

Lookers plc

2019 Annual Report & Accounts

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Strategic Review

Chairman's Statement

Introduction

2019 was a difficult year for Lookers. The Group faced a series of sector-wide challenges including a declining new car market, Brexit-related political and economic uncertainty and increased operating costs.

These challenges were compounded during 2020 by the lockdown of our business for over two months in the face of the global COVID-19 pandemic and subsequent restrictions. This pandemic and the eventual return to normality pose considerable uncertainty for the motor retail sector and the wider global economy.

In addition to this we delayed the publication of our 2019 financial results as we identified potentially fraudulent transactions in one of our operating divisions. In conjunction with Grant Thornton LLP (Grant Thornton) the Board immediately commenced a two-stage investigation (The Investigation). Initially the first stage conducted by Grant Thornton reviewed the operating division concerned and subsequently the Board extended the work performed by Grant Thornton and also implemented an extensive internal review. This process has now been completed to the Board's satisfaction.

The Investigation and review identified a number of historic adjustments required to the income statement and balance sheet. These items gave rise to an additional net cumulative one-off charge of £7.4m in the periods up to and including 31 December 2017, a net one-off charge of £7.2m in the year to 31 December 2018 and the restatement of the balance sheets at those dates. As a consequence of these the Group's prior year results have been restated. Further details of this restatement and its causes can be found in the Financial Review. As explained in the Financial Review in light of the Group's financial performance in 2019 the Board is not recommending a final dividend for the year.

Despite the impact of the above adjustments the Group remained profitable on an underlying profit basis during 2019 with an underlying profit before tax of £4.2m (2018: £42.8m). Notwithstanding this there were a number of non-underlying credits and charges to the profit and loss account which led to a statutory loss before tax of £45.5m (2018: profit £41.9m). The loss has largely arisen from additional operating costs including increases in staff and related costs (£15.4m) and non-underlying costs primarily arising from the impairment of goodwill (£30.4m), restructuring costs (£14.3m) and costs and liabilities arising from the FCA investigation (£15.1m).

The Board considers the issues that were identified as being varied in nature arising from weaknesses in the design and implementation of policies and procedures, an insufficiently resourced and skilled finance function and instances of failure to follow policies and procedures where they existed.

Details of the causes of the adjustments are identified in the Financial Review. Given the additional procedures we had to perform to finalise the Group's 2019 results we concluded that it would not be possible to publish our 2019 audited financial statements by the required deadline of 30 June 2020. In light of this and following consultation with the FCA we requested that trading of our ordinary shares should be temporarily suspended with effect from 1 July 2020.

Whilst having a framework in place for its financial planning and controls the Board recognises that historically these were insufficient and is undertaking all the necessary improvements to ensure that it is sufficiently robust to prevent any recurrence of these issues. Consequently, the Board has implemented a review and improvement programme for financial reporting, which will formalise procedures and processes. In addition, we acknowledged that there were some behavioural and cultural issues within the Group. We have established an independent Board sub-committee comprised of the most recently appointed Non-Executive Directors to provide oversight of the proper implementation of the actions identified in the conduct investigation. This sub-committee will stand down once they are satisfied each action has been delivered and monitored through the appropriate existing Governance forum by the Executive and the Board.

Regulatory relations

As previously reported, we have been assisting the FCA with a review of our governance, systems and controls of our regulated activity. This programme of work included the design and implementation of revised sales and oversight processes, a robust risk management framework, governance arrangements and systems and controls. This work was sponsored and overseen by the Board and subject to the independent assurance provided by FCA Skilled Person Reports. The work included the appointment of a Chief Risk Officer and two additional Non-Executive Directors with experience in financial services and regulated businesses. Having concluded these reviews we are now focused on ensuring that all the actions arising from this programme of work are embedded in 2020 and 2021.

The FCA's Investigation into past sales processes is continuing and we are cooperating fully with the regulator. The Group has made a £10.4m provision against any liabilities which may arise from the Investigation in addition to the in year non-underlying cost of £4.7m.

Delay in publishing the Annual Report and Accounts (ARA) and the suspension of shares

The Board is undertaking a full review of its continuing obligations under the Listing Rules and will take steps to enhance its existing systems and controls where it deems that to be appropriate.

COVID-19

On 23 March 2020 in order to protect the safety and welfare of our people and customers and in response to the UK Government's social distancing advice the Board took the decision to temporarily close all its trading locations. Following the introduction of new operating measures, the Group partly reopened 31 locations to provide essential repairs and maintenance to key workers' vehicles alongside 10 parts distribution centres. We also ensured that where possible we had the technology and flexibility to allow for home working.

From the middle of May, we progressively opened all our locations in a manner consistent with appropriate local regulations and ensuring the safety of our colleagues and customers. We have implemented new operational processes to ensure the appropriate COVID-19 secure protocols are in place protecting both staff and customers. This has included the complete redesign of our sales processes to offer a fully contactless experience if that is what our customer wants. Our sites are well positioned for social distancing with a large proportion of customer interaction taking place outside on the forecourt and within our spacious showrooms.

Following the recent announcement of new lockdown restrictions which took effect from 5 November 2020, we are providing our customers with pre-booked aftersales appointments and have continued to provide both new and used vehicles sales using our Click and Drive contactless solution. We remain committed to providing the best possible service whilst maintaining the well-being of both our colleagues and customers.

Post year end restructuring

The Board has considered the future operating model of Lookers in light of potential demand, a reduced dealership estate and structural changes taking place across the industry. As a result, the Board took the difficult decision to commence redundancy consultations across all areas of the business, which has resulted in approximately 1,500 redundancies and the closure or consolidation of 12 sites. The Board carefully considered all options and regrettably considered this action as being necessary in the current environment to sustain and protect the Lookers business over the long term.

Performance in 2019

We will look back on 2019 as a challenging year for the business, one where hard but necessary actions had to be taken to position our business for the future. For the third consecutive year the UK new car market continued to contract and UK new car registrations declined by 2.4% to 2.31m. Those challenging market conditions, combined with margin pressure and excess cost growth, resulted in a material reduction in profitability.

Management and Board changes

We have made a number of significant changes to our Board in 2019 and 2020.

Mark Raban was appointed Chief Financial Officer when Robin Gregson stepped down on 5 July 2019. Andy Bruce and Nigel McMinn stepped down on 1 November 2019 as Chief Executive Officer and Chief Operating Officer respectively.

On 5 February 2020 we announced the appointment of Mark Raban as Chief Executive Officer.

Heather Jackson and Victoria Mitchell were also appointed to the Board in November and December 2019 respectively as Non-Executive Directors.

On 30 March 2020 Jim Perrie was appointed as interim Chief Financial Officer although he has not joined the Board.

As we emerged from lockdown, we recognised that the Board needed to bring in new skills and experience to guide the business through the next stage of its development. As a result, we agreed an orderly transition to refresh the Board over the coming year.

Richard Walker, Senior Independent Director and Sally Cabrini, Non-Executive Director and Chair of Remuneration Committee, decided that they would not stand for re-election at our 2020 AGM held in June. Stuart Counsell has agreed to stay on the Board until the completion of the 2019 results and the appointment of his successor as Chair of the Audit and Risk Committee.

Tony Bramall, Non-Executive Director has decided to retire at the end of December 2020.

At the request of the Board I assumed the role of Executive Chairman in July 2020 to oversee this transition period but will not stand for re-election to the Board at the 2021 AGM.

Heather Jackson took over the role of Senior Independent Director from Richard Walker on 1 July 2020. She will become Chair of the Remuneration Committee at the completion of the 2019 results.

Victoria Mitchell has assumed the role of Chair of Lookers Motor Group Limited, the FCA-regulated entity from 1 July 2020 subject to FCA approval.

Now these financial statements have been concluded we will recommence the search for a new Non-Executive Chairman during the remainder of 2020 and 2021. We expect that recruitment process to conclude before the next AGM. In addition, the Company is finalising the recruitment of a new

Chair of the Audit and Risk committee during 2020 and into 2021 will appoint an additional Non-Executive Director.

Current trading and financial outlook

The temporary closure of the Group's dealerships throughout the lockdown period had a significant impact on the Group's financial performance during the six-month period of 2020 (H1). As a consequence, the Group expects to report a material underlying loss before tax in H1.

As previously reported trading in the three months ended 30 September 2020 resulted in underlying Profit Before Tax (PBT) significantly ahead of last year.

During 2020 the Group has maintained significant levels of headroom in its funding which has ensured adequate liquidity for the business. Despite this resilient liquidity and before considering appropriate mitigating actions, the ongoing uncertainties presented by COVID-19 and Brexit mean severe but plausible downside sensitivities indicate material uncertainty regarding going concern.

Our Original Equipment Manufacturer (OEM) partners supported us with extended funding during the first lockdown period and in addition the Group has accessed the Job Retention Scheme for furloughed staff. Additionally, the Group has deferred payment of VAT and initially deferred the payment of payroll taxes although these have now been paid.

The announcement of the second COVID-19 lockdown and potential impact of Brexit means that there is material uncertainty around trading in the remainder of 2020 and 2021. However, we will benefit from the full impact of the Group's restructuring activities which we expect to mitigate some of the risk and we will continue to access the Job Retention Scheme where appropriate. Against this background the Board is not reinstating guidance at this point.

Conclusion

The Board's key focus remains to safeguard colleagues and customers, strengthen our governance and systems and controls and to ensure sustainable long-term liquidity.

Our Annual General Meeting was held on 29 June 2020. At that point the Investigation remained ongoing and in order to give this as much time as possible to conclude to our satisfaction we took the decision that the standard Shareholders' resolutions, including receiving these audited financial statements and the Auditor's and Directors' Reports and approving the Directors' Remuneration Report and Policy would not be tabled. Consequently, a separate General Meeting of the Shareholders is to be convened during December to consider these matters.

We are extremely proud of how our people have responded showing real dedication and flexibility particularly through maintaining critical vehicle servicing for key workers who have needed to remain on the road. I would like to personally thank the whole Lookers Team for their understanding and dedication during such a challenging time for the Group.

Lookers is predominantly a franchise business and we have always enjoyed strong relationships with our brand partners. We are grateful for their support across a range of financial and other measures.

I am also pleased that we continue to receive the support of our banks and we have agreed revised covenants reflecting the post COVID-19 environment.

The Investigation into our financial systems and accounting controls, the delay in the publication of our 2019 results and the subsequent temporary suspension of our shares have been a great disappointment. As Chairman of Lookers plc, I would like to apologise unreservedly to all our stakeholders and Team members for the uncertainty this has caused.

Lookers is a great business with great brands and great people. It is difficult to look too far ahead at the moment but I am reassured that we have the resilience to weather the current storm and the agility to emerge as a business which can build on its strong foundations. We can now move forward from here focussing on the many thousands of customers who rely on us for their mobility.

Phil White

Executive Chairman
25 November 2020

2019

at a glance

148

franchise dealerships

(2018: 163)

Sold over

213,000

new and used cars and light commercial vehicles

(2018: 218,000)

31

manufacturer brands

(2018: 32)

NOTE: Throughout the Annual Report & Accounts, Alternative Performance Measures (APMs) have been used which are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management. These have been updated in the current year as explained on page 200 and should not be viewed in isolation or as an alternative to the equivalent GAAP measures. As explained on page 200 these APMs have been changed during the year ending 31 December 2019 to reflect the amendments made to the presentation of the Group's Statement of Total Comprehensive Income and the recognition of non-underlying items. Definitions of APMs are made within the Glossary of Terms on page 203.

2018 financial results have been restated to reflect adjustments arising from the Investigation, IFRS 16 and voluntary presentation changes. Further details can be found in the Financial Review on pages 24 to 35 and Note 1a-e of the financial statements.

£4.79bn

revenue

(2018: £4.83bn)

10.7%

gross profit margin

(2018: 10.6%)

£36.5m

underlying operating profit

(2018: £71.7m)

£(13.2)m

operating (loss)/profit

(2018: £70.8m)

£(45.5)m

(loss)/profit before tax

(2018: £41.9m)

£59.5m*

net debt

(2018: £85.9m)

*Bank loans and overdrafts less cash and cash equivalents. Lease liabilities and stocking loans are not included in net debt.

Our business and locations

Manufacturer brands in our portfolio

Cars and commercial vehicles



Aston Martin



Audi



Bentley



BMW



Citroen



Dacia



DS



Ferrari



Ford



Honda



Hyundai



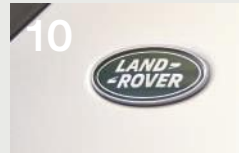
Jaguar



Jeep



Kia



Land Rover



Lexus



Maserati



Mercedes-Benz



MINI



Nissan



Peugeot



Renault



Seat



Skoda



smart



Toyota



Vauxhall



Volkswagen

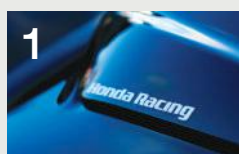


Volvo

Motorcycles



BMW

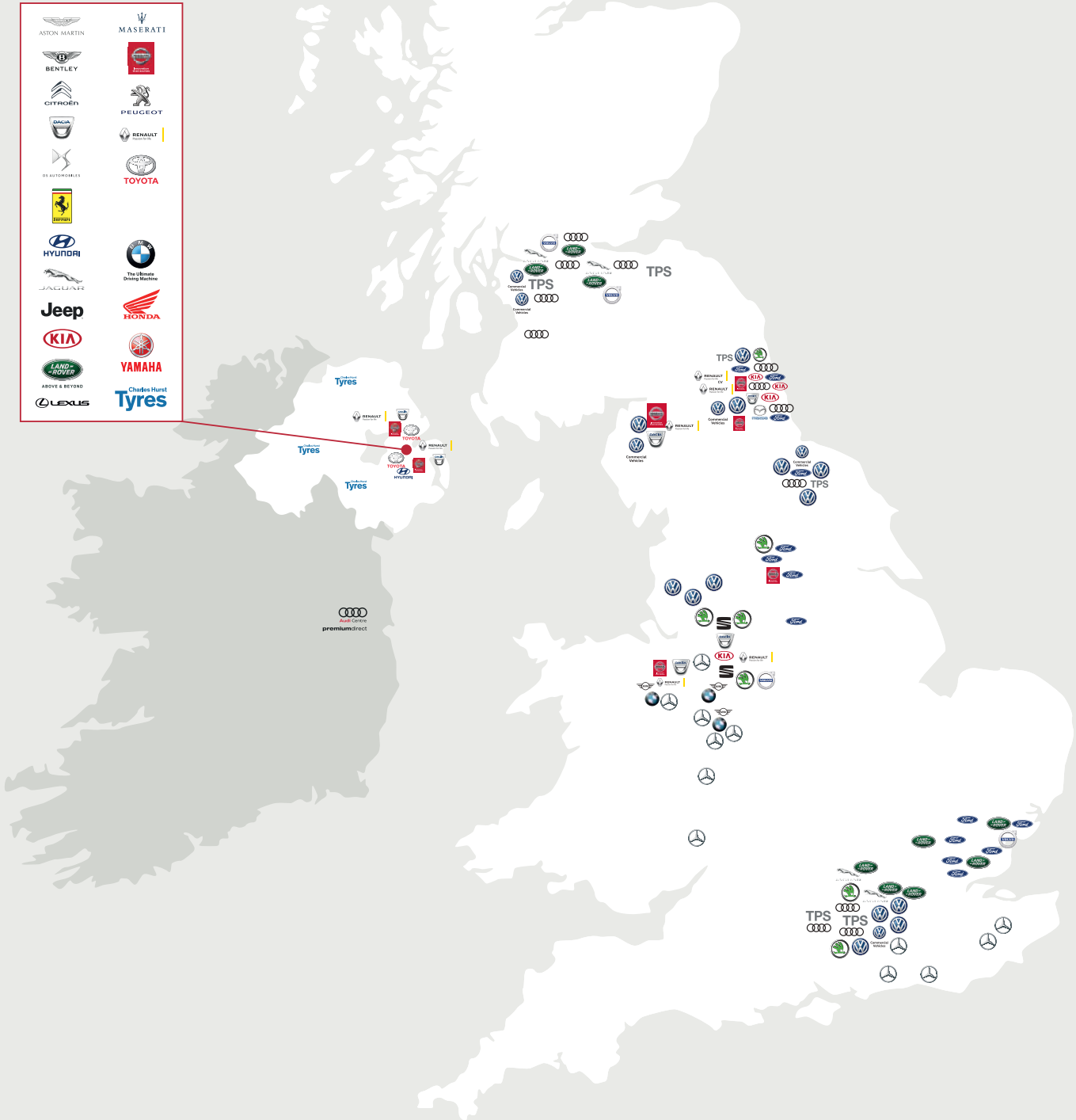


Honda



Yamaha

Our locations



Our business model and strategy

Business model

With a Group turnover of £4.79 billion in 2019, Lookers is one of the leading motor retail and aftersales Groups in the UK. We sold over 213,000 new and used cars and light commercial vehicles last year and have operations across the UK and Ireland, with a presence in most of the major population centres.

As at 31 December 2019 our motor retail business consisted of 148 franchised dealerships representing 31 manufacturers from 102 locations. The business generates revenue from the sale of new and used cars, vans and aftersales activities.

The number of new cars sold per annum in the UK has varied between 2.31m and 2.69m over the past five years. Our share of the retail sector of this market is just under 6% in 2019, compared to 4% in 2011.

After five consecutive years of growth since 2011, the UK new car market reduced by 5.6% in 2017, to 2.54m cars, down from 2.69m cars the year before, which was the highest ever level. The market reduced again in 2018 by 6.8% to 2.37m cars and then by 2.4% to 2.31m cars in 2019.

The new car market has two principal segments, each of which historically represent approximately 50% of the market. The retail segment includes sales to individual customers and the fleet sector provides sales to corporate customers. Retail sales are generally at higher margins whilst fleet sales consume significantly higher levels of working capital given their volume requirements.

The used car market in the UK has annual transactions of just under 8m vehicles, of which franchised dealers represent approximately 50%. There continues to be a major opportunity for Lookers to increase volume and share in this growing part of the market.

Aftersales represents the servicing, repair and sale of franchised parts to customers' vehicles. The aftersales market is related to the overall number of cars in use on UK roads, which is referred to as the UK car parc.

There are approximately 37m vehicles that make up the UK car parc with 23% (8.5m) under three years old. This is the predominant market for franchised motor dealers.

The internet continues to be the primary means for our customers to research and determine which new or used cars they are interested in buying. We continue to strive to provide our customers with a seamless customer experience in this omni-channel retail environment and are investing to ensure we are adapting to evolving customer preferences.

We utilise our brand partners' and third-party lenders' financial support to ensure adequate stock funding. Preservation of such funding lines allows us to manage our remaining working capital effectively.

Across our Group we also offer leasing services to individuals or commercial organisations on a fleet basis over a variety of lease terms. Upon cessation of leased contract terms, many leased vehicles are returned into the used vehicle stock pool ready for resale.

The new car market has two principal sectors, each representing approximately 50% of the total:





Business strategy

Our strategy is focused on having the right brands and locations combined with excellent operational execution. Underpinning this strategy is our commitment to providing an outstanding retail experience for our customers.

We deliver on our strategy by operating a diverse business in the UK motor sector, supported by a variety of manufacturing partners across various geographies. This helps reduce our exposure to anomalies or fluctuations in demand, which may affect specific manufacturers or geographic locations.

Another key differentiator is the service and retail experience we offer to our customers. We aim to provide the highest standards of customer experience in the sector by continually investing in and improving three key areas of our business:

- **People** - To continue to succeed, we know the importance of a stable, engaged and high-quality workforce aligned to our operating model. We have highlighted future focused roles to offer specialist support including Group qualifications to manage the Apprenticeship Levy, and Group diversity. We aim to ensure the best talent from all backgrounds have the opportunity to succeed at Lookers. We have extensive training and development programmes for all our staff, and this year we have particularly focused on training and assessment of the sale of regulated products.
- **Technology** - We expect to deliver a best-in-class customer experience. To support this, we have revised our sales process, making it faster, more efficient, and enhancing compliance. As a progressive business, we will continue to drive efficiency through a cycle of continuous improvement. We recognise the importance of the omni-channel experience that our customers now expect. Our new website embodies our aim to put information at our customers' fingertips and give them more control over how they interact with us. We also understand that customers are increasingly demanding a different experience within our dealerships and we are completing a programme to upgrade our Wi-Fi infrastructure to give them the best possible experience, including the ability to connect and work from the comfort of our showrooms whilst we complete their vehicle service.
- **Partnerships:** We expect to maximise the benefit for our Customers and other stakeholders by developing our relationships with our strategic partners. We will achieve this by ensuring we have the right infrastructure, portfolio and proposition to support our OEM brand partners.

The Group's business activities, financial condition, results of operations or the Company's share price could be affected by certain principal risks or uncertainties which are detailed on pages 37 to 43.

How we create value

Having the 'right brands in the right locations', remains a key focus for the business and ensures that we continually enhance our portfolio and align it to our business strategy to ensure it has a direct impact on financial success.

As part of this focus, we continually review our existing portfolio. In 2019 we identified 15 sites for closure, relocation or consolidation with the majority of this programme completed within the year. We have continued the review in 2020 and closed a further 12 sites.

Our vision of a 'best in brand customer experience' is supported by continuing investment in our people, to attract, retain and nurture the best talent; invest in our technology and engage our colleagues and customers in a seamless and effortless experience. This, in turn, helps to strengthen our brand allowing us to become a partner of choice for customers, colleagues, brand partners and investors alike.

The development of our portfolio and customer experience is always underpinned by a commitment to operational excellence in our everyday delivery.

We are adapting our strategy to reflect market changes with a clear focus on optimising our cost base, making roles in our dealerships simpler and providing more focus on key measurements. In addition to this, we continue to improve our service capacity and adapt to changing consumer expectations with regards to opening hours and omni-channel integration.

We aim to be innovative and flexible in order to enhance business for both our brand partners and our customers and we aim to share best practices for success across our dealership network allowing us to simplify, standardise and streamline our offering.

We also believe that adapting to developments in regulation, which affects the retail motor industry and the fast pace of changing customer demands and behaviours are key challenges and are important priorities for the Group. Our commitment to invest in and implement improvements across the Group alongside a strengthened infrastructure and enhanced customer experience will create a robust and industry leading platform that will facilitate further growth.



Developing our customer experience

In an ever-changing and highly competitive marketplace we continue to develop our retail proposition as a differentiator to our competition. We are creating a customer-centric engagement strategy across all channels which will allow us to become 'best in brand' for an added-value retail experience and embracing next generation digital capabilities. When faced with the many choices across the market we want to become the brand of choice for customers. To do this we strive to provide the highest level of customer engagement, be it face to face in our showrooms, through our call centres or in the digital space. We aim to give the customer expert advice relevant to their personal needs to help them make the best choice for them and, in turn, build loyalty and positive sentiment for our brands.

We are constantly looking to improve our dealership estate investing in modern, contemporary multi-channel motor retail environments that will enhance our customers' experiences. We continue to invest in our customer experience, including new technologies, our Lookers retail brand proposition, new training and development plans for our people, our dealership portfolio, customer research and our operational capabilities. We believe this investment will make the customer journey more seamless and rewarding.

We are implementing further significant developments to our website which will result in exciting improvements in functionality and interaction with our customers. We have successfully migrated to the new and considerably improved website during this year. With over 70% of visits to our website being via mobile or tablet we have ensured that functionality has concentrated on this area. Our aim is to produce an industry-leading website, which will improve the customer experience and ultimately increase sales and profitability. We also believe that this investment in technology will result in greater operational efficiencies which will give us a significant competitive advantage and improved profitability.

Our goal is to be recognised as providing the best customer experience and engagement in the UK motor retail sector. We do this through personal, relevant, meaningful and memorable expert advice that helps our customers understand the product and make the right choice. We conduct extensive customer research to monitor feedback as we appreciate that customers have high expectations and increasingly have greater access to detailed product information themselves.



The Lookers brand

Our brand is built around the concept of the car as an 'enabler'. We aim to show our understanding of customers' individual needs through simple, engaging content depicting everything from everyday life to aspirational experiences. This lifestyle content is always backed up by a message of advice and putting the customer at ease in all scenarios from prestige to Motability.



We are Lookers

At Lookers we believe our people are our most important asset. We know an engaged and motivated workforce will allow us to maintain our competitive advantage. That's why we offer training, development and benefit schemes to attract the best talent and empower our teams to put customers first on every occasion.

Our new employee engagement platform Workplace has been introduced and seen record engagement within all areas of the business. It allows us to communicate instantly with all our employees on important matters as well as giving everyone a fun, engaging place to interact.



Always advancing

Working closely with our brand partners we are always looking to improve our retail offer including efficient technology solutions across all channels and platforms.



Who we are



At Lookers we are proud to call ourselves a 'people business'. This doesn't just mean a personal service to our customers, it extends to the communities we work within and, of course, the people all across the UK who make us who we are. We are always exploring ways to make people's experience of Lookers noticeably and meaningfully different both within the business and to the customers we serve.

If there is one thing we can all be proud of here at Lookers, it is the tireless work that our people do for charity. Whether it is volunteering out in the local community or making complete fools of ourselves for Red Nose Day, our people love to get involved.

As well as encouraging our people to support causes in their local area, we have identified Group wide objectives for Corporate Social Responsibility (CSR). These are split into four key areas; consumer, employee, industry and community. In each area we will support charitable organisations including Macmillan, Duke of Edinburgh Award, 353, Ben and Cardioproof.

The Lookers Apprenticeship Programme continues to be recognised as one of the best in the country and was recognised as Highly Commended at the National Apprenticeship Awards. Once again, the apprentice intake has increased in 2019, with over 170 vacancies across the Group. Lookers has again been listed as part of 'The Sunday Times Best Companies to Work For' ranking of the UK's top employers and Lookers was the best-performing dealer Group in the 2019 survey.

We are always striving to reflect the customers and the communities that we serve. We are reaching out of the automotive sector to encourage new talented individuals to come and work for us. Our goal is to create a best in class working environment where all employees feel safe, nurtured and respected.

MACMILLAN
CANCER SUPPORT



353

ben
Support for life



CARDIOPROOF

Operating review

The key aspects of our performance were:

- The Group was slightly behind the UK new car market with total like-for-like new car unit volumes down 4.4% compared to a UK market decline of 2.4%.
- Continued like-for-like growth in used car unit volumes up 3.3% partly offset by margin pressure, particularly in the three months ended 30 June 2019 (Q2) when oversupply of vehicles impacted residual values.
- Further progress in aftersales driven by 4.5% growth in like-for-like revenue.

Total revenue for the year was £4,787.2m (2018: £4,828.3m) driven principally by 5.0% increase in used car revenue and 6.7% increase in aftersales revenue.

Gross profit remained broadly in line with the prior year and at £513.1m represented a gross profit margin of 10.7% (2018: 10.6%).

Whilst gross margin was maintained, our overall profitability was impacted by an increase in net operating costs with an underlying operating profit of £36.5m, a decrease of £35.2m compared with the prior year.

We recorded a loss before taxation of £45.5m compared with a profit before taxation of £41.9m in the prior year.

The 2019 movement on the prior year is largely driven by £84.0m increase in operating expenses.

The movement on operating expenses comprises:

Increase in staff costs	£15.4m
Increase in property costs	£3.7m
Risk and compliance	£2.1m
Increase in marketing costs	£0.7m
Others (including additional operating costs from acquisitions)	£13.3m
Total underlying cost increases	£35.2m
Non-underlying (see Financial Review)	£48.8m
Total movement	£84.0m

During the year the new car market was impacted by the ongoing Brexit process which resulted in a significant level of political and economic uncertainty. In addition, continuing consumer confusion over the future of petrol, diesel and electric vehicles (EVs) had a significant impact on the levels of new car sales.

There are notable regulatory pressures facing our brand partners in achieving emissions targets. As a result of changing customer

preference and the evolving legislative landscape there is likely to be a change in product mix with increased focus on the provision of pure EV's and mild hybrids.

In 2019 the new car market was 2.31m units (2018: 2.37m). Our share of the retail market is 5.8% which was broadly in line with the previous year. Whilst the new car market remains challenging, we believe there are opportunities to grow the business, particularly in used cars, which currently has annual transactions of approximately 8 million vehicles and where we benefit from economies of scale, the skills of our people and our ability to invest in improved technology.

Aftersales represents the servicing and repair of vehicles and sale of franchised parts. In the UK there are approximately 39.3m cars and light commercial vehicles, with a significant proportion under three years old. This represents a significant opportunity for franchised motor dealers, and we are focused on developing the aftersales business and investing in our offering through initiatives to increase volumes and margins.

The internet remains the primary means for our customers to research and determine which new or used cars they are interested in buying. We have migrated to our new and improved website on a phased basis and this is now fully operational and provides customer access across all dealerships. This has resulted in further increases in our visitor and enquiry levels. The customer experience will be enhanced by further significant improvements in functionality, which will improve interaction with our customers.

Portfolio management

Following a period of significant expansion in recent years we announced the closure, consolidation and relocation of 15 dealerships as part of our ongoing portfolio review. The Board believes that as well as driving financial efficiencies, this decision is in accordance with the Group's strategy of partnering with the right brands in the right locations.

By 31 December 2019 we had closed: Volkswagen sites in Morden, Dumfries, Glasgow and Carlisle; Ford operations in Stockton and Guiseley; two JLR sites in Amersham and Kings Langley; and seven other franchised dealerships in Yorkshire and the North East. In addition, we have relocated the former Camberley Audi dealership to Farnborough as well as selling vacant sites in Colchester, Hexham, Birmingham and Dublin. Total costs associated with the programme have amounted to £14.3m and we have generated a cash inflow of £17.6m following the disposal of properties and related assets during the year. We expect to dispose of a number of additional surplus properties during 2020 and 2021.

Analysis of revenue

Revenue	2019 £m	2018 £m**	Variance	2019 LFL £m	2018 LFL £m**	LFL variance
New cars	2,226.4	2,364.7	-5.8%	2,141.2	2,212.8	-3.2%
Used cars	2,326.3	2,215.7	5.0%	2,206.1	2,130.2	3.6%
Aftersales	495.3	464.0	6.7%	467.1	446.9	4.5%
Leasing and other	134.0	115.3	16.2%	127.0	114.3	11.1%
Less: intercompany	(394.8)	(331.4)	19.1%	(382.5)	(320.1)	19.5%
Total	4,787.2	4,828.3	-0.9%	4,558.8	4,584.0	-0.5%

*Restated to show departmental revenue including intercompany which is prior to elimination on consolidation

#LFL restated to include the impact of the adjustments identified from the Investigation and internal review

Analysis of gross profit

Gross profit	2019 £m	2018 £m**	Variance	2019 LFL £m	2018 LFL £m**	LFL variance
New cars	147.0	156.9	-6.3%	142.0	152.1	-6.6%
Used cars	138.1	140.3	-1.5%	134.2	135.9	-1.3%
Aftersales	211.9	199.7	6.1%	200.5	195.5	2.6%
Leasing and other	16.1	16.2	-0.8%	15.7	16.7	-6.3%
Total	513.1	513.1	0.0%	492.4	500.2	-1.6%

*Restated to show departmental revenue including intercompany which is prior to elimination on consolidation

#LFL restated to include the impact of the adjustments identified from the Investigation and internal review

New cars

New cars	2019	2018**	Variance	2019 LFL	2018 LFL**	LFL variance
Retail unit sales	59,212	64,750	-8.6%	56,101	61,405	-8.6%
Fleet unit sales	53,694	56,158	-4.4%	52,209	51,933	0.5%
Total unit sales	112,906	120,908	-6.6%	108,310	113,338	-4.4%
Gross margin %	6.6%	6.6%		6.6%	6.9%	

*Restated to show departmental revenue including intercompany which is prior to elimination on consolidation

#LFL restated to include the impact of the adjustments identified from the Investigation and internal review

The sale of new cars represented 28.6% (2018: 30.6%) of total gross profit. The new car market reduced by 2.4% in 2019 to 2.31m units. The Group's like-for-like unit sales of new vehicles over the year were slightly behind the overall market seeing a reduction of 4.4%. Like-for-like retail unit sales performed behind the market and were impacted by the Group's volume brands.

Whilst in the early part of the year we benefitted to some extent from a pre-Brexit pull forward of demand, Q3 saw some levels of stock shortages across our brand portfolio as OEMs

managed the change in global emission standards. The final quarter saw an impact on sales volumes as our dealership sales teams received further training and assessment in the sale of regulated products.

The fleet sector continues to represent a significant part of the market, providing scope for further growth whilst taking a sustainable and balanced approach to maintaining margins. During the year, the Group's like-for-like fleet unit sales increased by 0.5% compared to a market decrease of 1.7%.

Used cars

Used cars	2019	2018**	Variance	2019 LFL	2018 LFL**	LFL variance
Retail unit sales	100,764	97,709	3.1%	95,298	92,291	3.3%
Gross margin %	5.9%	6.3%		6.1%	6.4%	

*Restated to show departmental revenue including intercompany which is prior to elimination on consolidation

#LFL restated to include the impact of the adjustments identified from the Investigation and internal review

The sale of used cars represented 26.9% (2018: 27.3%) of total gross profit. The used car market had a mixed performance during the year with a robust Q1 followed by a fall in demand and a significant price correction in Q2. The second half of the year recorded a stabilisation of demand and volume. In Q4 we focused on driving cash generation and maximising working capital efficiency. This exercise helped drive the levels of used stock down by the end of the year and significantly contributed to the level of cash we generated from ordinary trading activities.

We continue to focus on stock management and sourcing good quality vehicles, both of which help to improve profitability. The used car market remains of significant importance to our business model and, continues to represent a significant opportunity for the Group. Digital channels will be a key tool to facilitate this growth and we continue to benefit from the increasing number of leads generated by our new website and contactless sales process. We intend to continue our extensive investment in technology to drive further increases in volumes and profitability.

Aftersales

Aftersales	2019	2018**	Variance	2019 LFL	2018 LFL**	LFL variance
Revenue £m	495.3	464.0	6.7%	467.1	446.9	4.5%
Gross margin %	42.8%	43.0%		42.9%	43.7%	

*Restated to show departmental revenue including intercompany which is prior to elimination on consolidation

#LFL restated to include the impact of the adjustments identified from the Investigation and internal review

Aftersales is a key part of the Group and represented 41.3% (2018: 38.9%) of total gross profit. The division continued to perform as expected with a like-for-like revenue growth of 4.5% in the year.

We have increased capacity when developing new dealership premises in recent years, which has expanded the base infrastructure to support higher volumes and growth in the car parc. In addition, aftersales has benefited from the initiatives we have implemented to develop our services, with an emphasis on performance and improved customer retention through enhanced technology, and ongoing investment of our technician apprenticeship programme. We continue to increase the penetration of customer service plans sold, and now have 162,000 plans providing strong visibility and further opportunity in the future.

The impact of the changes in mix as described above coupled with a comparable gross profit contribution from leasing/other sales and an increase in general operating expenses (including non-underlying items) has resulted in a statutory operating loss of £13.2m (2018 profit: £70.8m)

Developing a multichannel retail environment

We have continued to make a significant investment in our multi-channel customer experience and our website plays an important role in the customer journey, influencing how our customers research vehicles before they enter the showroom

Customer experience

Our goal is to be recognised as providing the best customer experience and engagement in the UK motor retail sector. Understanding customer needs is at the heart of our thinking. We conduct extensive customer research to monitor feedback as we appreciate that customers have high expectations and have increasingly more access to detailed product information themselves.

Our people

Our people are the key to helping us to deliver our strategy and providing a first-class customer experience. We really appreciate efforts of colleagues and continue to invest in them with further improvements to our training and development programme and a formal management development initiative. We believe Lookers offers the most attractive employment prospects in our sector and we aim to be the best place to work in our industry. This will help attract and retain the best people, including those from outside the sector.

It was therefore a great achievement to again be recognised as the only motor retailer to be awarded the exclusive Top Employers United Kingdom certification, which we have now achieved for a fourth successive year. This success demonstrates our commitment to building a positive employee experience and of our commitment to optimise, develop and work with all our people to build a meaningful and noticeably different experience for them and our customers.

COVID-19 response

Key events 2020 timeline



Responding to COVID-19

The COVID-19 global pandemic remains an unprecedented challenge. Our response to the pandemic and its consequences has been guided by three key principles:

- Protecting colleagues and customers
- Managing the financial consequences and protecting the business
- Proactive engagement and communication with all stakeholders

Protecting colleagues and customers

Our first thoughts are for those impacted by the virus and their families. The Group's key priority was and remains to protect our colleagues and customers and to do everything possible to prevent the further spread of the virus.

We provided a comprehensive suite of new operating procedures and protocols to all colleagues and we keep these under constant review as the situation continues to develop.

We have upgraded our cleaning regimes and continue to work with our supply chain partners to ensure that personal protective equipment, hand sanitizer and masks are available.

We introduced a comprehensive contactless handover process and rapidly rolled out unaccompanied test drives. Our vehicle cleaning process is based on a 40-point check giving our customers additional peace of mind when taking delivery of their vehicle or undertaking a test drive.

Our new 'Click & Drive' website functionality provides an additional route for our customers to remotely order a vehicle and have it delivered to their home if required.

We rapidly rolled out new technology solutions to support remote working from home wherever possible including our customer contact colleagues, the head office team and certain dealership administrative and sales functions.

Managing the financial consequences and protecting the business

The Board took decisive action in managing the Group's finances in order to protect the business for the long term. These actions included:

- The vast majority of colleagues were immediately furloughed as all trading locations were temporarily closed.
- All members of the Board and various members of senior management took 30% pay cuts. These were reinstated on 1 September 2020. Executive bonus entitlement was also waived.

- Various capital expenditure programmes were delayed.
- Dividends were suspended.
- All discretionary costs areas were reviewed and reduced.
- Restructuring activity including further site closures and redundancies were accelerated. These were regrettable but necessary to protect the long-term future of the business.
- The Group's fleet business was reviewed and restructured to focus on margin retention and working capital control.
- The Group accessed the Government's Coronavirus Job Retention Scheme and other Government initiatives to protect cash flow.

The Board would like to thank its financing and banking partners who have been very supportive through this difficult period.

Proactive engagement and communication with all stakeholders

The Board is very grateful for the support of all stakeholders throughout this challenging period. Our OEM brand partners have been particularly supportive from both an operational and financial perspective which has highlighted the underlying strength of the UK franchised dealer model.

Employees: Communication and engagement with our colleagues is a key priority for the Group. We made every effort to keep our teams engaged including the use of our Workplace by Facebook application and various video messages from the Executive Management Team. Team wellbeing remains a key focus with additional measures and support for those needing them.

Customers: We have remained in active dialogue with both our retail and corporate customer base. We were particularly proud to support key workers with subsidised servicing and repair and continued safe fleet deliveries into the NHS during the lockdown period.

Suppliers: We have been grateful for the support from our key suppliers. We have sought to agree fair terms and have continued to adhere to normal payment practices unless an alternative arrangement has been mutually agreed.

Landlords: Unless otherwise agreed the Group continued to pay rent throughout the period in accordance with our lease obligations. We were very grateful to certain landlords who responded positively to our request for deferred payment terms.

Shareholders: We sought to engage proactively with shareholders and issued a number of trading and operational updates ensuring the market was informed of our trading performance.

Financial review

Key performance indicators

The Group has a number of financial and non-financial KPIs to monitor the development of the business against its strategic objectives and specific business risks. These are defined and measured as shown below:

Financial KPIs

KPI	Definition	Performance*		Link to risk factor
Revenue	Total revenue generated from the Group's principal activities	2019: £4,787.2m A decrease of 0.9%	2018: £4,828.3m	1,3,4,5,6,7
Gross profit	Total revenue less total direct costs	2019: £513.1m Remains the same	2018: £513.1m	1,3,4,5,6,7
Gross profit margin	Gross profit as a percentage of revenue	2019: 10.7% An increase of 0.1%	2018: 10.6%	1,3,4,5,6,7
Statutory (loss) / profit before tax	Total gross profit less all costs and interest	2019: £(45.5)m A decrease of £87.4 m	2018: £41.9m	1,2,3,4,5,6,7
Underlying operating profit	Operating profit before the impact of non-underlying items as defined*	2019: £36.5m A decrease of £35.2m	2018: £71.7m	1,2,3,4,5,6,7
Underlying profit before tax	Profit before tax before the impact of non-underlying items as defined*	2019: £4.2m A decrease of £38.6m	2018: £42.8m	1,2,3,4,5,6,7
Underlying basic earnings per share	The ratio of underlying profit after tax (*as defined) to the weighted average number of ordinary shares in issue during the financial year	2019: 0.87p A decrease of £7.91p	2018: £8.78p	1,2,3,4,5,6,7
Net debt	Total borrowings excluding lease liabilities less cash at bank in hand	2019: £59.5m A decrease of £26.4m	2018: £85.9m	1,2,5,6,7

*Non-underlying items defined in Note 4

2018 restated to include the impact of adjustments identified from the internal review, IFRS16 and presentational changes.

The Board's target is to improve performance across all KPI's whilst maintaining a balanced approach based on the future development of the business.

