year ended 31 December 2022 £m
Opening fair value of assets	366.3	545.6
Interest income	19.7	9.8
Return on plan assets, excluding interest income	(12.5)	(184.1)
Contributions by employer	14.2	13.1
Benefits paid	(20.5)	(18.1)
Scheme assets disposed as part of business disposal (see note 6.1)	(367.2)	-
End of period	-	366.3

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 6 - OTHER NOTES

This section contains the notes and information relating to acquisitions and disposals and related party transactions:

6.1 Business disposals      6.2 Related party transactions      6.3 Contingent liability      6.4 Post balance sheet events

### 6.1 Business disposals

#### Accounting policy

The results of businesses disposed of during the year are included up to the effective date of disposal using the acquisition method of accounting.

#### Activity

On 31 January 2024 the Group disposed of its entire motor retail and leasing business, together with related central support functions, to Lithia UK Holding Limited for a consideration of £377.5m, resulting in a profit on disposal of £40.7m. Consideration was received in cash on 1 February 2024.

Net assets at the date of disposal:

	<b>Total net book value £m</b>
Assets held for sale	<b>305.4</b>
Bank balances and cash in hand	<b>15.3</b>
	<b>320.7</b>
Profit on sale of businesses	<b>40.7</b>
Total proceeds	<b>361.4</b>
Proceeds on sale comprise	
Proceeds on sale satisfied by cash and cash equivalents - received 1 February 2024	<b>377.5</b>
Transaction fees	<b>(16.1)</b>
	<b>361.4</b>

On 2 October 2023, the Boards of Directors of Pendragon and of Lithia Motors, Inc. announced that they had agreed the terms of a proposed sale by Pendragon Group Holdings Limited of the entire issued share capital of Pendragon NewCo 2 Limited which will hold, either directly or indirectly through its wholly-owned subsidiaries, the Company's entire UK motor business and leasing business, to Lithia UK Holding Limited, a wholly-owned subsidiary of Lithia Motors, Inc. for a gross aggregate consideration of £397m, subject to certain financial adjustments including settlement the Group's net debt (borrowings less cash in hand and at bank), settlement of any intercompany balances and provision for a working capital facility for the remaining group, as of 31 January 2024 and a subscription for new ordinary shares in Pinewood Technologies Group Plc totalling £30.0m.

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 5 - PENSION SCHEMES

### 6.1 Business disposals *continued*

<b>Consideration analysis</b>	<b>Total net book value £m</b>
Total consideration	397.0
Share subscription in Pinewood Technologies Group Plc by Lithia UK Holding Limited	(30.0)
Base consideration	367.0
Adjustment for settlement of net debt	37.8
Settlement of inter group balance	(28.0)
Working capital adjustment	0.7
Proceeds recognised on sale	377.5

During the earlier part of the 13m period ending 31 January 2024 the Group disposed of a single motor vehicle dealership business for net proceeds of £1.3m which resulted in a loss on disposal of £0.1m.

Net assets at the date of disposal:	<b>Total net book value £m</b>
Property, plant and equipment	0.1
Inventories	1.5
Trade and other payables	(0.2)
	1.4
Loss on sale of businesses	(0.1)
Proceeds on sale satisfied by cash and cash equivalents net of costs	1.3

During the previous year the Group disposed of its DAF businesses of £3.2m and realising a profit of £0.3m on disposal and received a further £0.7m in the form of deferred consideration relating to the sale of the US businesses in 2021.

<b>Cash flow statement information</b>	<b>Total net book value £m</b>
Proceeds from sale of to Lithia UK Holding Limited	377.5
Less proceeds unpaid as at 31 January 2024	(377.5)
Transaction fee expense incurred in Lithia sale	(16.1)
Less fees remaining unpaid at 31 January 2024	9.5
Fees paid in advance of completion on business disposal to Lithia	(6.6)
Proceeds from sale of other business	1.3
Cash flows from investing activities in respect of proceeds from sale of businesses net of fees paid	(5.3)
	15.3
Cash disposed as part of any business disposal during the period/year.	15.3

### 6.2 Related party transactions

#### Subsidiaries

The Group's ultimate parent company is Pinewood Technologies Group Plc. A listing of subsidiaries is shown within the financial statements of the Group on page 154.



# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 6 - OTHER NOTES

### 6.2 Related party transactions *continued*

#### Transactions with key management personnel

The key management personnel of the Group comprise the executive and non-executive directors. The details of the remuneration, long term incentive plans, shareholdings, share option and pension entitlements of individual directors are included in the Directors' Remuneration Report on pages 51 to 61.

Directors of the Group and their immediate relatives control 1.17% of the ordinary shares of the Group.

During the period/year key management personnel compensation was as follows:

	13m period ended 31 January 2024 £m	Year ended 31 December 2022 £m
Short term employee benefits	3.1	3.0
Post-employment benefits	0.1	0.1
Share based payments (including the charge recognised for the accelerated vesting in the period ending 31 January 2024)	2.3	1.9
	5.5	5.0

#### 6.3 Contingent liabilities

One of the Group's subsidiary companies, Pinewood Technologies PLC ("Pinewood"), is currently in dispute with one of its former software resellers, Pinewood Technologies Asia Pacific Limited ("PAP").

PAP owes Pinewood over £0.5m (plus daily interest), which relates to unpaid invoices arising from the reseller agreements. Subsequent to the non-payment of this debt, PAP has claimed that Pinewood is in breach of the reseller agreements, and has made a claim against Pinewood.

Pinewood considers PAP's claim to be entirely misconceived and lacking merit and no provision has been made for it on that basis.

There have been a number of letters of claim, and complaints escalated to the Financial Ombudsman Service (FOS) relating to discretionary finance commission structures. It is the view of the directors that the Company fully complied with the FCA regulations applicable at the relevant time, and any liabilities relating to potential claims on this issue are capped at £1 due to an indemnity policy that is in place, as a result of the disposal agreement.

#### 6.4 Post balance sheet events

The sale of the Motor and Leasing business to Lithia UK Holding Limited was concluded on 31 January 2024. The consideration for the sale of £377.5m was received on 1 February 2024. At the same time the Senior Term Finance Agreement, with an outstanding principal balance of £93m was repaid and the existing Revolving Credit Facility of £75m was cancelled. A new £10m RCF was agreed on 14 February 2024 expiring February 2027. On 1 February 2024 a further 279,388,880 were issued to Lithia Motors, Inc. for a consideration of 10.7377 pence per share, totalling £30.0m pursuant to the business disposal agreement. Also on 1 February 2024 the Group, through its Pendragon North America Automotive, Inc. subsidiary, made a £10m investment into a joint venture agreement with PNA Holding LLC (a subsidiary of Lithia Motors Inc.) in Pinewood North America LLC.

On 5 April 2024, the Company announced that it would undertake a capital reorganisation whereby 1 new Ordinary Share of 100 pence each will be issued for every 20 existing Ordinary Shares of 5 pence each. This is an adjusting post balance sheet event and therefore the earnings per share calculations for the current period and prior period financial statements have been presented reflecting the revised number of shares post the capital reorganisation.