In preparing the current year financial statements the Board has taken the view to present the statement of total comprehensive income incorporating the disclosure of underlying and non-underlying items separately. Non-underlying items are presented separately in the statement of total comprehensive income and have been defined by the Board as:

Relating to costs or incomes which are not incurred in the normal course of business or due to their size, nature and irregularity are not included in the assessment of financial performance in order to reflect management's view of the core-trading performance of the Group.



Non-financial KPIs

KPI Objective	Definition	Performance	Link to risk factor
Maintaining appropriate number of manufacturers and brands	The number of dealerships operated by the Group and number of manufacturer brands we sell	2019: 148 dealerships and 31 manufacturer brands 2018: 163 dealerships and 32 manufacturer brands	1,7
Maintaining an appropriate sales mix of new cars, used cars, aftersales and other	The split of new cars, used cars, aftersales and other as a percentage of total revenue before inter-company eliminations in the financial year	2019: new 43.0%, used 44.9%, aftersales 9.6%, other 2.6% 2018: new 45.8%, used 42.9%, aftersales 9.0%, other 2.2%	1,7
Share of UK new car retail by volume	Our share of the market	2019: 5.8% 2018: 6.2%	1,6,7
Group new car sales	Number of new vehicles sold	2019: 112,906 2018: 120,908	1,6,7
Group used car sales	Number of used vehicles sold	2019: 100,764 2018: 97,709	1,6,7



Alternative performance measures (APMs)

The Group uses a number of Alternative Performance Measures (APMs) which are non-IFRS measures in establishing their financial performance. Like-for-like is the collection of dealerships and other trading businesses that have both a full year of trading activity in the current year and prior year. The Group believes the APM's provide useful, historical financial information to assist investors and other stakeholders to evaluate the performance of the business and are measures commonly used by certain investors for evaluating the performance of the Group. APMs should be considered in addition to IFRS measures and are not intended to be a substitute for IFRS measurements.

Following the introduction of non-underlying items in the Statement of Total Comprehensive Income the Group's APMs have also been redefined to be based around underlying measures, whereas previously the basis had been to use adjusted profit measures. More details of the APM's and a reconciliation of the IFRS measures used in the Annual Report & Accounts to those APMs used for KPI monitoring are included in Note 30.

Financial statements

Presentational changes

From 1 January 2019 the Group adopted the new accounting standard IFRS 16 Leases. This standard introduces a comprehensive model for the identification of lease arrangements and accounting treatment for both lessors and lessees. Unless otherwise stated, the prior year financial comparatives contained within the Annual Report & Accounts have been restated to reflect the first-time adoption of IFRS 16. At 31 December 2019 the Group has right-of-use assets with a net book value of £107.7m, related lease liabilities of £134.1m and have repaid £21.3m of lease liabilities and associated interest charges during the year.

As announced on 10 March 2020 and subsequently updated in RNS announcements, following the identification of a potential fraud and other issues in an operating division, in conjunction with Grant Thornton the Board immediately commenced a two-stage Investigation. Initially, the first stage, conducted by Grant Thornton, reviewed the operating division concerned and subsequently the Board extended the work performed by Grant Thornton and also implemented an extensive internal review. Together these are considered "the Investigation". Further details of the Investigation are provided in the Chairman's Statement, Report of the Audit and Risk Committee and Financial Review.

The Investigation has led to the identification of a total of £18.1m of adjustments after tax to the 2019 balance sheet of which £10.8m relates to 2018 and earlier.

Adjustments affecting the year ending 31 December 2018 have been recorded in that financial year and the financial statement comparatives have been restated to this effect. Adjustments relating to periods prior to the year ending 31 December 2018 have been adjusted through opening reserves as at 1 January 2018.

The nature, cause and remediation of these errors and misstatements is considered below in Investigation and restatements.

Financial results

Group results

Total revenue for the year remained static at £4,787.2m (2018: £4,828.3m) following increased contributions from used car, aftersales and leasing being offset by a reduction from new car sales. Gross profit remained comparable at £513.1m (2018: £513.1m) and represented a gross profit margin comparable with the prior year of 10.7% (2018: 10.6%). Whilst consistent year-on-year, the gross profit margin was flat in new and aftersales with contractions in both leasing and other, and used margins, despite the latter seeing a 3.3% increase on like-for-like unit sales.

Operating profit

Operating profit has reduced by £84.0m to a loss of £13.2m due to the factors described below.

The 2019 movement on the prior year is largely driven by £84.0m increase in operating expenses.

The movement on operating expenses comprises:

Increase in staff costs	£15.4m
Increase in property costs	£3.7m
Risk and compliance	£2.1m
Increase marketing costs	£0.7m
Others (including additional operating costs from acquisitions)	£13.3m
Total underlying cost increases	£35.2m
Non-underlying	£48.8m
Total movement	£84.0m

Net interest charges

The Group's bank borrowings are based on a floating rate linked to LIBOR and net interest charges have increased by £3.4m primarily as a result of increased interest payable on higher average bank borrowings.

(Loss)/profit before tax

The effect of the non-underlying items noted above in conjunction with the higher interest cost and the reduced underlying operating profit to result in a pre-tax loss of £45.5m (2018: pre-tax profit of £41.9m).

Taxation

The Group's taxation credit for the year is £3.9m (2018: charge of £9.3m) which is composite of a corporation tax credit of £3.7m and a deferred tax credit of £0.2m. The Group's tax charge is considerably lower this year as a result of a reduction in the profits chargeable for taxation which is driven by the reduced underlying earnings and adjustments to prior year taxation charges totalling £2.9m. The Group's effective current tax rate is 8.1% compared with 22.2% in the prior year.

The reduced corporation tax charge coupled with the £9.3m of payments made on account during the year has resulted in a current tax recoverable of £9.8m being recorded in the Group statement of financial position.

Cash flow

Despite the loss for the year, cash generated from operations has increased by £30.3m to £221.1m a direct consequence of the focus that was placed on the Group's working capital during the second half of 2019. Cash generated from working capital totalled £69.0m (2018: £(11.5m)) during 2019 driven by tighter controls put in place across the Group around the management of inventory levels and debt recovery.

During this period the Group has also paid particular attention to the levels of inventory funding that is available to the Group and has increased the overall level of funding by £108.3m to £870.8m, representing 93.3% (2018: 80.7%) of inventory being funded at the balance sheet date.

Property, plant and equipment capital expenditure totalled £81.3m (2018: £47.6m) after including capitalised vehicle leases of £35.5m (2018: £26.1m) and represented the Group's investment in new or improved premises for dealerships, reflecting our ongoing commitment to improve our retail environment to maintain, modern and state of the art facilities. During the year the Group has invested in the new JLR facility at Aston Clinton in Buckinghamshire as well as at Audi in Farnborough, Guildford and Basingstoke.

The Group realised £17.6m from the disposal of freehold properties during the year. At 31 December 2019, the Group holds freehold and leasehold properties (excluding properties held for resale) with a combined net book value of £321.5m, (2018: £309.5m), which remains a key strength to the business.

Total loan repayments and net revolving credit facility movements resulted in a cash outflow of £38.7m (2018: £13.4m) as further inroads were made to reducing the overall net debt position of the Group.

Total net debt (excluding lease liabilities and stocking loans) at 31 December 2019 was £59.5m (2018: £85.9m).

Bank funding

The Group has a revolving credit facility of £250.0m arranged with five banks, (Bank of Ireland, Barclays, HSBC, Lloyds and NatWest), with a term to March 2022. There is also the potential to increase the facility up to an additional £50.0m to fund future acquisitions.

Interest is charged on the facility at a margin of between 1.3% and 2.25% above LIBOR, depending on the ratio of net bank debt to EBITDA. These facilities are subject to half yearly covenant tests on interest cover and net bank debt to EBITDA.

The banking club and the Group have agreed revised covenants for the period from June 2020 to June 2021 which reflects anticipated trading including the impact of COVID-19.

However, given the extent of downturn that was seen in wave 1 of COVID-19, the ongoing uncertainty of COVID-19, the risks in respect of Brexit and the macro-economic factors that could affect the Group, additional stress testing of revenue volumes was performed to model further downsides in the key assumptions, which the Directors considered to be severe, but plausible. This scenario, indicated that despite resilience of liquidity the aggregate of these factors gave rise to a material uncertainty which may cast significant doubt over the Company's and Group's ability to continue as a going concern in the event that, following a covenant breach, lenders elect to trigger a repayment of outstanding debt. Without actioning the various mitigating actions available, the Company and Group may be unable to realise assets and discharge liabilities in the normal course of business. In view of the various sensitivities and additional stress testing, the Board concludes that preparing the accounts on the basis of going concern is appropriate

Dividends

We indicated in the Group's 2019 interim results statement that the Board would be reviewing its dividend policy. The Board remains mindful of its relationships with and commitments to all stakeholders and recognises the importance of dividends to Shareholders. It now intends to implement a policy where, subject to satisfactory trading prospects, dividends are covered around 3.0 to 3.5 times underlying earnings (previously 3.5 to 4.0 times) and paid in approximately one third (interim dividend) and two thirds (final dividend) split. In the light of the year's financial performance and in accordance with the new policy the Board is not recommending a final dividend for the year noting that the interim dividend for the year of 1.48p is covered 0.6 times by underlying earnings per share.

The Board has become aware of an issue concerning technical compliance with the Companies Act 2006 in relation to the interim dividend paid to Shareholders in respect of the 2013 financial year, and the interim and final dividends paid to

Shareholders in respect of the 2014 and 2015 financial years (the “Dividends”). The Dividends were paid to Shareholders at a time when the Company did not hold adequate distributable reserves by reference to its last set of annual accounts (although there were sufficient reserves held in subsidiaries of the Company which could have been distributed to the Company in order to provide the Company with adequate reserves). In addition, the Company did not file with the Registrar of Companies (as required by the Companies Act 2006) additional “interim” accounts which might otherwise have demonstrated that the Company had the requisite level of reserves. The Group’s historic reported trading results and financial condition are entirely unaffected; however, the Board proposes to put resolutions to Shareholders at the 2021 Annual General Meeting to address this past issue.

Pension schemes

The Group has three defined benefit pension schemes, The Lookers Pension Plan, The Dutton Forshaw Pension Plan and The Benfield Motor Group Pension Plan. All three schemes are closed to entry for new members and closed to future accrual. The asset values of the three pension schemes increased by £26.6m during the year due to the favourable movements in global investments during the year, but scheme liabilities increased by £13.4m. As a result, the net deficit included in the balance sheet decreased by £13.2m in the year.

The Group is currently in discussions with the respective scheme trustees and the Pensions Regulator with regard to the latest triennial valuation for the Lookers Pension Plan.

The combined deficit of the three schemes decreased in the year and is now £55.7m (2018: £68.9m). Relatively small changes in the bases of valuation can have a significant effect on the calculated deficit hence the movement in the calculated deficit can be subject to high levels of volatility.

Non-underlying items

2019 has seen the recognition of a number of items disclosed as non-underlying within the financial statements and 2018 has been restated to reflect the investigation, IFRS 16 and voluntary presentation changes.

	2019 £m	2018 £m
Gain on property disposal	(4.9)	(2.5)
Restructuring costs	14.3	-
Impairment of goodwill and intangible assets	30.4	-
VAT matters	(6.2)	-

	2019 £m	2018 £m
FCA investigation	15.1	-
Additional pension past service costs	-	3.4
Provision for taxation charges	1.0	-
Total non-underlying items at operating profit	49.7	0.9

The Board has taken the view that each of the following items relate to costs or incomes which are not incurred in the normal course of business or due to their size, nature and irregularity are not included in their assessment of financial performance. These have been presented separately on the face of the Statement of Total Comprehensive Income in order to reflect management’s view of the core-trading performance of the Group in the current and preceding financial years.

Gain on property disposal

In November 2019 the Board announced an acceleration of its portfolio consolidation to drive the future financial performance of the Group. In line with its strategy of partnering with the right brands in the right locations and working closely with its brand partners, the Board identified 15 dealerships for closure, relocation or consolidation into existing dealerships in adjacent territories.

Of the sites identified, nine were owned on a freehold basis. The programme is now largely complete and has contributed significantly to the overall cash inflow of £17.6m and an accounting gain of £4.9m following the disposals of property, plant and equipment during the year.

Following the fully retrospective adoption of IFRS 16, the gains recorded following the Group’s previous sale and leaseback transactions have been remeasured resulting in the £2.5m gain recorded in the year ending 31 December 2018.

Restructuring

As identified above in November 2019 the Group announced an acceleration of its portfolio consolidation which led to costs and charges incurred:

Redundancy costs and other closure costs	£8.8m
Impairment charges - assets held for sale	£3.7m
Impairment charges - right of use assets	£1.8m
Total restructuring costs	£14.3m



Total redundancy costs associated with this program amount to £4.3m and there have been other closure costs in relation to existing contracts and obligations relating to these dealerships totalling £4.5m recorded in the year. Due to the size and nature of the dealership closure programme, all related expenses (£8.8m) have been recorded as non-underlying within the financial statements.

As a consequence of this several properties have now been presented as assets held for sale on the Group's statement of financial position and have resulted in impairment charges of £3.7m being recorded in order to reflect their fair value less costs to sell. Notwithstanding, we expect to record a gain upon disposal in 2020 in respect of some of the other properties which have also been presented within assets held for sale in the statement of financial position.

The closure programme has also affected the carrying values of the right of use assets and impairment charges totalling £1.8m (2018: £nil) have been recognised in the year for property leases which are now considered onerous.

The Board has continued to review the operating portfolio during 2020 to ensure that the Group's key objectives and strategies can continue to be met. Subsequent to the year end and having worked closely with our brand partners, the Group has identified a further 12 dealerships (including seven freehold sites) for either closure, consolidation or refranchising. It is estimated this will be completed in the second half of 2020. Following these closures, the Group will operate from a portfolio of 136 dealerships.

Goodwill and intangible impairments

Following the deterioration in trading performance the Group has recorded impairment charges totalling £30.4m (2018: nil) against the Group's intangible asset base. £29.8m (2018: £0.3m) of this has been charged against goodwill following the Group's annual impairment review and has resulted in reductions to the Group's JLR, BMW and Ford cash generating units (CGUs).

These adjustments are considered to be reflective of the comparative downturn in the CGUs value in use when compared with those that were expected when these past acquisitions were made.

None of these impairments have had a cash impact in the current year.

VAT matters

During the year the Group benefitted from a change in how HMRC view the VAT treatment of dealer deposit contributions which has given rise to a one-off credit totalling £5.6m. In addition, a one-off VAT charge totalling £2.0m has been made in relation to manufacturer deposit contributions. Following a challenge over the VAT accounting treatment of bonuses received from Motability the Group has recognised a credit of £2.6m in year ending 31 December 2019.

FCA investigation

As previously announced, during 2018 the Board became aware of certain matters requiring review in relation to the Group's regulated activities.



At 31 December 2019 the Group has largely completed its remediation plan which has included a detailed past business review; implementation of a revised sales process; a full training exercise across the Group; implementation of new risk management and quality assurance frameworks; and several improvements to the Group's IT systems.

Total costs of this programme recorded in the year amount to £6.8m, £4.7m of which have been recorded within non-underlying items as these represent non-recurring costs for professional fees and setup costs.

As announced on 20 June 2019, the Group was informed by the FCA that its Enforcement Division intends to carry out an Investigation into sales processes between the period of 1 January 2016 to 13 June 2019. This Investigation is underway with the full support of the Group and the FCA will reach its conclusions in due course.

The Board considers there to be a wide range of as yet unknown possible outcomes to the FCA review of historic sales practices and the ongoing Enforcement Investigation however it recognises there are likely to be liabilities that arise from the process. Therefore, the Board has made a provision of £10.4m for any liabilities which might arise. These liabilities are considered to be non-underlying in nature, are unlikely to crystallise within the next financial year and are disclosed in Note 21.

The Board takes this matter very seriously and continues to co-operate and co-ordinate fully with the FCA. We believe that adapting to developments in regulation, which affects the retail motor industry and the fast pace of changing customer demands and behaviours, is a key challenge and an important priority for the Group. When these improvements are fully deployed across the Group, our strengthened infrastructure and enhanced customer experience will create a robust and industry leading platform that will facilitate further growth.

We will provide further updates in respect of the ongoing remediation work and progression of the FCA Investigation as appropriate.

Additional pension past service costs

In the year ending 31 December 2018, £3.4m of enhanced past service pension costs were incurred in respect of pension harmonisation charges and have been treated as non-underlying items.

Investigations and restatements

The Investigation identified a number of adjustments. These adjustments affected cumulative retained earnings by £21.8m of which £8.3m related to the previously unreported 2019 financial statements and £13.5m related to prior years. Those relating to prior years have been subsequently adjusted through restating the comparatives in these financial statements. Further details of the impact of the adjustments on the previous years are disclosed in Note 1a-e.

For the purposes of this report, and to assist understanding, the adjustments have been aggregated where the nature and cause of the misstatement is similar. These groupings are as follows:

- Correction of fictitious transactions;

- Correction of errors arising from inappropriate or inconsistent accounting standards application 'Policy misapplication'; and
- Correction of errors arising from weaknesses in controls grouped by nature 'Control weaknesses'.

We note that as illustrated in Note 1a-e, further restatements were also required in respect of the adoption of IFRS 16 and some voluntary changes to presentational disclosure of the Income Statement for which further detail is included in that note.

A summary of the adjustments arising from the Investigation is included below:

Profit and loss items

Nature of adjustment	2019 Impact - £m	2018 Impact - £m	Pre 2018 Impact - £m	Total	Reference
Fictitious transactions	(1.2)	(1.6)	-	(2.8)	(a)
Policy misapplication					
Cash and bank	(0.3)	(0.7)	0.2	(0.8)	(b)
Leasing companies	0.3	0.3	(1.2)	(0.6)	(c)
Staff car schemes	(1.2)	0.4	(0.7)	(1.5)	(d)
	(1.2)	0.0	(1.7)	(2.9)	
Control weaknesses					
Property, plant and equipment and intangible assets	(5.9)	2.2	(6.2)	(9.9)	(e)
Manufacturer bonus	(0.4)	(0.6)	(1.2)	(2.2)	(f)
Central finance function	1.6	(8.1)	2.5	(4.0)	(g)
Divisional finance function	(3.8)	0.9	(0.7)	(3.6)	(h)
	(8.5)	(5.6)	(5.6)	(19.7)	
IMPACT BEFORE TAX	(10.9)	(7.2)	(7.4)	(25.5)	
Taxation	2.6	0.8	0.3	3.7	
TOTAL RETAINED EARNINGS IMPACT	(8.3)	(6.4)	(7.1)	(21.8)	

(a) Fictitious transactions

One operating division created fictitious journal entries to recognise non-existent manufacturer bonuses. The initial misstatement was created in 2018, the entries being reversed in 2019 and further fictitious sums being recorded in 2019. These fictitious entries enabled the division to achieve its targets for the year, were entirely internal in nature and were never communicated to, reported to, nor claimed from the relevant manufacturer.

The transactions arose because of local management override and lack of central oversight and review, enabling unsubstantiated journals to be processed without challenge.

(b) Policy misapplication - Cash and bank

The Group had incorrectly accounted for debt issuance costs, not appropriately aligning them and amortising them in line with the duration of the relevant facilities. In addition, the Group had incorrectly omitted from the balance sheet a number of bank accounts that were held for the purposes of managing ring-fenced funds.

These errors arose because of lack of formality in accounting policies and also lack of thorough and diligent control standards around balance sheet reconciliations.

(c) Policy misapplication - Leasing companies

The Group has a division which provides vehicle leasing to commercial and business customers. The Group had adopted a variety of inconsistent accounting treatments for the vehicles, and in particular failed to correctly record and report vehicles as fixed assets where the Group retained a long-term financial interest in the vehicle such that control had not transferred. This division has a significant proportion of its business where it acts as either a disclosed agent or an undisclosed agent. In both instances, the Group previously treated the sale of vehicles to third parties as 'vehicle sales', despite the Group retaining a buy-back right and therefore, continuing to control the assets. Instead, these vehicles should have been treated as rental fleet, to be depreciated over the term of the contracts to the buy-back date. Lease revenue associated with these contracts is recognised over the period of the contract term.

The profit impact has been included above. However, the main impact of rectifying these issues was the increase in rental fleet in fixed assets of £68.8m, reduction in inventory of £12.9m and the increase in creditors of £56.6m.

The errors arose because of lack of formality in accounting policies, failure to review and implement new accounting standards correctly, and lack of appropriate structure and training in the finance department.

(d) Policy misapplication - Staff car schemes

The Group operates a number of company staff car schemes which are operated by third party providers. The schemes have undergone HMRC review and are not a benefit to the employee but enable the franchises to make sales which count towards volume targets. In review of these schemes, it was identified that one of the arrangements should be accounted for in a manner consistent with that described above due to the Group retaining control of the assets. Furthermore, for this particular scheme, the nature of the arrangement and practical application means that all vehicles are continually marketed for sale to the market whilst being part of the scheme and are available for immediate sale at all times. As a consequence, to reflect the commercial substance of the arrangement, these particular vehicles have been recognised within inventory as disclosed in Note 16, instead of being presented within fixed assets.

The errors arose because of divisional management override changing the scheme from a standard structure to a non-compliant structure to drive volume target achievement and manufacturer bonuses. As a consequence of the management override, there was a failure to apply the appropriate accounting to this scheme. This included lack of formal documentation of appropriate accounting policies and procedures, lack of clear operational and financial approval for the scheme's operation, and failure to report and monitor the use of the scheme centrally.

The profit impact has been included above. However, the main impact of rectifying these issues was to include inventory of £31.6m and a net creditors of £32.4m.

(e) Control weakness - Property, plant and equipment (PPE) and intangible assets

In a number of divisions there was inappropriate treatment of costs associated with capital projects. In some cases, costs relating to actual or proposed capital projects were incorrectly capitalised in a manner that was not consistent with IAS 16. In addition, costs that had been incurred in anticipation of a capital project remained on the balance sheet regardless of whether the project was likely to proceed and instances were identified where the period of depreciation for the costs exceeded the Group-mandated life of the asset.

The errors arose because of a lack of formal documentation of appropriate accounting policies and procedures, lack of approval to capitalise costs, and inadequate central oversight and review of balance sheet accounts.

(f) Control weakness - manufacturers' bonuses

Manufacturers pay bonuses to the Group for a number of reasons, including the achievement of general volume targets and to support specific vehicle or customer types. The bonuses can be specific against a transaction or cumulative with ratchet over a period for achieving different tier levels of sales. This leads to complexity in recognising the timing of income associated with the bonus. However, an overriding principle is that the bonus income should not be recognised until the vehicle that the bonus is associated with is sold outside the Group and until that point the bonus should be offset against the inventory value of the vehicle. The primary issue identified by the Investigation concerned the early recognition of manufacturer bonuses when the Group was not entitled to the income. This process wrongly inflated profit, simultaneously overstating the carrying value of inventory. There were also a smaller number of instances where manufacturer bonuses were inappropriately deferred following the achievement of annual profit targets.

One franchise division had high levels of fleet transactions over a number of years which triggered a complex series of manufacturer bonuses. These bonuses were not agreed with the manufacturer on a timely basis but were recorded as recoverable balances. Although the balances became aged and outwith the manufacturer payment terms, they were not fully provided for in accordance with the appropriate debt provisioning policy. The aged balances were known to both local and central management, but a decision was taken not to provide in line with standard procedures. Offsetting this were a series of credit balances that remained unreconciled for a number of years, but which should have been recognised in the Income Statement to match the sales to which they related.

The errors arose from a lack of formal manufacturer bonus recognition procedures, failure to perform basic accounting reconciliations, lack of central oversight and failure to apply correct debt provisioning at a number of year ends.

(g) Control weakness - Central finance function

The Central finance function fulfils a number of accounting roles for the Group including the receipt of costs for the Group and recharging the costs to divisions, receipt of revenue from Group-wide sales and bonus contracts and distribution of the associated income to divisions and the maintenance of provisions for the Group relating to Group-wide or corporate activity.

For an extensive period of time the accounting and control of the Central finance ledgers was poor, lacked structure, process and oversight and this led to a significant level of under and over accruals across a number of years. In some cases the failure to identify recharges and revenue to

divisions on a timely basis meant that the divisions did not recognise the costs, revenues or provisions accurately or in the correct period.

The issues arose because of lack of formal processes for transactions, unnecessarily complex recharging mechanisms, lack of reconciliations within the Central finance function or between the Central finance function and the divisional teams, the absence of appropriate documentation to substantiate provisions and activity on provisions, and inadequate resourcing of the Central finance team. The adjustments primarily affected working capital balances.

(h) Control weakness - Divisional finance function

Similar to the issues identified in the Central finance function, the Investigation considered the quality of reconciliations within the divisional finance functions that led to the identification of issues including understatement of liabilities and inappropriate deferral of expenses.

The issues arose from inadequate reconciliation processes, lack of oversight and control, poor quality and under trained staff and lack of formal policies and procedures.

The inclusion of tax as part of the restatements reflects the impact of the adjustments on the Group's corporation tax position. The low level of impact for 2017 and 2018 reflects management's conclusions that the recoverability of corporation tax is not sufficiently certain. This will be reconsidered once the returns have been resubmitted to the tax authorities.

Balance sheet items

In addition to the matters referred to above, a number of reclassifications were identified in finalising the 2019 financial statements. These included:

(i) Policy misapplication - Bank balances

In prior years the Group had been misinterpreting the requirements of IAS 32, and had been netting off cash held against overdrafts with the same counterparty where there was a legal right of offset. A review of the interpretation of IAS 32 identified that the appropriate treatment was to separately present the overdrafts and cash held where there is no intention to settle amounts net. This has led to the restatement of Cash and Cash Equivalents and Overdrafts and Bank loans. Further details of the amounts involved are disclosed in note 19.

The errors arose because of lack of formality in accounting policies, failure to review and implement accounting standards correctly, and lack of appropriate structure and training in the finance department.

(j) Policy misapplication – Consignment stock

Following an acquisition in prior years, the Group failed to ensure that the accounting policy for consignment stock was applied consistently to the newly acquired business. This has since been rectified in finalising the financial statements, resulting in an increase in stock and consignment stock creditors of £22m in 2017.

The error arose because of lack of formality of procedures to ensure that accounting policies were applied consistently for acquisitions.

Cash flow statement

With the exception of the omitted bank accounts referred to above, the impact of the adjustments does not affect the net movement in cash and cash equivalents for 2018. However, by adjusting for the items above, there have been a number of reclassifications of items between operating, investing

and financing cash flows as illustrated in Note 19. These are primarily attributed to the combination of the effect of the adoption of IFRS 16 and the correction of accounting policies applied to the Group's vehicle leasing companies. As detailed above, the Group previously treated these transactions as sales which was incorrect because control was retained. As a consequence, the cash flow statement previously treated such transactions as operating cash flows. In restating the cash flow statement for the revised policy, this results in:

- An increase in investing outflows to reflect the purchase of rental fleet assets; and
- An increase in financing inflows and outflows to reflect the financial liabilities arising in connection with the financing of the vehicle lease arrangements.

Remediation activity

We are addressing the issues identified with the steps in the table below

Remediation action	Addresses issues
Formalisation of accounting policies including upgrading technical accounting resource	(b),(c),(d),(e),(f),(g),(h),(i) and (j)
Implementation of a formal financial processes and procedures manual and training of all finance staff	(a),(b),(c),(d),(e),(f),(g),(h),(i) and (j)
Restructuring of Finance Team to more closely align to the Group operating model and implementation of a first line of defence operational finance review team	(a),(c),(d),(g),(h),(i) and (j)
Implementation of a minimum control standards compliance review of all dealerships and Head Office on a twice a year basis	(a),(c),(d),(e),(f),(g),(h),(i) and (j)
Implementation of a financial reporting attestation for senior finance and operation management on a twice a year basis	(a),(b),(c),(d),(e), (f),(g),(h), (i) and (j)
Implementation of a central approval, review and oversight process for all major financial reporting risk or judgemental areas	(a),(b),(c),(d),(e),(f),(g),(h),(i) and (j)
Standardisation where possible of the Dealer Management System allowing standardised processes and reporting, easier central visibility and interrogation of ledgers and centralisation of critical activities	(a),(c),(d),(e),(f),(g),(h) and (j)

The design of the remediation activity has included input from Internal Audit to provide quality assurance and robustness of the enhanced controls and procedures and internal audit will also provide a third line of defence assurance capability following the rollout of remediation activity.

Risk overview and management

Enterprise risk management framework

Lookers is exposed to internal and external risks as part of our on-going activities. Enterprise risks are identified by the business on an ongoing basis and escalated through risk management processes and reporting. This is done through undertaking horizon scanning, maintaining ongoing dialogue with the business and keeping up to date with wider market and environment movements. These risks are managed as part of our business model. To manage our risks an Enterprise Risk Management Framework (ERMF) has been developed. The ERMF defines the categorisation of the risks faced by Lookers and sets the high-level principles and underpinning minimum requirements for the identification, assessment, monitoring and controlling of each of those risk categories in line with Lookers' defined risk appetite. The aim is to support the business in embedding effective risk management and a strong risk management culture. The ERMF specifies the framework within which we identify and manage the principal risks to Lookers and the approach to managing them. We adopt a 'three lines of defence' model. The management of risk is embedded into each level of the business.

Three Lines of Defence

Lookers applies a "three lines of defence" governance model across its business. The principal aim of this model is to ensure that Lookers can demonstrate ownership of risk in the business, and independent oversight and challenge of those risks by its second line departments (Risk and Compliance). Internal Audit (the third line) are in place to provide independent assurance to the Board of the controls. In summary the accountabilities between lines are split as follows:

The First Line of Defence (the business)

Accountable for owning, taking and managing the risk.

The Second Line of Defence (Risk & Compliance)

Operate independently of the first line. They do not own the risk but instead independently oversee, advise and challenge the first line activity.

The Third Line of Defence (Internal Audit)

Provide independent assurance to the Board of the controls.

Risk appetite framework

The risk appetite framework defines the level of risk we are willing to take across the different risk types. Risk appetite is key for our decision-making process, including ongoing business planning, new products approvals and business change initiatives.

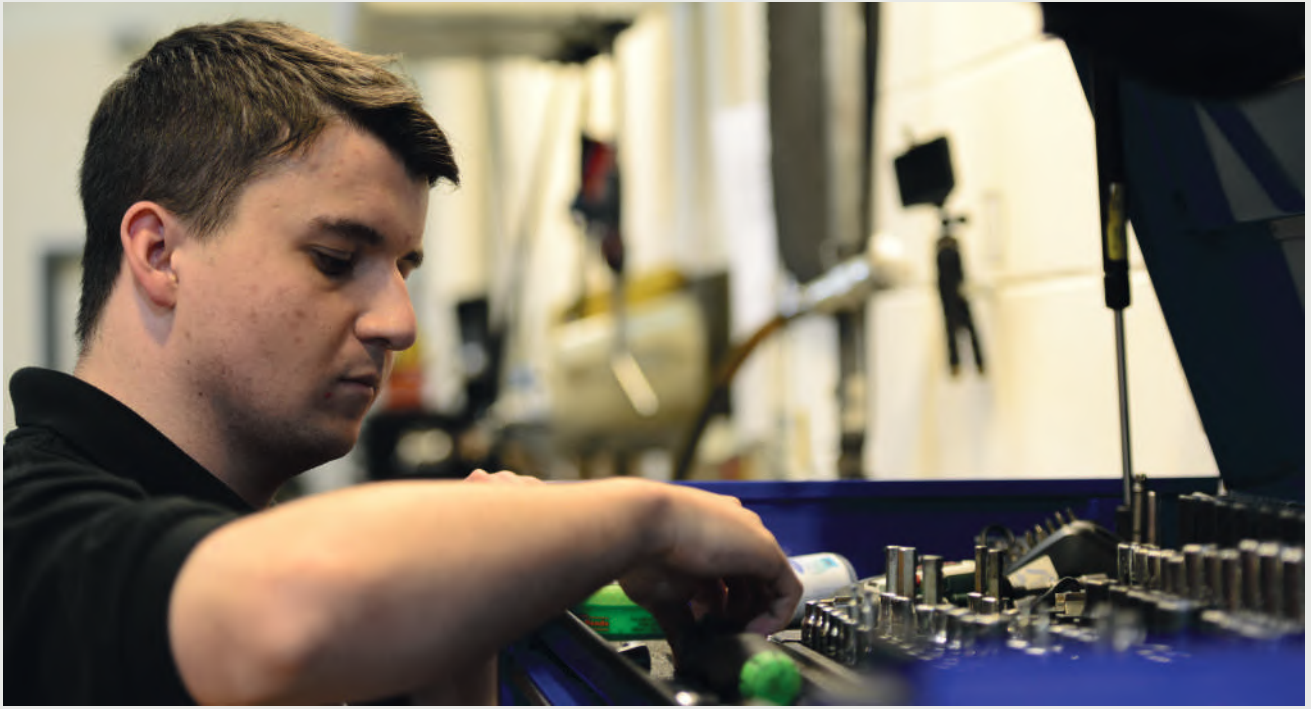
In pursuing its business strategy, Lookers recognises a range of possible outcomes/objectives. The Board sets the "tone from the top" and provides a basis for ongoing dialogue between management and Board with respect to Lookers current and evolving risk profile, allowing strategic and financial decisions to be made on an informed basis.

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. When deemed appropriate, revised forecasts are prepared and presented for Board review and approval. To ensure that information consolidated into the Group's financial statements is in compliance with relevant accounting standards and the Group's own accounting policies, internal reporting data is reviewed regularly.

The Audit and Risk Committee reviews the appropriateness of the Group's accounting policies each reporting period. The Audit and Risk Committee considers reports from Executive Management, Internal Audit, the Risk and Compliance teams and the Group's external auditor, the application of IFRS and the reliability of the Group's system of control over financial reporting.

During 2019 there has been continued evolution of the Group's internal controls over financial reporting, including the development of a Financial Risk Policy and supporting Policy Standards and a review of the underpinning processes and procedures, as a part of the wider work on the Enterprise Risk Management Framework (ERMF). Progress has been made in a number of key areas; however, the Board has identified areas where further improvement is required, both in respect of the ERMF requirements and in recognition of weaknesses identified from the investigation and balance sheet review performed by Grant Thornton. The Board considers the issues that were identified as being varied in nature, arising from inadequately designed, documented and implemented policies and procedures, inadequately resourced and skilled finance function and instances of failure to follow policies and procedures. Further details of the causes are identified in the Financial Review. In parallel to this, consideration has also been made regarding the application and impact of the new IFRS standards which are relevant for this and previous reporting periods (see Principal Accounting Policies on page 129).



The Board has recognised the issues arising from the Grant Thornton investigation, and the continued development of the ERMF and has implemented a review and improvement programme for financial reporting including support from PwC LLP. This programme will formalise current best practice, roles and responsibilities, improve documentation of processes, and invest in people and systems to improve consistency of financial reporting and reduce scope for management override. The three lines of defence model used throughout the Group will be further enhanced.

Controls have been designed to ensure that the Group's financial reporting presents a true and fair reflection of the Group's financial position. The Board has acknowledged the significant weakness in the control environment identified by the Grant Thornton investigation and its own internal reviews. Responding to these weaknesses it has considered and approved significant improvements to the Group's financial reporting structure. Many of these improvements have been implemented although the process of improving controls will continue during the remainder of 2020 and 2021.

Overview of principal risks and uncertainties

Appreciating that the operation of any business entails an element of risk, the Board maintains a policy of continuous identification and review of risks which may cause the actual future Group results to differ materially from those expected. The tables over pages 38 to 43 give an overview of the principal risks and their impacts faced by the Group aligned to an indication of corresponding controls and mitigating factors. These risks are not intended to represent an exhaustive list of all potential risks and uncertainties, and the factors outlined below should be considered in conjunction with the Group's system for managing risk as described below and in the Governance section of the Annual Report & Accounts.

It should be noted that the Group has had to respond to the crystallisation of two material risks in the period between year-end and producing the final ARA. The first was the identification of an internal fraud (misappropriation of expenses) in one of our trading divisions. This fraud (totalling circa £327K across multiple years) was perpetrated by one individual and he is now the subject of a criminal investigation. Whilst investigating that fraud, we also identified a material misstatement in the year end accounts for that trading division that saw us pause the publication of our Annual Report & Accounts and undertake a forensic accounting investigation across all our divisions and Central Functions. The conclusion of this accounting investigation has been disclosed in the Chairman's statement and the Financial Review. As a result of this exercise, we have accelerated the implementation of the Financial Risk minimum standards and controls mandated as a part of the ERMF. The second has been the emergence of COVID-19 and the range of management actions that the Group has had to take to protect both colleagues and customers. Both of these risks have had a material impact of the Groups risk profile and final reporting position.

The Board carries out a top down risk assessment of the most significant strategic risks to the achievement of the Group's strategic objectives.

These risks are considered to be those that could cause the greatest damage if not effectively evaluated, understood and managed. The Board keeps the Group's risk appetite under periodic review in light of changing market conditions and the Group's performance and strategic focus.

Financial Risk

No.	Principal risk and description	Impact	Mitigating activity
1.	<p>Funding & Liquidity Risk</p> <ul style="list-style-type: none"> The risk that Lookers does not hold enough liquid assets to meet our financial obligations. Funding risk is the risk that Lookers is unable to meet its strategic and business objectives due to lack of funding availability. Liquidity risk is the shorter-term risk that Lookers may be unable to access cash, or bank facilities such as deposits, overdrafts or loans, required to meet its day-to-day business requirements. 	<ul style="list-style-type: none"> Failure of the Group to secure Bank funding, leading to a dramatic reduction in profitability which may adversely change the lending decision by banks. Failure of the Group to secure Bank funding, leading to Lack of cash to meet short term funding needs owing to banking covenants being breached. 	<ul style="list-style-type: none"> We ensure that this risk is managed by preparing regular financial forecasts to evaluate our funding and liquidity requirements for the foreseeable future. These forecasts are reviewed and approved, and appropriate solutions are put in place. We ensure that monthly budget management accounts are monitored. We ensure that debt to equity ratios remain in line with policies. We ensure that the position with our Bank club is kept under continual review including compliance with our covenants. We ensure that cash, or short term, deposits exceed short term liabilities. The management of this risk has been under close daily review throughout the period of the COVID-19 outbreak and tactical measures put in place as appropriate to ensure an appropriate level of liquidity and funding until such time as the business returns to our normal trading environment. The Group applied for and received support from the Government's emergency measures for business, notably the Coronavirus Job Retention Scheme. We strive to achieve optimal working capital efficiency and debt repayment forecasting.

No.	Principal risk and description	Impact	Mitigating activity
2.	<p>Pension Risk</p> <ul style="list-style-type: none"> The risk that Lookers does not adequately manage pension liabilities. The Group is required to managing funding contributions to its defined benefit pension obligations. 	<ul style="list-style-type: none"> Failure to manage the pension deficit leading to an increase in the deficit which impacts on the level of deficit payments we are required to make to the scheme. Indirectly it may also have an adverse implication on share price and credit rating. Any deterioration in our credit rating would increase our cost of borrowing and may limit the availability or flexibility of future funding for the Group, thereby affecting our ability to invest, pay dividends or repay debt as it matures. 	<ul style="list-style-type: none"> We maintain relationships with pension trustees and deliver against pension investment plan. We have kept both the trustees and regulator informed as we have managed the threats posed by the business being temporarily closed as a result of COVID-19. We regularly review investment performance and liability. The investment strategy aims to partly mitigate the impact of increases in liabilities, for example by investing in assets that will increase in value if future inflation expectations rise. The assets held are also well diversified reducing the impact. We maintain an open and ongoing dialogue with the pension trustees understanding their expectations of funding and sharing with them our financial status and performance.

Regulatory Risk

No.	Principal risk and description	Impact	Mitigating activity
3.	<p>Regulatory Compliance Risk</p> <ul style="list-style-type: none"> Where the Group's activities are subject to regulatory compliance there is risk that there will be failure to comply with applicable laws, regulations, and codes. 	<ul style="list-style-type: none"> Potential poor customer outcomes, loss or imposition of penalties, damages or fines. Failure to address forthcoming regulatory developments. Failure to maintain appropriate regulatory permissions for Lookers activities. Failure to comply with appropriate reporting disclosure and associated requirements. 	<ul style="list-style-type: none"> We have invested considerably during the year on capability and capacity within the Risk and Compliance function to support the business and manage our relationship with regulators and other stakeholders. We have a Legal function which supports colleagues in identifying and limiting Legal risks. We have undertaken a regulatory rule mapping risk assessment exercise to ensure applicable regulations are caught and built appropriate compliance frameworks. We conduct horizon scanning processes to identify changes in regulatory expectations. These include any changes that may be required as a result of the FCA supervisory review and enforcement process. We ensure that we maintain open and transparent relationships with our regulator. In the period we have continued to work closely not only with our Supervisory Team but also the Enforcement Team that are reviewing some of our historic sales practices and the Primary Market Oversight division who we have kept informed of the developments with the year-end accounts and suspension of our shares. We have also engaged appropriate external advisors to provide knowledge and assurance to enable the Board to assess its compliance with its legal and regulatory obligations as and when appropriate. We have identified a number of gaps in our financial reporting and financial control processes which we are addressing by formalising procedures, training staff, recruiting additional staff and implementing compliance reviews.

Conduct Risk

No.	Principal risk and description	Impact	Mitigating activity
4.	<p>Conduct Risk</p> <ul style="list-style-type: none"> Conduct risk is a risk that our behaviours, attitudes, motivations and actions lead to unfair customer outcomes or poor standards of customer conduct in our trading activities. 	<ul style="list-style-type: none"> Ineffective governance and monitoring arrangements leading to unfair customer outcomes. A culture that does not put the customer at the heart of everything we do. Failure to securely maintain and monitor our customer data. Failure to have procedures in place to identify and treat vulnerable customers appropriately. Failure to design products in accordance with the firm's business strategy or to meet customer needs. Failure to manage complaints and investigate appropriately. 	<ul style="list-style-type: none"> We have invested considerably during the year on capability and capacity within the Compliance function to support the business and manage our relationship with the regulators and other stakeholders. We ensure that fair customer outcomes are embedded within our corporate strategy. Our remuneration incentives, commissions and performance management practices are being designed to drive the right behaviours helping to deliver fair customer outcomes. We continually work towards ensuring the accuracy, security and consistency of the customer data that we hold. We ensure that identification and fair treatment of vulnerable customers is integral to the Lookers way of doing business. We ensure new financial promotions, sales process and products design processes are based on robust market research and deliver clear and simple products that meet the needs of our customers. We deliver effective training to help our people understand how they can deliver the best customer outcomes.

Financial Crime Risk

No.	Principal risk and description	Impact	Mitigating activity
5.	<p>Financial Crime Risk</p> <ul style="list-style-type: none"> The risk that Lookers is used to launder the proceeds of crime, finance terrorist activities, commit fraud or evade financial sanctions. This includes any actions perpetrated against Lookers involving fraud, theft, dishonesty, internal or external, misconduct or misuse of information relating to a financial market. 	<ul style="list-style-type: none"> We fail to protect our customers and our business from breaching obligations designed to prevent and deter the risk of Lookers being used to facilitate financial crime. Failure to comply with the Group's obligations under the Corporate Criminal Offence legislation and the subsequent consequences. 	<ul style="list-style-type: none"> We have put financial crime policies and procedures in place and trained our colleagues accordingly to ensure that all colleagues understand their obligations of reporting all Anti Money Laundering-related suspicions or concerns. We ensure that colleagues understand their obligations and put in place processes that allow them to report all suspicions of internal fraud/malpractice by colleagues, contractors or suppliers. We ensure that anonymous reporting processes are in place via the whistleblowing process. Where instances of financial crimes arise such as the internal expenses fraud experienced in the reporting period these are thoroughly investigated and where appropriate criminal prosecution is pursued.

Strategic Risk

No.	Principal risk and description	Impact	Mitigating activity
6.	<p>Strategic and Business Risk</p> <p>The risk that insufficient strategic planning and/or poor execution result in a failure to:</p> <ul style="list-style-type: none"> adequately manage relationships with the manufacturers. adapt to changing market demands including autonomous driving, electric vehicles and shared mobility demands, or adequately prepare for departure from the European Union. 	<ul style="list-style-type: none"> Failure to demonstrate the value-add of the franchise model resulting in manufactures moving to direct to customer sales model. Failure to meet customers demand for greener vehicles and adapt the business model to potentially lower demand of diesel vehicles resulting in revenue and profits suffering damage. Failure to prepare for Brexit and the departure from the EU, impacting supply chain General economic uncertainty or downturn in consumer confidence arising from Brexit or other macro-economic issues e.g a COVID-19 resulting in loss of revenue and operating profit. 	<ul style="list-style-type: none"> We have comprehensive management information which tracks performance against strategic objectives and allows dynamic adjustments to be made to inventories, pricing and procurement processes in order to respond to market forces. We maintain manufacturer and brand diversity in order to reduce risk. We continually work on improving existing day-to-day business relationships with manufacturers. We consider our manufacturers when setting our own business objectives and strategies. We ensure that research is conducted, and industry leading advice is sought when setting the strategic objectives. The impact on our market of the COVID-19 outbreak is being carefully managed so that the firm is best placed when the restrictions are relaxed. Work undertaken has included a shift in strategic focus to digital and contactless journeys, ensuring that we can meet the needs of our OEM partners and customers whilst ensuring safety, compliance and confidence. We are working closely with our OEM partners who manage the global automotive supply chain to develop the necessary mitigating actions to address the eventual form that Brexit takes. We mitigate economic risk by managing a balanced portfolio of new vehicle sales, used vehicle sales and after sales and continually optimising our dealerships and operating model.

Operational Risk

No.	Principal risk and description	Impact	Mitigating activity
7.	<p>Operational Risk is defined as a failure of our people, policies or procedures and is divided into a number of sub categories (Level 2 Risks) including:</p> <p>Information, IT and Cyber security and business continuity Risk</p> <ul style="list-style-type: none"> The Group relies heavily on its underlying IT infrastructure both from a day-to-day operational perspective but also to generate timely management information. The Group processes personal information, failure to protect confidential or sensitive data could result in significant operational and reputational damage. The Group is responsible for the safeguarding of data, in accordance with the DPA 2018 and related legislation. As the Group clearly defines its digital presence it is also mindful of the additional Cyber risks that require identification from management. <p>Health, Safety and wellbeing Risk</p> <ul style="list-style-type: none"> The Group does not have adequate learning, development, resource and succession planning arrangements in place. The risk that Lookers is unable to meet its business objective including legal and regulatory compliance owing to poor health and safety management and failures to comply with legal obligations. <p>Third Party Supplier and Outsourcing Risk</p> <ul style="list-style-type: none"> The risk that third-party suppliers and /or critical outsourcing provider are not appropriately managed in the event of supplier failure. 	<ul style="list-style-type: none"> The Group is unable to meet its current and future business objectives because of Information Technology systems failures, failing to keep pace with technological change, or logistical crisis and inadequate investment in systems and controls. Business interruption without robust business continuity provisions could materially impact the ability to service customers and clients, resulting in reputational damage and associated financial loss. Failure of the Group to develop, retain and motivate highly skilled employees, in a safe working environment that are necessary to support operations. The Group fails to meet its legal and regulatory compliance, because of inappropriate sourcing decisions including outsourcing, errors or omissions in supplier contracts, and / or supplier failure. The Group could be subject to Cyber-attack resulting in business interruption, theft of data or ransom. 	<ul style="list-style-type: none"> We have established Operational Risk policies which are regularly reviewed. We continually invest in our IT infrastructure. We are making risk management improvements involving people, processes and technology as well as prioritising the work according to our assessments of security and resilience exposure. We have continued to tighten our control of sensitive personal data in accordance with the Data Protection Act 2018 requirements. We are undertaking a wide-ranging programme of work to enhance our Cyber and information security controls. We have implemented incident management processing to ensure major incidents are dealt with appropriately and problems are logged and actively progressed to resolution. We undertake risk and control assessments to monitor compliance. We continually monitor our mandatory regulatory training to ensure that all colleagues are kept informed. We ensure that incident reporting including lessons learnt exercises take place to meet health and safety obligations. We have established Third Party Supplier and critical outsourcing policies which are regularly reviewed. We ensure where relevant, that all suppliers are subject to audits to ensure our suppliers are compliant with legal and regulatory requirements. We have developed detailed health and safety protocols to ensure social distancing and safe working practices as we begin to reopen after the COVID-19 lockdown. This includes ensuring the right level of personal protective equipment (PPE) is available at all of our sites.

The assessment of key business risks has been updated from those disclosed in the 2018 Annual Report & Accounts to incorporate additional risks pertaining to Regulatory, Conduct and Financial Crime risks. The Operational risk category includes risks that were previously disclosed in the 2018 Annual Report & Accounts as separate risks. We have not provided a trend comparison of the risk from 2018 and 2019 as we have changed the risk groupings.

Viability statement

In accordance with the 'Code', the Board have assessed the viability of the Company over the three-year period to 31 December 2023.

The Board believe this period to be appropriate as:

- i) The Group's detailed plan encompasses this period, and;
- ii) We typically look to obtain a revolving credit facility for at least three years.

The three-year strategic review considers the Group's profit and loss, cash flows, debt and other key financial ratios over the period including compliance with existing covenant arrangements. These metrics are subject to sensitivity analysis which involves modifying one or more of the main assumptions underpinning the 3 year forecast.

Where appropriate, this analysis is carried out to evaluate the potential impact of the Group's principal risks actually occurring. The three-year review also makes certain assumptions about the use of capital and associated return thereon and considers whether additional financing facilities will be required.

This analysis has been supplemented by the considerations over principal risks and uncertainties that may affect the business coupled with the mitigating controls that the Group has established. In particular, in light of the short-term disruption caused by the COVID-19 pandemic, further sensitivities have been considered, commencing with the short-term forecasts used in the going concern assessment but assuming progressive recovery to pre-pandemic levels over a period of time to 2023. As noted within the going concern assessment, this identified a materiality uncertainty with regard to the impact of covenant tests but resilience of liquidity against available facilities. The Board thereby assessed the potential impacts of these risks which could affect solvency or liquidity in severe but plausible scenarios over the three year period. Whilst acknowledging the material uncertainty within the next 12 months with respect to covenant tests, the Board also considered various mitigating actions available and concluded that the business would remain viable.

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

- The impact of the COVID-19 pandemic on historic and prospective trading. This is mitigated by development of on-line and contactless trading capability and a re-alignment and restructuring of locations and staffing levels.
- Any adverse effect following Brexit and the associated potential for political instability, changes in the level of consumer credit and/or market confidence. This is mitigated by continued delivery of our business strategy and maintaining the diversity in our manufacturers and brands as well as our sales mix and revenue channels.
- Refinancing of the revolving credit facilities. This is mitigated by ongoing open dialogue with the club of banks to seek an appropriate funding package reflective of the working capital needs and supported by material property security. The Group's lenders have continued to support the business in response to the challenges identified in 2020 and continue to work with the Group to secure a refinancing of the facilities early in 2021.
- Repayment of external working capital facilities. This is mitigated by achieving optimal working capital efficiency and debt repayment forecasting and ensuring an open dialogue with the club of banks is maintained.
- The risk of regulatory intervention. This is mitigated by an open and transparent relationship with our regulator, supported by a wide ranging programme of continuous improvement of our regulated activities.

Based on the results of the processes described above, and noting the material uncertainty with regard to the impact of covenant tests upon the going concern assessment, the Board have concluded the Group will remain viable over the period of assessment.

During 2019, the Board carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The Directors have also considered viability for a longer period of time to the end of 2023 which could be considered to be commensurate with average investment horizons that might be appropriate to shareholders and conclude that the business is viable over this period.

There are clearly several developments in the wider automotive sector in terms of the influence of new technology, EVs and different ways of owning or paying for vehicles. We acknowledge that these factors could affect the business model of the Company in the future. However, independent research indicates that there should still be a meaningful business for dealerships in the future, as there will still be a need for dealerships to fulfil the role of the distributor between the manufacturer and the customer. This fulfilment role will continue to provide advice and assistance to the customer in their choice of model and the options that may be appropriate as well as dealing with the part exchange and providing finance for the transaction. There is also the important role of aftersales to service and repair the vehicles which is likely to remain with the dealership. We therefore believe that the current business model will continue to be viable, albeit with some modifications, over the longer term and regardless of the powertrain that may be the choice of the consumer.

Section 172 statement

The Board is accountable to shareholders for the management, performance and long-term success of the Company. The Directors have regard to their duty under Section 172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, consider (amongst other matters):

- (i) the likely consequences of any decision in the long term;
- (ii) the interests of the Company's employees;
- (iii) the need to foster the Company's business relationships with suppliers, customers and others;
- (iv) the impact of the Company's operations on the community and the environment;
- (v) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- (vi) the need to act fairly as between members of the Company.

Section 172 requires Directors to have regard to wider stakeholder interests when discharging their duty to promote the success of the Company. The Board understands that the long-term prosperity and success of the Group is dependent on understanding and respecting the views and needs of our stakeholders including Shareholders, customers, employees, and the wider communities in which we operate across the UK and Republic of Ireland.

It is the Board's view that our ability to engage effectively with our stakeholders is critical to the success of the Group. Details of our stakeholder engagement in relation to Workforce Engagement, Corporate Social Responsibility, our Modern Slavery policy and Relations with Shareholders are detailed in the Non-Financial Information Statement below and are also covered in part in this statement. The Board are also cognisant of the ongoing impact of the country's departure from the EU which has a direct impact on the risks identified within the Risk Overview as discussed above. Medium to longer-term matters related to climate change, including the proposed Government ban on the sale of new petrol and diesel powertrains are also driving the Group's governance, strategy, risk management and targets in order to meet longer-term legislative goals.

Reputation, culture and ethics

The Board sets the tone from the top. The Board considers that the fostering and promotion of a culture of treating customers fairly and behaving ethically in all our interactions is of paramount importance. As a retailer, we appreciate that our reputation for excellent customer service is key to our success, and that retaining the trust of our customers is crucial to our business. Our strapline "Lookers for Life" embodies our focus on having positive and long-lasting relationships with our customers.

We acknowledge that there are some behavioural and cultural issues within the Group which are being addressed at the same time as part of the transformation programme. We have established an independent Board committee comprised of the most recently appointed Non-Executive Directors to ensure oversight of the proper implementation of the actions identified in the Investigation.

Our colleagues

Our people are central to our business. We strive to create a culture of diversity and inclusion. We provide a workplace with attractive benefits and opportunities for career progression. We undertake regular employee surveys to obtain feedback from our colleagues.

One of the key priorities for the Board during the year was the implementation of a change programme in our dealerships, affecting colleagues at every level of the business from the Board to the showroom. This Board-sponsored programme of work was created to address weaknesses that had been identified in the Group's governance and systems and controls and incurred costs of £6.8m in the year to December 2019.

This work included the appointment of a Chief Risk Officer to the Board of the regulated entity, Lookers Motor Group Limited and the Board of the CBI-regulated entity, Charles Hurst Dublin Limited, and the appointment of two new Non-Executive Directors with significant financial services experience to the Board of Lookers plc. The programme of work covered the design and implementation of a sector-leading enterprise risk management framework covering compliance, sales process and oversight, governance and the capability and capacity across our three lines of defence model. The focus is now on ensuring that it is fully implemented and embedded throughout 2020 and 2021. The Board receives regular updates on the implementation of the change programme including feedback from affected colleagues.



Our investors

The Board engages with Shareholders and investors on a regular basis on matters of policy and strategy. We have regular communications such as trading results, annual reports and stock exchange announcements. We have engaged with our top Shareholders regarding the Remuneration Policy and investor opinions were taken into account in shaping the policy.

Our customers

Ensuring a fantastic customer experience is fundamental to the success of Lookers. We take on board our customers' feedback, using it to improve the customer experience. We obtain the views of our customers in a number of different ways, including from manufacturer, in-house and online surveys.

We benchmark our performance in relation to customers using research including net promoter scores and manufacturer balanced scorecard metrics. We undertake mystery shopping exercises to gain insights into the sales process and ensure that we are obtaining good customer outcomes.

Customer complaints metrics are reviewed at Board meetings with updates given on numbers of complaints, speed with which complaints are resolved, complaint themes, and root cause analysis undertaken to improve customer outcomes.

We have identified instances where the Group has not acted appropriately when interacting with our customers and we have sought to remedy that as quickly as possible by addressing the customer loss, identifying the root cause of the problem and improving our training, processes and systems to ensure the issues do not reoccur. We view this as a continual improvement process.

Our suppliers

The Group is fortunate to have as its key suppliers the leading automotive manufacturers in the world. The executive and senior management engage with our brand partners on a regular basis. Almost all of our manufacturer partners use a variety of ways to measure the performance of our dealerships such as balanced scorecards, customer feedback surveys and dealership audits. We engage fully with these assessments and use the data to improve our processes, reviewing dealership KPIs on a monthly basis and sharing best practice across divisions to improve processes and performance.

Our communities

Lookers supports its communities through a number of different initiatives including supporting colleagues to volunteer in our communities, creating an award-winning apprenticeship programme which creates routes into work for young people, and charitable giving. More information on the way we engage with our people and our diversity policies can be found on page 109.

The environment

The Group recognises that its activities have an impact on the environment and is therefore keen to promote and support initiatives that minimize the effect of such activities through adherence to its environment policy. We continue to monitor the areas of our business that may impact on the environment including contamination, asbestos, waste oil, waste recycling together with energy, water and fuel efficiency. Lookers monitors its energy consumption and continues to implement energy saving initiatives such as solar PV installations, biomass boilers and energy saving technologies such as smart controls. We recognise the importance of committing to reducing our carbon emissions. We work to review our use of resources and the emissions of the products that we sell with the goal of improving our carbon footprint and reducing our emissions.



We are pleased to report that we have reduced our carbon emissions this year. Further reporting on Mandatory Carbon Reporting can be found on page 76 and on the environment on page 76.

Lookers recognises that the automotive industry is key component of the global response to the threat of climate change, given the potential for EVs to reduce overall carbon emissions. The UK Government has confirmed its ambition to see at least half of new cars to be ultra-low emission by 2030. The Group considers that EVs will become increasingly common, as increased regulation of CO2 emissions and fuel consumption, government incentivisation, and the increasing choice and improved technology in the electric vehicle market shifts consumer behaviour. Lookers' position as a leading auto-retailer and the range of franchises that Lookers offers, means it is ideally positioned to help drive significant change in the market. Lookers is responding to the changes by engaging closely with manufacturer partners, investing internally through initiatives such as including a section on our website dedicated to EVs, training staff in the new technology, and installing charging points at our sites where possible.

Decision-making

We have set out below an example of a key decision the Board has taken in 2019, to illustrate how the Board takes into account the requirements of s.172.

Infrastructure investment: The Next Generation Network Project

Our goal is to deliver high quality customer service working at optimal capacity. Ensuring the continued long-term success of the Company, requires the Group to invest appropriately in technology infrastructure which enable us to increase our productivity and efficiency, maintaining our competitive advantage.

Our "Next Generation Network" (NGN) project is a key technology infrastructure investment which is increasing the bandwidth at our dealerships, allowing us, quite simply, to work faster. Modern day car servicing is dependent on software downloads and internet bandwidth is therefore crucial to our business. The demand for more bandwidth will only increase so NGN is not only delivering significantly more bandwidth now, but also provides the scalability to cope with anticipated demand for at least the next 5 years. In addition, the NGN solution has been designed to deliver greater control of our network traffic and enhanced levels of security.

When considering whether to make the capital investment into the improved infrastructure, the Board considered feedback from customers, our IT specialists, and dealership employees that the Wi-Fi in dealerships was sub-optimal and that this negatively impacted the dealerships from the point of view of customer experience, site productivity, and our ability to meet the expectations of our manufacturer partners.

In view of the improvements to the productivity and security of our sites, the improvements to the customer Wi-Fi enabling a better customer experience and making our dealerships a more rewarding and effective workplace for our employees, the Board decided the investment in the NGN was the right way forward.

Non-financial information statement

This section of the Strategic Review constitutes Lookers plc's Non-Financial Information Statement, produced to comply with sections 414CA and 414CB of the Companies Act. The information listed is incorporated by cross-reference.

Reporting requirement	Policies and standards which govern our approach	Page(s) in the Annual Report & Accounts
Environmental matters and greenhouse gases	Environmental policy ⁽¹⁾	Lookers and the environment – Page 76
		Mandatory carbon reporting – Page 76
Employees	Health and Safety Policy ⁽¹⁾	Lookers as an employer – Page 78
	Ethical Policy Statement ⁽¹⁾	Recruitment and retention – Page 77
	Code of Conduct Policy ⁽¹⁾	Staff communication – Page 77
		Health and safety – Page 78
Respect for human rights	Modern Slavery Act Statement Data Privacy Policy ⁽¹⁾	Human rights – Page 77
	Information and Cyber-Security Policy ⁽¹⁾	
Social matters and Community Engagement	Volunteering Standards ⁽¹⁾	Who we are – Page 17
Anti-corruption and anti-bribery	Anti-bribery and Anti-Corruption Fraud Risk Management Policy	Operational and other risks – Page 41
Description of principal risks and impact of business activity		Risk overview and management – Pages 36 to 43
Description of the business model		Business model and strategy – Pages 12 to 13
Non-financial key performance indicators		Non-financial key performance indicators – Page 25

1 – Certain Group policies are internal standards and guidelines and are not published externally.

This report was approved by the Board of Directors and is signed on its behalf by:

M. D. Raban

Chief Executive Officer 25 November 2020

Governance



Board of Directors

We are committed to ensuring the right balance of skills and experience in the Board and regularly review its composition in line with our Company purpose.

We have announced a number of changes in the Board throughout the year. In 2019, we were pleased to welcome Heather Jackson and Victoria Mitchell as Independent Non-Executive Directors; Mark Raban as Chief Financial Officer (now Chief Executive Officer from February 2020). In addition, Philip Kenny was appointed as General Counsel and Company Secretary in December 2019.

Richard Walker and Sally Cabrini both left the board on 29th June 2020.

Key:

- PLC: Board of Directors of Lookers plc;
- A&RC: Audit and Risk Committee;
- NomCo: Nomination Committee;
- RemCo: Remuneration Committee;
- LMGB: Board of Directors of Lookers Motor Group Limited;
- LMGBRC: Lookers Motor Group Board Risk Committee*;
- Exco: Executive Committee;
- CC: Change Committee**;
- PGC: Product Governance Committee;
- ERC: Executive Risk Committee***;
- OpsCo: Operations Committee.

*LMGBRC: this committee's last meeting occurred in July 2020 after which it was reincorporated into LMGB

**CC: this committee was reincorporated into Exco in July 2020.

***ERC: this committee was incorporated into Exco with oversight from LMGB in July 2020.

Board of Directors



Phil White CBE Executive Chairman

Appointed: September 2006 (Non-Executive Chairman), November 2019 (interim Executive Chairman until 31 March 2020 when he returned to his Non-Executive role). Phil White once again commenced an executive role on 1 July 2020.

Membership: PLC (Chair), LMGB (Chair)*, NomCo (Chair), RemCo**

*Victoria Mitchell became Chair of LMGB from 1st July (subject to Regulatory Approval).

**Phil White was not a member of RemCo during his periods of executive office both during 2019 and 2020.

Skills and Experience:

- Qualified Chartered Accountant
- Considerable board governance experience, at both non-executive and executive level

Phil was Chief Executive of National Express plc for nearly 10 years until 2007. Prior to this, Phil joined West Midlands Travel Limited as Finance Director in 1994 before taking on the role of Managing Director in 1995 where he stayed for two years. Phil brings his wealth of experience as a Chair of FTSE and other companies to the Group, ensuring board effectiveness and corporate governance. Within the Board, he helps ensure clarity, critical thinking, constructive debate and challenge and the running of an effective Board. Externally, he ensures there is effective engagement with our investors over our strategy, long-term sustainability and corporate governance.

External Appointments:

- Chairman of The Unite Group plc
- VP plc
- Vibroplant Trustees Limited
- Vantage Motor Group Limited
- Vantage Garages (Blackburn) Limited
- Vantage Motor Group Automotive Limited
- Vantage Motor Group Holdings Limited



Tony Bramall Non-Executive Director (Non Ind)

Appointed: June 2006.

Membership: PLC

Skills and Experience:

- Qualified chartered accountant
- Proven track record delivering successful acquisitions
- AM Awards: Hall of Fame 2009 winner

Tony has an enviable track record of almost five decades, building two hugely successful public limited companies virtually from scratch. He was Chairman and Director of CD Bramall plc until February 2004. Tony is highly regarded in the motor industry for his negotiation and leadership skills. Tony's deep sector expertise and insight is greatly helpful to the Board as the Board plots its way through the changing and challenging environment which the Group faces. His strategic thought and pragmatic mindset are a real asset to the long-term sustainability of the Group.

External Appointments:

- The Tony Bramall Charitable Trust
- Director of and shareholder in Guernsey Investments Limited
- Bramall Properties Limited
- A Bramall and Company Limited
- DCAB & Company Limited
- KSBO 2016 Limited
- Winterquay Limited



Stuart Counsell Non-Executive Director

Appointed: June 2017.

Membership: PLC, LMGB, A&R(Chair)*, NomCo, RemCo, LMGBRC**

*A&R(Chair) from December 2017.

**Until July 2020 when LMGBRC was reincorporated into LMGB.

Skills and Experience:

- Considerable experience in audit and accounting
- Specialist in corporate finance and mergers and acquisitions

Stuart had a long and successful career with Deloitte where he spent over 30 years, during which time he held a variety of senior management positions including Managing Partner of the 17 UK Regional offices and latterly Managing Partner Finance and Legal. As Managing Partner Finance and Legal, he was responsible for the financial and legal aspects of a £2 billion professional services business. Stuart also spent time at Deloitte as Deputy to the Chief Executive with a specific mandate around operational excellence. Stuart is Chair of the Audit and Risk Committee and his experience as an accountant and his strong professional services background are key attributes for the Group.

External Appointments:

- Non-Executive Chairman of Singleton Birch Limited
- Trustee of the Katherine Martin Trust
- Director, Counsell Advisory Limited



Heather Jackson Non-Executive Director

Appointed: November 2019.

Membership: PLC, LMGB, A&R, NomCo, RemCo*, LMGBRC**

*RemCo Chair from the date hereof.

**Until July 2020 when LMGBRC was reincorporated into LMGB.

Skills and Experience:

- Proven track record in delivering successful cultural and behavioural change in retail and financial services organisations
- Specialises in change management, digital, IT and operations
- Valuable regulatory expertise

Heather brings a wealth of experience in IT, technology and change management to the Group, having held both the position of Chief Information Officer and Chief Operations Officer at HBOS/Lloyds plc.

Alongside current Non-Executive Director roles at Ikano Bank AB, JD Sports Fashion plc, and Skipton Building Society, Heather is also the co-founder of Actinista Limited, the Change Management company that helps businesses deliver positive change. Heather has a strong focus on delivering exceptional business results whilst doing the right thing for customers which combined with her strong experience contributes massively to the long-term sustainability of the Group.

External Appointments:

- Non-Executive Director of Ikano Bank AB
- Non-Executive Director of JD Sports Fashion plc
- Non-Executive Director of Skipton Building Society
- Co-Founder of Actinista Limited

Board of Directors



Victoria Mitchell Non-Executive Director

Appointed: December 2019.

Membership: PLC, LMGB*, LMGBRC (Chair)**, A&R, NomCo, RemCo

*Chair of LMGB from 1st July (subject to Regulatory Approval)

** Until July 2020 when LMGBRC was reincorporated into LMGB.

Skills and Experience:

- Experienced Chief Operating Officer
- Strong risk and legal experience

Victoria has a 30-year history of working in the financial services industry. She is skilled in financial services and risk management.

Victoria was formerly Chief Operating Officer of Capital One (Europe) plc after previously holding the positions of Chief Risk Officer and Chief Legal Counsel.

As well as her legal background, Victoria also brings board experience across operations and risk within the financial services sector. Victoria's deep regulatory experience and understanding of regulation and risk in the financial services sector is of the utmost importance to the long-term sustainability of the Group given its current challenges.

External Appointments:

- Non-Executive Director of The West Bromwich Building Society
- Non-Executive Director of N Brown Group plc



Mark Raban Chief Executive Officer

Appointed: July 2019 (CFO) (February 2020 (CEO))

Membership: PLC, LMGB, Exco, CC*, ERC**, OpsCo

* Until July 2020 when CC was collapsed into Exco.

** Until July 2020 when ERC was collapsed into LMGB.

Skills and Experience:

- 30 years' retail experience
- Significant experience with acquisitions, integration and disposals

Mark has 30 years' retail experience including Finance and Acquisitions Director at Inchcape Retail Limited, Finance & Commercial Director at Care UK and Finance Director at Selfridges. Mark played a significant role in the IPO of Marshall Motor Holding, and its subsequent growth in his role as Chief Financial Officer.

Mark specialises in IPO and debt financing; financial planning and analysis; business development initiatives and project management; working capital improvement and cash management; turnaround and performance improvement. Mark is a natural leader and his deep sector knowledge alongside his strong finance and turnaround background makes him a strong and invaluable Chief Executive Officer of the Group.

External Appointments:

- Director, Precise Finance Limited



Philip Kenny **General Counsel and Company Secretary**

Appointed: December 2019 (General Counsel and Company Secretary)

Skills and Experience:

- Qualified Solicitor (2007)
- Significant experience in corporate finance and commercial law
- Specialising in aerospace, IT and the textile industries

Philip joined the Group in December 2019. Philip graduated from the University of Central Lancashire in 2004 with a Bachelor of Laws. He has 13 years' legal experience as a qualified solicitor including as Counsel for Defence Information: Military Air and Information at BAE Systems plc and Director, General Counsel and Company Secretary at Best Dressed Group Limited (incorporating Jigsaw Clothing).

Philip has significant experience in sitting on and advising both plc and private company boards of Directors in all areas of business and commercial/corporate finance law including IPR, IT, general commercial, data, terms and conditions, cross border, employment, litigation, corporate finance, company secretarial matters and mergers and acquisitions.

External Appointments:

- Legal Consultant - PK Business Consulting Limited
- Director, Perfect Human Limited

Chairman's statement on corporate governance



Introduction from the Chairman

In 2019, the Group faced significant challenges both externally and internally as it proved to be a very difficult year for the Group. We will continue to respond to these challenges, and we are determined to drive the required change through all aspects of our business. We are pleased to report that transformative change is underway in many areas. Our continued focus on improving governance will play an increasing role in the delivery of our strategy and in ensuring that we are able to fulfil and deliver on our purpose.

The Board oversaw two FCA Section 166 Skilled Person Reviews. The findings of reviews into our governance, and into our systems and controls in relation to the sale of regulated products are being implemented and embedded throughout the Group during 2020 and 2021. Further details of this programme of work can be found in the Risk Overview and Management section on page 40 and in the Report from the Chairman of the Audit and Risk Committee on page 71.

In March 2020 we identified potentially fraudulent transactions in one of our operating divisions. In conjunction with Grant Thornton, the Board initiated an investigation which initially focused on the operating division concerned but was then extended across all operating divisions. Additionally, the Group conducted an extensive, internal balance sheet review.

The investigation and review are now complete and have identified a number of accounting irregularities including misrepresented commercial income from manufacturers, fraudulent expense claims and non-compliance with certain Group accounting policies. It also identified a number of adjustments required to prior years and these are set out in more detail in the Financial Review on page 32.

In response the Group has re-evaluated its risk and internal control framework. Interim remedial actions have been taken to mitigate the risks identified and to form a bridge to fuller action in 2020 and 2021. In addition, we acknowledge that there are some behavioural and cultural issues within the Group, and these are also being addressed.

As we look forward, we see continued risk from the market disruption arising from COVID-19, uncertainties within the UK over post-Brexit arrangements and the slowdown and vulnerability of our domestic market.

However, we also see economic resilience in some regions with some strong strategic opportunities for the Group including preparation for the switch to electrification. The changes we have made - and continue to make - to strengthen the business will stand us in good stead for the future.

Corporate Governance Statement

The Board is responsible for the culture and values of the Group, and the system for internal controls. The Board has accepted the recommendations made in relation to improvements in its governance, systems and controls, and financial reporting. The Board is confident that there are processes and practices in place within the Group to promote the long-term sustainable success of the business and protect the interests of our stakeholders.

The UK Corporate Governance Code published by the Financial Reporting Council in July 2018 (the Code) sets out principles for good corporate governance. Good governance supports the Board's decision-making and ensures risks are identified and appropriately managed to enable the long-term sustainable success of the company. In 2019, the group complied with the provisions of the Code, with the following exceptions: Provision 4 on reporting where there is a significant vote at the AGM; Provision 11 stating that at least half the Board, excluding the Chair, should be Non-Executive Directors whom the Board considers to be independent; and Provision 19 in relation to the tenure of the Chair.

As required by the Code, Lookers published an Update Statement further to the votes received against the Directors' Remuneration Report resolution at the 2019 AGM. This was not published until 11 February 2020, following the changes to the Board, including the appointment of the new Chief Executive Officer. As explained in the Update Statement, the 2019 vote related to the remuneration of the previous Chief Executive Officer. The Directors' Remuneration Policy can

be found at page 84 and the Report from the Chair of the Remuneration Committee on page 80.

As detailed in the Nomination Committee Report on page 66 Lookers recruited two independent Non-Executive Directors in 2019. However, the timing of these recruitment processes meant that the Company was not compliant with Provision 11 until December 2019. We have detailed below the composition of the Board throughout the year.

The Company appointed an external search firm to recruit a new Non-Executive Chair of the Board although the search was paused during the process of completing these financial statements. Now these financial statements have been concluded we will recommence the search during the remainder of 2020 and 2021. We expect that recruitment process to conclude before the next AGM. In addition, the Company is recruiting for a new Chair of the Audit and Risk Committee during 2020, and subsequently will commence the search for an additional Non-Executive Director.

Board Leadership and the Company's Purpose Culture

Treating customers fairly is central to our culture and is fundamental to the delivery of our business strategy. The Board is ultimately responsible for the oversight of the Company's culture and ensuring that this reflects our customer-centric values. The Board believes that tone is set from the top and in the importance of leading by example. We are taking steps to ensure our values are reflected in the behaviours of our colleagues and other stakeholders and in the undertaking of activities which support our strategic, operational and risk management objectives

We recognise that governance and culture is central to achieving fair treatment of our customers and return for our shareholders. The period under review has, in many ways, been the ultimate test of the where the Lookers culture was and where we wanted to be. We believe, in the management of the challenges across this period, from the financial reporting issues to the emergence of the COVID-19 pandemic, that we have shown adaptability and acceptance of challenge on and of our culture. We acknowledge and are addressing areas where there is need for improvement. We seek to embed and build trust with our colleagues and stakeholders, acting with integrity, identifying our mistakes if made, putting things right where so and preventing them from occurring again in the future.

We have undertaken a number of practical steps to embed a much stronger culture and reinforce and reward the right behaviours. Put simply, our intention has been to ensure that

colleagues have the knowledge, tools and motivation to do the right thing. The practical steps we have taken to achieve this are summarised below.

People

- We redesigned our training and competency framework including investing in accreditation for all sales staff and an overhaul of our training modules.
- We have restructured our Board and also appointed a completely new Executive Team including a Chief Risk Officer, Chief Executive Officer and Chief Financial Officer to set a new and consistent tone at the top.
- We continue our work to encourage a culture of accountability through the adoption of the FCA's Senior Manager & Certification Regime.

Communication

- We have deployed a new interactive communication platform called 'Workplace' to modernise the channels available to communicate with all colleagues and enhance visibility of senior leaders across a geographically dispersed operation.
- We have encouraged a 'speak up' culture, re-launching our whistleblowing process independently overseen by our Chief Risk Officer and a Non-Executive member of our board.

Technology

- We invested in technology to digitise our sales process and, in response to COVID-19, created a contactless sales process, building in greater control for our customers.
- We have redesigned and implemented a new Quality Assurance framework to measure the fair treatment of customers.

Reward

- We have introduced a set of standards (the Lookers standards) that act as a compliance gateway for all sales incentives.

Governance

- We have redesigned our governance framework to make it more efficient and focused on the material issues.
- We have established an independent Board sub-committee comprised of the most recently appointed Non-Executive Directors to provide oversight of the proper implementation of the actions identified. This sub-committee will stand down once they are satisfied each action has been delivered and monitored through the appropriate existing Governance forum by the Executive and the Board.

Chairman's statement on corporate governance

Measurement

We only know the impact of the above steps by monitoring and reporting to senior management and the Board. During the year we have made a number of enhancements with regard to the measurement of our culture. Including but not limited to:

- Development of a new complaints handling tool and enhanced management information
- Social media monitoring using tools such as Reputation.com
- Colleague exit interviews, and
- Our OEM's own assessment of our performance through their own scorecards

Looking to the future...

We know that to fully embed a healthy culture takes time. The points above illustrate that we have the foundations of a strong culture but we fully acknowledge some of our activity simply was not good enough in the past. We now move to the next phase of our culture transformation and have formally mobilised CEO sponsored programme. This includes a refresh of our mission and values and the statement of clear purpose. We believe that the Group's future high level of business performance will be made possible by the fundamental values that underpin each of the Company's actions. Keeping these values in mind, we build our customers and stakeholders trust in us, our employees' dedication to the company, a comfortable work environment and effective business practices. We want to run our business being values led with a clear purpose.

Purpose

Our purpose and values from the showroom to the boardroom are set out below:

- We are proud to serve the communities around us
- We inspire and excel in the work we do and the talent we build
- We promote a workplace culture that rewards merit and values diversity and cares for the environment
- We work with our suppliers in a spirit of partnership
- We faithfully represent the values and culture of our global OEM brand partners through commitment to technology, training and people development and
- We trade responsibly and govern to ensure the long-term sustainability of the Company

The Board recognises that enhanced reporting in this area should be a continued focus for the Company to provide additional value for stakeholders.

Stakeholder Engagement

In its decision-making, the Board considers the interests of its investors, key stakeholders, and the wider communities in which it operates. Further information on stakeholder engagement activities can be found in the Strategic Report on page 46, the Corporate Social Responsibility Statement, and Diversity Statement at page 111 and the Section 172 statement on page 45. We are committed to acting with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains. Further details can be found in our Modern Slavery Statement which is available on our website at www.lookersplc.com

Shareholders

The Company places considerable importance on communications with shareholders and responds to them on a wide range of issues. It has an ongoing programme of dialogue and meetings with major institutional shareholders, where a wide range of relevant issues including strategy, performance, remuneration, management and governance are discussed. The Chairman always makes himself available to meet any major shareholder, as required.

All Company announcements are posted on our website www.lookersplc.com as soon as they are released. Our website contains a dedicated investor relations section, with an archive of past announcements and presentations, historical financial performance, share price data and a calendar of events. The principal communication with private investors is through the ARA, the Interim Report and the Annual General Meeting. A presentation is made at the Annual General Meeting to facilitate greater awareness of the Group's activities. The Board were unable to offer this at the Annual General Meeting held on the 29 June 2020 due to Governmental restrictions imposed as a consequence of the global COVID-19 pandemic, although investors were given the opportunity to submit questions beforehand.

Under normal circumstances, Shareholders are given the opportunity to ask questions of the Board and of the Chairs of each Board Committee and to meet the Directors informally after the meeting. The Board values the opportunity given by the Annual General Meeting to meet with Shareholders in person and to take their questions. Separate resolutions are proposed for each item of business and the 'for', 'against' and 'vote withheld' proxy votes cast in respect of each resolution proposed at the Meeting are counted and announced after the Shareholders present have voted on each resolution. All valid proxy appointment forms are recorded and counted and,

after a vote has been counted, information regarding the proxy votes is given at the meeting and published on the Company's website. Notice of the Annual General Meeting is posted to Shareholders at least twenty-one days before the date of the Annual General Meeting. Should a significant proportion of the votes cast be against the resolution, the Company would explain, when announcing the result, what action it intends to take to understand the reasons behind the result.

The Board look forward to the opportunity to hold Annual General Meetings in the normal manner and to utilise this important method of engagement with the Shareholders once again in 2021.

Division of Responsibilities

The Board

There has been a degree of change in Board composition in 2019 as we saw the departure of the previous Executive Team, and we also welcomed two new independent Non-Executive Directors who have significant regulatory, risk, and change management expertise. The Board currently comprises the Executive Chairman, Chief Executive Officer, Senior Independent Director, two independent Non-Executive Directors, and a Non-Executive Director. Biographies of the Directors and details of their external appointments appear on pages 52 to 55.

Chairman and Chief Executive Officer

The Chairman leads the Board and the Chief Executive Officer manages the Group and implements the strategy and policies adopted by the Board. The division of responsibilities between the role of Chairman and Chief Executive Officer is clear and is set out in writing. The Chairman and the Chief Executive Officer work together to set the Board's agenda, supported by the Company Secretary.

Senior Independent Director

It is the primary responsibility of the Senior Independent Director to act as a sounding board for the Chairman, and to provide a communication channel between the Chairman and the Non-Executive Directors ensuring that the views of each Non-Executive Director are given due consideration. The Company Secretary would minute any unresolved concerns expressed by any Director. The Senior Independent Director leads the other Non-Executive Directors in the annual performance evaluation of the Chairman. The Senior Independent Director also chairs the Nomination Committee in respect of the Chairman's succession.

Board Balance and Independence

The Code requires a balance of Executive and Non-Executive Directors such that no individual or small Group of individuals can dominate the Board's decision-making process. The Board has reviewed the overall balance of skills, experience, diversity, independence and knowledge, making two additional Non-Executive Director appointments in 2019 as detailed above. The appointment process is set out in more detail in the Nomination Committee Report on page 67. The Non-Executive Directors are encouraged by the Chairman to provide constructive challenge and scrutiny of management performance.

Time Commitment

The time commitment of Non-Executive Directors is set out on appointment and is regularly monitored. The Board is satisfied that each of the Non-Executive Directors is able to devote sufficient time to the Group's business.