# COMPANY BALANCE SHEET

Company Balance Sheet | At 31 January 2024

	Notes	31 January 2024 £m	31 December 2022 £m
<b>Fixed assets</b>			
Investments	4	547.1	981.2
Loans to subsidiary undertakings		-	90.0
		<b>547.1</b>	<b>1,071.2</b>
<b>Current assets</b>			
Debtors	5	43.4	22.8
Deferred tax assets (all due in over 1 year)		2.6	1.9
Cash at bank and in hand		34.5	0.5
		<b>80.5</b>	<b>25.2</b>
Creditors: amounts falling due within one year	6	(125.2)	(491.4)
<b>Net current liabilities</b>		<b>(44.7)</b>	<b>(466.2)</b>
Total assets less current liabilities		<b>502.4</b>	<b>605.0</b>
Creditors: amounts falling due after more than one year	7	(0.2)	(90.8)
Retirement benefit obligations		-	(2.6)
<b>Net assets</b>		<b>502.2</b>	<b>511.6</b>
<b>Capital and reserves</b>			
Called up share capital	10	73.2	69.9
Share premium account		56.8	56.8
Capital redemption reserve	10	5.6	5.6
Other reserves	10	-	13.9
Profit and loss account		366.6	365.4
<b>Equity shareholders' funds</b>		<b>502.2</b>	<b>511.6</b>

The loss after taxation attributable to the Company dealt with in its own accounts for the 13m period ended 31 January 2024 is £8.6m (2022: loss £15.0m).

Approved by the Board of Directors on 25 April 2024 and signed on its behalf by:



**W Berman**  
Chief Executive

**O Mann**  
Chief Finance Officer

Registered Company Number: 2304195

The notes on pages 149 to 157 form part of these financial statements.

# COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME

Company statement of comprehensive income | 13 month period ended 31 January 2024

	13m period ended 31 January 2024 £m	Year ended 31 December 2022 £m
<b>Loss for the period/year</b>	<b>(8.6)</b>	<b>(15.0)</b>
<b>Items that will never be reclassified to profit and loss:</b>		
Defined benefit plan remeasurement (losses) and gains	(9.9)	9.7
Income tax relating to defined benefit plan remeasurement (losses) and gains	2.3	(1.6)
Other comprehensive (expense)/income for the period/year, net of tax	(7.6)	8.1
<b>Total comprehensive (expense) for the period/year</b>	<b>(16.2)</b>	<b>(6.9)</b>

The notes on pages 149 to 157 form part of these financial statements.

# COMPANY STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity | 13 month period ended 31 January 2024

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total £m
<b>Balance at 1 January 2023</b>	69.9	56.8	5.6	13.9	365.4	<b>511.6</b>
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(8.6)	<b>(8.6)</b>
Other comprehensive expense for the period, net of tax	-	-	-	-	(7.6)	<b>(7.6)</b>
Total comprehensive expense for the period	-	-	-	-	(16.2)	<b>(16.2)</b>
Transactions with owners, recorded directly in equity						
Issue of ordinary shares	3.3	-	-	-	(3.3)	-
Share based payments	-	-	-	-	5.9	<b>5.9</b>
Income tax relating to share based payments	-	-	-	-	(0.1)	<b>(0.1)</b>
Reserve realised due to re-organisation	-	-	-	(13.9)	13.9	-
EBT consideration on repurchased shares	-	-	-	-	1.0	<b>1.0</b>
Total contributions by and distributions to owners	3.3	-	-	(13.9)	17.4	<b>6.8</b>
<b>Balance at 31 January 2024</b>	<b>73.2</b>	<b>56.8</b>	<b>5.6</b>	<b>-</b>	<b>366.6</b>	<b>502.2</b>
<b>Balance at 1 January 2022</b>						
	69.9	56.8	5.6	13.9	369.5	<b>515.7</b>
Total comprehensive income/(expense) the year						
Loss for the year	-	-	-	-	(15.0)	<b>(15.0)</b>
Other comprehensive income for the year, net of tax	-	-	-	-	8.1	<b>8.1</b>
Total comprehensive expense for the year	-	-	-	-	(6.9)	<b>(6.9)</b>
Transactions with owners, recorded directly in equity						
Share based payments	-	-	-	-	3.3	<b>3.3</b>
Income tax relating to share based payments	-	-	-	-	(0.1)	<b>(0.1)</b>
Own shares issued by EBT	-	-	-	-	0.1	<b>0.1</b>
Own shares purchased by EBT	-	-	-	-	(0.5)	<b>(0.5)</b>
Total contributions by and distributions to owners	-	-	-	-	2.8	<b>2.8</b>
<b>Balance at 31 December 2022</b>	<b>69.9</b>	<b>56.8</b>	<b>5.6</b>	<b>13.9</b>	<b>365.4</b>	<b>511.6</b>