Board Operation

The Board meets regularly throughout the year. It is responsible, with the support of Board Committees and the Executive Committee, for setting the purpose, values, culture, and strategy of the Group. The Board has a schedule of matters reserved that is regularly monitored. Matters reserved for decision by the Board include decisions in relation to the Group's strategy, oversight of the system of internal control, compliance and risk management, major capital expenditure, approval of bank borrowings, and major changes to the Group's corporate structure. The Group maintains appropriate Directors and Officers' insurance in respect of legal action against its Directors.

Induction and training

The Chairman takes overall responsibility for the Directors training and development. Following appointment to the Board, Directors receive a comprehensive induction including meetings with senior management, meeting with the Chairs of the Board Committees and the Chairman, to enable them to acquire a detailed understanding of the Group's business and strategy, and the key risks and issues facing the business.

Throughout the year, updates on developments in legal and governance matters are provided to all Directors. All Directors are required to complete our e-learning training modules which includes training on a variety of legal and regulatory topics. The Board has received specific training on the Senior Managers and Certification Regime in 2019.

Chairman's statement on corporate governance

External appointments

Details of the Board's external appointments can be found on page 67. The Board has considered each of these appointments, noting the Directors other commitments and concluded that they have sufficient time to devote to their roles with the Group.

Role of the Company Secretary

In furtherance of their duties, the Directors have full access to the advice and services of the Company Secretary and may take independent professional advice at the Company's expense. The Company Secretary attends all meetings and is responsible for advising the Board and its Committees, through the respective Chairs, on corporate governance and matters of procedure. The appointment and removal of the Company Secretary is a matter for the Board

Board procedures

The Company Secretary, on behalf of and at the instruction of the respective Chair who remains responsible, ensures that the Directors receive accurate, timely and clear information

and provides advice and support in relation to regulatory and governance matters. Monthly financial, operational and risk management information is provided to the Directors. Regular and ad hoc reports and presentations are circulated, with all Board and Committee papers being issued in advance of meetings by the Company Secretary and made available to all Directors on the Board portal. In addition to formal Board meetings, the Chairman maintains regular contact with the Chief Executive and the other Directors to discuss specific issues. The Board meets regularly and is given adequate time to probe and debate issues.

Conflicts of interest

The Board maintains a register of interests to identify and, where appropriate, manage conflicts or potential conflicts of interest. At each Board meeting, the Board considers the register and any potential conflicts of Directors and gives, where appropriate, any necessary approvals.



Board and Committee attendance

The following table shows the attendance of Directors at regular Board meetings. Attendance at meetings of the Audit, Remuneration and Nomination Committees is shown below.

Scheduled meetings held in 2019:

	Board	Audit	Remuneration	Nomination
Number held	11	6	7	7
Number attended				
Tony Bramall	10	3	7	0
Andy Bruce*	8	1	1	0
Sally Cabrini	11	6	7	7
Stuart Counsell	11	6	7	7
Robin Gregson*	7	3	0	0
Mark Raban**	4	3	0	0
Richard Walker	11	6	7	7
Nigel McMinn*	9	2	0	0
Phil White	11	5	7	7
Victoria Mitchell**	1	0	1	0
Heather Jackson**	2	0	2	1

* Robin Gregson, Andy Bruce and Nigel McMinn resigned in 2019 hence limiting their attendance at Board and Committee meetings.

** Mark Raban, Heather Jackson and Victoria Mitchell joined the Board in 2019, limiting attendance at Board and Committee meetings.

Chairman's statement on corporate governance

Composition, succession, and evaluation

The table below sets out the composition of the Board during 2019, excluding the Chairman:

Date(s) of Board Meeting	Executives	Independent Non-Executive Directors	Non-Independent Non-Executive Director	Notes
31 January 2019 28 February 2019 28 March 2019 25 April 2019 31 May 2019 27 June 2019	Andy Bruce Robin Gregson Nigel McMinn	Sally Cabrini Stuart Counsell Richard Walker	Tony Bramall	There were no changes in Board composition between January and June 2019. There were 4 Non-independent Directors and 3 independent Directors during this period.
26 July 2019	Andy Bruce Mark Raban Nigel McMinn	Sally Cabrini Stuart Counsell Richard Walker	Tony Bramall	Robin Gregson resigned from the Board on 5 July 2019 and Mark Raban was appointed to the Board on 15 July 2019. There were therefore 4 Non-independent Directors and 3 independent Non-Executive Directors between 6 July and 14 July 2019.
1 October 2019	Andy Bruce Mark Raban Nigel McMinn	Sally Cabrini Stuart Counsell Richard Walker	Tony Bramall	There were 4 Non-independent Directors and 3 independent Non-Executive Directors during this time.
31 October 2019	Andy Bruce Mark Raban Nigel McMinn	Sally Cabrini Stuart Counsell Richard Walker	Tony Bramall	There were 4 Non-independent Directors and 3 independent Non-Executive Directors during this time.
Period from 1 November 2019 to 24 November 2019	Richard Walker Phil White Mark Raban	Sally Cabrini Stuart Counsell	Tony Bramall	On 1 November 2019 Andy Bruce and Nigel McMinn resigned from the Board with immediate effect. Phil White became interim Executive Chairman and Richard Walker became interim CEO. This meant that the Board had 4 Non-independent Directors and 2 independent Non-Executives until the appointment of Heather Jackson on 25 November 2019.
25 November 2019	Richard Walker Phil White Mark Raban	Sally Cabrini Stuart Counsell Heather Jackson	Tony Bramall	On 25 November 2019, we announced that Heather Jackson had joined the Board with immediate effect. This meant that from this date the Board had 4 Non-independent Directors and 3 independent Non-Executive Directors.
27 November 2019	Richard Walker Phil White Mark Raban	Sally Cabrini Stuart Counsell Heather Jackson	Tony Bramall	As a result of Heather's appointment, the Board meeting on 27 November comprised 4 Non-independent Directors and 3 independent Non-Executive Directors.
20 December 2019	Phil White Richard Walker Mark Raban	Sally Cabrini Stuart Counsell Heather Jackson Victoria Mitchell	Tony Bramall	On 20 December 2019, Victoria Mitchell joined the Board with immediate effect. This means that the Board comprised 4 Non-independent Directors and 4 independent Non-Executive Directors.

Succession planning, election, and diversity

The UK Corporate Governance Code 2018 includes a recommendation that the Chairman of the Board does not remain in post in excess of 9 years from the date of their first appointment to the Board. The Code acknowledges that, if a clear explanation is provided, the Code permits a limited time extension where this would facilitate effective succession planning and the development of a diverse board. This provision of the Code is relevant to Lookers, as the Chairman has been in post for 13 years.

We announced in our 2018 Annual Report that we had started the succession planning process for the Chairman. In view of the Executive management changes in November 2019, it was decided to postpone the recruitment process for a new Chairman until the handover process to a new Chief Executive Officer was completed, in order to maintain the stability of the Group during a period of significant change. At the request of the Board, Phil White assumed the role of Interim Executive Chairman on the 1st November 2019 until 31st March 2020 to oversee the transition in the Business arising from the Board changes and the accounting and governance issues identified.

Although the appointment of a new Chief Executive Officer was concluded in February 2020, in view of the executive management changes in 2019 and the significant challenges faced by the Group in 2020 including the Grant Thornton investigation, the Board asked the Chairman to fulfil an executive role once again from 1 July 2020. The Board considers that it benefits from the Chairman's corporate knowledge and experience during this time of transformation, complementing the new skills and experience of its recent Non-Executive Director appointments and until new Non-Executive Directors are appointed.

The succession planning and recruitment process for a new Non-Executive Chairman will recommence shortly after publication of these financial statements and should be completed before the next AGM. Phil White has confirmed that he will not stand for re-election at the 2021 AGM.

The process of appointing new Directors is managed by the Nomination Committee which makes recommendations to the Board. Lookers recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element of maintaining competitive advantage. All Directors stand for election or re-election as appropriate at the AGM. Further information about the succession planning process, including its consideration of diversity in its succession plans is detailed in the Nomination Committee Report on page 66.

We are keen to do more to look at diversity in its widest sense. We are building frameworks to ensure that everyone is paid fairly based on talent and performance. We want to be renowned as a place where talented individuals can thrive and be at their best, combining all aspects of diversity and representation including areas such as age, background, gender and sexual orientation. The Board had wished to see greater progress in this regard during 2020, however, the challenge presented by both the internal and external distractions during the year has limited progress. The Board recognise the need for additional focus on this issue during 2021.

Board evaluation

A formal independent evaluation exercise in relation to the Board and its Committees was undertaken in 2019 by Equity Communications Limited (which has no other connection with the Company). This is discussed further in the Nomination Committee Report on page 66.

Risk management and internal control

Accountability

The Code requires the Company to maintain a sound system of internal control to safeguard Shareholders' investment and the Company's assets. The Board is responsible for ensuring a robust framework is in place for risk management and internal control against the backdrop of fulfilling the Group's objectives. The Board has established a system of control that addresses the mitigation of business and operational risks as well as risks to financial reporting.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide reasonable assurance against material misstatement or loss.

How risk is managed

The Board determines the Group's overall risk strategy and risk appetite. The Board, in conjunction with management, identifies the principal risks to which the Group is exposed and establishes a risk management framework and internal controls to identify, assess, monitor and mitigate its risk exposure. Further details on the Group's risk management framework and how risks are evaluated and mitigated are detailed on pages 37 to 43.

Lookers operates a three lines of defence model, which provides a framework of responsibilities and accountabilities across the organisation. This is detailed more fully on page 36.

The effectiveness of the Group's internal controls is reviewed by the Board and the Audit and Risk Committee. The management of risk is independently overseen and challenged

Chairman's statement on corporate governance

by the Group's Risk Management and Compliance Teams who constitute the second line of defence. Internal audit, as the third line of defence, undertakes independent assurance activities and provides reports to the Board and senior management on the quality and effectiveness of governance, risk management and internal controls.

The Group has invested significantly in its Second Line of Defence Teams in the period, appointing a permanent Chief Risk Officer and restructuring its Risk Management and Compliance departments. Internal audit was restructured in late 2019 to achieve increased coverage and a higher level of assurance. Following the first COVID-19 lockdown the functioning and structure of the internal audit department has been further reviewed and a new permanent head of internal audit appointed in 2020.

Review of risk management during the year

In 2019, the Company continued to review and improve its processes for identifying, evaluating managing and monitoring the risks faced by the Group. The key focus of the risk strategy was the design and implementation of a new enterprise risk management framework to strengthen controls over the business operations. After the year end, management has been heavily involved in risk assessment and related actions arising from COVID-19 and the management of the internal fraud and financial reporting control issues. Our response is detailed in the Risk Overview and Management section.

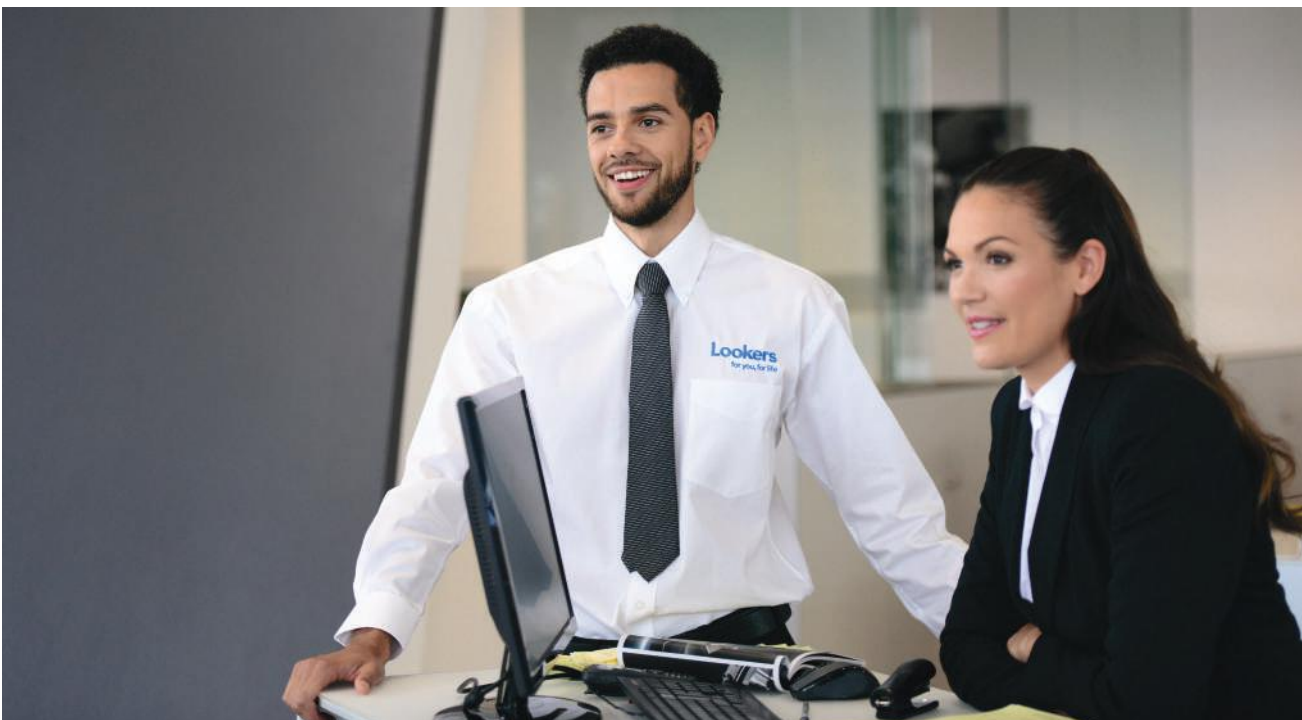
Identifying, evaluating and managing risks, including emerging risks

There is a continuous process for the identification, assessment and management of risk which is covered in further detail in Risk Overview and Management on page 36. Management, Internal Audit and the Audit and Risk Committee assess the probability and potential impact of risk to determine the level of exposure. Reporting has been developed to track the Groups performance against board agreed risk appetite and escalate new and emerging risks to the Audit and Risk Committee and the Board as appropriate.

Internal control

The Board is responsible for overseeing the Group's system of internal controls, reviewing its effectiveness at least once a year and reporting to Shareholders that it has done so.

In December 2018 the Board commissioned an independent review by Duff and Phelps of the Group's internal control, risk assurance systems and internal audit. This was shared with the FCA who asked that the suggested recommendations be carried out under the supervision of two Skilled Person reviews, one covering governance and the other covering systems and controls. During the second half of 2019 the Company responded by enhancing its governance arrangements, developing the customer sales process and strengthening compliance with FCA requirements through the implementation of a robust risk management framework, all



under the supervision of the FCA Skilled Person. Whilst both reviews are now concluded, work on the implementation and embedding of these improvements in both areas is ongoing.

Steps are also being taken to restructure the Group's operating model through greater central control of divisional activity. This will further enhance internal controls and the management of risk in our business operations.

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. When deemed appropriate, revised forecasts are prepared and presented for Board review and approval. To ensure that information consolidated into the Group's financial statements is in compliance with relevant accounting standards and the Group's own accounting policies, internal reporting data is reviewed regularly.

The Audit and Risk Committee reviews the appropriateness of the Group's accounting policies each reporting period. The Audit and Risk Committee considers reports from Executive Management, Internal Audit, the Risk and Compliance Team and the Group's external auditor, the application of IFRS and the reliability of the Group's system of control over financial reporting.

Internal control effectiveness

The Board confirms it has performed its annual review of the effectiveness of internal controls. Controls have been designed to ensure that the Group's financial reporting presents a true and fair reflection of the Group's financial position. The Board has acknowledged the significant weakness in the control environment identified by the Grant Thornton investigation and its own internal reviews. Responding to these weaknesses, it has considered and approved significant improvements to the Group's internal control and financial reporting structure. Many of these improvements have been implemented although the process of improving controls will continue during the remainder of 2020 and 2021.

Materiality

The financial statements aim to provide a fair, balanced and understandable assessment of the Group's business model, strategy and performance and prospects in relation to material financial, economic, social, environmental and governance issues. The material focus areas have been determined considering the following:

- Specific quantitative and qualitative criteria
- Matters critical in relation to achieving strategic objectives

- Principal and emerging risks identified in the risk management process
- Identification and application of appropriate accounting standards

Audit and Risk Committee

Subsequent to the year-end the Committee has spent considerable time working with the Executive Directors in considering the outcomes of the Investigation into potential fraud and accounting irregularities and in determining the remedial actions required to strengthen internal controls in specific areas. During the year under review, an area of focus was the design and implementation of a revised Internal Audit Universe and annual plan together with a robust enterprise risk management framework. For further insight on the Audit and Risk Committee's oversight of risk, internal controls and financial reporting please refer to the Audit and Risk Committee Report on page 70.

The Chairman of the Audit and Risk Committee, Stuart Counsell, met the specific requirements with regard to recent and relevant financial experience throughout 2019. Further information about the role and work of the Audit and Risk Committee can be found in the Audit and Risk Committee Report on page 70.

Remuneration

The Company's approach to remuneration, including the role and work of the Remuneration Committee is set out in the Remuneration Committee Report and the Directors' Remuneration Report detailed on page 80. As required by the Code, the Chair of the Remuneration Committee, Sally Cabrini, had served on a remuneration committee for at least 12 months before being appointed as Chair.

The Code recommends that companies establish a method for obtaining the views of the workforce and suggests one of three options. The Board decided in 2018 to designate a Non-Executive Director to lead on colleague engagement and appointed the Chair of the Remuneration Committee to take on this role. Further considerations in relation to the employee interaction initiatives undertaken by the Board in 2019 are given on page 13 of our business model and strategy.

Phil White

Executive Chairman
25 November 2020

Nomination Committee Report

Dear Shareholder

I am pleased to be able to take this opportunity as Chair of the Nomination Committee to share with you the work which has been carried out during the year and our plans for 2020 and 2021. During the year both the Nomination Committee and the Board have closely reflected upon the leadership needs of the Group, together with the skills, knowledge, independence, diversity and experience needed from the Board and senior management.

The Nomination Committee oversaw a number of significant changes to the Board and Senior Management Team over the year, requiring them to meet on 7 occasions.

Composition and attendance

The Nomination Committee is composed solely of Non-Executive Directors and met 7 times during 2019. The CEO and Group HR Director attend by invitation as appropriate. The attendance at meetings by each member of the Committee is set out in the table below:

Director	Meetings attended during the year
Phil White (Chair)	7
Sally Cabrini	7
Stuart Counsell	7
Richard Walker*	7
Victoria Mitchell**	0
Heather Jackson***	1

*Richard Walker resigned from the Committee on 1 November 2019.

** Victoria Mitchell was appointed to the Committee in December 2019. No meetings of the Committee were held in December 2019,

*** Heather Jackson was appointed to the Committee on 1 November 2019, limiting her attendance to one meeting

The Role of the Nomination Committee

The role of the Nomination Committee is to establish a framework for appointments of Executive and Non-Exec Directors and senior management. The Nomination Committee further assists the Board in ensuring its composition is regularly reviewed and refreshed, so that it is effective and able to operate in the best interests of the Shareholders. In addition, the Nomination Committee oversees the development of a diverse pipeline for succession to the Board and senior management roles.

The Terms of Reference of the Nomination Committee are available on the Group's website.

Process for Appointments

The Nomination Committee leads the following process for appointments to Board and senior management positions (other than for the Chairman and the Chief Executive Officer being matters considered at the plc Board).

The Nomination Committee determines:

- Specification for the role, (including a definition of the role and capabilities required) taking into account the current balance of skills and experience on the Board;
- The search agency to support the appointment or the usage of open advertising while having regard to internal talent when appropriate;
- Other ways it can access a more diverse pool of candidates including a wide range of backgrounds;
- The structure of the interview process;
- The interview panel;
- Referencing requirements and candidate checks;
- Shareholder consultation; and
- Engagement with the Remuneration and other Board committees as appropriate.

Once the above are agreed, a timetable for the appointment is approved and the process commences.

Diversity

Lookers recognises the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element of maintaining both a competitive advantage and good corporate governance. Appointments to the board are based on merit and objective criteria reflecting the skills, knowledge, experience, diversity and independence needed to ensure a balanced and effective Board. The Committee's diversity policy has set a target of ensuring that the proportion of women on the Board is not less than 20% by 2022 and not less than 33% by 2024. The Board is pleased to report that the percentage of women on the Board is currently 33%.

Board Evaluation

The Board Commissioned an external Board evaluation in 2019, which was carried out by Equity Communications Ltd, which has no other connection with the Company or individual Directors. The evaluation was conducted through a series of in-depth interviews with the Board Directors and the Company Secretary. The interviews comprised a series of questions focusing on strategy, risk, succession planning, Board dynamics and the effectiveness of Board committees. The outcomes were presented and prioritised including a series of mid-term and long-term actions.

Key recommendations included improving the quality of the management information provided to the Board, greater clarity

around the strategic plan for the Group and enhancing the role and resourcing of key functions. The recommendations presented a clear path forward to refresh the Board and its strategy. The report by Equity Communications Ltd formed part of the rationale for the change in composition of the Board later in the year. In addition, the Board has acted to strengthen key functions in terms of skills and resource requirements.

Appointment of Directors

The Nomination Committee reviews the size, structure, and composition of the Board and its Committees and makes recommendations to the Board with regards to any changes that are considered necessary.

Robin Gregson stepped down from the Board as Chief Financial Officer on 5th July 2019.

Mark Raban, formally of Marshall Motor Holdings plc, was appointed as Chief Financial Officer on the 15th July 2019.

On 1st Nov 2019 we announced that Andy Bruce, Chief Executive Officer, and Nigel McMinn, Chief Operating Officer, had agreed to step down from the Board. Until permanent successors were appointed, I agreed to become Executive Chairman and Richard Walker the Senior Independent Director, agreed to assume a part time Executive role.

On 25th Nov 2019 Heather Jackson was appointed a Non-Executive Director of the Board. Heather brought regulatory experience and expertise in Digital Technology and Change Management.

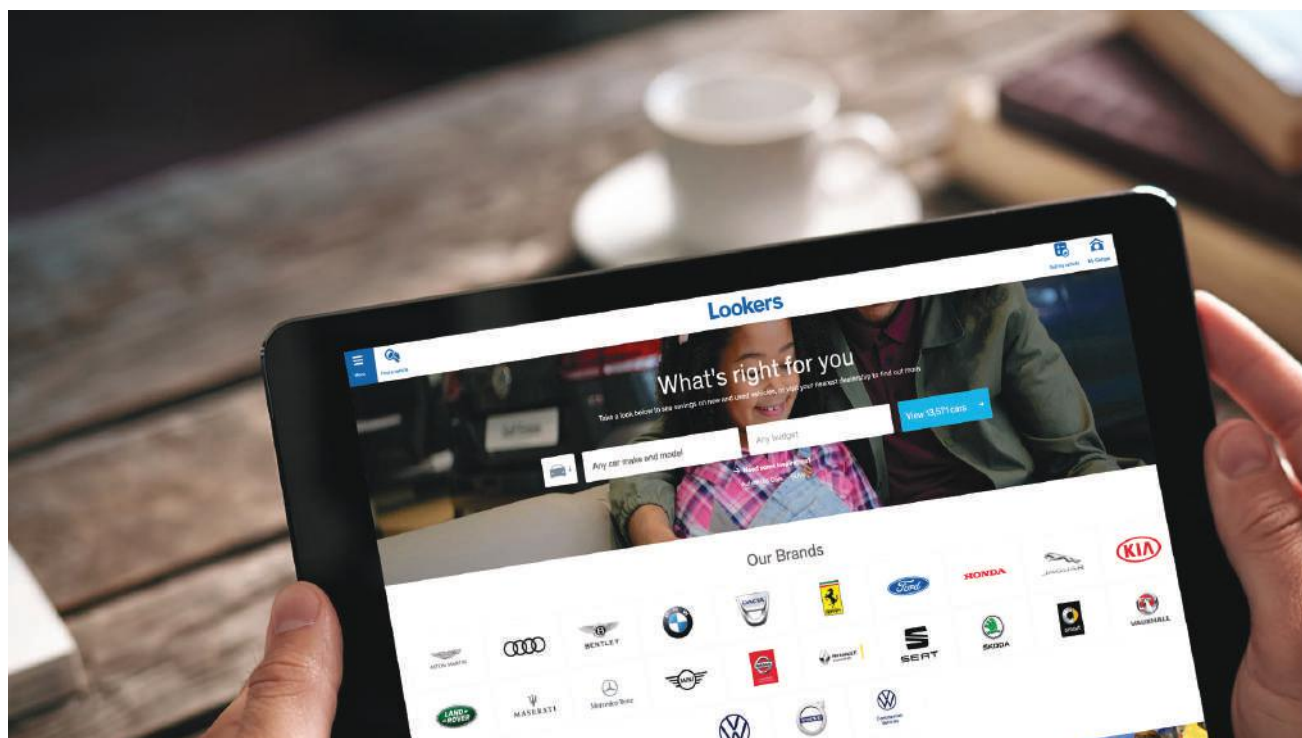
Victoria Mitchell was appointed a Non-Executive Director of the board on 20th December 2019. As well as her legal background Victoria brought experience across operations and risk within the financial services sector.

2020 - the year so far

On 5th February 2020 Mark Raban and Cameron Wade were appointed Chief Executive Officer and Chief Operating Officer respectively. It was also announced that Richard Walker and I would return to our former non-Executive roles on 31st March 2020.

On 12th March 2020 it was announced that Cameron Wade had stepped down from the Board.

On 30th March 2020 Jim Perrie was appointed to the role of Interim Chief Financial Officer, although he has not joined the Board.



Nomination Committee Report

On 24th June 2020 we announced changes to the Board in order to refresh and strengthen the Board for the long-term future of the business. The Board recognised the need to bring in new skills and experience to guide the business through the next stage of development. With our dealerships re-opened after the COVID-19 lockdown, we believed it was the time to put in place plans for the future of Lookers and we agreed an orderly transition to refresh the Board over the coming months.

At the request of the Board I assumed the role of Executive Chairman from 1st July 2020 to oversee this transitional period.

Richard Walker, Senior Independent Director and Sally Cabrini Non-Executive Director and Chair of the Remuneration committee respectively confirmed that they would not stand for re-election at the AGM held on 29th June 2020 and would step down from the Board at the conclusion of that AGM.

Stuart Counsell, Non-Executive Director and Chair of Audit and Risk committee agreed to remain on the Board until the completion of the 2019 results and the appointment of his successor.

Tony Bramall, Non-Executive Director confirmed that he would not stand for re-election at the 2021 AGM, subsequently Tony announced he was retiring from the Board on 31st December 2020.

Heather Jackson, Non-Executive Director, was appointed as Senior Independent Director from 1 July 2020 and shall become Chair of the Remuneration Committee on completion of the 2019 results.

Victoria Mitchell, Non-Executive Director would assume the role of Chair of Lookers Motor Group Ltd, the FCA regulated entity, from 1st July 2020, subject to regulatory approval.

Now these financial statements have been concluded we will recommence the search for a new Non-Executive Chairman during the remainder of 2020 and 2021. We expect that recruitment process to conclude before the next AGM. In addition, the Company is recruiting for a new Chair of the Audit and Risk committee during 2020, and subsequently, will commence the search for an additional Non-Executive Director.

Objectives for 2020

As a new Board and senior management structure is embedded into the business in 2020, the Nomination Committee will continue to review our succession plans for the short, medium, and long term, for the Board and senior management positions. A core element for this programme will be to develop the training and resources available to support internal progression to senior management positions and the Board.

The Nomination Committee will keep under review for 2020 and beyond the options for workforce engagement covered elsewhere.

Phil White

Executive Chairman
25 November 2020



Audit and Risk Committee Report

Dear Shareholder

I set out the annual report of the Audit and Risk Committee (the Committee) for 2019. The report details the Committee's role, responsibilities and activities including the consideration of and response to developments in the business.

The period under review has been very challenging for the Board and the Committee with investigations concerning our regulated activities, fraudulent activity and accounting irregularities. I refer to these below and they are also detailed in the Chairman's Report on page 6.

In December 2018 the Board commissioned an independent report to consider control issues in the sales processes of the regulated subsidiary Lookers Motor Group Limited (LMGL). The report was shared with the FCA. Subsequently, on 20th June 2019 the FCA informed LMGL that it intended to carry out an investigation into its sales processes. On 5th July 2019 the FCA issued requirement notices for Section 166 reviews into the Group's governance and systems and controls. Further details are set out in the Regulated Systems and Controls section below.

In 2020, an investigation into fraudulent activity and accounting irregularities identified further control weaknesses, non-compliance with laid down policies and procedures and financial misstatements. In addition, it identified a disappointing level of cultural and behavioural issues which significantly impacted the control environment. This investigation seriously delayed the finalisation of the Company's 2019 Annual Report and Accounts.

The Committee has spent considerable time in 2020 working with the Board and Executive Management on the outcomes of this investigation and the determination of remedial actions to strengthen internal controls.

In addition, COVID-19 significantly affected Group activities. The Committee reviewed the business response to the pandemic including the impact on business operations, the wellbeing of our employees and customers, cost reduction measures and cash management.

The Committee is an essential part of the Lookers governance framework. Our role is to oversee and advise the Board on the Group's financial reporting, risk management and internal control procedures.

The Committee is also specifically responsible for:

- Reviewing accounting and financial reporting processes
- Advising the Board in the assessment of judgements and estimates arising from material accounting issues
- Assisting the Board in assessing the Company's going concern and viability statements

- Assessing the Group's overall risk appetite, risk exposures and strategy including the review of reports and activity by risk and compliance functions established by the Group to comply with its regulatory obligations
- Considering the roles and effectiveness of both the group internal audit function and the external auditor
- Reviewing the arrangements and procedures in place to deal with whistleblowing, fraud, bribery and anti-money laundering
- Concluding whether the Annual Report, when read 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 Committee's terms of reference, which provide a framework for its work, were reviewed and updated by the Committee and approved by the Board in October 2019.

Composition and attendance

The Committee is composed solely of independent Non-Executive Directors.

Members:

Stuart Counsell (Chairman)

Sally Cabrini (resigned 29 June 2020)

Richard Walker (resigned 1 November reappointed 5 March 2020 resigned 29 June 2020)

Vicky Mitchell (appointed 20 December 2019)

Heather Jackson (appointed 25 November 2019)

Richard Walker resigned from the Committee when he assumed the role of interim Chief Executive Officer following the departure of the Chief Executive Officer and Chief Operating Officer on 1 November 2019. He relinquished the role following the appointment of Mark Raban as Chief Executive Officer on 5 February 2020.

The Committee members have, through their current and previous business activities, broad experience in financial, risk and commercial matters. Committee member biographies are set out on pages 52 to 55.

The Committee met five times during the year and meetings were fully attended by members. The Chief Financial Officer attended every meeting. As appropriate, the Chairman, other Executive Directors and Non-Executive Directors, the Chief Risk Officer, Head of Internal Audit, Deloitte LLP (Deloitte) as external auditors, KPMG LLP (KPMG) as internal audit co-source providers and other managers attend meetings at the Chairman's invitation.

In addition, following the year end, Committee members have spent a considerable amount of time considering and approving the Board's response to the outcomes of the two investigations and the impact of COVID-19 on the Group.

Investigations

The period under review and to date has been heavily impacted by the two investigations noted below and their outcomes; these have significantly influenced the activities of the Committee during 2019 and 2020 through to the finalisation of the Annual Report and Accounts in November 2020.

Regulated Systems and Controls

In December 2018, the Board commissioned an independent review of the regulated sales activities of LMGL which was shared with the FCA. This encompassed the Group's internal controls, risk assurance systems and internal audit and identified underlying cultural and behavioural issues and a number of control issues. In consequence, the Board instigated a reorganisation and remediation plan to establish a comprehensive enterprise risk framework as well as delivering best practice and an enhanced customer experience.

As announced on 20th June 2019 the Group was informed by the FCA that it intended to carry out an investigation into the Group's sales processes between 1 January 2016 and 13 June 2019. This is ongoing and the Company is fully supporting the FCA in its investigation.

On 5 July 2019 the FCA informed the Company that it intended to issue requirement notices for Section 166 reviews into the Group's governance and systems and controls. Grant Thornton UK LLP (Grant Thornton) were appointed to perform the review and reported on governance on 12 November 2019 and on systems and controls on 14 February 2020. These reviews continue and the Company fully supports the recommendations made to date. A key focus for the Committee is to ensure these are fully implemented and embedded in 2020 and 2021.

The restructuring actions taken by the Company included the appointment of a Chief Risk Officer and the introduction of a number of risk and compliance enhancements within LMGL.

In addition, in December 2019 a Board Risk Committee (BRC) was established within LMGL to monitor and advise on the company's regulatory response. The membership included three Audit and Risk Committee members - Vicky Mitchell (Chair), Stuart Counsell and Heather Jackson - together with the Chief Risk Officer. The activities and findings of the BRC were reported to the Committee and the main Board. In July 2020 the BRC was integrated into the LMGL Board.

The Committee and the BRC, in conjunction with the LMGL Board and PLC Board, were closely involved in the

development of a revised governance structure and the design of a new enterprise risk management framework. Considerable work has been carried out on the design and implementation of the framework and this is substantially complete.

Fraud and accounting irregularities

On 10 March 2020 the Group announced an investigation into potentially fraudulent transactions working in conjunction with a forensic team from Grant Thornton.

The Investigation identified accounting irregularities including certain financial systems and controls weaknesses, non-compliance with the Group's accounting policies or accounting standards and poor accounting.

Committee members have been closely involved throughout the period of work performed by Grant Thornton, PwC LLP (acting in an accounting support role) and Group management as they determined the nature and extent of accounting irregularities. This included agreement of their scope of work, consideration of the nature and size of adjustments proposed, and the level of controls remediation required.

As the investigation progressed there was regular dialogue with the external auditors who needed to challenge the conclusions arising from the investigation and to consider the impact on the scope of their audit plan.

In considering the remedial actions necessary to improve and strengthen the control environment, the Committee was also considerate of Deloitte management letters for the previous two financial years, that highlighted a series of control issues and recommendations as to where controls needed to be improved.

Remedial actions to strengthen internal controls and accounting procedures have been established and are set out on page 35. During 2020 and 2021 the Committee will monitor the effectiveness and embedding of these actions

Other activities:

- Scheduled updates on risk management, financial reporting and accounting matters; also, on health and safety, and pension matters
- Review and approval of interim and preliminary statements and the Annual Report and Accounts
- Updates from the Chief Risk Officer on regulatory compliance and progress on the introduction of a revised sales process and the design and implementation of the new enterprise risk management framework
- Review of management's papers in support of key accounting judgements and estimates

- Review of the scope of the external audit plan and consideration of the auditor's reports on financial reporting and accounting matters and their observations on the Group's internal controls
- Scheduled updates from internal audit, the BRC and latterly from the LMGL Board. This included the review of risk registers and dashboards
- Review of presentations by the head of IT regarding planned improvements to general IT controls
- Review and approval of the restructuring of internal audit as part of the reorganisation plan, the consideration and selection of KPMG as a co-sourced internal audit partner, the review and agreement of internal audit resourcing and their 2019/2020 work programme
- Consideration of reports on GDPR compliance and cyber security, detailing procedural improvements
- Overseeing a formal audit tender process.

Independent review

In September 2019 the company engaged Equity Communications to undertake a review of the Board and its Committees. There was one recommendation regarding Committee composition which was accepted and implemented.

Financial reporting, including significant reporting and accounting matters

In addition to the Committee's work regarding the investigations noted above, the Committee assessed the overall quality of the Group's current financial reporting, by review and discussion of significant accounting matters. The assessment also considered: the appropriateness of the Group's accounting policies, judgements and estimates; confirmed compliance with regulatory and financial reporting standards and the adequacy of disclosures.

Accounting errors and restatements

The investigation into fraud and financial irregularities by Grant Thornton and the Company identified a significant number of accounting adjustments in 2019 and prior periods including rectification of accounting errors, application of appropriate accounting standards and the grossing up and restatement of balance sheet accounts.

These are detailed on pages 32 to 35 and their presentational impact on the previously reported financial results of prior years is set out on pages 146 to 154.

Throughout the period of the investigation, which lasted several months, the Committee monitored the outcomes and adjustments arising from specific areas and challenged the conclusions and related disclosures.

We have also considered and agreed with management's response to the financial reporting and control issues identified which are set out on page 35. The Committee will continue to review the implementation and embedding of the proposed steps during 2020 and 2021.

Other significant reporting and accounting matters

The Committee also considered a number of other significant matters, estimates and judgements included within the Annual Report and Accounts. A summary of those matters is listed below.

Leasing

During the year, IFRS 16 was adopted retrospectively by the Group and a comprehensive model developed for the identification of lease arrangements and accounting treatments for both lessors and lessees.

Details of the fully retrospective adoption and financial effects are set out in accounting policy 1.27 on page 140.

The Committee reviewed management's assessment, implementation and specific judgements and estimates including the use of incremental borrowing rates, the assessment of extension and termination options and the treatment of past sale and leaseback transactions and were satisfied with the approach taken.

The investigation into accounting irregularities identified the incorrect accounting treatment of leases undertaken by certain leasing subsidiaries. Where this was identified work was done to ascertain the correct accounting treatment under IFRS15 and IFRS 16. The financial impact of this is set out on Note 1a-e. The Committee discussed the factors involved with management and were satisfied with the conclusions reached.

Commercial income (Key Estimate page 132)

Of particular focus for the Committee is the receipt of commercial income from manufacturer partners, because of the risks relating to recognition and recoverability.

Following the identification of fictitious transactions in respect of commercial income the Committee closely followed the progress of the investigation procedures and its outcomes and was satisfied with the work undertaken and the resulting adjustments.

Goodwill and intangibles (Key Estimate and Judgements on page 132)

The Company undertakes an annual assessment of the carrying value of goodwill and intangibles. The impairment reviews performed by management on cash generating units (CGUs) contain a number of significant judgements and estimates including long term growth rates, forecast cash flows, forecast timeframe and discount rates to determine the

recoverable amounts on a value in use basis.

The Committee considered and challenged the methodology and underlying assumptions, ensuring the impact of specific adjustments arising from the investigation had been recognised and agreed with the proposed impairment provision

The Committee also considered the outcome of reasonable downside sensitivity analyses performed by CGU and whether this resulted in potential material impairment and agreed with management's conclusion that a sensitivity disclosure was required in the current year, in relation to the JLR, Ford and BMW CGUs.

Inventories

The valuation of inventories is another key focus for the Committee. The fair value of inventories is reviewed by management regularly, applying a mix of standard and judgmental provisions to adjust values, where appropriate, down to prevailing market values. We reviewed and agreed management's assessment of the overall level of inventory provisioning and, in particular, for used vehicles, which can fluctuate as a result of market factors and vehicle condition.

We also considered the impact on inventories arising from the investigation procedures in respect of commercial income and leasing irregularities and agreed with the approach taken by management.

Pensions (Key Estimate page 132)

The Group operates three defined benefit schemes.

The Committee discussed the assumptions underpinning the valuations with management and reviewed reports from external providers instructed by the Company and concluded that the assumptions were reasonable and appropriate.

The Committee also discussed with management and an external adviser the factors involved in determining an appropriate approach to deficit reduction. Discussions with the pension trustees and the Pensions Regulator are ongoing with regard to the latest triennial valuation of the Lookers Pension Plan.

Alternative performance measures

The financial statements include certain items which are disclosed as non-underlying.

These items and their financial effect are detailed on page 157 and include costs or income arising from portfolio consolidation, goodwill and intangible impairments, restructuring of regulated activities, FCA provision and value added tax matters.

The Committee considered their treatment as non-underlying and agreed with management's view that they were not incurred in the normal course of business or due to their size, nature and irregularity they should not be included in the assessment of the core trading performance of the Group.

Provisions (Key Estimate and Judgement on page 132)

As explained in the Chairman's statement on page 6 the Company has been in discussion with the FCA regarding control issues in the regulated sales processes of LMGL. In addition, the FCA is carrying out an investigation into the Group's sales processes between January 2016 and June 2019.

To assess the need for any provision for future liabilities and make appropriate disclosure in the Annual Report and Accounts, the Committee reviewed with management the Company's current position. This considered discussions held with the FCA, advice from the Company's legal advisers and the views of the external auditor.

Following careful consideration by the Committee it was concluded that a provision was appropriate based on the likelihood of an outflow of economic resources.

Customer remediation

The Group makes provision for customer remediation if there is an obligation (legal or constructive) which has arisen from a past event. A past business review conducted in 2019 did not identify significant customer detriment.

The Committee reviewed and agreed management's approach in determining known customer detriment and redress and is satisfied that adequate remediation provision has been made in the Annual Report and Accounts.

Brexit

The potential impacts of a no-deal Brexit were reviewed by the Committee. Key risks, including new vehicle prices, vehicle parts supply and used vehicle asset values were considered as well as possible macro-economic and consumer reactions. The actions taken by management to mitigate these risks were reviewed and felt to be appropriate in a very uncertain environment.

Further references are set out in the Annual Report and Accounts as follows:

- Risk overview and management (page 42)
- Viability statement (page 44)

Going concern and viability statements

The impact of COVID-19 resulted in a substantial restructuring of Group operations and resources as well as a rigorous focus on working capital management, asset realisations and cost reduction. Regular discussions were held with the Group's

bankers and revised facilities and covenants agreed.

The Committee monitored and agreed management actions throughout and discussed the Group's three-year forecasts, availability of committed facilities and sensitised headroom against revised financial covenants in support of going concern and the longer-term viability statement. The Committee was satisfied that the assumptions underlying management's projections had been properly considered and, where appropriate, that the Group's principal risks were considered in the sensitivity modelling.

Following review and discussion with the external auditors the Committee was satisfied that it was appropriate to adopt the going concern basis in the preparation of the financial statements and supports the appropriateness of the going concern and viability statements which can be found on pages 130 and 44 retrospectively of the Annual Report and Accounts.

Fair balanced and understandable

The Committee advises the Board on whether the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. The Committee reviewed the Annual Report and Accounts, considered the overall content and whether:

- Satisfactory verification and remedial processes were undertaken by management, following receipt of the Grant Thornton report, in respect of adjustments required in 2019 and prior years
- Key events occurring in the year were fairly reported
- Key messages and judgements in narrative and financial reporting were consistent
- Alternative performance measures were clearly explained and appropriate to understanding the underlying performance of the business

The Committee also considered the perspective of the external auditor before reaching its conclusion that the Annual Report and Accounts taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders.

Risk management and internal control (refer to Risk Overview and Management on page 36 of the Annual Report and Accounts)

The Board has overall responsibility for the Group's internal control environment and for monitoring its effectiveness. The Committee, supported by LMGL, assists the Board by advising on the Group's overall risk appetite, tolerance and strategy. 2019 and 2020 were years of transformation for the Group's

risk and internal control structures.

In December 2018, the Board commissioned an independent review of the Group's internal controls, risk assurance systems and internal audit. In consequence, a reorganisation and remediation plan was implemented encompassing investment in internal and external resources, the development of a comprehensive enterprise risk framework and the establishment of a strengthened internal audit function.

The Committee reviewed and approved the design of the framework together with associated metrics and remediation plans. Further activities included the review of risk registers and risk dashboards.

The investigation into fraud and accounting irregularities identified further control issues, non-compliance with existing policies and procedures and poor accounting at Head Office and Franchise level. The Committee considered and agreed with management's remedial actions set out on page 35.

The Committee also received and agreed with briefings and reports on general IT controls, GDPR compliance, cyber security, whistleblowing, the Bribery Act and money laundering. Internal and external audit reports were also considered, and findings actioned where appropriate.

Internal audit

During the year, the structure, scope and effectiveness of internal audit was enhanced through investment in additional resources and the introduction of a co-sourcing arrangement with KPMG. The Committee participated in both the co-sourcing selection process and the appointment of the Head of Internal Audit.

A new Audit Charter, detailing Internal Audit's objectives, scope and responsibilities was reviewed and approved. Revised Terms of Reference and the scope of a three-year work programme were also approved.

Throughout the year and in 2020 internal audit reports were considered by the Committee including risk register and risk dashboard reviews together with specific reports completed as part of the approved work programme. Following reports on GDPR compliance and Cyber security enhanced procedures are to be introduced in 2020 and 2021.

The roll out of the agreed resourcing and work programme was paused in March 2020 due to the impact of COVID-19. Subsequently, a new Head of Internal Audit was appointed, further resourcing is planned, and a refreshed work programme is to be introduced in 2021.

The Committee considers that the enhanced Internal Audit structure and approach will provide effective audit support to the Group in the future.

External auditor

The Committee is responsible for assessing the effectiveness of Deloitte's audit including their independence, objectivity and scepticism.

During the year the Committee monitored and agreed:

- Terms of engagement and proposed fees
- The scope of audit work to be performed in respect of the 2019 audit and prior periods
- The 2018 management letter and management's responses
- Reports on key audit findings and recommendations
- Feedback from the business on their approach and performance
- The level of non-audit work undertaken by Deloitte.

In considering Deloitte's independence the Committee considered their annual independence statement, their compliance with relevant law, regulations, other professional requirements and the Ethical Standard.

Non-audit services

The Company will not use Deloitte for non-audit services, except in limited circumstances, and as permitted by the Ethical Standard. Audit Committee approval is required prior to awarding non audit contracts above a de-minimis amount of £10,000.

Non-audit fees of nil (2018: £20,000). In 2018, non-audit fees were incurred in respect of agreed upon procedures in relation to the Group's interim announcement. The Committee considered that given the nature of the procedures required, that the engagement of the external auditors was the most appropriate.

The Group maintains an active relationship with three other accounting firms.

Audit Quality Review

During the year, Deloitte's audit of the Company's 2018 financial statements was reviewed by an Audit Quality Review Team from the Financial Reporting Council. The review was assessed as "limited improvements required" with only one issue raised in respect of goodwill and intangibles impairment which has been addressed during 2019 audit procedures. In addition, three areas were identified as being of a high standard.

Deloitte has been the Group's auditor for fourteen years covering the years 31 December 2006 to 31 December 2019 although the lead audit partner rotates every five years. The current lead partner, Christopher Robertson, has been in that role for two years.

The Committee engaged with Deloitte throughout the audit process and is satisfied that Deloitte provided appropriate challenge to management. In making this assessment, the Committee considered their expertise, resourcing, independence and objectivity.

Auditor appointment

Subsequent to the year end the Board was informed by Deloitte that it intended to resign as auditors following completion of the Company's 2019 audit. The Committee consequently invited two firms to compete for the provision of external audit services and each firm confirmed their independence to act.

The tender process was conducted in a manner which ensured each firm had fair and equal access to information. The firms met Committee members, the Company's Chairman, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and other relevant members of the Senior Management Team.

Following these procedures, the firms were invited to present to the Committee. In reaching a conclusion the Committee considered sector and public company experience, independence, ability to challenge management and audit quality, including the latest Audit Quality reports. The Committee recommended to the Board that BDO LLP should be appointed as the Group's statutory auditor for the year ending 31 December 2020. The Board subsequently approved BDO's appointment and a resolution to this effect will be put forward at the General Meeting to approve the 2019 accounts in December 2020.

The Committee would like to thank Deloitte, on the Board's behalf, for their contribution over many years

Looking Forward

In 2020 and 2021 the Committee's work will include particular focus on the successful embedding of the Group's enterprise risk management framework and the internal control remediation measures.

S. R. Counsell

Chairman of the Audit and Risk Committee
25 November 2020

Corporate social responsibility review

Corporate social responsibility management

Whilst our focus is on creating a great place to work, the Board sets a clear standard when it comes to corporate social, environmental and ethical issues.

Each operating company includes social, environmental and ethical issues in their risk assessment processes to ensure any potential problems are identified and contingency strategies are in place.

Lookers and the environment

The Group recognises that its activities have an impact on the environment and is therefore keen to promote and support initiatives that minimize the effect of such activities through adherence to its environment policy.

We continue to monitor the areas of our business that may impact on the environment including contamination, asbestos, waste oil, waste recycling together with energy, water and fuel efficiency.

We continue to reduce energy consumption and related carbon emissions. This is achieved through a number of areas including:

- Regular energy surveys of our dealership estate
- Regular monitoring of energy consumption
- Deployment of energy-saving technologies including, biomass heating and cooling, solar PV installations and the increasing use of smart controls

As ever, the reduction of carbon emissions continues to be a high priority for the Group, and we continue with our reporting responsibilities in respect of energy consumption and management in the following three areas:

1. CRC Energy Efficiency Scheme, whereby we report to the Environment Agency each year. We have been fully compliant for the past nine years. Like for like CO₂ emissions in 2018 / 2019 decreased by 4.4% compared to the previous year.
2. Greenhouse Gas Reporting (GHG). This is our seventh year of reporting and the results are shown at the end of this section.
3. Energy Savings Opportunity Scheme (ESOS). This reporting requirement was introduced by the European Union and we have been compliant since 2015

Our continuous programme of dealership newbuilds and refurbishments offers us the opportunity to deploy the latest and most efficient building materials together with systems to control the use of water, heating, cooling and lighting.

We continue to seek to achieve waste reduction within our businesses and can report that:

(a) our water management processes, which monitor and reduce usage, continue to be effective. Our like for like water charges increased by 5.0%.

(b) during 2019 we recycled 95.9% of all waste (2018: 72.7%)

Mandatory carbon reporting

As has been noted in previous years, the Company reports each year to the Environment Agency under the Government's CRC Energy Efficiency Scheme. The Group aligns its carbon reporting period with that used for data submitted under the CRC scheme (April to March).

This is our seventh year of mandatory carbon reporting and covers the period 1 April 2018 to 31 March 2019.

Our carbon reporting methodology is the Greenhouse Gas Protocol and the requirements of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations. Our reporting boundary is the financial control method and covers all occupied premises and vehicles operated by the Group, whether owned or leased, relating to our UK based operations. Data relating to our business in the Republic of Ireland has been excluded. As this business accounts for 1.2% of our turnover, this exclusion is not considered material.

We report under Scope 1 and Scope 2 in respect of emissions from diesel and petrol consumed, gas burnt, and electricity purchased. The information relating to emissions from gas and electricity has been extracted in full from the data that we have reported to the Environment Agency under CRC reporting. This data is collected and collated by an independent supplier to the Group. The information relating to emissions resulting from the use of diesel and petrol has been extracted from data supplied by the Group's main fuel card provider. The intensity ratio being adopted is emissions (tonnes of CO₂) per million pounds of turnover.

Our mandatory carbon reporting data for the 2018/2019 and 2017/2018 reporting years are summarised as follows:

	2018/2019 (tCO ₂ e)	2018/2019 (tCO ₂ e/£m)	2017/2018 (tCO ₂ e)	2017/2018 (tCO ₂ e/£m)
Scope 1				
Gas	6,191	1.27	5,911	1.23
Vehicle fuels	17,927	3.68	18,056	3.75
Total	24,118	4.95	23,967	4.98
Scope 2				
Electricity	11,234	2.30	13,127	2.73
Statutory Total	35,352	7.25	37,094	7.71

Diversity and our people

Lookers is an equal opportunities employer with comprehensive policies which ensure employees, customers and third parties are free of discrimination, victimisation and harassment. We regularly reach out to any under-represented groups for gainful employment.

Our continued objective is to reflect our customers and the communities our businesses operate in. We strive for an environment that is cohesive and respects and nurtures all irrespective of any differences.

Our 'Lookers is for Everyone' campaign celebrates diversity across the Group and encourages people to demonstrate their individuality in a safe environment.

Our employees must regularly complete mandatory diversity and equality eLearning. New employees and line managers also take part in additional company values and inclusivity training.

Human rights

All of our direct employees are based in the UK or Republic of Ireland and are covered by UK and Irish employment law. Our supply chain in the motor division is predominantly major international motor manufacturers who take this issue very seriously.

Recruiting, retaining and developing our people

We are committed to building success together by putting our people first. We actively encourage promoting talent from within, demonstrated recently by a number of senior level promotions. Our people policies provide guidance on key issues including equal opportunities, disciplinary and grievances, recruitment and selection, discrimination and harassment.

The HR Director reports directly into the Chief Executive Officer and is responsible for developing the HR function alongside a team of divisional HR Managers. We are continuously seeking to improve our gender split and gender pay gap, with a focus on attracting more women and changing perceptions of our industry.

In 2019, we introduced the role of Group Employee Relations Manager to support development and delivery of a fair and consistent approach to our people which also drives the performance and success of Lookers.

Our bespoke training schemes support colleagues in meeting regulatory requirements whilst delivering outstanding results. We have also introduced dedicated training for sales colleagues in order to support them through sales process improvements.

Communicating with our people

We believe the way we communicate has a huge impact on how our people feel about the Company. We communicate with our people on a regular basis through team briefings, digital magazines, Workplace by Facebook, Microsoft Teams and more.

It is imperative to the success of the business to allow colleagues to have a voice and we are continuously looking at ways to seek feedback. In 2019, we introduced an Ask the Director campaign where anyone in the Group can ask questions to our Directors.

Stay safe and healthy

Lookers is committed to providing a safe and healthy environment to all who work or visit our premises. We continuously promote high standards of health and safety provision, which will minimise risks and avoid accidents and ill health.

The Board retains ultimate responsibility for health and safety at Lookers. Senior management take responsibility for the implementation of day-to-day health and safety standards, with the support of dedicated Health and Safety Advisors who assist with Health, Safety and Environmental risk. The Health and Safety Advisors undertake activity such as site visits, accident investigation, Health and Safety training and guidance for management on best practice. The activity of this team has been crucial in the defining and implementation of our COVID-19 Secure protocols, designed to keep both our colleagues and customers safe as we reopened our business.

All colleagues are issued with the Group Health and Safety Policy and have access to a detailed Health and Safety guide. Health and Safety training is mandatory for all employees.

The Group has significantly streamlined the Health and Safety Management systems and standardised documentation and processes.

All managers have access to a Health referrals system for their teams and where required we offer health surveillance.

The statistics for the Group, under UK Health and Safety regulations for the year ended 31 December 2019, are set out below:

	2019	2018
Number of fatalities	-	-
Injuries resulting in absence over three days	23	42
Major injuries reported under RIDDOR*	17	27
Dangerous occurrences reported under RIDDOR*	-	-
Number of enforcement notices issued by HSE	-	-
Number of prohibition notices issued by HSE	-	-

*Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995



Directors' remuneration report

Dear Shareholder

This letter sets out the performance for the year ended 31 December 2019 and the resulting pay outcomes, the work undertaken by the Committee and the implementation of the policy for 2020.

Sally Cabrini chaired the Remuneration Committee during 2019 but stepped down from this position and from the Board on 29 June 2020. For this reason, as Chairman of the Board, I have prepared this letter. Heather Jackson will take on the role of Chairman of the Remuneration Committee, effective from the date of publishing the 2019 financial results.

Context for Executive pay

We continued to face a deterioration in trading conditions during 2019, with a number of macro-economic and industry challenges that have impacted our ability to deliver anticipated profits, this is reflected in the remuneration outcomes for the 2019 financial year.

Changes to Board

Robin Gregson stepped down from the Board in July 2019. Robin's employment terminated on 30 September 2019 and payments of salary, pension and benefits in lieu of a 12 months' notice period were made. It was determined that no bonus would be payable in respect of performance during 2019, aligned with the outcome for other outgoing Executive Directors. The Committee determined that Robin would be entitled to retain unvested LTIP awards with pro-rating for time employed but as detailed further below, no awards have yet vested as the Committee is reviewing whether to allow any subsisting awards under the LTIP to vest pursuant to the rules of the plan.

Mark Raban was appointed to replace Robin Gregson as Chief Financial Officer on 15 July 2019, with a salary of £300,000, incentives in line with policy and with a pension provision of 5%, which is in line with the wider workforce.

Following the trading update for Q3, Andy Bruce and Nigel McMinn agreed to step down from the Board and from their respective roles as Chief Executive Officer and Chief Operating Officer on 1 November 2019. Other than fixed pay to their termination and payments in lieu of notice, no other form of pay was receivable in respect of 2019. They both remained employed until 31 December 2019 after which the Company exercised its right to terminate their employment and make a payment in lieu of notice calculated by reference to base salary and benefits, payable in monthly instalments and subject to mitigation. In response to the Company's circumstances and the ongoing investigations, the Committee considered it appropriate to suspend the notice payments.

Neither Andy Bruce nor Nigel McMinn have been awarded any bonus for 2019 and all their unvested LTIP awards lapsed on termination.

From 1 November 2019 to 31 March 2020, our Chairman, Phil White, took up a role as Interim Executive Chairman and from 1 November 2019 to 29 February 2020 our Senior Independent Director, Richard Walker, took up a role as Interim Executive Director. It was agreed that both individuals would receive a fee for their interim roles commensurate with the roles and responsibilities, with no other remuneration provision. The fee was £350,000 per annum for Phil White and £450,000 per annum for Richard Walker, payable instead of (rather than in addition to) the fees for their non-executive roles and paid on a pro-rata basis in respect of time served. Phil White returned to his role as Chairman on 1 April 2020 and Richard returned to his role as Senior Independent Director on 1 March 2020. Phil White was subsequently re-appointed Interim Executive Chairman with effect from 1 September 2020 with a fee level of £350,000 per annum.

Heather Jackson was appointed as a Non-Executive Director with effect from 25 November 2019 and Vicky Mitchell was appointed to the Board as a Non-Executive Director with effect from 20 December 2019. Their fee arrangements were aligned with those for the other Non-Executive Directors on appointment.

Following a robust recruitment process, it was announced that Mark Raban would be appointed to the role of Chief Executive Officer and that Cameron Wade would be appointed to the role of Chief Operating Officer with effect from 5 February 2020. Mark's salary was increased to £450,000 to reflect the promotion, and Cameron's remuneration was determined to be a salary of £310,000, incentives in line with the remuneration policy and pension provision equal to 5% of salary. Cameron subsequently resigned and stepped down from the Board on 11 March 2020 and left employment with immediate effect. No further payments were made to Cameron. In particular, he was not eligible for any bonus in respect of his service as an Executive Director and his outstanding share awards lapsed on termination.

The Non-Executive Director base fee was reviewed by the Board during 2019. An increase in the fee from £42,500 to £65,000 was agreed with effect from 1 November 2019 to recognise the additional level of responsibility and time commitment required of the role. This fee is payable in place of additional fees for chairing a subcommittee or for undertaking the role of Senior Independent Director. Temporary reductions in Executive and Non-Executive remuneration were agreed with effect from 1 April 2020, as detailed below.

Annual bonus outcome

No bonus was paid to any Executive Director in respect of 2019. The annual bonus was based on Profit Before Tax, Operating cash flow and non-financial performance targets. After careful consideration of Mark Raban's performance since appointment, it was agreed that a bonus equal to 50% of maximum should be payable. Accordingly, after the application of pro-rating for the time he was appointed to the Board, a bonus equal to 38% of salary would be payable. In view of the cash constraints and disruption to the business as a result of COVID-19, Mark subsequently volunteered, and the Board agreed, that he would waive any bonus in respect of 2019.

No discretion was applied in determining the original bonus outcome, prior to the waiver for Mark being agreed

Long term incentive outcome

LTIP awards granted in 2017 were based on performance to 31 December 2019. 75% of the award was based on Adjusted EPS, and this portion of the award lapsed as the outcome of 0.2p for 2019 was below the required threshold of 18.25p. The remaining 25% of the award was based on the ratio of Net Debt to EBITDA and was met in full as the outcome was a ratio of 0.98, which was below the ratio of 1.0, required for maximum entitlement. The Adjusted EPS target was set prior to changing the definitions of financial elements to be on an underlying basis. The underlying EPS has been re-stated to give Adjusted EPS for consistency with the basis on which the target was set.

Therefore, 25% of the total LTIP target was met. As noted above, in light of the ongoing investigations, the Committee is reviewing all subsisting awards and therefore the award whose performance period ended on 31 December 2019 has not at the time of writing been formally signed off as exercisable. Robin Gregson is the only Director or former director who has outstanding awards under this grant as the awards for other Executive Directors (namely Andy Bruce, Nigel McMinn and Cameron Wade) lapsed as detailed above.

Shareholder engagement and review of policy

We recognise that a significant minority of our shareholders voted against the annual report on remuneration at our 2019 AGM. We understand that the primary reason for this was a salary increase awarded to Andy Bruce, the previous Chief Executive Officer. Our Directors' Remuneration Policy was approved by shareholders at our AGM in 2017. As the Committee is required to table a new policy during 2020, it has undertaken a light touch review of the policy during 2019 to be put to a shareholder vote at a General Meeting to be held during 2020, following a process of engagement with major investors. The policy from 2017 shall continue to apply until such time as the new policy is approved.

While the core elements of the policy are unchanged, we have updated it to reflect market practice and the requirements of the UK Corporate Governance Code and an increased focus on our status as a regulated business.

We continue to operate with the principle that pay arrangements for Executive Directors should be aligned to our strategy, thereby creating long term value for our stakeholders. We aim to pay only what is required to recruit, retain and motivate the Senior Management Team.

Further details are included in the Directors' Remuneration Policy section of this report.

While the Directors' Remuneration Policy has a three year life, we intend to review it during the remainder of 2020 and during early 2021. We will engage with shareholders on any proposed changes to the policy in advance of seeking approval at our AGM in 2021.



COVID-19

In order to support the Group following cash constraints and disruption to the business caused by the ongoing outbreak of the coronavirus, the Directors volunteered to accept reductions in remuneration as follows for the five month period between 1 April 2020 and 31 August 2020:

- Non-Executive Directors: Annual fee of £50,000 p.a. (reduced from £65,000 p.a.);
- The Non-Executive Chairman: Annual fee of £97,500 p.a. (reduced from £130,000 p.a.);
- Mark Raban: Salary of £315,000 (reduced from £450,000).

Contents

This Directors' Remuneration Report has been prepared on behalf of the Board by the Committee in accordance with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and in addition to this statement, is split into the following sections.

Page 83	Remuneration summary A summary of the main elements of remuneration including how they link to the business strategy
Pages 84 to 108	Directors' Remuneration Policy This sets out the Company's policy on Directors' Remuneration which is subject to a binding shareholder vote at the 2020 AGM.
Pages 94 to 106	Annual report on remuneration This sets out payments and awards made to the Directors and details the link between Company performance and remuneration for 2019 and, together with this statement, is subject to an advisory shareholder vote at this year's AGM.

In conclusion

We recognise that a significant minority of our shareholders voted against the annual report on remuneration at our 2019 AGM. We understand that the primary reason for this was a salary increase awarded to Andy Bruce, the previous Chief Executive Officer.

We have reflected on feedback, corporate governance developments and best practice in forming the proposed Directors' Remuneration Policy. We thank shareholders for their engagement and hope that you will continue to support our revised proposals and the implementation for 2019.

Now we have appointed Mark Raban as Chief Executive Officer, we will continue to review the appropriateness of the remuneration principles and policies as the business strategy evolves during the remainder of 2020 and in early 2021 and will continue to engage with shareholders as we develop our proposals over time.

As detailed earlier in the Annual Report, Sally Cabrini stepped down from the Board and from her position as Chair of the Remuneration Committee at the AGM on 29 June 2020. It has been agreed that Heather Jackson will take on the role of Chairman of the Remuneration Committee, effective from the date of publishing the 2019 financial results.

By Order of the Board
Phil White
 Executive Chairman
 25 November 2020

Remuneration summary

Our strategy is focused on having the right brands and locations alongside excellent execution. Underpinning this strategy is our commitment to providing an outstanding retail

experience and good outcomes for our customers. We have developed a reward strategy and elements of remuneration that align with this business strategy.

Lookers business strategy	
Base salary	
Grow the business through organic growth and acquisition.	Provide great service and expertise to customers through our people, technology and brand.

Purpose and link to strategy		
Fair	Competitive	Shareholder-aligned
To ensure that the Executive Directors are fairly rewarded for their individual contributions to the Group's overall performance.	To provide a competitive remuneration package to Executive Directors, including long-term incentive plans, to motivate individuals.	A substantial proportion of the remuneration of the Executive Directors is performance related. Executive Directors should build up a significant holding of shares in the Company.

Elements of reward				
	Base salary and pension benefits	Annual bonus	Long-term incentive plan	In-employment and post-employment shareholding requirement
Purpose	Attract and retain Executives of high calibre and provide funding for future pension.	Incentivises and motivates the achievement of business objectives by and rewarding performance against annual targets.	Alignment of interests with shareholders by providing long-term incentives delivered in the form of shares.	To ensure alignment between the interests of Executive Directors and Shareholders.
Operation in 2020	<p>Base salaries: M Raban: £450,000 (reduced to £315,000 for a period from 1 April 2020)</p> <p>Pension allowance: 5% of salary</p> <p>Benefits: include Participation in the Company's car schemes, health insurance, life assurance and the opportunity to join the SAYE.</p>	<p>Maximum bonus: 150% of salary</p> <p>The performance targets for the 2019 bonus were based on operating cash flow, underlying Profit Before Tax and non-financial strategic objectives</p> <p>Up to 50% of bonus earned is deferred into shares</p> <p>Subject to regulatory, customer and performance underpin bonus is subject to malus and clawback.</p>	<p>Normal LTIP opportunity: CEO: 150% of salary Other Executives: 100% of salary</p> <p>Subject to regulatory, customer and performance underpin 3-year performance period and 2 year holding period</p> <p>LTIP is subject to malus and clawback.</p>	<p>Shareholdings at 31 December 2019: M Raban: 9% vs requirement of 200% of salary.</p>

Directors' remuneration policy

Remuneration policy

The policy of the Committee, the principles underlying which are unchanged from the previous policy approved at the 2017 AGM, is to ensure that the Executive Directors are fairly rewarded for their individual contributions to the group's overall performance and to provide a competitive remuneration package to Executive Directors, including long-term incentive plans, to motivate individuals and align their interests with those of shareholders, customers and other stakeholders. In addition, the Committee's policy is that a substantial proportion of the remuneration of the Executive Directors should be performance related and that they be required to build up a significant holding of shares in the company, which are retained for two years post-employment.

The new remuneration policy set out in this section is subject to shareholder approval at a General Meeting to be held during

2020 and will be effective from the date of this meeting. It is intended to apply until the close of the 2023 AGM. In the interim period until the General Meeting to be held in 2020, the policy approved at the 2017 Annual General Meeting shall continue to apply. The Remuneration Committee is currently undertaking a review of the policy, in the light of changes to the business and the appointment of Mark Raban as Chief Executive Officer.

This policy has been determined by the Committee, with input from management and external advisers. The Committee members have no conflicts of interest arising from cross-Directorships and no Director is involved in any decisions as to his or her own remuneration.

Future policy table

Base Salary	
Attract and retain high calibre Executive Directors to deliver the strategy.	
<p>Operation</p> <p>Paid in monthly instalments during the year.</p> <p>Reviewed annually to reflect role, responsibility and performance of the individual and the company, and to take into account rates of pay for comparable roles in similar companies.</p> <p>When selecting comparators, the Committee has regard to the Group's size and business sector.</p>	<p>Maximum potential value</p> <p>Salaries are generally set at or below market median, with an emphasis on incentive pay.</p> <p>There is no prescribed maximum increase, but normally increases will be in line with those for the wider workforce, unless there are reasons such as a change in Executive Director's role and/or responsibilities, or to apply salary progression for an Executive Director who has been appointed below market level.</p> <p>Performance metrics</p> <p>None</p>
Pension	
Attract and retain Executive Directors for the long term by providing funding for retirement.	
<p>Operation</p> <p>All Executive Directors are entitled to participate in money purchase arrangements, or to receive a cash allowance in lieu of pension contributions.</p> <p>N.B. Any pensions paid as salary supplements are not counted for the purposes of determining bonus or LTIP levels.</p>	<p>Maximum potential value</p> <p>5% of salary.</p> <p>Performance metrics</p> <p>None</p>

Benefits

Provide benefits consistent with role.

Operation

Currently these consist of participation in the Company's car schemes, health insurance, life assurance premiums, D&O insurance and the opportunity to join the company's savings related share option scheme (SAYE).

The Committee reviews the level of benefit provision from time to time and has the flexibility to add or remove benefits to reflect changes in market practice or the operational needs of the Group.

Maximum potential value

The cost of providing benefits is borne by the Company and varies from time to time.

Performance metrics

None

Annual Bonus

Incentivises achievement of business objectives by providing a reward for performance against annual targets.

Operation

A proportion of the bonus earned (up to 50%) is paid in cash and the remaining amount is deferred into shares for two years.

Annual bonus awards are subject to provisions which enable the Committee to recover (clawback) or withhold (malus) value in the event of a misstatement of the accounts for the financial year in respect of which the bonus was paid, an error in the assessment of the extent to which the applicable performance target had been met, an error in the assessment of the extent to which the applicable performance target had been met, fraud, employee misconduct, failure of risk management and regulatory failure within two years of the payment date of the cash bonus and within two years of the vesting date of the deferred shares.

A sliding scale operates between threshold and target performance, and between target and maximum performance. No bonus is payable where performance is below the threshold.

The proportions of bonus payable for different levels of performance may vary based on the nature of measures and the level of stretch in the targets.

Payment of any bonus is subject to the overriding discretion of the Committee. The Committee may adjust the bonus outcome (either upwards or downwards) from the formulaic outcome to ensure that any bonus paid reflects individual and underlying company performance, customer outcomes and regulatory compliance.

Maximum potential value

Up to 150% of salary.

Performance metrics

Performance conditions are determined annually by the Committee and threshold and maximum targets are set for each condition.

At least 50% of the bonus is subject to financial targets. The measures vary from year to year to reflect priorities and business strategy.

In exceptional circumstances such that the Committee believes the original measures and/or targets are no longer appropriate, the Committee has discretion to amend performance measures and targets during the year.

Long-Term Incentive Plan (LTIP)

Alignment of interests with Shareholders by providing long-term incentives delivered in the form of shares.

Operation

Grant of nil-cost options, which vest at least 3 years from grant subject to the achievement of performance conditions and may not be exercised after the tenth anniversary of grant.

A two-year holding period applies to all vested awards, during which time Executive Directors may not sell shares, save to settle tax due.

LTIP awards are subject to provisions which enable the Committee to recover (clawback) or withhold (malus) value in the event of a misstatement of the accounts for the financial year in respect of which the LTIP award vested, an error in the assessment of the extent to which the applicable performance target had been met, fraud, employee misconduct, failure of risk management and regulatory failure within two years of the vesting of the LTIP award.

The Committee has discretion to:

- (i) adjust the vesting of LTIP awards and/or the number of shares underlying unvested LTIP awards on the occurrence of a corporate event or other reorganisation;
- (ii) amend the formulaic outcome of LTIP awards upwards or downwards to reflect the Committee's assessment of individual and underlying business performance, customer outcomes and regulatory compliance.

Maximum potential value

Maximum annual award over shares with a market value of 150% of base salary for the CEO and 100% of base salary for other Executive Directors.

In exceptional circumstances, such as to secure an external appointment or in specific retention scenarios, an award up to 250% of salary may be made.

Performance metrics

Awards are based on a combination of performance metrics, with at least 50% being financial measures.

Threshold and maximum targets are set at grant.

The Committee has discretion to amend the performance conditions/targets attached to outstanding awards granted under this policy in the event of a major corporate event or significant change in economic circumstances, or a change in accounting standards having a material impact on outcomes.

Share Ownership Requirement

To ensure alignment between the interests of Executive Directors and Shareholders.

Operation

200% of salary for all Executive Directors, to be reached over a five-year period from appointment to the Board.

Executive Directors must retain 50% of any deferred shares and shares they acquire under the LTIP, after allowing for the sale of shares to pay tax and other deductions, until such time as they have built up the required holding level.

Executive Directors must retain a shareholding on cessation of employment for two years equal to the lower of 200% of salary and the actual shareholding on cessation. Shares bought by Executive Directors and shares granted prior to this policy coming into force are not subject to this holding requirement.

Maximum potential value

Not applicable

Performance metrics

Not applicable

Notes to the policy table

Performance metrics

The Committee selects the performance metrics for incentive awards from year to year based on the company's strategy and priorities, and therefore the measures may vary over the life of

the policy. For the first year in which the policy is operated, the following metrics are proposed to be used:

Element	Metric	Rationale
Annual bonus	Underlying Profit Before Tax (PBT)	<ul style="list-style-type: none"> PBT is a primary measure in determining the in-year success of the business growth
	Ratio of Net debt to EBITDA	<ul style="list-style-type: none"> Net debt is a critical measure in the financial health of the business
LTIP	Underlying Earnings Per Share (EPS)	<ul style="list-style-type: none"> EPS is a key driver of business value as well as a measure over which management have influence. Underlying EPS is considered to be a suitable measure of performance as it is not affected by pension costs, debt issue costs, amortisation or share based payments as these costs are not within the control of the Executive Directors.
	Absolute TSR	<ul style="list-style-type: none"> Aligned with shareholder value and incentivises Executive Directors to return value to investors over the longer term.

Changes from previous policy

As set out in the annual statement from the Chairman of the Committee, the Committee undertook a review of the Executive Directors' remuneration policy during the course of

2019 and the table below summarises the key changes from the previous policy and the rationale for the changes:

Element	Changes made	Rationale for change
Incentive plans	Standardise deferral from being bonus above 110% of salary to be a proportion of up to 50% of the total bonus earned.	<ul style="list-style-type: none"> • More in line with typical market practice. • Ensures some earned bonus is deferred regardless of amount earned, increasing alignment with longer term shareholder value.
	Introduction of broader discretions for bonus and LTIP, in particular to reflect customer outcomes and regulatory compliance. Review and strengthening of malus and clawback provisions to include failure of risk management and regulatory failure.	<ul style="list-style-type: none"> • Provides greater ability for the Committee to reflect the overall performance of the business when determining incentive outcomes. • Prevents pay for failure.
	Introduction of ability to grant an LTIP award of up to 250% of salary in exceptional circumstances (normal maximum 150% of salary).	<ul style="list-style-type: none"> • Provides flexibility for Committee in exceptional cases e.g. recruitment.
	Extension of the holding period for vested LTIP awards from 50% of the award to the whole award.	<ul style="list-style-type: none"> • Further aligns Executive Directors with shareholder value. • Compliant with Corporate Governance Code.
Pensions	Reduction in the maximum pension level for Executive Directors from 20% to 5% of salary.	<ul style="list-style-type: none"> • Aligned with pension provision for the majority of the workforce. • Compliant with Corporate Governance Code and investor expectations.
Shareholding requirement	Increase in shareholding requirement to 200% of salary for all Executive Directors (previously 150% for some Directors).	<ul style="list-style-type: none"> • Aligned with best practice. • Ensures consistent approach for all Executive Directors.
Post cessation shareholding	Introduction of requirement to hold up to 200% of salary in shares for two years.	<ul style="list-style-type: none"> • Requirement is in line with prevailing market practice. • Compliant with Corporate Governance Code.

Considerations when forming the remuneration policy

This policy has been formed in accordance with the principles and provisions in the Code. The table below sets out how the Committee has addressed various aspects in the Code:

Aspect	How this is addressed in the policy
Clarity	<ul style="list-style-type: none"> The Committee's policy has been clearly set out in this report, including the individual elements of remuneration and their operation.
Simplicity	<ul style="list-style-type: none"> This policy has been simplified in a number of ways including in relation to bonus deferral and shareholding requirements. The structure of remuneration is in line with normal market practice.
Risk	<ul style="list-style-type: none"> The Committee believes that the incentive structure does not encourage undue risk-taking. There are a number of mechanisms available to the Committee, including discretions within incentive plans that allow adjustment in the case that the Committee believes the outcomes are excessive. In particular, the underpins, discretion and malus and clawback provisions attached to incentive plans have been reviewed and amended for this policy, with specific reference to customer outcomes and regulatory compliance.
Predictability	<ul style="list-style-type: none"> The policy table and the illustrations of remuneration provide an indication of the possible levels of remuneration that may result from the application of the policy under different performance scenarios. The Committee believes that the range of potential total remuneration scenarios is appropriate for the roles and responsibilities of the Executive Directors and in the context of the performance required for incentive awards to pay out.
Proportionality	<ul style="list-style-type: none"> The policy has been designed to give overall flexibility in operation, particularly in relation to incentive plan metrics. This allows the Committee to implement the policy from year to year using the metrics that most closely align with the group's strategy. The policy contains discretion to allow the Committee to adjust remuneration outcomes to ensure that they are reflective of overall performance in the short and long term.
Alignment to culture	<ul style="list-style-type: none"> As well as aligning with the strategy of the business, the policy has been formed to allow focus on broader stakeholders. In particular, there is an increased focus on customer outcomes through incentive metrics and discretion by the Committee.

Statement of consideration of employment conditions of employees elsewhere in the Group

The Committee receives reports on an annual basis on the level of pay rises awarded across the group and takes these into account when determining salary increases for Executive Directors. In addition, the Committee receives regular reports from the Human Resources Team on workforce remuneration and on the structure of remuneration for senior management in the tier below the Executive Directors and uses this information to ensure a consistency of approach for the most senior managers in the group. The Committee approves the award of any long-term incentives. The Chairman of the Remuneration Committee has attended meetings with the Human Resources Director to develop a greater level of understanding in relation to pay and people practices in the business.

The Committee does not specifically invite employees to comment on the Directors' Remuneration Policy, but it does take note of any comments made by employees.

The first CEO to employee pay ratios were calculated while formulating this Directors' Remuneration Policy and the results are included within this report. Given there was not a permanent Chief Executive Officer throughout 2019, the Committee did not believe it was appropriate to use these ratios when forming the policy.

The elements of pay are broadly the same for Executive Directors as for the rest of the Company's employees, save that Executive Directors are entitled to participate in annual bonus and long-term incentive plans. Other members of the Senior Management Team are eligible to participate in these plans on a selected basis.

Statement of consideration of shareholder views

The Chairman of the Committee consults with major shareholders from time to time to understand their expectations with regard to Executive Director remuneration and reports back to the Committee.

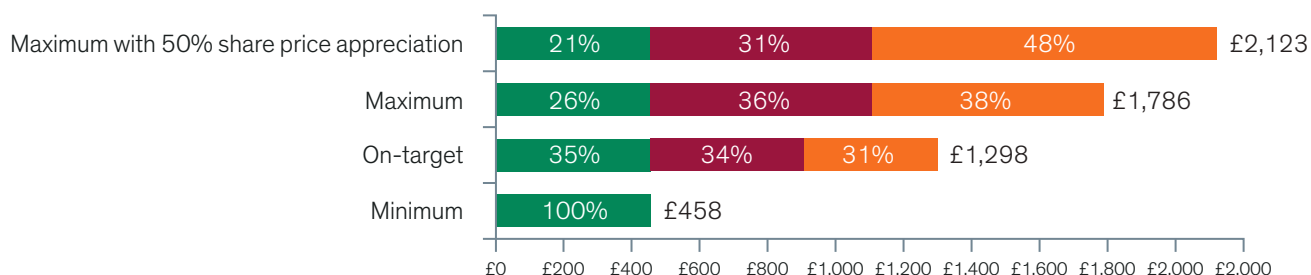
Any other concerns raised by individual shareholders are also considered, and the Committee also takes into account emerging best practice and guidance from major institutional shareholders.

The Committee undertook a consultation with the largest shareholders in preparing this policy. The Chairman wrote to shareholders to set out initial proposals and held a number of conversations with shareholders to take on board feedback. The final policy presented has taken into account the feedback provided and the Chairman has reported back to shareholders to summarise the Committee's proposals in advance of publication in this report. The Committee and Chairman are grateful for the input received from shareholders and plan to continue two-way engagement over the life of this policy.

Total remuneration opportunity

The chart below illustrates the remuneration that would be paid to Mark Raban on a forward-looking basis under this Directors' Remuneration Policy under the following different performance scenarios: (i) Minimum; (ii) On-target; (iii) Maximum; and (iv) Maximum with 50% share price appreciation.

The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual variable (annual bonus awards); and (iii) Multiple year (LTIP awards) which are set out in the future policy table.



*Values above £'000's



Each element of remuneration is defined in the table below:

Element	Description
Fixed	Base salary for 2020 plus pension and benefits (benefits being estimated for a full year from the single total figure of remuneration for 2019).
Annual bonus	Annual bonus awards, applied as minimum: 0% of opportunity, on-target: 67% of opportunity, maximum: 100% of opportunity.
LTIP	LTIP awards. These awards take the form of nil cost options. For the on-target scenario, 60% of the award is assumed to vest. For the maximum scenario, full vesting is assumed.

Illustrations have not been provided for Phil White and Richard Walker as they were performing executive roles only on an interim basis with remuneration for those roles comprising an annual fee only.

Approach to recruitment remuneration

The Committee's approach to recruitment remuneration is to offer a market competitive remuneration package sufficient to attract high calibre candidates who are appropriate to the role but without paying any more than is necessary.

Any new Executive Director's regular remuneration package would include the same elements and be in line with the policy table set out earlier in this Directors' remuneration policy, including the same limits on performance related remuneration.

Where it is necessary to "buy-out" an individual's awards of variable remuneration made by a previous employer, the Committee will make replacement awards through a

combination of performance and non-performance related awards, reflecting the profile of the awards forgone. The terms of these awards will reflect those forgone so far as is possible to provide an equivalent opportunity, including taking into account the likelihood of meeting performance conditions.

Where an internal candidate is promoted to the Board, the original grant terms and conditions of any bonus or share awards made before that promotion will continue to apply, as will their membership of any of the group's pension arrangements.

Reasonable relocation and other similar expenses may be paid if appropriate.