The notes on pages 149 to 157 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY

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## 1 Accounting Policies

**(a) Basis of preparation** Pinewood Technologies Group PLC is a company incorporated and domiciled in England, UK.

Pinewood Technologies Group Plc is a company incorporated and domiciled in England, UK. The Company changed its name from Pendragon PLC to Pinewood Technologies Group Plc on 13 February 2024. On 6 February 2024, the Company extended its accounting reference period to end on 31 January 2024. As a result the Company accounts are for the 13 month period ended 31 January 2024 (2022: 12 month period ended 31 December 2022).

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 UK-adopted international accounting standards ("Adopted IFRSs"), but makes amendments where necessary in order to comply Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

These financial statements have been prepared on a going concern basis as explained in note 1 of the Group Financial Statements.

Principal risks and uncertainties are outlined in the Group Financial Statements on pages 18 to 26.

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;
- Certain disclosures required by IAS 36 Impairments of Assets in respect of the impairment of assets.

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

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- 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.

### 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. There are however no such key accounting judgements applied in these financial statements.

### 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 period/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.

# NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY

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## 1 Accounting Policies *continued*

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 do not consider there to be any key estimates 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:

In preparing these financial statements, management has taken into account climate change risks. This has included reassessing the estimated useful lives of assets and developing assumptions, used in determining estimates, by considered potential impacts of climate risks and the Group's planned response.

**(b) Deferred taxation** Full provision is made for deferred taxation on all timing differences which have arisen but have not reversed at the balance sheet date, except as follows:

- (i) tax payable on the future remittance of the past earnings of subsidiaries is provided only to the extent that dividends have been accrued as receivable or a binding agreement to distribute all past earnings exists;
- (ii) deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

### **(c) Impairment excluding 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 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.

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').

# NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY

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## 1 Accounting Policies *continued*

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.

### Fair value hedges

Where a derivative financial instrument hedges the changes in fair value of recognised assets or liabilities, any gain or loss is recognised in profit and loss. The hedged item is also stated, separately from the derivative, at fair value in respect of the risk being hedged with any gain or loss also recognised in profit and loss. This will result in variations in the balance sheet values of the gross debt and the offsetting derivatives as the market value fluctuates.

**(d) 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.

**(e) Employee benefits - Share based payments** The Company operates a number of employee share option schemes. The fair value at the date at which the share options are granted is recognised in profit and loss on a straight line basis over the vesting period, taking into account the number of options that are expected to vest. The number of options that are expected to become exercisable is reviewed at each balance sheet date and if necessary estimates are revised.

**(f) Pension obligations** The Company operated a defined benefit and defined contribution plan during the period, the assets of which are held in independent trustee administered funds. Pension accounting costs for defined benefit plans are assessed by determining the pension obligation using the projected unit credit method after including a net return on the plan assets. Under this method, in accordance with the advice of qualified actuaries, the amounts charged in respect of employee benefits reflect the cost of benefits accruing in the year and the cost of financing historical accrued benefits. The Company recognises all actuarial gains and losses arising from defined benefit plans in the statement of other comprehensive income immediately.

The present value of pension obligations is measured by reference to market yields on high quality corporate bonds which have terms to maturity approximating to the terms of the related pension liability. Plan assets are measured at fair value. When the calculation results in a benefit to the Company, the recognised asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Under IAS 19 Employee Benefits, the Group recognises an interest expense or income which is calculated on the net defined benefit liability or asset respectively by applying the discount rate to the net defined benefit liability or asset.

A defined contribution plan is one under which the Company pays fixed contributions and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement when they are due.

# NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY

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## 1 Accounting Policies *continued*

In accordance with IFRIC 14 surpluses in schemes are recognised as assets only if they represent unconditional economic benefits available to the Company in the future. Provision is made for future unrecognisable surpluses that will arise as a result of regulatory funding requirements. Movements in unrecognised surpluses are included in the statement of recognised income and expense. If the fair value of the assets exceeds the present value of the defined benefit obligation then the surplus will only be recognised if the nature of the arrangements under the trust deed, and funding arrangements between the Trustee and the Company support the availability of refunds or recoverability through agreed reductions in future contributions. In addition, if there is an obligation for the Company to pay deficit funding, this is also recognised.

Under the provisions of FRS 101 Pinewood Technologies Group Plc was designated as the principal employer of the Pendragon Group Pension Scheme and as such applies the full provisions of IAS 19 Employee benefits (2011). In line with IAS 19 Employee benefits (2011), the Company has recognised a pension prepayment with respect to an extraordinary contribution made during 31 December 2011 as this does not meet the definition of a planned asset and therefore the amount is held in pension prepayment and will be unwound over the period in which Pendragon Scottish Limited Partnership Limited makes contributions to the pension scheme. On 31 January the pension surplus and the unamortised prepayment were transferred to Pendragon Newco2 Limited (a subsidiary of Lithia UK Holding Limited) who became the principal employer of the Pendragon Group Pension Scheme,

The assets and obligations of the Pension Scheme were sold on 31 January 2024. Information relating to pension obligations can be found in the Consolidated Financial Statements in note 5.1.

**(g) Dividends** Dividends proposed by the Board and unpaid at the end of the period/year are not recognised in the financial statements until they have been approved by the shareholders at the Annual General Meeting. Interim dividends are recognised when they are paid.

**(h) Own shares held by ESOP trust** Transactions of the group-sponsored ESOP trust are included in the Company financial statements. In particular, the trust's purchases and sales of shares in the Company are debited and credited directly to equity.

**(i) Contingent liabilities** Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company previously considered these to be insurance arrangements, and accounted for them as such under IFRS 4. In this respect, the Company treated the guarantee contract as a contingent liability until such time as it became probable that the Company would be required to make a payment under the guarantee. Following the replacement of IFRS 4 with IFRS 17 this treatment is no longer permissible in these financial statements and the Company is eligible, and has now elected, to account for such guarantees under IFRS 9, which requires the guarantees to be initially measured at fair value. Subsequently IFRS 9 requires the financial guarantee contract to be measured at the higher of the expected credit loss allowance amount and the fair value at initial recognition less the cumulative amount of income recognised in accordance with IFRS 15.

**(j) Auditor's remuneration** Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements

**(k) Profit and loss account** In accordance with the exemption allowed by Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented.

## 2 Directors

Total emoluments of key management personnel (including pension contributions) amounted to £5.5m (2022: £5.0m). Information relating to directors' emoluments, share options (including share gains) and pension entitlements is set out in the Directors' Remuneration Report on pages 51 to 61.

The directors are the only employees of the Company.



# NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY

## 3 Dividends

An dividend for of 24.5p per ordinary share amounting to a total of £358.4m is proposed to be paid on 7 May 2024 (2022: nil) as previously communicated to shareholders in the circular to shareholders dated October 2023 in respect of the sale of part of the business to Lithia Motors Inc. Lithia UK Holding Limited, who hold 279,388,880 ordinary shares waived their right to a dividend as per the terms of the business sale outlined in the afore mentioned circular. Interim accounts for the 14 month period to 29 February 2024 have been deposited at Companies House as the relevant accounts for the purpose of this distribution.