Directors' service contracts, notice periods and termination payments

Executive Directors have service contracts with a 12-month notice period by the company and 6 months by the Executive Director, with the elements of variable remuneration dealt with in accordance with the rules of the relevant scheme, as more fully described in the table below:

Provision	Policy
Notice periods and compensation for loss of office in Executive Directors' service contracts	12 months' notice by the company and 6 months' notice by Executive Director. Payment in lieu of any part of the notice period not served may be made by the company equal to basic salary, pensions and benefits for that part of the notice period only. The payment of any sum in lieu of notice will be phased over the notice period and subject to mitigation.
Treatment of annual bonus on termination	A bonus for the financial year of termination may be paid at the discretion of the Committee having regard to applicable performance conditions and normally with time pro-rating being applied. Any bonus would normally be subject to deferral in shares, although the Committee has discretion to pay the bonus fully in cash. Good leavers (i.e. leavers in circumstances of death, injury, disability, redundancy, retirement or transfer of employing business outside group) will be allowed to retain their deferred share awards. The Committee has discretion to treat any other leaver as a good leaver. The deferred share awards of any leaver who is not a good leaver will lapse on cessation of employment. Awards for good leavers will normally vest following the end of the applicable vesting period.
Treatment of unvested LTIP awards	Good leavers (i.e. leavers in circumstances of death, injury, disability, redundancy, retirement or transfer of employing business outside group) will be allowed to retain their LTIP awards. The Committee has discretion to treat any other leaver as a good leaver. The awards of any leaver who is not a good leaver will lapse on cessation of employment. Awards for good leavers will normally vest following the end of the applicable performance period subject to an assessment of the extent to which performance targets have been met and the application of time pro-rating. The Committee has discretion to allow awards to vest immediately on a cessation of employment subject to an assessment of the extent to which performance targets have been met. The Committee has the discretion to waive the requirement to pro-rate for time. Good leavers may exercise their LTIP awards within 6 months of vesting (1 year for death). On a change of control, awards will vest immediately subject to an assessment of the extent to which the performance targets have been met. The number of shares subject to LTIP awards is reduced pro-rata to reflect the proportion of the vesting period completed before cessation. The Committee has the discretion to waive the requirement to pro-rate.
Outside appointments	One outside appointment is permitted subject to Board approval. Executive Directors may retain the fees paid in respect of any external appointment.
Non-Executive Directors	All non-Executive Directors are subject to annual re-election. No compensation is payable if a non-Executive Director is required to stand down.

In the event of the negotiation of a compromise or settlement agreement between the company and a departing Director, the Committee may make payments it considers reasonable in settlement of potential legal claims. Such payments may also include reasonable reimbursement of professional fees in connection with such agreements.

The Committee may also include the reimbursement of repatriation costs or fees for professional or outplacement advice in the termination package, if it considers it reasonable to do so. It may also allow the continuation of benefits for a limited period.

Service contracts

Executive Directors have service contracts with a 12-month notice period by the company and 6 months by the Executive Director.

There are no provisions in service contracts that could give rise to, or impact on, remuneration payments or payments for loss of office that are not disclosed in this policy.

Copies of Directors' service contracts and letters of appointment are available for inspection at the company's registered office.

Director	Date of service contract/ letter of appointment
Tony Bramall	30 June 2006
Sally Cabrini	1 January 2016
Stuart Counsell	29 June 2017
Heather Jackson	25 November 2019
Victoria Mitchell	20 December 2019
Mark Raban ⁽¹⁾	5 February 2020
Richard Walker	4 February 2014
Phil White	4 September 2006

Notes:

1. Reflects Mark Raban's appointment as Chief Executive Officer.

Non-Executive Directors' fee policy

The policy for the remuneration of the non-Executive Directors is as set out below. Non-Executive Directors are not entitled to a bonus, they cannot participate in the company's share option schemes and they are not eligible for pension arrangements.

Non-Executive Director fees

To attract non-Executive Directors who have a broad range of experience and skills to oversee the implementation of our strategy.

Operation	Maximum potential value
<p>Non-Executive Director fees are determined by the Board within the limits set out in the Articles of Association.</p> <p>An additional fee may be paid for additional duties and/or specific roles.</p> <p>Paid in 12 equal monthly instalments during the year.</p> <p>Expenses, including travel to and from board meetings, are reimbursed by the company including any tax payable on those expenses.</p>	<p>Reviewed annually to reflect role, responsibility and performance of the individual and the company.</p> <p>Annual rate set out in the annual report on remuneration for the current year and the following year.</p> <p>No prescribed maximum annual increase.</p>

Annual Report on Remuneration

The information included in this report has been prepared in accordance with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (the Regulations). The report also meets the relevant requirements of the Listing Rules of the Financial Conduct Authority, and the principles and provisions of the UK Corporate Governance Code relating to remuneration matters. Remuneration disclosures are, where stated, subject to audit in accordance with the relevant statutory requirements.

Single total figure of remuneration (audited)

The table below sets out the single total figure of remuneration and breakdown for each Director in respect of the 2019 financial year. Comparative figures for the 2018 financial year have also been provided.

£'000	Salary / Fees		Benefits ⁽¹⁰⁾		Annual bonus		LTIP ⁽¹¹⁾		Pension		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Executive Directors												
Mark Raban ⁽¹⁾	139	-	1	-	-	-	-	-	7	-	147	-
Interim Executive Directors												
Richard Walker ⁽²⁾	116	47	-	-	-	-	-	-	-	-	116	47
Phil White ⁽³⁾	167	124	-	-	-	-	-	-	-	-	167	124
Former Executive Directors												
Andy Bruce ⁽⁴⁾	375	368	1	17	-	190	-	-	75	74	451	649
Robin Gregson ⁽⁵⁾	146	281	1	1	-	145	23	-	29	56	199	483
Nigel McMinn ⁽⁶⁾	234	281	1	1	-	145	-	-	47	56	282	483
Non-Executive Directors												
Tony Bramall	46	42	-	-	-	-	-	-	-	-	46	42
Sally Cabrini	52	42	-	-	-	-	-	-	-	-	52	42
Stuart Counsell	52	42	-	-	-	-	-	-	-	-	52	42
Heather Jackson ⁽⁷⁾	11	-	-	-	-	-	-	-	-	-	11	-
Victoria Mitchell ⁽⁸⁾	5	-	-	-	-	-	-	-	-	-	5	-
Former Non-Executive Directors												
Bill Holmes	-	10	-	-	-	-	-	-	-	-	-	10
Aggregate Directors' emoluments ⁽⁹⁾	1,343	1,237	4	19	-	480	23	-	158	186	1,528	1,906

Notes:

- Mark Raban joined the Group as Chief Financial Officer on 15 July 2019 and was appointed to the Board on this date.
- Following the departure of Nigel McMinn, Richard Walker fulfilled a part-time Executive role from 1 November 2019 to 29 February 2020. Prior to this, Richard was a Non-Executive Director.
- Following Andy Bruce's departure as Chief Executive Officer, Phil White became interim Executive Chairman effective from 1 November 2019. Prior to this date, Phil was the Non-Executive Chairman.
- Andy Bruce stepped down from the Board as Chief Executive Officer on 1 November 2019 and left the Group on 31 December 2019. The 2018 benefits figure has been re-stated to reflect the value of taxable benefits received during the year.
- Robin Gregson stepped down from the Board on 5 July 2019, left his role as Chief Financial Officer on 15 July 2019 and left the Group on 30 September 2019.
- Nigel McMinn stepped down from the Board as Chief Operating Officer on 1 November 2019 and left the Group on 31 December 2019.
- Heather Jackson was appointed to the Board as a Non-Executive Director on 25 November 2019.
- Victoria Mitchell was appointed to the Board as a Non-Executive Director on 20 December 2019.
- The aggregate Directors' emoluments excluding pension and LTIP awards in 2019 was £1,347,000 (2018: £1,720,000).
- Benefits are participation in the Company's car schemes, health insurance and life assurance premiums.
- The value of the LTIP for 2019 relates to the award granted in 2017, which had a three-year performance period ending 31 December 2019. Based on performance over this period, 25% of the targets were met. This performance outcome, together with his award being pro-rated up to his departure from the Group corresponds to a total of 43,949 nil-cost options for Robin Gregson. The value included in the table for Robin is therefore £23,310, based on the three-month average share price of £0.530 to 31 December 2019, none of which relates to share price appreciation. In light of the ongoing investigations, the Committee is reviewing all subsisting awards and therefore has not at the time of writing been formally signed off as exercisable. Awards to Andy Bruce and Nigel McMinn lapsed on departure. Further details on the LTIP outcomes for the 2017 awards are set out on page 97 and in the Payments for Loss of Office section on page 98.

Salary and fees (audited)

No salary increases took place during the year prior to the departure of Andy Bruce, Robin Gregson and Nigel McMinn. The table below sets out their salary, on an annual basis, up to their departure dates. Mark Raban joined the Group on 15 July 2019 and no salary increases took place during the year.

Director	Salary from 1 January 2019
Andy Bruce ⁽¹⁾	£450,000
Robin Gregson ⁽²⁾	£281,250
Nigel McMinn ⁽³⁾	£281,250

Director	Salary from 15 July 2019
Mark Raban ⁽⁴⁾	£300,000

Notes:

1. Andy Bruce stepped down from the Board as Chief Executive Officer on 1 November 2019 and left the Group on 31 December 2019.
2. Robin Gregson stepped down from the Board on 5 July 2019, left his role as Chief Financial Officer on 15 July 2019 and left the Group on 30 September 2019.
3. Nigel McMinn stepped down from the Board as Chief Operating Officer on 1 November 2019 and left the Group on 31 December 2019.
4. Mark Raban joined the Group as Chief Financial Officer on 15 July 2019 and was appointed to the Board on this date.

Following the departure of the previous Executive Directors, Phil White became interim Executive Chairman and Richard Walker took on an Executive role on a part-time basis from 1 November 2019. The fee they receive has been increased to reflect the Executive duties they are temporarily undertaking as follows (all figures are annualised):

Director	Non-Executive Director fee up to 31 October 2019	Interim Executive Director fee from 1 November 2019
Richard Walker ⁽¹⁾	£49,000	£450,000
Phil White	£130,000	£350,000

Notes:

1. Based on a Non-Executive Director base fee of £42,500 and additional fee for Senior Independent Director of £6,500.

Non-Executive Director fees were increased with effect from 1 November 2019 as follows:

Role	Fee from 1 January 2019 to 31 October 2019	Fee from 1 November 2019
Non-Executive Chairman	£130,000	£130,000
Non-Executive base fee ⁽¹⁾	£42,500	£65,000
Additional fees for:		
Senior Independent Director	£6,500	Included within base fee
Audit and Risk Committee Chairman	£6,500	Included within base fee
Remuneration Committee Chairman	£6,500	Included within base fee

Annual bonus (audited)

Bonuses of up to 150% of salary are earned by reference to the performance during the financial year and are paid in March following the end of the financial year. In summary, no bonuses were payable in respect of 2019 performance.

The annual bonus for 2019 was based on Adjusted PBT, Operating cash flow and non-financial performance targets. After careful consideration of Mark Raban's performance since appointment, it was agreed that a bonus equal to 50% of maximum should be payable. Accordingly, after the application of pro-rating for the time he was appointed to the Board since 15 July 2019, a bonus equal to 38% of salary would

be payable. In view of the cash constraints and disruption to the business as a result of COVID-19, Mark subsequently volunteered, and the Board agreed, that he would waive any bonus earned in respect of 2019.

Andy Bruce and Nigel McMinn left the Group on 31 December 2019 and were not eligible to receive an annual bonus for 2019. Robin Gregson left the Group on 30 September 2019 and although he remained eligible for bonus the Remuneration Committee determined it would be inappropriate to make any bonus payment. As such, this resulted in no payment to outgoing Executive Directors.

LTIP awards vesting during the year (audited)

Andy Bruce, Robin Gregson and Nigel McMinn were granted LTIP awards on 13 June 2017 with a three-year performance period commencing on 1 January 2017 and ending on 31 December 2019. Performance under the awards was based

on Adjusted EPS (75% weighting) and Net Debt:EBITDA (25% weighting), as set out below:

Measure	Weighting	Threshold (20% of max)	Maximum (100% of max)	Actual	Outcome (% of max)
Adjusted EPS	75%	15% growth over three years = 18.25p	30% growth over three years = 20.63p	4.1p	0%

Measure	Weighting	Threshold (50% of max)	Mid-point (75% of max)	Maximum (100% of max)	Actual	Outcome (% of max)
Net Debt: EBITDA	25%	Less than 2.0 but more than 1.5	Less than 1.5 but more than 1.0	Equal to or less than 1.0	0.98	25%

The Adjusted EPS target was set at grant, prior to changing the definitions of financial elements to be on an underlying basis. The underlying EPS has been re-stated to give Adjusted EPS for consistency with the basis on which the target was set.

A total of 25% of the LTIP targets were therefore met. The outcome of the LTIP is purely formulaic and therefore no discretion was applied.

Awards to Andy Bruce and Nigel McMinn lapsed in full as a result of their departure from the Group. Awards for Robin Gregson were pro-rated to reflect the proportion of the vesting period served up to the date of departure from the Group. While the awards were originally due to vest on 13 June

2020, in light of the ongoing investigations the Committee is reviewing all subsisting awards and therefore the award whose performance period ended on 31 December 2019 has not at the time of writing been formally signed off as exercisable.

Director	Original number of awards granted	Number of awards vesting	Lapsed awards		Value		
			Due to performance	Due to departure	Attributable to performance ⁽¹⁾	Attributable to share price appreciation ⁽²⁾	Total ⁽³⁾
Andy Bruce	450,612	-	-	450,612	-	-	-
Robin Gregson	229,591	43,949	131,846	53,796	£53,838	£(30,528)	£23,310
Nigel McMinn	229,591	-	-	229,591	-	-	-

Notes:

1. Based on the number of shares vesting multiplied by the closing share price on the day prior to grant (£1.225).
2. The value during the three months to 31 December 2019 was less than the face value of awards on grant.
3. Based on the three-month average share price to 31 December 2019 (£0.530).

Pension entitlements and cash allowances (audited)

Andy Bruce remains a member of the Group defined benefit scheme, which closed to future accrual from 31 March 2011. As at 31 December 2019, Mr Bruce's accrued pension was £31,300 per annum.

The scheme provides a pension of up to two-thirds of final pensionable salary on retirement at age 60 years, as well as lump sum death-in-service benefit and pension benefits based on final pensionable salary. Pension increases are in line with Limited Price Indexation. Death-in-service pays at four times salary and death-in-retirement pays benefits at 50%. No enhanced benefits are payable on early retirement.

Andy Bruce's pension in the defined benefit scheme is no longer linked to his salary and therefore no value is attributable to the increase in the value of his defined benefits for the purposes of the single total figure of remuneration. All of the pension entry in the single total figure of remuneration therefore relates to a salary supplement in lieu of pension.

The cash in lieu of pension payments to Directors during the year were 20% of salary per annum for Andy Bruce, Robin Gregson and Nigel McMinn, and 5% of salary per annum for Mark Raban.

Payments for loss of office (audited)

Robin Gregson

As announced on 5 July 2019, Robin Gregson stepped down from the Board as Chief Financial Officer on 15 July 2019 and remained employed by the Company until 30 September 2019 to support the transition to Mark Raban.

Following his cessation as a Director of the Company, Robin earned the following while he remained in employment with the Company:

- Payments of £65,200
- Pension contributions of £13,040.

Robin also received payments in lieu of a 12-month notice period effective from 30 September 2019 as follows:

- Salary payments of £281,250
- Benefits of value £19,500, which included pay in respect of accrued annual leave and medical benefits
- Pension contributions of £56,250.

At the time of exit, the Committee exercised its discretion to treat Robin as a good leaver under the Company's incentive schemes. The treatment of his awards was therefore as follows:

- 2019 Annual Bonus - Robin was eligible to be considered for a time pro-rated bonus in respect of the period from 1 January 2019 to 30 September 2019. As described on page 80, the Committee determined that no bonus would be payable.
- 2017, 2018 and 2019 LTIP - awards under the Company's Long-Term Incentive Plan in 2017, 2018 and 2019 will be pro-rated to reflect the period from their date of grant to the end of his employment. The Awards were due to vest on the third anniversary of the date of grant, remain subject to their original performance conditions and to all scheme rules, including malus and clawback provisions, and a two-year holding period for 50% of awards that vest.
- 2015 and 2016 LTIP - awards under the Company's Long-Term Incentive Plan in 2015 and 2016 have vested and remain subject to the Plan rules. They remain exercisable for six months after the end of his employment.
- 2011 and 2014 Employee Share Option Scheme - awards under the Company's Employee Share Option Scheme in 2011 and 2014 have vested and remain subject to the scheme rules. They remain exercisable for six months after the end of his employment.

Andy Bruce and Nigel McMinn

Andy Bruce and Nigel McMinn stepped down from the Board as Chief Executive Officer and Chief Operating Officer on 1 November 2019 and left the Company on 31 December 2019. Both former Directors were entitled to payments in lieu of the remaining proportion of their notice period only.

Following his cessation as a Director of the Company, Andy received the following payments in respect of the period from 1 November 2019 to 31 December 2019 during which he remained in employment with the Company:

- Salary payments of £75,000
- Pension contributions of £15,000

Following his cessation as a Director of the Company, Nigel received the following payments in respect of the period from 1 November 2019 to 31 December 2019 during which he remained in employment with the Company:

- Salary payments of £46,875
- Pension contributions of £9,375.

The treatment of awards under the Company's incentive schemes for Andy Bruce and Nigel McMinn was as follows:

- 2019 Annual Bonus - Andy and Nigel were not eligible to be considered for a bonus in respect of 2019.
- 2017, 2018 and 2019 LTIP - awards under the Company's Long-Term Incentive Plan in 2017, 2018 and 2019 will lapse in full.
- 2015 and 2016 LTIP - awards which have vested under the Company's Long-Term Incentive Plan in 2015 and 2016 but have not been exercised remain exercisable for six months after leaving the Company.
- 2011 and 2014 Employee Share Option Scheme - awards which have vested under the Company's Employee Share Option Scheme in 2011 and 2014 but have not been exercised remain exercisable for six months after leaving the Company.

In response to the Company's circumstances and the ongoing investigations, the Committee considered it appropriate to suspend the notice payments. In light of the investigations, the Committee is also reviewing all subsisting LTIP and ESOS awards and therefore has not at the time of writing signed these off as exercisable.

Payments to past Directors (audited)

There were no payments to past Directors during the year.

LTIP awards granted during the year (audited)

The LTIP awards are nil-cost rights to acquire shares and vest based on performance over a three-year period. Awards over 150% of salary were made to Andy Bruce and awards over 100% of salary were made to Robin Gregson and Nigel McMinn in 2019 as follows:

Director	Date of grant	Performance period	Number of shares subject to award	Share price at grant ⁽¹⁾	Face value of award
Andy Bruce	30 April 2019	1 January 2019 to 31 December 2021	741,758	£0.910	£675,000
Robin Gregson	30 April 2019	1 January 2019 to 31 December 2021	309,065	£0.910	£281,250
Nigel McMinn	30 April 2019	1 January 2019 to 31 December 2021	309,065	£0.910	£281,250

Notes:

1. Based on the closing share price on the day prior to grant.

Performance under the awards will be based on Adjusted EPS (75% weighting) and Net Debt: EBITDA (25% weighting), as set out below:

Measure	Weighting	Threshold (20% of max)	Maximum (100% of max)
Adjusted EPS	75%	14.2p	15.5p

Measure	Weighting	Threshold (50% of max)	Mid-point (75% of max)	Maximum (100% of max)
Average Net Debt: EBITDA	25%	Less than 2.0 but more than 1.5	Less than 1.5 but more than 1.0	Equal to or less than 1.0

As noted in this report, awards granted to Andy Bruce and Nigel McMinn lapsed on termination.

Outstanding awards under share schemes (audited)

Prior to 2015, long term incentive awards were made under The Lookers Executive Share Option Scheme (ESOS). The Lookers plc Long Term Incentive Plan (LTIP) was introduced in 2015, under which the Company now makes long term

incentive awards. Details of long-term incentive awards, as well as awards under the Company's all-employee Save-As-You-Earn (SAYE) scheme, held by Executive Directors are as follows:

Scheme	Date of grant	Vesting date	Expiry date	Exercise price (pence)	Number at 1 January 2019	Granted in year	Lapsed in year	Exercised in year	Number at 31 December 2019
Andy Bruce									
ESOS	5.1.2011	5.1.2014	5.1.2021	Nil	269,836		-	-	269,836
ESOS	30.6.2014	30.6.2017	30.6.2024	Nil ⁽¹⁾	289,256		-	-	289,256
LTIP	25.6.2015	25.6.2018	25.6.2025	Nil ⁽¹⁾	274,615		-	-	274,615
LTIP	12.4.2016	12.4.2019	12.4.2026	Nil ⁽¹⁾	196,810		-	-	196,810
LTIP	13.6.2017	13.6.2020	13.6.2027	Nil	450,612		450,612	-	-
LTIP	18.4.2018	18.4.2021	18.4.2028	Nil	601,307		601,307	-	-
LTIP	30.4.2019	30.4.2022	30.4.2029	Nil	-	741,758	741,758	-	-
SAYE	6.10.2015	1.12.2018	1.6.2019	144.91	6,210		6,210	-	-
SAYE	4.10.2016	1.12.2019	1.6.2020	107.47	8,384		8,384	-	-
Robin Gregson									
ESOS	5.1.2011	5.1.2014	5.1.2021	Nil	269,836		-	269,836	-
ESOS	30.6.2014	30.6.2017	30.6.2024	Nil ⁽¹⁾	221,074		-	221,074	-
LTIP	25.6.2015	25.6.2018	25.6.2025	Nil ⁽¹⁾	209,884		-	209,884	-
LTIP	12.4.2016	12.4.2019	12.4.2026	Nil ⁽¹⁾	150,436		-	150,436	-
LTIP	13.6.2017	13.6.2020	13.6.2027	Nil	229,591		-	-	229,591
LTIP	18.4.2018	18.4.2021	18.4.2028	Nil	306,372		-	-	306,372
LTIP	30.4.2019	30.4.2022	30.4.2029	Nil	-	309,065	-	-	309,065
SAYE	6.10.2015	1.12.2018	1.6.2019	144.91	6,210		6,210	-	-
SAYE	4.10.2016	1.12.2019	1.6.2020	107.47	8,374		8,374	-	-
Nigel McMinn									
ESOS	30.6.2014	30.6.2017	30.6.2024	Nil ⁽¹⁾	221,074		-	-	221,074
LTIP	25.6.2015	25.6.2018	25.6.2025	Nil ⁽¹⁾	209,884		-	-	209,884
LTIP	12.4.2016	12.4.2019	12.4.2026	Nil ⁽¹⁾	150,436		-	-	150,436
LTIP	13.6.2017	13.6.2020	13.6.2027	Nil	229,591		229,591	-	-
LTIP	18.4.2018	18.04.2021	8.4.2028	Nil	306,372		306,372	-	-
LTIP	30.4.2019	30.4.2022	30.4.2029	Nil	-	309,065	309,065	-	-

Notes:

- The exercise price of the 2014 ESOS awards, and the 2015 and 2016 LTIP awards was reduced to £1 in aggregate for each grant due to performance achieved to 31 December 2016.

Statement of Directors' shareholdings (audited)

The table below summarises the Directors' shareholdings as at 31 December 2019, or the date they stepped down from the Board if earlier. The shareholding as a percentage of salary is determined by reference to the share price on 31 December 2019 of £0.550.

	Shareholding requirement (% of salary)	Number of shares held (including by connected persons)	Vested but unexercised share options ⁽¹⁾	Unvested share interests not subject to performance ⁽¹⁾	Overall shareholding		Unvested share interests subject to performance
					Number of shares	% of salary	
Executive Directors							
Mark Raban	200%	50,000	-	-	50,000	9%	-
Interim Executive Directors							
Richard Walker	-	-	-	-	-	N/A	-
Phil White	-	53,716	-	-	53,716	N/A	-
Former Executive Directors							
Andy Bruce	200%	849,426	546,174	-	1,395,600	171%	0
Robin Gregson	200%	832,578	0	-	832,578	163%	845,028
Nigel McMinn	100%	360,000	308,139	-	668,139	131%	0
Non-Executive Directors							
Tony Bramall	-	75,658,051	-	-	75,658,051	N/A	-
Sally Cabrini	-	-	-	-	-	N/A	-
Stuart Counsell	-	226,559	-	-	226,559	N/A	-
Heather Jackson	-	-	-	-	-	N/A	-
Victoria Mitchell	-	-	-	-	-	N/A	-

Notes:

1. Calculated on a net of tax basis assuming an overall tax rate of 47%.

There were no changes in these shareholdings between that date and the date of approval of this report.

Performance graph and table

The chart below shows the Company's ten-year annual Total Shareholder Return (TSR) performance against the FTSE All-Share Total Return Index, which is considered to be an appropriate comparison to other public companies of a similar size.

The table below the chart sets out the total single figure of remuneration for the Chief Executive over each of the last ten years.



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Chief Executive Officer	Peter Jones	Peter Jones	Peter Jones	Peter Jones ⁽¹⁾	Andy Bruce	Andy Bruce	Andy Bruce	Andy Bruce	Andy Bruce	Andy Bruce ⁽¹⁾	Richard Walker ⁽¹⁾
Total single figure (£'000)	692	583	739	1,436	806	894	1,628	553	633	463	75
Annual bonus (% of max)	100%	63%	100%	100%	100%	87%	67%	20%	34%	-	-
LTIP vesting (% of max)	-	-	-	100%	-	-	100%	-	-	-	-

Notes:

1. Peter Jones retired on 31 December 2013.
2. Andy Bruce was appointed on 1 January 2014 and stepped down on 1 November 2019.
3. Phil White became interim Executive Chairman on 1 November 2019.

Percentage change in remuneration of interim Executive Director

Richard Walker stepped into the interim Executive Director role during the year following the departure of Andy Bruce. Given there is no prior year salary/fee for the interim Executive Director role, the percentage increase in respect of salary/fee below is nil. The interim Executive Director does not receive any benefits or annual bonus, and therefore percentage increases are also nil.

	% increase from 2018 to 2019		
	Salary	Benefits	Annual Bonus
Interim Executive Director	Nil	Nil	Nil
Employee average	2%	9%	-8%

Chief Executive Officer pay ratio

The table below compares the 2019 single total figure of remuneration for the Chief Executive Officer with the Group's employees paid at the 25th percentile (lower quartile), 50th percentile (median) and 75th percentile (upper quartile) of its UK employee population:

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	Option B	26:1	20:1	13:1

As required by the regulations, the CEO single figure used to determine the 2019 pay ratios is based on the sum of the total single figures of remuneration for Andy Bruce prior to 1 November 2019 and (as acting CEO) Richard Walker, but with remuneration in respect of Richard's service as a Non-Executive Director prior to 1 November 2019 excluded. This gives a total of £526,000.

The remuneration figures for the employee at each quartile were determined with reference to the financial year ending 31 December 2019.

Option B, as prescribed under the reporting regulations, was used to calculate these figures. The Committee is comfortable that this approach provides a fair representation of the Chief Executive Officer to employee pay ratios and is appropriate in comparison to alternative methods.

Under this option, the latest available gender pay gap data (i.e. from April 2019) is used to identify the best equivalent for three Group UK employees whose hourly rates of pay are at the 25th, 50th and 75th percentiles for the Group. A total pay and benefits figure for 2019 is then calculated for each of those employees. This is also sense checked against a sample of employees with hourly pay rates either side of the identified individuals to ensure that the appropriate representative employee is selected. The pay ratios outlined above are then calculated using the total pay and benefits of the selected employee for each quartile point.

As explained above, a small group of UK employees either side of the quartile points identified from the gender pay gap data were also considered to ensure that the identified employees reflect the best equivalents for each quartile.

No elements of pay were estimated or excluded in the calculations, and all pay and benefits were valued in line with the single figure methodology. Full-time equivalent total pay and benefits was determined by up-rating elements of pay based on average full-time equivalent hours for the financial year, where appropriate. All of the identified employees were employed for the full financial year.

The table below sets out the salary and total pay and benefits for the three quartile point employees:

	25th percentile (P25)	Median (P50)	75th percentile (P75)
Salary	£16,939	£17,170	£34,680
Total pay and benefits	£20,895	£27,398	£40,442

The Committee considers that the median pay ratio is consistent with the relative roles and responsibilities of the Chief Executive Officer role and the identified employee. Base salaries of all employees, including our Executive Directors, are set with reference to a range of factors including market practice, experience and performance in role. The remuneration package of our Executive Directors is weighted towards variable pay (including the annual bonus and LTIP) due to the nature of their roles, and this means the CEO pay ratio is likely to fluctuate depending on the outcomes of incentive plans in each year.

Relative importance of spend on pay

The table below sets out the total spend on pay in 2018 and 2019 compared with distributions to Shareholders and which was the most significant outgoing for the Company in the last financial year.

	2019	2018	% increase
Spend on staff pay (including Directors)	£300.2m	£287.8m	4.3%
Profit distributed by way of dividend and share buy-back ⁽¹⁾	£15.9m	£15.6m	1.9%

Notes:

1. No share buy-backs have occurred in the year ending 31 December 2019.

Statement of implementation of Directors' Remuneration Policy in 2020

The salaries and fees to be paid to Directors in 2020 are set out in the table below, together with any increases expressed as a percentage.

On 5 February 2020, Mark Raban was promoted to Chief Executive Officer. Phil White and Richard Walker remained in their interim Executive Chairman and Executive Director roles until 31 March 2020 and 29 February 2020 respectively to support the handover process, after which they returned to their non-Executive roles.

The Non-Executive Director base fee was reviewed during 2019. An increase in the fee from £42,500 to £65,000 was agreed with effect from 1 November 2019 to recognise the additional level of responsibility given regulated requirements and time commitment required of the role. This fee is payable in place of additional fees for chairing a subcommittee or for undertaking the role of Senior Independent Director.

As noted in the Chairman's statement, in order to support the Group following cash constraints and disruption to the business caused by the ongoing outbreak of the coronavirus, the Directors volunteered to accept reductions in remuneration as follows for the five month period between 1 April 2020 and 31 August 2020:

- Non-Executive Directors: Annual fee of £50,000 p.a. (reduced from £65,000 p.a.);
- The Non-Executive Chairman: Annual fee of £97,500 p.a. (reduced from £130,000 p.a.);
- Mark Raban: Salary of £315,000 (reduced from £450,000).

The ongoing level of salary/fees prior to the reductions are set out in the following table.

£ pa	2020 Salary/Fees		2019 Salary/ Fees	% change
	From 5 February 2020	From 1 January 2020		
Executive Directors				
Mark Raban ⁽¹⁾	£450,000	£300,000	£300,000	0% ⁽²⁾
Non-Executive Directors				
Non-Executive Chairman ⁽³⁾	£130,000	£130,000	£130,000	0%
Non-Executive Director base fee ⁽⁴⁾	£65,000	£65,000	£42,500 ⁽⁵⁾	53%
Additional fees for:				
Senior Independent Director	n/a	n/a	£6,500 ⁽⁵⁾	0%
Audit and Risk Committee Chairman	n/a	n/a	£6,500 ⁽⁵⁾	0%
Remuneration Committee Chairman	n/a	n/a	£6,500 ⁽⁵⁾	0%

Notes:

1. Mark Raban's salary was reduced to £315,000 for the period from 1 April 2020 to 31 August 2020.
2. Mark Raban received no salary increase prior to his appointment to the role of Chief Executive Officer on 5 February 2020, at which point he received a promotional salary increase of 50%.
3. Phil White's fee was reduced to £97,500 for the period from 1 April 2020 to 31 August 2020. With effect from 1 September 2020, Phil White took on the Interim Executive Chairman role and receives an annual fee of £350,000.
4. Non-Executive Directors' fees were reduced to £50,000 for the period from 1 April 2020 to 31 August 2020. With effect from 1 September 2020, the annual fee for Heather Jackson and Vicky Mitchell were increased to £85,000.
5. Payable until 1 November 2019, from which date the additional fees were removed and a flat fee of £65,000 was payable for all Non-Executives (excluding the Chairman).

Benefits and pension

No changes are intended to be made to the benefits available to the Directors during 2020.

Consistent with the proposed Directors' Remuneration Policy, Mark Raban receives a pension contribution in line with the wider workforce, currently 5% of salary.

The interim Executive Directors will not receive pension contributions. Non-Executive Directors are not eligible to receive pension contributions.

Incentives for 2020

It was agreed that there would not be an annual bonus or LTIP award for 2020 given the disruption caused by COVID-19 and the challenges faced by the business.

Consideration by the Directors of matters relating to Directors remuneration

The Committee

The Committee is responsible for reviewing and recommending the framework and policy for remuneration of the Executive Directors and of senior management. The Committee's terms of reference are available from the Company Secretary.

The members of the Committee during 2019 were:

- Sally Cabrini (Chairman of the Remuneration Committee);
- Stuart Counsell;
- Richard Walker, until his appointment as interim Executive Director;
- Phil White, until his appointment as Executive Chairman; and
- Heather Jackson, from 25 November 2019.

The Committee met 7 times during 2019. The attendance at meetings by each member of the Committee is set out in the table below:

Director	Meetings attended during the year
Sally Cabrini (Chair)	7 out of 7
Stuart Counsell	7 out of 7
Heather Jackson ⁽¹⁾	3 out of 3
Richard Walker ⁽²⁾	5 out of 5
Phil White ⁽²⁾	4 out of 5

Notes:

1. Heather Jackson became a member of the Remuneration Committee on her appointment to the Board on 25 November 2019.
2. Richard Walker and Phil White were members of the Remuneration Committee until their appointments as interim Executive Director and Executive Chairman respectively from 1 November 2019. They reverted to committee membership on their return to their former office.

The primary role of the Committee is to:

- set the Directors remuneration policy applying to Executive Directors;
- approve the quantum and structure of the remuneration packages for the Executive Directors, and from 2019, for other senior Executives;
- determine the balance between base pay and performance related elements of the package to align senior Executives' interests with those of Shareholders; and
- approve annual and long-term incentive payments for senior Executives.

Summary of activity during 2019

The Committee carried out the following during 2019:

- Reviewed and determined:
 - salary levels for the Executive Directors and fees for the Chairman;
 - the outcome of targets under the annual bonus plan;
 - targets for the annual bonus and LTIP plan;
- Approved the grant of LTIP awards to Executive Directors;
- Considered developments in Executive pay and implemented changes required to comply with the 2018 UK Corporate Governance Code;
- Performed a review of the Directors' Remuneration Policy and consulted with Shareholders on this;
- Approved remuneration arrangements for appointments to and departures from the Board and for interim Executive Director appointments;
- Reviewed the 2018 Remuneration Report; and
- Reviewed the 2019 gender pay gap report.

The Committee previously appointed PwC LLP and received advice over the year on all aspects of remuneration, including the review of the Directors' Remuneration Policy and its operation. PwC is a member of the Remuneration Consultants' Group and complies with its Code of Conduct which includes guidelines to ensure that advice is independent and free of undue influence. During the year, PwC was paid fees of £170,800 in respect of advice to the Committee relating to Directors pay, based on a time-spent basis.

PwC has no other connection with the Company or with individual Directors.

Members of the Senior Management Team, including the Acting Head of HR, the Interim General Counsel and Company Secretary, the Interim Executive Chairman and the Executive Directors have provided input to the Committee in determining the remuneration of the Directors. None of the individuals were present when their own remuneration was being discussed

Statement of voting

The latest votes in respect of remuneration matters were cast at the 2017 AGM for the Directors' Remuneration Policy and the 2019 AGM for the 2018 Annual Report on Remuneration as follows:

	Votes for		Votes against		Abstentions
	Number	%	Number	%	Number
To approve the Directors Remuneration Policy (2017 AGM)	247,261,973	95.2%	12,214,314	4.7%	56,312
To approve the 2018 Annual Report on Remuneration (2019 AGM)	206,812,484	67.0%	101,727,675	33.0%	-

The Committee took note of that a number of Shareholders voted against last year's Annual Report on Remuneration. The Board understands that the reason for the number of votes cast against was connected with an adjustment to the base salary of our Chief Executive Officer. We consulted with a large proportion of our Shareholder base in advance of the 2019 AGM, and many investors were supportive of the rationale for the adjustment to return the Chief Executive Officer's salary to a more market competitive position. Following the AGM, we began the process of reviewing the remuneration policy for tabling during 2020. We wrote to our major Shareholders,

have had a number of conversations during 2019 in relation to the review of policy, and have used the Shareholder feedback received into the current remuneration policy proposals. We will continue a dialogue with Shareholders, and welcome feedback in the future.

By Order of the Board
Phil White
 Executive Chairman
 25 November 2020

Directors' report

Content of the Report

The Directors present their report for the year ending 31 December 2019. Our Strategic Review on pages 6 to 45 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 pages 6 to 45 and the Viability Statement set out on page 44. Additional information on which the Directors are required by law to report is set out below and in the following sub-sections of the Governance Section:

- Board of Directors
- Chairman's statement on Corporate Governance
- Report from the Chairman of the Nomination Committee
- Report from the Chairman of the Audit and Risk Committee
- Corporate Social Responsibility Review
- Directors' Remuneration Report
- Directors' Report
- Directors' Responsibility Statement

In the interests of increasing the relevance of the Report and reducing the environmental impact of producing voluminous reports, we have placed on our website certain background information on the Company the disclosure of which, in this Report, is not mandatory. Further details with regards to additional disclosures are made in the following notes to the financial statements:

Disclosure	Note Reference
Dividends	7
Risks surrounding financial instruments and capital structure	21
Share buy-back and share capital	23
Share classification	23

Share Buy-back and Share Capital

The issued share capital of the Company, together with the details of shares issued during the year is shown in Note 24 of the Annual Report and Accounts.

The powers of the Directors to issue or buy back shares are restricted to those approved at the Company's Annual General Meeting (AGM).

At the AGM in May 2019, pursuant to section 570 of the Companies Act 2006 Shareholders approved the issue of shares for cash up to 5% of the existing issued share capital and an additional 5% (only to be used in connection with an acquisition or specified capital investment) in each case without the application of pre-emption rights. That authority expired at the conclusion of the 2020 AGM, at which a resolution was proposed and passed for its renewal.

Materiality

The Group's Annual Report and Accounts aim to provide a fair, balanced and understandable assessment of the Group's business model, strategy, performance prospects and position in relation to material financial, economic, social, environmental and governance issues. The material focus areas have been determined considering the following criteria:

- Specific quantitative and qualitative criteria
- Matters critical in relation to achieving strategic objectives
- Principal risks identified in the risk management process
- Feedback from key stakeholders during the course of the year

Disclosures made within the Group's Annual Report and Accounts have therefore been based applying this concept of materiality.

Activities

The main activities of the Group are the sale, hire and maintenance of motor vehicles and motorcycles, including the sale of tyres, oil, parts and accessories, and the FCA-regulated activities of credit broking and insurance distribution.

Corporate Social Responsibility

The Group has a long-standing Corporate and Social Responsibility agenda and further details of this are included on pages 76 to 78 of the Annual Report and Accounts.

Diversity

The UK Corporate Governance Code includes a recommendation that boards should consider the benefits of diversity, including gender when making board appointments. The Board recognises the importance of gender balance and considers this issue among the wider issues of diversity where the most important requirement is to ensure that there is an appropriate range of experience, balance of skills and background on the Board. We continue to make changes to the composition of the Board based on merit irrespective of any form of discrimination so that the best candidate is appointed. The percentage of women on the Board is currently 33% (with a high between December 2019 and June 2020 of 37.5%), an increase from 12.5% in 2018.

As at the balance sheet date the Group has the following average gender splits:

	2019		2018	
	Male	Female	Male	Female
Board Members	7	1	7	1
Senior Management*	25	3	26	2
All staff	6,636	1,988	6,390	1,932

*as defined in The 'Code'

Directors and their interests in shares

The following were Directors of the Company at the end of the financial year and thereafter*. Their interests in the issued ordinary share capital of the Company were as follows:

	31.12.19	31.12.18
D. C. A. Bramall	75,658,051	63,487,636
A. C. Bruce**	849,426	657,426
S. R. Counsell	226,559	-
R. A. Gregson*	832,578	381,427
N. J. McMinn**	360,000	160,000
R. S. Walker****	-	-
P. M. White	53,716	53,716
S. J. Cabrini****	-	-
M. D. Raban***	50,000	-
H.L. Jackson	-	-
V.G. Mitchell	-	-

- *R.A. Gregson resigned as Director on 5 July 2019 and **N.J. McMinn and **A.C. Bruce resigned as Directors on 29 November 2019. ***M.D. Raban was appointed Director on 15 July 2019. **** R. S. Walker and S. J. Cabrini left the board on 29 June 2020.
- Details of Directors share options are shown in the Directors' Remuneration Report.
- All holdings are beneficial.
- There was no change in the interests of the Directors in shares or share options of the Company between 31 December 2019 and 25 November 2020.

Share price information

The mid-market price of the ordinary shares at 31 December 2019 was 56.5p and the range during the year was 33.7p and 113.0p.

Directors' rotation

As permitted by the Company's articles of association, the Board decided that all Directors would retire from office at the 2020 Annual General Meeting and were to seek election, in the case of M.D. Raban, H.L. Jackson and V.G. Mitchell, and re-election in the case of S.J. Cabrini, S.R. Counsell, R.S. Walker, T. Bramall and P.M. White by the Shareholders. R. S. Walker and S. J. Cabrini initially were tabled for re-election however they both opted to leave the board at the conclusion of the 2020 Annual General Meeting.

Biographical details of all the Directors are included on pages 52 to 55. The Chairman confirms that each of the Directors which stood for election and re-election are effective and demonstrates commitment to the role.

Directors' indemnity provisions

The Company (and its subsidiaries) has made qualifying third-party indemnity provisions for the benefit of all the Directors. Such indemnity provisions were in force during the year and remain in force at the date of this report.

Approval of the Directors' Remuneration Report

Our Annual General Meeting was held on 29 June 2020. Given that the Grant Thornton investigation was still ongoing immediately before convening the AGM, to ensure that we gave our advisors as much time as possible to finalise their conclusions, the standard shareholder resolutions relating to receiving these audited financial statements and the auditors' and Directors' reports, approving the Directors' Remuneration Report and the appointment and remuneration of our auditors, were not tabled at the AGM but will be at a separate "accounts meeting" of Shareholders likely to be held in December 2020. The vote on the Directors' Remuneration Report is advisory in nature and the Directors' entitlement to remuneration is not conditional on it being passed.

The Company will also propose at the "accounts meeting" an ordinary resolution to seek shareholder approval of the Directors' Remuneration Policy set out on pages 84 to 108 of the Directors' Remuneration Report for the financial year ended 31 December 2019. The Remuneration Policy sets out how the Company proposes to pay the Directors and includes details of the Company's approach to recruitment (including diversity), remuneration and loss of office payments.

The resolution this year follows extensive consultation with Shareholders and further details are included in the

Directors' Remuneration Report. The vote on this resolution is binding and, if passed, will mean that the Directors can only make remuneration payments in accordance with the approved policy unless such payments have been approved by a separate shareholder resolution. Until such time as the Directors' Remuneration Policy is voted on at the "accounts meeting" the existing Remuneration Policy shall continue to apply.

Ethical employment and diversity

The Group values diversity. Employment within the Group is offered on merit and objective criteria reflecting the skills, knowledge and experience needed for the role. Diversity in Lookers embraces knowledge and understanding of relevant diverse geographies, peoples and their backgrounds and includes, educational and professional background, disability, gender, sexual orientation, religion, belief, age, culture, personality, workstyle and cognitive or personal strengths.

It is the Group's policy to offer equal opportunities to disabled persons applying for vacancies and provide them with the same opportunities for employment, training, career development and promotion as are available to all employees, within the limitations of their aptitude and abilities. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and appropriate arrangements are made.

Donations

Charitable donations amounted to £623k paid in the year however this sum was committed to be paid in 2018 (2018: £15k). No political donations were made in the current or prior financial year.

Research and development

As part of the Group's ongoing commitment to the development of its IT infrastructure and estate the Group engages in various research and development activities. Amounts are expensed or capitalised in accordance with the Group's accounting policy on intangible assets.

Auditor

In the case of each of the persons who are Directors of the Company at the date when this report was approved:

- So far as each is aware, there is no relevant audit information (as defined by the Companies Act 2006) of which the Company's auditor is unaware; and
- Each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

The Company has received notice from Deloitte LLP of their intention to resign as auditors following the approval of these financial statements.

Substantial shareholdings

On 30 October 2020 the following shareholders, so far as the Directors are aware, had an interest in 3% or more of the issued ordinary share capital of the Company:

	At 30 October 2020	At 31 December 2019
D. C. A. Bramall and Family	75,658,051 shares (19.39%)	75,658,051 shares (19.39%)
JO Hambro Capital Management	31,007,377 shares (7.95%)	25,489,688 shares (6.53%)
Artemis Investment Management	30,291,362 shares (7.76%)	26,735,153 shares (6.85%)
Tweedy Browne	20,999,774 shares (5.38%)	21,984,382 shares (5.64%)
Legal & General Investment	12,568,870 shares (3.22%)	13,093,742 shares (3.36%)
Aberforth Partners	27,697,333 shares (7.10%)	26,636,081 shares (6.83%)
Russell Investments	8,797,392 shares (2.25%)	12,062,336 shares (3.09%)
BlackRock	6,094,676 shares (1.56%)	12,000,047 shares (3.08%)

The Directors have not been notified of any other holders of 3% or more of the issued ordinary share capital.

Subsequent events

Details of events occurring subsequent to the balance sheet date are made within Note 27 to the financial statements.

Statutory, regulatory and other information

This section contains the remaining matters on which the Directors are required to report each year, which do not appear elsewhere in this Directors' report. Certain other matters which are required to be reported on appear in other sections of this Annual Report and Accounts, as detailed below:

Matter	Page(s) in the Annual Report and Accounts
An indication of likely future developments in the business of the Company and its subsidiaries appears in the Strategic Review	47
The Group's (loss)/profit before taxation and the (loss)/profit after taxation appear in the Statement of Total Comprehensive Income	142
The Viability Statement	44
The Directors' Remuneration Report	80 to 108
Details of long-term incentive schemes as required by LR 9.4.3 R are set out in the Directors' Remuneration Report	80 to 108
The reporting on the Company's carbon footprint	76 to 77
A list of the subsidiary undertakings principally affecting the profits or net assets of the Group in the year	170
Changes in asset values are set out in the Statements of Financial Position	143
A detailed statement of the Group's treasury management and funding including information on the exposure of the Company in relation to the use of financial instruments	179 to 186
Details of an arrangement under which a shareholder has waived or agreed to waive any dividends, and where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review	188
A statement that this Annual Report and Accounts meets the requirements of Section 4, Principle N, Provision 27 of the UK Corporate Governance Code 2018 (the Code) (formerly Provision C.1.1 prior to the July 2018 updating of the Code)	113
Employee engagement	77
Fostering the company's business relationships with suppliers, customers and others	46

All information required to be reported by Listing Rule 9.8.4 R and applicable to the Company or Group for this reporting period is set out in the table above.

This report was approved by the Board of Directors and is signed on its behalf by:

Phillip Kenny
Company Secretary
25 November 2020

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101. "Reduced Disclosure Framework". Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

In preparing the parent Company financial statements, the Directors are required to:

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report & Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's position and performance, business model and strategy

This responsibility statement was approved by the Board of Directors and is signed on its behalf by:

M. D. Raban
Chief Executive Officer
25 November 2020



Financial Statements

Auditor's report

Independent Auditor's Report To The Members Of Lookers Plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Lookers plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the consolidated statement of total comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- the principal accounting policies; and
- the related notes 1 to 30 for the group financial statements; and
- the related notes 1 to 30 for the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS

101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

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

3. Material uncertainty relating to going concern

We draw attention to section 2 of the principal accounting policies in the financial statements, which indicates that the Board have concluded that the going concern basis of accounting is appropriate but that there are factors which in aggregate give rise to a material uncertainty which may cast significant doubt over the group's and parent company's ability to continue as a going concern.

The group has secured facilities that contain covenants requiring the group to maintain specified financial ratios and certain other financial covenants. Following the event of Covid-19 and general economic uncertainty, these covenants were successfully renegotiated with the lenders and now include an assessment of net bank debt on a monthly basis up to 30 June 2021 and minimum cumulative EBITDA requirement tested quarterly up to 30 June 2021. Following this period, the covenants will revert to original conditions in place prior to the event of Covid-19.

In performing their assessment of going concern, the Directors have considered forecast cash flows to December 2021. Given the ongoing uncertainty of Covid-19, the risks in respect of Brexit and the uncertainty of resolution of the ongoing regulatory investigations, management have performed additional possible downside forecast sensitivity scenarios. These focused on the risk over further potential falls in future revenue volumes, the removal of future property disposals

and a significant regulatory fine from the FCA. The scenarios considered show that in aggregate to these downside impacts and without mitigating actions, increasing the reduction in new and used sales volumes to 2019 revenue to 25% would result in a covenant breach in December 2021. In addition, the Group is subject to certain reporting deadlines with its lenders. Delays in achievement of those deadlines could also cause a covenant breach. Therefore, in such circumstances the group and parent company may be unable to realise assets and discharge liabilities in the normal course of business.

In response to this, we:

- obtained an understanding of the relevant controls relating to management's basis of preparation for the forecasts and key assumptions underpinning the going concern assumption;
- evaluated the future forecast projections including the mathematical accuracy of the underlying calculations;
- challenged the underlying assumptions behind the forecasts (including reasonably possible downside scenarios identified), by reference to third party industry and economic reports to assess whether the forecasts prepared by management are reasonable;
- inspected key debt documentation to understand the principal terms and related financial covenants, including correspondence in relation to covenant waivers and amendments, and assessed whether the terms and conditions therein were consistent with those applied by management in their base case and downside scenario forecasts;
- assessed management's forecast projections in relation to their ability to pass the covenant tests in place during the next 12 months, as well as considering the sensitised scenarios in which the covenants may be breached;
- assessed the mitigating factors available to management in respect of the ability to restrict discretionary expenditure, close further parts of the business and sell surplus assets; and
- evaluated the appropriateness of the disclosure made in the Annual Report and Accounts.

As stated in section 2 of the principal accounting policies, these events or conditions, along with the other matters as set forth in section 2 of the principal accounting policies, indicate that a material uncertainty exists that may cast significant doubt on the group's and parent company's ability to continue

as a going concern. Our opinion is not modified in respect of this matter.

4. Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- going concern (see section 3: Material uncertainty relating to going concern)
- impact of accounting irregularities;
- completeness of Financial Conduct Authority provisions;
- valuation of goodwill and intangible assets;
- valuation of commercial income receivable;
- inventory valuation and provisioning for used vehicles; and
- presentation of non-underlying items.

Within this report, key audit matters are identified as follows:

- ⚠ Newly identified
- ⬆ Increased level of risk
- ⬅ Similar level of risk
- ⬇ Decreased level of risk

Materiality

The materiality that we used for the group financial statements was £2.4m which was determined on the basis of 3% of earnings before interest, taxation, depreciation and amortisation (EBITDA).

Scoping

Based on our scoping assessment, our audit work covered 96% (2018: 83%) of the group's revenue and 96% (2018: 87%) of the group's net assets.

Significant changes in our approach

We initially included three new key audit matters in the current year, being going concern (given the macroeconomic uncertainties arising from the Covid-19 pandemic, risks in respect of the impact of Brexit and the ongoing regulatory investigations) as disclosed in section 3, along with the completeness of Financial Conduct Authority provisions

Auditor's report

(due to the ongoing investigations) and the presentation of non-underlying items (given the change in prominence and definitions of non-underlying items) as disclosed in section 6.

As a result of the accounting irregularities noted on page 152, we considered the causal factors and the risk of misstatement in each of the group's components, and also considered the findings of the group's own investigations, led by an Independent Board Committee. This resulted in us refining our audit approach with the inclusion of a new key audit matter focused on the accounting irregularities as disclosed in section 6 of our report. We also revisited our assessment of materiality as noted in section 7 of our report and the scope of our audit as noted in section 8 of our report.

5. Conclusions relating to principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on page 37-43 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the Directors' confirmation on page 44 that they have carried out a robust assessment of the principal and emerging risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 44 as to how they have assessed the prospects of the group, over what period they have done so and why they consider 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 report whether the Directors' statement relating to going concern and the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the group to continue over the time horizon considered appropriate by the Directors.

Aside from the impact of the matters disclosed in section 3 regarding the material uncertainty relating to going concern, we confirm that we have nothing material to add or draw attention to in respect of these matters.

6. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty relating to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

6.1. Impact of accounting irregularities

Key audit matter description

In March 2020, the Group identified a number of fraudulent transactions in one of the operating divisions. In conjunction with independent forensic accountants, the Board conducted an investigation (The "Investigation") into the issues arising, initially looking into the operating division affected but then subsequently extending this to the wider Group. The results of the investigation identified total adjustments of £21.6m for which £8.3m related to the 2019 financial year and £13.5m to prior years.

In preparing the financial statements, the Directors aggregated the adjustments arising based on the nature and cause of the issues. These are summarised as follows, including quantification of the cumulative profit & loss impact of the adjustments across as included in the Financial Review on page 32:

- Correction of fictitious transactions – this concerned the recognition of manufacturer bonuses for which there was no evidence to support the income and asset recognised. These transactions were identified in both 2018 and 2019.

- Correction of errors arising from inappropriate or inconsistent accounting standards application over a number of years – this group of adjustments was attributed to four key areas:

- Cash and bank (charge of £0.6m) – the key adjustment to cash concerned the incorrect offsetting of cash and overdraft balances that needed to be disclosed on a gross basis in line with IAS 32. The profit & loss impact relates to correction of treatment of issue costs and the recognition of previously omitted bank accounts that were held for the purposes of managing ring-fenced funds.
- Leasing companies (charge of £0.7m) – the Group incorrectly accounted for transactions relating to the vehicle leasing division, derecognising vehicle assets where the Group was an agent to a lease contract despite retaining control of the assets.
- Staff car schemes (charge of £1.5m) – for one of the Group's schemes, the Group incorrectly derecognised vehicles that had been transferred to a third party provider despite retaining control of the vehicles, continually marketing them for sale and them being available for immediate sale at all times.
- Consignment stock – in 2017, the Group omitted to align the accounting policy for consignment stock for one of the recently acquired divisions resulting in the understatement of both inventory and creditors for that particular year. There was no profit & loss impact associated with this adjustment.

- Correction of errors arising from weaknesses in controls grouped by nature – this group of adjustments was grouped into four key areas:

- Property, plant & equipment and intangible assets (charge of £9.9m) – these adjustments concerned a number of historical issues where assets were either incorrectly capitalised, depreciated at rates inappropriate to the asset's useful economic life or not derecognised when projects and assets were abandoned or disposed.
- Manufacturer bonuses (charge of £2.2m) – the adjustments to manufacturer bonuses were primarily attributed to inappropriate cut-off and provisioning for manufacturer bonuses.
- Central finance function (charge of £4.0m) – due to weaknesses in the controls within central finance, a number of adjustments to working capital balances were identified primarily due to the failure to control and reconcile recharges and transactions with the operating divisions.

- Divisional finance function (charge of £3.6m) – similar to the Central finance function point above, a number of adjustments were identified primarily attributed to the understatement of liabilities and inappropriate deferral of expenses.

In addition to the matters reported above, the Group has adjusted the tax charge associated with the adjustments arising.

As reported in the Financial Review on page 31-35 and the Audit and Risk Committee Report on page 72, the Investigation performed was extensive. In addition to the initial forensic work, the Group was supported by another independent firm of accountants for the extended internal review instructed by the Board. In addition, a sub-committee of the Board, led by non-executives, was set-up to investigate the matters arising and to consider areas of conduct. Due to the extent of areas affected and the historical nature of the issues arising this led to a prolonged process to rectify and finalise the financial statements.

Whilst a number of adjustments were made as a result of these matters, they are indicative of ongoing control deficiencies as highlighted in section 8.2. Therefore this is an area of increased risk of fraud and error and therefore our risk has been focused on the accuracy and completeness of the adjustments recognised.

Further details of the financial impact of the adjustments are disclosed in Note 1e to the financial statements.

How the scope of our audit responded to the key audit matter

We have:

- assessed the scope of the review carried out by management and the forensic accountants and reviewed the results of their investigation;
- engaged internal forensic specialists to support the audit team in evaluating the scope and findings of the Investigation. This included obtaining an engagement letter setting out the scope of the Investigation, reading the final report and findings, assessing the evidence pertaining to the adjustments identified and the conduct elements of the review, in particular the email searches completed as part of the Investigation, and supporting the audit team in tailoring the audit response to those findings;
- assessed the competence, capabilities and objectivity of the forensic accountants used by the Directors;

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- evaluated the outcome of the conduct review performed by a sub-committee of the Board, tailoring procedures to consider the risks arising. This included re-evaluation of audit evidence provided in certain areas and extension of testing across a number of areas including consideration of the risk of management override;
- challenged management on the adequacy of their response to the matters identified by the forensic accountants for further investigation and performed procedures to test the additional work performed by management to investigate risk areas identified;
- performed additional substantive procedures across those areas in which adjustments were identified. These primarily included manufacturer bonuses, vehicle leasing, staff car schemes, central finance working capital balances, head office recharges, inter-company, consolidation and used inventory provisioning;
- performed additional detailed journal entry testing in response to the risks arising from the fictitious transactions in manufacturer bonuses;
- challenged the accuracy of the allocation of adjustments to individual financial years and the completeness of those adjustments. This included substantively testing management's workings, agreeing transactions to third party documentation and checking the adjustments against the original transactions recorded in the general ledger within the different financial years. To test completeness we performed substantive testing of balances within each individual year affected, performed analytical reviews of balances between 2017 and 2019 and challenged the reconciliations performed by management for 2017, 2018 and 2019 in the key areas affected by the Investigation;
- challenged the appropriateness of the policies applied in respect of the leasing companies and the staff car schemes, ensuring that the revised policies were tailored to the specific process flows of the different leasing arrangements. This included challenging the accuracy and completeness of the models prepared in response to the historical errors identified; and
- challenged the appropriateness of the disclosures included in the financial statements concerning the restatements.

Key observations

Based on the work performed, we concluded that the adjustments made are appropriate for the financial periods impacted and the restatements of 31 December 2018 and 31 December 2017 are appropriate.

As referred to above, whilst the adjustments required were subsequently corrected, they are indicative of ongoing control deficiencies as highlighted in section 8.2. The Chairman's Statement on Corporate Governance on page 56 and the Financial Review on page 31 and 35 highlights that there remains a number of control areas to be remediated but that there is a plan in place to be completed during 2020 and 2021.

6.2. Completeness of Financial Conduct Authority provisions

Key audit matter description

The group is currently in discussion with the Financial Conduct Authority ("FCA") on a number of matters. These relate primarily to:

1. Embedding changes to the group's governance arrangements and systems & controls to address findings arising from two Section 166 Skilled Persons Reviews, commissioned by the FCA. This programme of work included the design and implementation of revised sales and oversight practices, the development of a robust risk management framework, and a number of senior appointments, including a Chief Risk Officer and two Non-Executive Directors with experience in financial services and regulated businesses;
2. Assisting the FCA with an ongoing investigation by the FCA's Enforcement and Market Oversight team into the Group's sales processes for the period from 1 January 2016 to 13 June 2019, specifically whether these breached certain FCA's principles and rules; and
3. Providing details to the FCA in relation to the events that led to the delay in publishing the Annual Report and Accounts and the suspension of shares on 1 July 2020.

After careful consideration of the open matters, the Board has concluded that it is more likely than not that the group will incur an outflow of economic resources in respect of at least some of these matters and has recorded a provision at 31 December 2019 of £10.4 million in this regard. In determining this estimate, the Board have taken advice from external FCA regulation specialists.

The spectrum of possible outcomes, which includes restitution of customer detriment, additional costs associated with the regulated activities and potential sanctions (which may or may not include a fine) is broad, and accordingly, this matter is noted as a key source of estimation uncertainty on page 132. In view of this, we also considered this a key audit matter.

See the Chairman's Statement on page 6, the Audit and Risk Committee Report on page 70 and 73, the critical accounting

judgements and key sources of estimation uncertainty disclosures on page 132 and disclosure on page 178 for further details.

How the scope of our audit responded to the key audit matter

We have:

- observed the changes to the group's governance arrangements initiated by the Board in response to the Section 166 Skilled Persons Reviews;
- obtained an understanding of relevant controls in relation to the determination of requirement for a provision, its quantification and the associated disclosures;
- discussed the status of each of these matters with management and read the reports to the Board from management on these topics;
- enquired directly with the FCA with regards to the status of each of these matters;
- read the latest correspondence between the FCA and the group;
- read information prepared for management by external specialists as part of their consideration of whether a provision should be recognised and the measurement thereof;
- assessed the competence, independence and objectivity of the external specialists used by management to determine their provision;
- assessed the current facts and circumstances against the requirements of IAS 37 to evaluate whether a contingent liability or a provision is the appropriate accounting treatment;
- engaged internal FCA regulation specialists to challenge the estimate determined by management through considering the FCA's rules and similar cases; and
- assessed the appropriateness of the disclosures in the Annual Report & Accounts in this regard.

Key observations

Whilst noting the estimation uncertainty, based on the work performed, we concluded that the provision appears reasonable.

6.3. Valuation of goodwill and intangible assets

Key audit matter description

The group has goodwill and intangible assets with an indefinite useful economic life of £182.4 million (2018: £212.8 million, as restated) which have arisen from a number of acquisitions over several years. Where there are low contribution dealerships then there is a risk that goodwill and intangible assets for the cash generating unit ("CGU") including these dealerships may be impaired. In the current year, impairments were recognised to goodwill amounting to £29.8 million and to intangible assets amounting to £0.6 million.

The group's assessment of impairment in accordance with IAS 36 "Impairment of Assets" is a judgemental process which requires estimates concerning the estimated cash flows, discount rates and growth rates based on management's view of future business prospects.

Given the continued uncertainty in the UK economy, management's impairment model acknowledged that when reasonably possible downside scenarios are put to the model, this has the potential to lead to further impairment within the BMW, JLR and Ford CGUs. The conclusions reached with regards to reasonable possible change scenarios and the potential impairment to these CGUs are disclosed in Note 10.

See critical accounting judgements and key sources of estimation uncertainty on page 132, disclosure on page 162-163 and the Audit and Risk Committee Report on page 72 - 73.

How the scope of our audit responded to the key audit matter

We have:

- obtained an understanding of relevant controls in relation to the impairment review and analysis carried out for the group;
- assessed the appropriateness of the CGUs identified including the allocation changes made during the current year;
- assessed management's considerations on which specific assets/groups of assets give rise to the most concern in relation to impairment;
- assessed the rationale for key inputs made by management in the cash flow forecasts, including assessing the impact as a result of the accounting irregularities;

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- considered the IAS 36 requirements in respect of the assumptions related to growth and discount rates to pinpoint areas of estimation uncertainty;
 - engaged our internal valuation specialists to review the discount rates adopted;
 - obtained third party market data to assess the cash flow forecasts and growth rates;
 - considered sensitivity analyses on key inputs into management's impairment model;
 - assessed the clerical accuracy and the mechanics behind management's impairment model; and
 - challenged the adequacy and appropriateness of the disclosures included within the financial statements.
- assessed the completeness of commercial income through assessing changes to the year end balance;
 - performed a retrospective review of the recoverability of prior year commercial income receivable;
 - reviewed post year end payments/credit notes to assess subsequent recovery;
 - evaluated the integrity of the recorded data, through recalculating a sample of commercial income receivable at the year end with reference to the terms and volumes of vehicles sold in the manufacturer agreements; and
 - assessed the suppliers' financial stability and therefore their ability to settle the commercial income receivable.

Key observations

Based on the work performed, we concluded that the assumptions applied in the impairment model, the impairments recognised in the current year and the disclosures with regards to reasonable possible change scenarios are appropriate.

6.4. Valuation of commercial income receivable

Key audit matter description

Commercial income arising from volume related and vehicle specific rebates derived from the group's manufacturer partners is significant to the overall result.

The risk has been focused to the valuation of commercial income receivable held on the balance sheet at the year end.

This is a result of the large number of differing agreements in place which can lead to a level of interpretation being required to assess whether recognition criteria has been met at the year end. The amount of commercial income receivable at the year end was £49.2 million (2018: £37.4 million, as restated).

See on Note 1e and the Audit and Risk Committee Report on page 72.

How the scope of our audit responded to the key audit matter

We have:

- obtained an understanding of the relevant controls in place over both the documentation of manufacturer bonus arrangements and the related accounting treatment;

Key observations

Based on the work performed, we concluded that the valuation of commercial income receivable at year end is appropriate.

6.5. Inventory valuation and provisioning for used vehicles

Key audit matter description

The used inventory balance, included within good for resale, totalled £221.6 million (2018: 278.9 million) at the year end. The key audit matter identified was the assessment of net realisable value of used vehicles inventory, which can fluctuate as a result of market factors and the condition of vehicles. There is an inherent judgement in the provision requirements for inventory as a result of this. These factors lead to difficulty in estimating the likely sale price of a vehicle and thus the level of provisioning required.

See critical accounting judgements and key sources of estimation uncertainty on page 132, disclosure on page 171 and the Audit and Risk Committee Report on page 73.

How the scope of our audit responded to the key audit matter

We have:

- obtained an understanding of the relevant controls in place around the valuation of used vehicle inventory and identification of provisioning requirements;
- attended stock counts to assess identification of obsolete stock;
- reviewed the ageing of the inventory across the divisions to assess whether the ageing profiles which feed into the provision calculations are accurate;

- assessed the risk around net realisable value of used vehicles by comparing the carrying value on a sample of vehicles to third party data, and also by reference to a selection of post year-end sales;
- assessed the historical accuracy of management's estimate of provisions held by way of review of utilisation of the prior year provision; and
- challenged the inventory provisioning policy by comparing it to the output of management's retrospective review.

Key observations

Based on the work performed, we concluded that the valuation and provisioning for used vehicles at year end are appropriate.

6.6. Presentation of non-underlying items

Key audit matter description

In the statement of total consolidated comprehensive income, the group present both non-underlying and underlying operating profit and profit before tax. This is both a change in the definitions used and the prominence in the year.

During the current year a net £49.7m expense (2018: charge of £0.9m) has been presented as non-underlying items. Refer to Note 30 for management's reconciliation of non-underlying items to the group's statutory profit measure.

Management judgement is required when applying their accounting policy and determining the classification of items as non-underlying within the group's statement of total consolidated comprehensive income. We have determined that there is a potential for possible manipulation of the group's income statement presentation due to the level of judgement involved and the importance of underlying profit to readers of the financial statements. See the Audit and Risk Committee Report on page 73.

How the scope of our audit responded to the key audit matter

We have:

- obtained an understanding of relevant controls which address the risk of inappropriate presentation of the group's statement of total consolidated comprehensive income;
- understood those items disclosed as non-underlying by the group and challenged the appropriateness of these, with particular consideration to ESMA guidance, to assess

whether the items are outside the ordinary course of business and as such may distort comparability;

- considered the consistency of treatment for non-underlying items between debit and credit items; and
- assessed the extent to which non-underlying items relate to previous underlying business performance to evaluate whether they are comparable.

Key observations

Based on the work performed, we concur that those items disclosed as non-underlying on the face of the statement of total comprehensive income have been appropriately classified.

7. Our application of materiality

7.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

Auditor's report

	Group Financial Statements	Parent Company Financial Statements
Materiality	£2.4 million (2018: £2.4 million)	£1.9 million (2018: £1.9 million)
Basis for determining materiality	3% of EBITDA. Materiality in the prior year was based on 5% of adjusted profit before tax which was adjusted by removing the effect of one off items in the year.	Parent company materiality was based on 3% of net assets, which is capped at 80% of group materiality. This is consistent with the approach in the previous year.
Rationale for benchmark applied	In assessing materiality in the current year, we considered the impact of the accounting irregularities identified and resulting decline in earnings. At present, we do not consider that this decline is likely to reflect a long-term reduction in the size and scale of the business. We have therefore determined materiality by considering a range of possible benchmarks and the figures derived from those, with a particular focus on selecting a materiality within the range that we considered appropriate. This included EBITDA, underlying adjusted loss after tax, as well as the scale of the balance sheet and the overall size of the business. We determined materiality as 3% of EBITDA which is considered to be a key performance measure for the group and receives significant focus from shareholders and analysts.	Net assets have been used as the most reflective measure of value within the measure of value within the entity when determining materiality

7.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 60% of group materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

- the identification of accounting irregularities, the quality of the control environment and that we were not able take controls reliance (see section 8.2);
- high turnover of management or key accounting personnel, including the departure of members of its Board;
- ongoing Financial Conduct Authority investigations;

- the nature and number of corrected and uncorrected misstatements in the previous audit; and
- prior period errors found in the current year.

7.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £0.1 million (2018: £0.1 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

8. An overview of the scope of our audit

8.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls and assessing the risks of material misstatement at the group level.

Based on that assessment and as a result of the factors set out in section 7.2 in determining performance materiality, in particular the identification of accounting irregularities, we increased our scope coverage from the prior year by performing full scope audit procedures on the majority of the group's trading legal entities. Overall our audit procedures accounted for 96% (2018: 83%) of the group's revenue and 96% (2018: 87%) of the group's total net assets.

Our audit work was executed at materiality applicable to each individual entity which were lower than group materiality and ranged from £0.3 million to £1.9 million (2018: £0.1 million to £1.9 million). All entities in scope were audited directly by the group audit team.

At the parent entity we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining entities not subject to audit.

8.2. Our consideration of the control environment

As a result of control findings we noted as part of the prior year audit and as part of our risk assessment procedures, we did not plan to take a controls reliance approach, with the exception of existence over inventory, from the outset of our audit. These considerations were in part the reason for decreasing our performance materiality to 60% (2018: 70%) as discussed in section 7.2 and increasing our scoping of components as discussed in section 8.1.

As noted on page 70 of the Audit and Risk Committee Report, following the receipt of a report indicating administrative control findings of the business subject to FCA regulation, the Board commissioned an independent review of the group's internal control, risk assurance systems and internal audit. This review, coupled with the observations we have previously reported, has highlighted that improvements are required to the underlying control environment. These deficiencies in controls have also led to the accounting irregularities, non-compliance with the group's accounting policies and accounting errors, as discussed in section 6.1 above.

9. Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the Directors that they consider 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, is materially inconsistent with our knowledge obtained in the audit; or
- Audit and Risk Committee reporting – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Auditor's report

10. Responsibilities of Directors

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

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

11. Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

12. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

12.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, management's experts, and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance, in particular in relation to the FCA and fraud investigations as disclosed on page 71 of the Audit and Risk Committee;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and involving relevant internal specialists, including tax, valuations, pensions, IT, forensic and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: impact of accounting irregularities, valuation of commercial income receivable and presentation of non-underlying items within the financial statements. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions

of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's FCA regulatory requirements.

12.2. Audit response to risks identified

As a result of performing the above, we identified the impact of accounting irregularities, valuation of commercial income receivable, and presentation of non-underlying items within the financial statements as key audit matters related to the potential risk of fraud or non-compliance with laws and regulations. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee, along with internal and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the FCA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

13. Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Auditor's report

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters

15.1. Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by the members at the annual general meeting on 31 May 2019 to audit the financial statements for the year ending 31 December 2019. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 14 years, covering the years ending 31 December 2006 to 31 December 2019. Following the completion of our audit and as disclosed on page 75, we do not intend to seek reappointment as auditor.

15.2. Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

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

Christopher Robertson (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Manchester, UK

25 November 2020

Principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless stated otherwise.

General information

Lookers plc is a public limited company incorporated in the United Kingdom under the Companies Act 2006, with registered number 111876 in England and Wales. The address of the registered office is given in Note 15 to the Financial Statements. The nature of the Group's operations and its principal activities are set out in the Directors' Report. The main activities of the Group are the sale, hire and maintenance of motor vehicles and motorcycles, including the sale of tyres, oil, parts and accessories, and the FCA-regulated activities of credit broking and insurance distribution.

1. Basis of preparation

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union. Therefore, the Group financial statements comply with article 4 of EU IAS Regulation.

The financial statements have been prepared on the historical cost basis. The Company has elected to take exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account. The loss for the Company for the year was £7.1m (2018: profit £4.8m).

The Company has applied FRS 101 'Reduced Disclosure Framework' in the year ended 31 December 2019.

The following exemptions from the requirements of IFRS have been applied in the preparation of the Company's financial statements and, where relevant, equivalent disclosures have been made in the Group financial statements of the ultimate controlling party, in accordance with FRS 101:

- Presentation of a Statement of Cash Flows and related Notes;
- Disclosure of the objectives, policies and processes for managing capital;
- Disclosure of key management personnel compensation;
- The requirements in IAS 24 (Related Party Disclosures) to disclose related party transactions entered into between two or more members of a group;
- Disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments;

- The effect of financial instruments on the Statement of Comprehensive Income;
- Information about financial instruments that have been reclassified or derecognised, transfers of financial assets, credit losses recorded in a separate account, netting arrangements, loan defaults or breaches and collateral;
- Comparative period reconciliations for the number of shares outstanding
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- Comparative narrative information

Adoption of new and revised standards

Standard

IFRS 16 Leases

Impact

The Group has applied IFRS 16 for the first time in the current year.

Details of the changes to the Group's accounting policies following adoption of IFRS 16 are made within the Leases accounting policy.

The application of this standard has had a material impact on the Group's consolidated financial statements and is explained on page 140.

Annual Improvements to IFRSs 2015-2017 Cycle

IAS 19 (amendments) Plan Amendment, Curtailment or Settlement

IAS 28 (amendments) Long-term Interests in Associates and Joint Ventures

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 23 Uncertainty over Income Tax Treatments

IFRS 9 (amendments) Prepayment Features with Negative Compensation

The Group has applied all of these for the first time in the current year.

The application of these standards and amendments has had no material impact on the Group's consolidated financial statements.

Principal accounting policies

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and, in some cases, have not yet been adopted by the EU:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendment to IFRS 3 - Business Combinations
- Amendments to IAS 1 and IAS 8: Definition of Material
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

2. Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review section of the Annual Report and Accounts. In addition, Note 22 to the Annual Report & Accounts includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit risk and liquidity risk.

The Directors have made an assessment of going concern, considering the Group's cash and liquidity position, current performance and outlook, which considered the impact of the COVID-19 pandemic, using the information available up to the date of issue of these financial statements. Management have modelled a number of adverse scenarios to assess the potential impact that COVID-19 may have on the Group's operations in addition to the scenarios discussed in the Viability Statement.

During the lockdown period, management worked closely with its key OEM partners, who have positively supported the business through the first three quarters of 2020 and are continuing to do so. Management also took a number of immediate actions to protect the balance sheet and cash flow including temporary closure of most of the Group's trading operations, furloughing of the majority of employees, agreement of a Time to Pay Arrangement with HMRC, deferral of capital expenditure and identification of property assets available for sale and cessation of the FY19 dividend.

Additionally, management has taken a number of longer term actions to protect cash including accelerating and investing in the development of the Group's end-to-end

online ordering capability, a comprehensive review of working capital management, taking additional measures to resize the operating footprint and cost base of the business, and changed operational practices to de-risk the intra-month cash requirements.

Following the first COVID-19 lockdown, management ran two forecast scenarios to assess the liquidity needs of the business and likely impact on banking covenants. Based on further updates from the government on re-opening, management revisited several of the underlying assumptions in its financial forecasts for the remainder of FY20 and FY21-23 and prepared a 3 year forecast, with the benefit of greater clarity around certain strategic decisions, OEM engagement, SMMT predictions for the sector, the Job Retention Scheme and HMRC.

The forecast has been sensitised up to 31 December 2021 for what management consider a reasonable downside scenario being a 20% decline in aftersales revenue, a compound reduction in new, used and fleet volumes of 10-20%, a significant regulatory fine and the inability to dispose of surplus properties throughout 2021. Under this scenario, the business would continue to operate within the current banking covenants up until 31 December 2021.

However, given the extent of downturn that was seen in wave 1 of COVID-19, the ongoing uncertainty of COVID-19, the risks in respect of Brexit, the uncertainty of resolution of the ongoing regulatory investigations and the macro-economic factors that could affect the Group's ability to realise surplus properties, additional stress testing of revenue volumes was performed to model further downsides in the key assumptions over and above those previously set out which the Directors considered to be severe, but plausible. This scenario, indicated that despite resilience of liquidity the aggregate of these factors gave rise to a material uncertainty which may cast significant doubt over the Company's and Group's ability to continue as a going concern in the event that, following a covenant breach, lenders elect to trigger a repayment of outstanding debt. In addition, the Group is subject to certain reporting deadlines with its lenders. Delays in achievement of those deadlines could also cause a covenant breach. In such circumstances and without actioning the various mitigating actions available, the Company and Group may be unable to realise assets and discharge liabilities in the normal course of business. The Company and Group consolidated financial statements do not include the adjustments that would result if the Company and Group were unable to continue as a going concern.

In view of the various sensitivities and additional stress testing, the Board concludes that preparing the accounts on the basis of Going Concern is appropriate..

3. Judgements and estimates

Accounting 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 key accounting judgements, without estimation, that have been applied in these financial statements are as follows:

Judgement	Effect on Financial Statements	Alternative accounting judgement that could have been applied	Effect of that alternative accounting judgement
Intangible assets – capitalisation of development costs	Capitalisation of development expenditure is completed only if development costs meet certain criteria. Such criteria are defined in the accounting policy for Intangible Assets and require judgement to be exercised in assessing whether the criteria are met. The most judgmental criteria is assessing how future economic benefit will be generated.	Items meeting the criteria would be expensed to the statement of total comprehensive income.	Amounts totalling £7.7m would not have been capitalised in the year ending 31 December 2019.
Allocation of business units to CGU's to allow preparation of impairment testing of intangible assets and goodwill: CGU's are considered primarily by their franchise, apart from Charles Hurst Limited which is a multi-brand site in Northern Ireland.	Goodwill and non-amortised intangible assets are allocated to specific CGU's in-line with how the Group organises and compares its franchises in assessing their comparative financial performance. Numerical disclosure regarding CGU allocations are made in Note 9.	Goodwill and non-amortised intangible assets are allocated to different CGU's across the Group. For example on a geographic basis.	Potential for impairment depending on allocation to CGU and resulting estimates for CGU cash flows.
Recognition and measurement of provisions and contingencies	Consideration of whether the Group has a legal or constructive obligation arising from a past event and the likelihood of such an obligation crystallising in an outflow of economic benefit requires significant judgement in the financial statements. Further details are provided in Note 20.	A contingent liability rather than a provision would be recognised.	Liabilities and net operating expenses would decrease, increasing net assets and Shareholders' funds.

Accounting estimates

The preparation of financial statements in conformity with 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 year. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and associated assumptions are based on historical experience and various other factors

that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The Directors consider the following to be the key estimates applicable to the financial statements, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year or in the long term:

Key estimate area	Key assumption	Potential impact within the next financial year?	Potential impact in the longer term?
Goodwill and intangible assets	We undertake an exercise to estimate future cash flows from each CGU when we conduct our annual impairment review. We have key assumptions over the growth rates of revenue and operating margin which impacts the profit assumed and hence cash flow generation in each CGU. The key area for estimation uncertainty surrounds the growth rates applied to revenue. Numerical disclosure regarding key assumptions used and sensitivities are made in Note 9.	Yes	Yes
Recognition of commercial income	The Group is party to a number of commercial arrangements with its brand partners that results in manufacturer bonus credits being earned. The key area for estimation uncertainty in relation to these arrangements surrounds the interpretation of whether the commercial income bonus targets have been met and are therefore appropriate to be recognised as income and accruals at the balance sheet date. The total amount accrued at the balance sheet date amounts to £49.2m (2018: £37.4m).	Yes	Yes
Retirement benefit obligations	The main assumptions in determining the group's retirement benefit obligations are: discount rate, mortality rate and rate of inflation. Disclosure of these assumptions are made within Note 25. Due to the relative sizes of the pension schemes it is only considered to be the Lookers Pension Plan that could be materially affected by key estimates. The key area for estimation uncertainty surrounds the discount rate applied of 2.1% (2018: 2.9%).	Yes	Yes
Provisions- liabilities arising from FCA Enforcement Investigation	The Group is currently in discussion with the FCA on a number of matters including the FCA past business review, ongoing enforcement review and the events that led to the delay in publishing the ARA and the suspension of shares on 1 July 2020. After careful consideration of the open matters, the Board has concluded that it is more likely than not that the Group will incur an outflow of economic resources in respect of at least some of these matters and has therefore recorded a provision at 31 December 2019 (2018 - £nil). The spectrum of possible outcomes which includes restitution of customer detriment, additional costs associated with the regulated activities and potential sanctions (which may or may not include a fine) is broad and the considered outcome based on that range is £10.4m. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the estimated provision made may require a material adjustment to the carrying value of the provision.	Yes	Yes

Principal accounting policies

4. Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiary undertakings. An undertaking is regarded as a subsidiary if the Group has control over its operating and financial policies. Control is achieved when the Company has the power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The profits and losses of subsidiary undertakings are consolidated as from the effective date of acquisition or to the effective date of disposal.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued, and liabilities incurred or assumed at the date of completion, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of acquired subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

5. Foreign currencies

Items included in the financial statements of all Group undertakings are measured using that entity's functional currency, which is the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Sterling, which is the parent company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

The results and financial position of all Group undertakings

that have a functional currency different from the presentation currency are translated into the presentation currency with: (i) assets and liabilities for each balance sheet translated at the closing rate at the date of that balance sheet; (ii) income and expenses for each income statement translated at average exchange rates for the period; and (iii) all resulting exchange differences recognised as a component of other comprehensive income. In the case of subsidiaries acquired during a financial period, the average exchange rate takes into account the period of ownership only.

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in the retained earnings reserve within other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The principal exchange rates applied in the preparation of the financial statements were as follows:

	2019	2018
GBP: EUR at the end of the year	1.18	1.11
GBP: EUR average for the year	1.14	1.13

6. Revenue

Revenue is measured based on the consideration specified in a contract with a customer. Amounts collected on behalf of third-parties are excluded. Revenue is recognised by the Group when it transfers control over a product or service to a customer.