## 4 Investments

	Shares in subsidiary undertakings £m
<b>Cost</b>	
At 31 December 2022	981.2
Additions due to group restructuring	547.1
Additions to investments for share based payment arrangements	3.6
Disposals due to group restructuring	(984.8)
At 31 January 2024	547.1
<b>Impairment</b>	
At 31 December 2022	-
Impairment charge due to disposal transaction	(242.5)
Impairment charge for share based payment arrangements	(3.6)
Disposals due to group restructuring	246.1
At 31 January 2024	-
<b>Carrying amounts</b>	
At 31 January 2024	547.1
At 31 December 2022	981.2

During the period, the Company disposed of all of its investments to a newly formed direct subsidiary company, Pendragon Group Holdings Limited. Ahead of the disposal of investments, as part of the group restructuring, the investments were impaired to reflect the value to be realised on disposal.

The Company recognised a profit on the disposal of its investments in subsidiary undertakings to Pendragon Group Holdings Limited of £29.4m.

### Profit on disposal of investments is calculated as follows

	£m
Impairment charge for investments in subsidiaries	(242.5)
Consideration less book value for sale of investments	169.9
Dividends received due to group restructuring	102.0
Company profit on disposal	29.4

The Company subsequently recognised an additional investment in Pendragon Group Holdings Limited for £547.2m. Pendragon Group Holdings Limited disposed of its investments related to the UK Motor & Leasing business to Lithia UK Holding Limited, an unrelated party, on 31 January 2024.

At the period end, the Company holds an investment in Pendragon Group Holdings Limited only. The recoverable amount of this directly-held subsidiary has been determined with reference to the receivables due from Lithia UK Holding Limited as a result of the disposal, less the transaction fees still to be paid, and the value of investments in the only remaining actively trading member of the Group, Pinewood Technologies PLC, which has been determined by the agreed subscription price to be paid by Lithia UK Holding Limited for the additional shares issued by the Company to external shareholders.

# NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY

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## 4 Investments *continued*

The Company separately has recognised an increase in cost of investments of £3.6m as a result of share based payment arrangements granted to employees of the subsidiaries. This was subsequently impaired in full due to the disposal transaction on 31 January 2024.

In assessing the carrying value of investments in subsidiary undertakings, an assessment of the recoverable amount of each investment has been undertaken in line with IAS 36. When assessing the carrying value, the value was determined by the higher of its value in use and its fair value less costs to sell. Of the remaining investments, the value of Pendragon Group Holdings Limited is determined by the net assets, being predominately the debtor due from Lithia following the disposal transaction, held by that company after disposal of its investments to Lithia UK Holding Limited, and the value of the only remaining actively trading member of the Group, Pinewood Technologies PLC, has been determined by the subscription price paid for additional shares issued by the Company to external shareholders.

The directors have considered and assessed reasonably possible changes to the key assumptions used in determining the recoverable amounts and have performed sensitivities on these key assumptions. This assessment resulted in the reasonably possible key assumption changes not leading to any impact on the carrying value of investments in subsidiary undertakings for 13m period ended 31 January 2024.

Shares in subsidiary undertakings are stated at cost. Pinewood Technologies Group Plc owns directly or indirectly 100 percent of the issued ordinary share capital of the following subsidiaries.

**Incorporated in Great Britain** having a registered office at Loxley House, 2 Little Oak Drive, Annesley, Nottingham, NG15 0DR:

Pendragon Group Holdings Limited \*

Pinewood Technologies PLC

Pendragon Overseas Limited

Pinewood Computers Limited

**Incorporated in the United States of America** having a registered office at 2171 Campus Dr Ste 260, Irvine, California:

Pendragon North America Automotive, Inc.

Penegon Glendale, Inc.

SouthCounty, Inc.

Penegon West, Inc.

Lincoln Irvine, Inc.

Bauer Motors, Inc.

Penegon Mission Viejo, Inc.

Penegon South Bay, Inc.

Penegon Properties, Inc.

Penegon Newport Beach, Inc.

Penegon Santa Monica, Inc.

Penegon East, Inc.

**Incorporated in Sweden** having a registered office at Eversheds Sutherland, Strandvägen, Box 11451, 104 40, Stockholm

Pinewood Technologies Northern Europe AB

Incorporated in Japan having a registered office at Saiwai Building 9th floor, 3-1 Uchisaiwai-cho 1-chome, Chiyoda-ku, Tokyo.

Pinewood DMS Japan GK

\* Direct subsidiary of Pinewood Technologies Group PLC

# NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY

## 5 Debtors

	31 January 2024 £m	31 December 2022 £m
Amounts due within one year:		
Other debtors	40.3	-
Amounts owed by subsidiary undertakings	3.1	1.7
	43.4	1.7
Amounts due after more than one year:		
Prepayments	-	21.1
	-	21.1
	43.4	22.8

Other debtors of £40.3m are amounts due from Lithia UK Holding Limited following the disposal of the Pendragon Group's Motor and Leasing businesses in relation to specific balances with Pinewood Technologies Group Plc.

Expected credit losses in respect of trade and other intercompany receivables are deemed immaterial.

## 6 Creditors: amounts falling due within one year

	31 January 2024 £m	31 December 2022 £m
Other creditors and accruals	5.4	-
Other taxation and social security	2.1	-
Amounts due to subsidiary undertakings	24.7	489.2
Senior Term Finance Agreement	93.0	1.7
Bank loans and overdrafts	-	0.5
	125.2	491.4

Amounts due to subsidiary undertakings are repayable on demand but may remain outstanding indefinitely.

## 7 Creditors: amounts falling due after more than one year

	31 January 2024 £m	31 December 2022 £m
Senior Term Finance Agreement	-	90.8
Other loan notes	0.2	-
	0.2	90.8

Full details of the Company's borrowings including security and maturity are given in note 4.2 to the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY

## 8 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. There are no offset amounts as follows:

	<b>31 January 2024 £m</b>	31 December 2022 £m
Deferred tax assets	<b>2.6</b>	1.9

The movement in the deferred tax assets for the year is as follows:

	Retirement benefit obligations £m	Other provisions £m	Losses £m	<b>Total £m</b>
At 1 January 2022	5.1	1.0	-	<b>6.1</b>
(Charged) to income statement	(2.5)	-	-	<b>(2.5)</b>
(Charged) to equity	(1.6)	(0.1)	-	<b>(1.7)</b>
At 31 December 2022	1.0	0.9	-	<b>1.9</b>
At 1 January 2023	1.0	0.9	-	<b>1.9</b>
(Charged)/credited to income statement	(3.4)	(0.8)	2.6	<b>(1.6)</b>
Credited/(charged) to equity	2.3	(0.1)	-	<b>2.2</b>
Disposal	0.1	-	-	<b>0.1</b>
At 31 January 2024	-	-	2.6	<b>2.6</b>

## 9 Share based payments

Details of share schemes in place for the Group of which the Company participates as at 31 January 2024 are fully disclosed above in note 4.6 of this report.

## 10 Called up share capital and reserves

Allotted, called up and fully paid shares of 5p each	Number	£m
At 31 December 2022	1,396,944,405	<b>69.9</b>
Share issues	65,979,118	<b>3.3</b>
At 31 January 2024	1,462,923,523	<b>73.2</b>

During the 13 month period to 31 January 2024, 65,979,118 ordinary shares were issued at par value for proceeds of £3.3m. These shares were subsequently acquired by the EBT in order to satisfy pending share awards.

# NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY

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Movements in the number of options to acquire ordinary shares under the Group's various share option schemes, together with exercise prices and the outstanding position at 31 January 2024 are fully disclosed above in note 4.6 of this report.

Transactions of the Group-sponsored EBT are included in the Company's financial statements. In particular, the trust's purchases of shares in the Company, which are classified as own shares, are debited directly to equity through retained earnings. When own shares are sold or reissued the resulting surplus or deficit on the transaction is also recognised within retained earnings.

The market value of the investment in the Group's own shares at 31 January 2024 was £4.5m (31 December 2022: £0.3m), being 12.4m (2022: 1.5m) shares with a nominal value of 5p each, acquired at an average cost of £0.05 each (2022: £0.33). The trustee of the EBT is Accuro Trustees (Jersey) Limited. Shares in trust have been awarded to Executive Directors and employees under the Pendragon 1999 Approved Executive Share Option Scheme, Pendragon 1999 Unapproved Executive Share Option Scheme and to satisfy amounts under LTIPs. Details of the plans are given in the Directors' Remuneration Report on pages 51 to 61.

Dividends on the shares owned by the trust, the purchase of which were funded by interest free loans to the trust from Pendragon PLC, are waived. All expenses incurred by the trust are settled directly by Pendragon PLC and charged in the accounts as incurred.

## Capital redemption reserve

The capital redemption reserve has arisen following the purchase by the Group of its own shares and comprises the amount by which distributable profits were reduced on these transactions in accordance with s733 of the Companies Act 2006. There were no transfers into the capital redemption reserve during the period in respect of shares purchased by the Group and subsequently cancelled (2022: nil).

## Other reserves

Other reserves included the amount of demerger reserve arising on the demerger of the Group from Williams Holdings PLC in 1989. During the year the Company restructured its investments resulting in a reclassification of £13.9m in respect of the merger reserve to profit and loss.

## 11 Retirement benefit obligations

Details of Pendragon Group Pension Scheme are fully disclosed above in note 5.1 of this report.

## 12 Related party transactions

### Identity of related parties

The Company has related party relationships with its subsidiaries and with its key management personnel.

### Transactions with related parties

The transaction with directors of the Company are set out in note 6.2 to the consolidated financial statements.

## 13 Contingent liabilities

The Company has entered into cross-guarantees with its bankers whereby it guarantees payment of bank borrowings in respect of UK subsidiary undertakings. The Company would initially measure its contingent liability at fair value. No amounts have been included in these financial statements as the Company's estimate of fair value is £nil: the cash position of the subsidiaries means it is highly unlikely that the Company would ever be called on to fulfil its guarantee obligations.

# ADVISORS, BANKS AND SHAREHOLDER INFORMATION

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## Financial Calendar FY23

25 April 2024 date of this Report  
25 April 2024 preliminary announcement of FY23 results

## Auditor

KPMG LLP

## Banks

Barclays Bank PLC  
Lloyds TSB Bank plc  
Royal Bank of Scotland plc  
Allied Irish Banks plc  
HSBC Bank plc

## Stockbrokers

Joh. Berenberg, Gossler & Co. KG  
Jefferies International Limited

## Solicitors

CMS Cameron McKenna Nabarro Olswang LLP  
Geldards LLP  
Eversheds LLP

## How to find Pinewood Technologies Group PLC's offices

Visit Contacts on the company's website  
[www.pinewoodtech.com](http://www.pinewoodtech.com).

## Stock Classification

The company's ordinary shares are traded on the London Stock Exchange. Investment codes for Pinewood's shares are:

London Stock Exchange: PINE  
Bloomberg: PINE.LN  
GlobalTOPIC and Reuters: PINE.L

## Share dealing service

Pinewood's company registrar offers a share dealing service, provided by Link Asset Services (a trading name of Link Market Services). Details appear at [www.linksharedeal.com](http://www.linksharedeal.com)

## Shareholder and investor information

Making some of our corporate materials and policies available on our website reduces the length of this Report. This year we have placed certain background information on policy and governance on our website. We also display historic financial reports and have a section on company news, which we regularly update on [www.pinewoodtech.com](http://www.pinewoodtech.com)

## Getting company reports online

Reduces the environmental impacts of report distribution. To choose online only reporting, visit the share portal and register for electronic form reporting, or contact our registrar, whose details are:

## Registrar and shareholder enquiries

Link Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

[shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk)  
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