Revenue is measured at invoice price, excluding value added taxes, and principally comprises external vehicle sales, parts, servicing and bodyshop sales. Vehicle and parts sales are recognised when control over the vehicles or parts have been transferred to the customer. This is generally at the time of delivery to the customer. Service and bodyshop sales are recognised in-line with the work performed.

Revenue also comprises commissions receivable for arranging vehicle financing and related insurance products. Commissions are based on agreed rates and income is recognised at the time of approval of the vehicle finance by the finance provider.

Where the Group is acting as agent on behalf of a principal, the commission earned is also recorded at an agreed rate when the transaction has occurred. 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.

In terms of its leasing operations the Group maintains the ability

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to direct the use of and obtain substantially all of the remaining benefits from the vehicle assets it leases to customers. 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 acting as an operating lease lessor for all arrangements in place.

The initial amounts received in consideration from the leasing operations are held as deferred income or as financial instruments. 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.

These vehicles are held either within non-current or within current assets at their cost to the Group dependant on the nature of the leasing arrangement and are depreciated to their residual values over the terms of the leases. These assets are transferred into inventory at their carrying amount when their lease terms cease, and they become available for sale as part of the Group's ordinary course of business.

Rental income from property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from property is recognised as rents received in net operating expenses.

All company income is from recharges within the group.

7. Commercial income

Commercial income, including manufacturer bonuses, is credited to cost of sales. Volume related and vehicle specific rebates from suppliers are credited to the carrying value of inventory to which they relate. Once the inventory is sold, the rebate amount is then recognised in the income statement.

8. Non-underlying items

In preparing the current year financial statements the Board have taken the view to present the statutory statement of total comprehensive income incorporating the disclosure of underlying and non-underlying items separately. Non-underlying items are presented separately in the statement of total comprehensive income and have been defined by the Board as:

Relating to costs or incomes which are not incurred in the normal course of business or due to their size, nature and irregularity are not included in the assessment of financial performance in order to reflect management's view of the core-trading performance of the Group.

This is a departure from the previous presentations whereby no distinct disclosure of non-underlying items was made, and several items have historically been implied as non-underlying (e.g. amortisation, debt issue costs, share based payments) when disclosing the basis for calculating key performance indicators (KPIs) and alternative performance measures. The Board have therefore concluded that for the year ending 31 December 2019 within the income statement, share based compensation charges, net interest on pension scheme obligations and debt issue costs will all be recorded within underlying profit before tax as it is no longer the view of the Board that these items are non-underlying. This view has been driven from the Board wishing to re-evaluate the income statement presentation to result in reliable and more relevant information on the financial performance.

9. Net interest

Interest expense comprises interest payable on borrowings, consignment, repurchase liabilities, stocking loans, lease liabilities, interest on pension scheme obligations and debt issue costs. Interest income relates to returns on funds invested and interest on pension scheme assets. Interest income is recognised in the Consolidated Statement of Total Comprehensive Income as it accrues using the effective interest method.

10. Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is not provided on temporary differences arising on investments in subsidiaries, as the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

11. Dividends

Final dividends proposed by the Board and unpaid at the end of the 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.

12. Segmental reporting

A business segment is a component that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

As set out in Note 1 to the financial statements, the Directors have elected to amend the presentation of the segmental information to better reflect the Group's revenue streams, gross profit contributions and the single-segment nature of the business' operations. The "unallocated" segment that had been reported in previous annual financial statements has been combined with the motor division for the year ending 31 December 2019. Given that this segmental split is equivalent to the Group's Statement of Total Comprehensive Income, no further presentation has been made. In addition, the disclosure has been updated to reflect the revenue contributions from Leasing/Other sales which were previously subsumed within Aftersales in comparative reporting periods.

13. Goodwill and impairment

All business combinations are accounted for by applying the purchase method. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity at the date of the acquisition. 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 and intangible licences are then held in the balance sheet at cost less any accumulated impairment losses.

For the purposes of impairment testing of goodwill, indefinite life intangible assets, property, plant and equipment and right of use assets are allocated to their respective cash generating units based on their manufacturer profile and the Directors assess the value in use for each cash generating unit. Value in use is calculated by applying the Board approved budget for the next financial year and projecting this budget for a further four years and then applying a suitable cost of capital to discount cash flows to perpetuity.

14. Intangible assets

IT development assets are stated at cost less accumulated amortisation and any impairment losses. Any 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. This category of asset includes purchased computer software licences, computer software and internally generated intangible assets. These assets are amortised by equal instalments over the specific software licence period (typically 12 months) or over their useful economic life (typically up to five years) as appropriate. All amortisation charges are made within net operating expenses.

Internally generated intangible assets relate to activities that involve the development of computer systems designed to enhance the selling process so to achieve increased orders for both vehicles and aftersales work. Expenditure arising from the Group's development is recognised only if all of the following conditions are met:

- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits;
- The development cost of the asset can be measured reliably;
- The Group has the intention to complete the asset and the ability and intention to use or sell it;
- The product or process is technically and commercially feasible; and
- Sufficient resources are available to complete the development and to either sell or use the asset.

Where these criteria have not been achieved, development expenditure is recognised in profit or loss in the year in which it is incurred.

Intangible licences relate to the values ascribed following the advice of third-party consultants to franchise operating licences in connection with historic business combinations. The Directors have considered that as a result of the high barriers to entry in the marketplace and the historic length of the respective franchise operating licences that these assets have no foreseeable limit to the period over which they are expected to generate net cash inflows and as such have been classified as having an indefinite useful economic life.

The brand intangible asset of £1.0m (2018: £1.0m) arose on the acquisition of a subsidiary undertaking and is deemed by the Directors to have an indefinite useful economic life. The trading activities under this brand name generate a substantial part of the Group's revenue and operating profit. The Group is continually investing in this brand through promotional activity and advertising and as such, this brand is considered to have an indefinite useful economic life and is not amortised.

As both intangible licenses and brands have an indefinite useful economic life, they are subjected to the Group's annual impairment review

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15. Property, plant and equipment

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 at cost.

Freehold buildings and long leasehold properties are depreciated over 50 years on a straight-line basis to their estimated residual values. Short leasehold properties are amortised by equal instalments over the periods of the respective leases.

Other property, plant and equipment disclosed in Note 11 include plant and machinery, motor vehicles, fixtures, fittings, tools and equipment (including computer equipment and terminals) and assets in the course of construction. These assets (excluding assets in the course of construction) are depreciated on a straight-line basis at rates varying between 10% and 33% per annum over their estimated useful lives. Assets in the course of construction are initially measured at cost and are depreciated when they are brought into economic use.

The residual value of all assets, depreciation methods and useful economic lives, if significant, are reassessed annually. The depreciation charge in respect of property, plant and equipment is recognised within net operating expenses within the income statement.

Motor vehicles hired to customers under rental agreements over one year are included within property, plant and equipment. These vehicles are depreciated to their residual value over the period of their lease. Vehicle residual values are based on the industry standard CAP values and are regularly reviewed.

All costs in relation to the maintenance of property, plant and equipment are recognised in the income statement as an expense as incurred.

16. Leases (as a lessee)

The Group has applied IFRS 16 for the first time in the year. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases, except for short-term leases and leases of low value assets.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right of use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis. Under IFRS 16, right of use assets are tested

for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts. For short-term leases (lease term of 12 months or less) and leases of low value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within net operating expenses in the Statement of Total Comprehensive Income.

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The weighted average incremental borrowing rate applied to lease liabilities is 4.5% (2018: 4.5%).

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- And payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the Statement of Financial Position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. Payments of lease liabilities are disclosed within financing activities and the associated interest cost is disclosed within operating activities within the Statement of Cash Flows.

The Group remeasures the lease liability (and makes a

corresponding adjustment to the related right-of-use asset) whenever:

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

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

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the Statement of Financial Position. The Group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

17. Investments in subsidiaries

Investments in subsidiaries held on the statement of financial position are stated at cost less provision for impairment.

18. Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there

is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets with indefinite lives are tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less disposal costs, and value in use.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, 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.

19. Inventories

Motor vehicle inventories are stated at the lower of net purchase price and net realisable value. A review of the net realisable values of inventories is conducted on a regular basis and values are adjusted back to the prevailing market value. The market value is assessed with reference to external benchmarking publications and applying historical industry knowledge on the pricing of those vehicles by reference to make and specific models. We also ensure inventories that exist at the year-end are valued correctly by sampling against further post year end actual sales data. Whilst this data is deemed representative of current values it is possible that ultimate sales values can vary from those applied.

Parts inventories are valued on a first-in, first-out basis and are written down to net realisable value by providing for obsolescence on a time in stock-based formula approach.

Consignment vehicle inventories 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 ability to direct the use of, and obtain substantially all of the

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remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset even though legal title has not yet passed. The corresponding liability is included in trade payables.

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

20. Rental fleet vehicles

Motor vehicles hired to customers under short term rental agreements less than one year are included within Current Assets and are depreciated on a straight-line basis over the course of the rental agreement to their estimated residual value on termination of that agreement. Income from such rentals are recognised on a straight-line basis over the period of the rental agreement. Motor vehicles hired to customers over longer-term rental agreements are capitalised within other property, plant and equipment.

21. Vehicle financing

Consistent with industry practices, repurchase commitments are treated as financial liabilities where the liability only crystallises at the point where the related vehicle is sold by the Group to a customer. The cash inflow received from a sale is then used to settle the financial liability attached to the vehicle.

Where a vehicle is subject to buy back as part of a leasing transaction then the financing is treated as disclosed in Note 20.

Stocking loans are finance arrangements to fund new and used vehicles before sale with repayment periods set by the finance house. Consistent with industry practices balances relating to consignment stock and stocking loans are treated as financial liabilities where the liability crystallises when the related vehicle is adopted by the Group. Adoption usually occurs at the point where the related vehicle is sold by the Group to a customer. The cash inflow received from a sale is then used to settle the financial liability attached to the vehicle.

22. Pensions

The Group operates the "Lookers Pension Plan", the "Dutton Forshaw Group Pension Plan" and the "Benfield Group Pension Plan" which are defined benefit pension schemes providing benefits based on final pensionable salary. The defined benefit schemes define the amount of pension benefit that an employee will receive on retirement, dependent on one or more factors including age, years of service and salary. All schemes are closed to new members and to future accrual. The last triennial valuation of the "Lookers Pension Plan" was carried out at 31 March 2019 by Aon Hewitt Limited and has been updated to 31 December 2019 by a qualified independent actuary. The last triennial valuation of the "Dutton Forshaw Group Pension Plan" was carried out at 31 March 2016 by Aon

Hewitt Limited and has been updated to 31 December 2019 by a qualified independent actuary. The last triennial valuation of the Benfield Group Pension Plan was carried out at 31 March 2016 by Deloitte Total Reward and Benefits Limited and has been updated to 31 December 2019 by a qualified independent actuary.

Under IAS 19 (Revised), the defined benefit deficits are included on the Group's balance sheet. Liabilities are calculated based on the current yields on high quality corporate bonds and on market conditions. Surpluses are only included to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited, net of deferred tax, each year to reserves and shown in the Statement of Comprehensive Income. Interest expense or income is calculated on the net defined benefit liability or asset respectively by applying the discount rate to the net defined benefit liability or asset.

The Group also provides pension arrangements for employees and certain Directors under defined contribution schemes. Contributions for these schemes are charged to the Income Statement in the year in which they are payable.

23. Share based payments

The Group issues equity-settled options to certain employees.

These are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured by use of a Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

24. Financial instruments

Recognition of financial instruments

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument.

Initial and subsequent measurement of financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand

and other short-term deposits held by the Group with maturities of less than three months. In common with sector practice, vehicle stocking loans are included within trade creditors rather than cash and cash equivalents.

Trade, Group and other receivables

Trade receivables, Group and other receivables are initially measured at their transaction price. Trade receivables, other receivables and contract assets (other receivables) are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method. Group receivables have no credit terms.

Amortised cost is the amount initially recognised less repayments of principal, plus or minus the 'effective interest' which amortises any difference between the amount initially recognised and the maturity amount over the expected life of the instrument.

Effective interest rate method

The 'effective interest' is calculated using the rate that exactly discounts estimated future cash payments or receipts (considering all contractual terms) through the expected life of the financial asset or financial liability to its carrying amount before any loss allowance.

The 'effective interest rate' is applied to the carrying amount of a financial asset before any loss allowance, unless the financial assets becomes credit-impaired, (i.e. an event has occurred which has a detrimental impact on the estimated future cash flows), in which case the 'effective interest rate' is applied to the carrying amount of the financial asset net of any loss allowance. If a financial asset is no longer credit-impaired due to an improvement in credit risk that objectively relates to a subsequent event, the 'effective interest rate' reverts to being applied to the carrying amount before any loss allowance.

Impairment of financial assets

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle the instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes (including assessments made using forward looking information) and takes into account the time value of money. Credit losses are measured on a collective basis and all instalments have been grouped based on their similar collective characteristics. Some financial assets which have been written off because

there is no reasonable expectation of recovery (e.g. where the counterparty enters formal administration proceedings) or are subject to enforcement activity. For trade receivables, expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses").

Expected credit losses are considered over the maximum contractual period during which the entity is exposed to credit risk by extrapolating expectations beyond periods covered by reasonable and supportable forecasts.

For trade receivables and contract assets, differences between the contractual and expected cash flows are discounted at the original effective interest rate used in the amortised cost measurement.

Impairment losses and subsequent reversals of impairment losses are adjusted against the carrying amount of the receivable and recognised in profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Initial and subsequent measurement of financial liabilities

Trade, Group and other payables

Trade, Group and other payables (which include repurchase commitments, stocking loans and consignment creditors) are initially recognised at fair value, net of transaction costs and subsequently at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at fair value on initial recognition net of transaction costs.

25. Share capital

Ordinary shares are classified as equity. All ordinary shares rank equally and have the same rights attached. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

26. Assets held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction rather than continuing use. In order to be classified

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as held for sale, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary, and the sale must be highly probable. Non-current assets held for sale are measured at the lower of carrying amount and fair value less cost to sell.

27. Other presentational changes prior period adjustments and impact of IFRS 16

Non-underlying items

In preparing the financial statements the Board have taken the view to present the statement of total comprehensive income incorporating the disclosure of underlying and non-underlying items separately. Non-underlying items are defined on page 134.

The Board have concluded that in preparing the current year statement of total comprehensive income; share based compensation charges, net interest on pension scheme obligations and debt issue costs will all be recorded within underlying profit before tax as it is no longer the view of the Board that these items are non-underlying.

In addition, in order to better reflect the retail nature of the Group's operations, expenses disclosed within administration expenses and distribution costs have been reclassified to be disclosed within Net operating expenses.

Correction of errors

During the preparation of the financial statements for the year ending 31 December 2019 the Group identified a significant number of prior period adjustments including rectification of accounting errors, application of appropriate accounting standards and the grossing up and restatement of balance sheets accounts. Due to the number of adjustments identified and the range of income statement and balance sheet captions the adjustments relate to, the effect of such adjustments are described by the following three prior period adjustment categories:

- Fictitious transactions recorded with no commercial substance or merit
- Corrections for the misapplication of the Group's accounting policies
- Corrections required following failures in the Group's internal control and processing

Further details of these adjustments are made in the restatement tables on pages 146 to 155.

IFRS 16

The fully retrospective adoption of IFRS 16 has resulted in the recognition of right of use assets totalling £84.2m at 1 January 2018. Lease premiums with a net book value totalling £3.3m previously capitalised within property, plant and equipment have been reclassified to right of use assets. The effect of this has been to increase total assets by £80.9m. Lease liabilities

less than one year and movements in accruals of £0.7m for onerous leases previously recognised increase current liabilities by £15.1m. Non-current liabilities have increased by £85.2m after the recognition of long-term lease liabilities totalling £89.3m and deferred tax of £4.1m. Previously reported Shareholders' funds have decreased by £19.4m.

Profit for the year ending 31 December 2018 has been affected by an increase in depreciation of £13m, an increase in interest costs of £5.5m offset by a decrease in operating lease rental costs of £19.7m. In addition, right of use asset remeasurements for sale and leaseback transactions totalling £5.2m has been recognised. The effect of these adjustments has resulted in adjustment to profit for the year from £37.1m to £32.6m.

At 31 December 2018, right of use assets total £103.3m. Lease premiums with a net book value totalling £3.2m previously capitalised within property, plant and equipment have been reclassified to right of use assets. Lease liabilities less than one year and movements in accruals of £0.7m for onerous leases previously recognised increase current liabilities by £17.9m. Non-current liabilities have increased by £106.1m after the recognition of long-term lease liabilities totalling £109.8m and deferred tax of £3.7m. Previously reported Shareholders' funds have decreased by £23.9m.

In respect of Lookers plc company, right of use assets totalling £1.3m at 1 January 2018 (£1.2m at 31 December 2018), short term lease liabilities totalling £0.5m at 1 January 2018 (£0.6m at 31 December 2018) and long term lease liabilities totalling £0.8m at 1 January 2018 (£0.6m at 31 December 2018) have been recognised. There was negligible impact on the adoption of IFRS 16 on Shareholders' funds at 1 January 2018 and 31 December 2018.

The transition to IFRS 16 has resulted in a number of accounting judgments and estimates to be made, with a key one being the discount rate used in the calculation of the lease liability, which involves estimation. Discount rates are calculated on a lease by lease basis. For the property leases that make up substantially all of the Group's lease portfolio this has been based on estimates of incremental borrowing costs. These will depend on the date of lease inception and the lease term. As a result, reflecting the breadth of the Group's lease portfolio, the transition approach adopted has required estimation of historic discount rates, and estimations as to lease lives has resulted in a number of discount rates within a wide range.

Prior period adjustments

The reconciliations on pages 146 to 154 demonstrates the effect of the changes in presentational basis, the correction of the prior period error and the impact of changing accounting policies from those adopted in the 2018 financial statements to those now comprising the 2018 comparative period.

Financial Statements

Statement of Total Consolidated Comprehensive Income

For the year ended 31 December 2019 and 31 December 2018

	Note	2019 £m	2018 (restated*) £m
Revenue	2	4,787.2	4,828.3
Cost of sales		(4,274.1)	(4,315.2)
Gross profit		513.1	513.1
Net operating expenses		(526.3)	(442.3)
Operating (loss)/profit		(13.2)	70.8
Underlying operating profit		36.5	71.7
Non-underlying items	4	(49.7)	(0.9)
Net interest	6	(32.3)	(28.9)
(Loss)/profit before taxation	3	(45.5)	41.9
Underlying profit before taxation		4.2	42.8
Non-underlying items	4	(49.7)	(0.9)
Tax credit/(charge)	7	3.9	(9.3)
(Loss)/profit for the year		(41.6)	32.6
Actuarial gains/(losses) on pension scheme obligations (not recycled to profit and loss)	26	7.1	(7.2)
Deferred tax on pension scheme obligations (not recycled to profit and loss)	7	(1.2)	1.2
Total other comprehensive income/(expense) for the year		5.9	(6.0)
Total comprehensive (expense)/income for the year		(35.7)	26.6
Attributable to:			
Shareholders of the company		(35.7)	26.6
(Loss)/earnings per share:			
Basic (loss)/earnings per share (p)	9	(10.69)	8.26
Diluted (loss)/earnings per share (p)**	9	(10.69)	7.94

*Details of the restatements due to presentational changes, correction of errors and adoption of IFRS 16 are made in Note 1e on page 152.

**In the year ended 31 December 2019 the basic and diluted earnings per share are equal as a result of the Group incurring a loss for the year.

Consolidated and Company Statements of Financial Position

As at 1 January 2018, 31 December 2018 and 31 December 2019

	Note	Group 2019 £m	Restated* 2018 £m	Restated* 1 Jan 2018 £m	Company 2019 £m	Restated* 2018 £m	Restated* 1 Jan 2018 £m
Non-current assets							
Goodwill	10	81.9	111.7	104.7	-	-	-
Intangible assets	11	114.2	113.4	111.3	13.5	12.0	10.3
Property, plant and equipment	12	429.2	416.8	410.3	0.8	0.9	1.8
Right of use assets	13	107.7	103.3	84.2	1.1	1.2	1.3
Investment in subsidiaries	15	-	-	-	126.8	126.8	57.8
Deferred tax assets	23	-	-	-	9.5	12.2	4.7
		733.0	745.2	710.5	151.7	153.1	75.9
Current assets							
Inventories	16	956.5	972.9	941.8	-	-	-
Trade and other receivables	17	140.2	160.8	233.5	356.1	399.3	459.2
Current tax receivable		9.8	-	-	11.7	8.8	0.5
Rental fleet vehicles	18	59.4	54.2	60.9	-	-	-
Cash and cash equivalents	19	150.3	152.8	135.6	17.4	19.2	33.3
Assets held for sale	14	10.0	8.0	-	-	-	-
		1,326.2	1,348.7	1,371.8	385.2	427.3	493.0
Total assets		2,059.2	2,093.9	2,082.3	536.9	580.4	568.9
Current liabilities							
Bank loans and overdrafts	22	119.4	110.0	108.8	40.6	25.9	51.4
Trade and other payables	20	1,261.5	1,220.4	1,250.8	136.3	128.4	78.5
Lease liabilities	22	18.5	18.6	15.8	0.7	0.6	0.5
Current tax payable		-	3.3	1.9	-	-	-
		1,399.4	1,352.3	1,377.3	177.6	154.9	130.4
Net current (liabilities)/assets		(73.2)	(3.6)	(5.5)	207.6	272.4	362.6
Non-current liabilities							
Bank loans	22	90.4	128.7	122.8	81.4	118.7	111.5
Trade and other payables	20	42.3	39.3	39.0	-	-	-
Lease liabilities	22	115.6	109.8	89.3	0.4	0.6	0.8
Provisions	21	10.4	-	-	-	-	-
Pension scheme obligations	26	55.7	68.9	63.8	56.6	69.4	65.6
Deferred tax liabilities	23	34.0	33.0	31.6	-	-	-
		348.4	379.7	346.5	138.4	188.7	177.9
Total liabilities		1,747.8	1,732.0	1,723.8	316.0	343.6	308.3
Net assets		311.4	361.9	358.5	220.9	236.8	260.6
Shareholders' equity							
Ordinary share capital	24	19.5	19.4	19.9	19.5	19.4	19.9
Share premium		78.4	78.4	78.4	78.4	78.4	78.4
Capital redemption reserve	24	15.1	15.1	14.6	15.1	15.1	14.6
Retained earnings		198.4	249.0	245.6	107.9	123.9	147.7
Total equity		311.4	361.9	358.5	220.9	236.8	260.6

*Details of the restatements due to presentational changes, correction of errors and adoption of IFRS 16 are made in Note 1e on page 152. The loss after tax for the Company was £7.1m (2018: profit of £4.8m). The financial statements of Lookers plc registered no. 111876 were approved by the Directors on 25 November 2020.

Signed on behalf of the Board of Directors
M. D. Raban (Director)

Consolidated Statement of Changes in Equity

As at 1 January 2018, 31 December 2018 and 31 December 2019

Year ended 31 December 2018 (restated*)	Note	Share capital £m	Share premium £	Capital redemption reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2018		19.9	78.4	14.6	272.1	385.0
Correction of errors	1	-	-	-	(7.1)	(7.1)
Effects of new accounting standards		-	-	-	(19.4)	(19.4)
As at 1 January 2018 (restated*)		19.9	78.4	14.6	245.6	358.5
Profit for the year		-	-	-	32.6	32.6
Total other comprehensive expense for the year		-	-	-	(6.0)	(6.0)
Total comprehensive income for the year		-	-	-	26.6	26.6
New shares issued	24	0.0	0.0	-	-	0.0
Share based compensation	25	-	-	-	1.7	1.7
Share buy-back	24	(0.5)	-	0.5	(9.3)	(9.3)
Foreign exchange translation differences		-	-	-	0.0	0.0
Dividends paid	8	-	-	-	(15.6)	(15.6)
As at 31 December 2018 (restated*)		19.4	78.4	15.1	249.0	361.9
Year ended 31 December 2019						
As at 1 January 2019		19.4	78.4	15.1	249.0	361.9
Loss for the year		-	-	-	(41.6)	(41.6)
Total other comprehensive income for the year		-	-	-	5.9	5.9
Total comprehensive expense for the year		-	-	-	(35.7)	(35.7)
New shares issued	24	0.1	0.0	-	-	0.1
Share based compensation	25	-	-	-	1.4	1.4
Foreign exchange translation differences		-	-	-	(0.4)	(0.4)
Dividends paid	8	-	-	-	(15.9)	(15.9)
As at 31 December 2019		19.5	78.4	15.1	198.4	311.4

*Details of the restatements due to presentational changes, correction of errors and adoption of IFRS 16 are made in Note 1e on page 152.

Retained earnings include £16.5m (2018: £16.8m) of non-distributable reserves relating to properties which had been revalued under UK GAAP, but treated as deemed cost under IFRS.

Company Statement of Changes in Equity

As at 1 January 2018, 31 December 2018 and 31 December 2019

Year ended 31 December 2018	Note	Share capital £m	Share premium £	Capital redemption reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2018		19.9	78.4	14.6	143.5	256.4
Correction of errors	1	-	-	-	4.2	4.2
Effects of new accounting standards		-	-	-	0.0	0.0
As at 1 January 2018 (restated)		19.9	78.4	14.6	147.7	260.6
Profit for the year		-	-	-	4.8	4.8
Total other comprehensive expense for the year		-	-	-	(5.4)	(5.4)
Total comprehensive income for the year		-	-	-	(0.6)	(0.6)
New shares issued		0.0	0.0	-	-	0.0
Share based compensation	25	-	-	-	1.7	1.7
Share buy-back	24	(0.5)	-	0.5	(9.3)	(9.3)
Dividends paid	8	-	-	-	(15.6)	(15.6)
As at 31 December 2018 (restated)		19.4	78.4	15.1	123.9	236.8
Year ended 31 December 2019						
As at 1 January 2019		19.4	78.4	15.1	123.9	236.8
Loss for the year		-	-	-	(7.1)	(7.1)
Total other comprehensive income for the year		-	-	-	5.6	5.6
Total comprehensive income for the year		-	-	-	(1.5)	(1.5)
New shares issued	24	0.1	0.0	-	-	0.1
Share based compensation	25	-	-	-	1.4	1.4
Dividends paid	8	-	-	-	(15.9)	(15.9)
As at 31 December 2019		19.5	78.4	15.1	107.9	220.9

Consolidated Statement of Cash Flows

For the year ended 31 December 2019 and 31 December 2018

	Note	Group 2019 £m	Restated* 2018 £m
Cash flows from operating activities			
(Loss)/profit for the year		(41.6)	32.6
Tax (credit)/charge		(3.9)	9.3
Depreciation of property, plant and equipment, rental fleet and right of use assets	3	54.1	46.1
Profit on disposal of property, plant and equipment	3,4	(5.2)	(3.6)
Gain on lease surrenders	13	(0.4)	-
Amortisation of intangible assets	3	6.1	5.6
Share based compensation	25	1.4	1.7
Impairment of property, plant and equipment	12	4.3	-
Impairment of right of use assets	4	1.8	-
Impairment of intangible assets (underlying)	3	0.4	0.5
Impairment of goodwill and intangible assets (non-underlying)	4	30.4	-
Interest income excluding pension related interest	6	0.0	(0.3)
Interest payable excluding pension related interest and debt issue costs	6	30.0	26.4
Debt issue costs		0.4	1.1
Difference between pension charge and cash contributions		(6.1)	(2.1)
Proceeds from sale of vehicles for long term leasing		11.3	12.8
Proceeds from sale of rental fleet vehicles		58.7	72.2
Creation of provisions		10.4	-
Changes in inventories		23.1	(28.2)
Changes in receivables		20.6	49.6
Changes in payables		25.3	(32.9)
Cash generated from operations		221.1	190.8
Interest paid		(24.3)	(20.9)
Interest paid - finance leases		(5.7)	(5.5)
Interest received		-	0.3
Tax paid		(9.3)	(7.1)
Net cash inflow from operating activities		181.8	157.6
Cash flows from investing activities			
Purchase of property, plant and equipment		(45.8)	(21.5)
Purchase of vehicles for long term leasing		(35.5)	(26.1)
Purchase of rental fleet vehicles		(61.7)	(60.1)
Purchase of intangibles		(7.9)	(7.9)
Purchase of subsidiaries net of cash received		-	(13.7)
Proceeds from disposal of property, plant and equipment		17.6	35.1
Net cash outflow from investing activities		(133.3)	(94.2)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		0.1	-
Redemption of ordinary shares		-	(9.3)
Receipt of funding advanced for vehicle leasing arrangements		76.5	72.7
Repayment of funding advanced for vehicle leasing arrangements		(69.0)	(79.3)
Repayment of loans	22	(1.4)	(14.6)
Draw down on RCF	22	186.9	135.3
Repayment on RCF	22	(224.2)	(134.1)
Repayment of lease liabilities	22	(15.6)	(14.2)
Receipt of lease incentives	22	1.2	-
Dividends paid		(15.9)	(15.6)
Net cash outflow from financing activities		(61.4)	(59.1)
(Decrease)/increase in cash and cash equivalents		(12.9)	4.3
Cash and cash equivalents at 1 January		44.3	40.0
Cash and cash equivalents at 31 December		31.4	44.3
Analysis of cash and cash equivalents			
Cash and cash equivalents		150.3	152.8
Bank overdraft		(118.9)	(108.5)
Cash and cash equivalents at 31 December	19	31.4	44.3

*Details of the restatements due to presentational changes, correction of errors and adoption of IFRS 16 are made in Note 1e on page 152.

Notes to the financial statements

For the year ended 31 December 2018

1a. Statement of Total Consolidated Comprehensive Income (restated)

Group	As previously reported 31 December 2018 £m	Presentational adjustments £m	Correction of errors - fictitious transactions £m	Correction of errors - accounting policy misapplication £m
Revenue	4,879.5	-	(1.6)	(45.7)
Cost of sales	(4,364.0)	-	-	48.7
Gross profit	515.5	-	(1.6)	3.0
Distribution costs	(294.6)	294.6	-	-
Administration expenses	(153.3)	153.3	-	-
Share based compensation	(1.7)	1.7	-	-
Net operating expenses	-	(441.9)	-	(0.1)
Gain on property, plant and equipment	7.7	(7.7)	-	-
Operating profit	73.6	-	(1.6)	2.9
Underlying operating profit	73.6	(4.3)	(1.6)	2.9
Non-underlying items below operating profit	-	4.3	-	-
Net interest	(18.3)	(2.2)	-	(2.9)
Net interest on pension scheme obligations	(1.7)	1.7	-	-
Debt issue costs	(0.5)	0.5	-	-
Profit before taxation	53.1	-	(1.6)	-
Underlying profit before taxation	53.1	(4.3)	(1.6)	-
Non-underlying items	-	4.3	-	-
Tax charge	(9.6)	-	-	-
Profit for the year	43.5	-	(1.6)	-
Actuarial losses on pension scheme obligations	(7.2)	-	-	-
Deferred tax on pension scheme obligations	1.2	-	-	-
Total other comprehensive expense for the year	(6.0)	-	-	-
Total comprehensive income/(expense) for the year	37.5	-	(1.6)	-
(Loss)/earnings per share:				
Basic (loss)/earnings per share (p)	11.02	-	(0.41)	-
Diluted (loss)/earnings per share (p)	10.60	-	(0.39)	-
Non-underlying items at operating profit				
Gain on property, plant and equipment	-	7.7	-	-
Past service cost on pension scheme obligations	-	(3.4)	-	-
Non-underlying items at profit before tax	-	4.3	-	-

Details of the presentational adjustments, corrections of errors and impact of adoption of IFRS16 are made in Note 1e on page 152.

Group	Correction of errors – control weaknesses	Subtotal - £m	Impact of IFRS 16 £m	As restated 31 December 2018 £m
Revenue	(3.9)	4,828.3	-	4,828.3
Cost of sales	0.1	(4,315.2)	-	(4,315.2)
Gross profit	(3.8)	513.1	-	513.1
Distribution costs	-	-	-	-
Administration expenses	-	-	-	-
Share based compensation	-	-	-	-
Net operating expenses	(1.8)	(443.8)	1.5	(442.3)
Gain on property, plant and equipment	-	-	-	-
Operating profit	(5.6)	69.3	1.5	70.8
Underlying operating profit	(5.6)	65.0	6.7	71.7
Non-underlying items below operating profit	-	4.3	(5.2)	(0.9)
Net interest	-	(23.4)	(5.5)	(28.9)
Net interest on pension scheme obligations	-	-	-	-
Debt issue costs	-	-	-	-
Profit before taxation	(5.6)	45.9	(4.0)	41.9
Underlying profit before taxation	(5.6)	41.6	1.2	42.8
Non-underlying items	-	4.3	(5.2)	(0.9)
Tax charge	0.8	(8.8)	(0.5)	(9.3)
Profit for the year	(4.8)	37.1	(4.5)	32.6
Actuarial losses on pension scheme obligations	-	(7.2)	-	(7.2)
Deferred tax on pension scheme obligations	-	1.2	-	1.2
Total other comprehensive expense for the year	-	(6.0)	-	(6.0)
Total comprehensive income/(expense) for the year	(4.8)	31.1	(4.5)	26.6
(Loss)/earnings per share:				
Basic (loss)/earnings per share (p)	(1.22)	9.40	(1.14)	8.26
Diluted (loss)/earnings per share (p)	(1.17)	9.04	(1.10)	7.94
Non-underlying items at operating profit				
Gain on property, plant and equipment	-	7.7	(5.2)	2.5
Past service cost on pension scheme obligations	-	(3.4)	-	(3.4)
Non-underlying items at profit before tax	-	4.3	(5.2)	(0.9)

Details of the presentational adjustments, corrections of errors and impact of adoption of IFRS16 are made in Note 1e on page 152.

Notes to the financial statements

As at 1 January 2018 and 31 December 2018

1b Statement of Financial Position (restated)

Group	As previously reported 31 December 2018 £m	Correction of errors - fictitious transactions £m	Correction of errors - accounting policy misapplication £m	Correction of errors - control weaknesses £m	Impact of IFRS 16 £m	At 31 December 2018 (restated) £m
Non-current assets						
Goodwill	116.2	-	-	(4.5)	-	111.7
Intangible assets	114.6	-	-	(1.2)	-	113.4
Property, plant and equipment	350.9	-	67.7	1.4	(3.2)	416.8
Right of use assets	-	-	-	-	103.3	103.3
	581.7	-	67.7	(4.3)	100.1	745.2
Current assets						
Inventories	1,027.7	-	(54.8)	-	-	972.9
Trade and other receivables	179.5	(1.6)	(1.2)	(15.9)	-	160.8
Rental fleet vehicles	54.2	-	-	-	-	54.2
Cash and cash equivalents	44.4	-	108.4	-	-	152.8
Assets held for sale	8.0	-	-	-	-	8.0
	1,313.8	(1.6)	52.4	(15.9)	-	1,348.7
Total assets	1,895.5	(1.6)	120.1	(20.2)	100.1	2,093.9
Current liabilities						
Bank loans and overdrafts	2.6	-	107.4	-	-	110.0
Trade and other payables	1,235.7	-	(5.5)	(9.1)	(0.7)	1,220.4
Lease liabilities	-	-	-	-	18.6	18.6
Current tax payable	0.9	-	-	2.4	-	3.3
	1,239.2	-	101.9	(6.7)	17.9	1,352.3
Net current assets	74.6	(1.6)	(49.5)	(9.2)	(17.9)	(3.6)
Non-current liabilities						
Bank loans	128.7	-	-	-	-	128.7
Trade and other payables	19.4	-	19.9	-	-	39.3
Lease liabilities	-	-	-	-	109.8	109.8
Pension scheme obligations	68.9	-	-	-	-	68.9
Deferred tax liabilities	40.0	-	-	(3.3)	(3.7)	33.0
	257.0	-	19.9	(3.3)	106.1	379.7
Total liabilities	1,496.2	-	121.8	(10.0)	124.0	1,732.0
Net assets	399.3	(1.6)	(1.7)	(10.2)	(23.9)	361.9
Shareholders' equity						
Ordinary share capital	19.4	-	-	-	-	19.4
Share premium	78.4	-	-	-	-	78.4
Capital redemption reserve	15.1	-	-	-	-	15.1
Retained earnings	286.4	(1.6)	(1.7)	(10.2)	(23.9)	249.0
Total equity	399.3	(1.6)	(1.7)	(10.2)	(23.9)	361.9

Details of the corrections of errors and impact of adoption of IFRS16 are made in Note 1e on page 152.

Group	As previously reported 1 January 2018 £m	Correction of errors - fictitious transactions £m	Correction of errors - accounting policy misapplication £m	Correction of errors - control weaknesses £m	Impact of IFRS 16 £m	At 1 January 2018 (restated) £m
Non-current assets						
Goodwill	108.9	-	-	(4.2)	-	104.7
Intangible assets	112.3	-	-	(1.0)	-	111.3
Property, plant and equipment	342.0	-	69.1	2.5	(3.3)	410.3
Right of use assets	-	-	-	-	84.2	84.2
	563.2	-	69.1	(2.7)	80.9	710.5
Current assets						
Inventories	984.1	-	(42.3)	-	-	941.8
Trade and other receivables	241.1	-	(1.6)	(6.0)	-	233.5
Current tax receivable	1.0	-	-	(1.0)	-	-
Rental fleet vehicles	60.9	-	-	-	-	60.9
Cash and cash equivalents	45.3	-	90.3	-	-	135.6
	1,332.4	-	46.4	(7.0)	-	1,371.8
Total assets	1,895.6	-	115.5	(9.7)	80.9	2,082.3
Current liabilities						
Bank loans and overdrafts	19.6	-	89.2	-	-	108.8
Trade and other payables	1,228.1	-	26.5	(3.1)	(0.7)	1,250.8
Lease liabilities	-	-	-	-	15.8	15.8
Current tax payable	-	-	-	1.9	-	1.9
	1,247.7	-	115.7	(1.2)	15.1	1,377.3
Net current assets	84.7	-	(69.3)	(5.8)	(15.1)	(5.5)
Non-current liabilities						
Bank loans	123.5	-	(0.7)	-	-	122.8
Trade and other payables	36.8	-	2.2	-	-	39.0
Lease liabilities	-	-	-	-	89.3	89.3
Pension scheme obligations	63.8	-	-	-	-	63.8
Deferred tax liabilities	38.8	-	-	(3.1)	(4.1)	31.6
	262.9	-	1.5	(3.1)	85.2	346.5
Total liabilities	1,510.6	-	117.2	(4.3)	100.3	1,723.8
Net assets	385.0	-	(1.7)	(5.4)	(19.4)	358.5
Shareholders' equity						
Ordinary share capital	19.9	-	-	-	-	19.9
Share premium	78.4	-	-	-	-	78.4
Capital redemption reserve	14.6	-	-	-	-	14.6
Retained earnings	272.1	-	(1.7)	(5.4)	(19.4)	245.6
Total equity	385.0	-	(1.7)	(5.4)	(19.4)	358.5

Details of the corrections of errors and impact of adoption of IFRS16 are made in Note 1e on page 152.

Notes to the financial statements

For the year ended 31 December 2018

1c Statement of Cash Flows (restated)

	As previously reported 31 December 2018 £m	Correction of errors £m	Correction of errors - leasing £m	Impact of IFRS 16 £m	At 31 December 2018 (restated) £m
Cash flows from operating activities					
Profit for the year	43.5	(6.7)	0.3	(4.5)	32.6
Tax charge	9.6	(0.8)	-	0.5	9.3
Depreciation of property, plant and equipment, rental fleet and right of use assets	20.6	(3.6)	16.1	13.0	46.1
Profit on disposal of property, plant and equipment	(8.2)	-	(0.6)	5.2	(3.6)
Amortisation of intangible assets	5.6	-	-	-	5.6
Impairment of right of use assets	-	-	-	-	-
Impairment of goodwill	-	0.3	-	-	0.3
Impairment of intangible assets	-	0.2	-	-	0.2
Share based compensation	1.7	-	-	-	1.7
Interest income	(0.3)	-	-	-	(0.3)
Interest payable	18.6	-	2.3	5.5	26.4
Debt issue costs	0.5	0.6	-	-	1.1
Difference between pension charge and cash contributions	(2.1)	-	-	-	(2.1)
Purchase of rental fleet vehicles	(89.4)	89.4	-	-	-
Proceeds from sale of vehicles for long term leasing	-	-	12.8	-	12.8
Proceeds from sale of rental fleet vehicles	90.3	(90.3)	72.2	-	72.2
Changes in inventories	1.4	(32.5)	2.9	-	(28.2)
Changes in receivables	48.9	0.7	-	-	49.6
Changes in payables	(60.4)	38.4	(10.9)	-	(32.9)
Cash generated from operations	80.3	(4.3)	95.1	19.7	190.8
Interest paid	(18.6)	-	(2.3)	-	(20.9)
Interest paid - finance leases	-	-	-	(5.5)	(5.5)
Interest received	0.3	-	-	-	0.3
Tax paid	(7.1)	-	-	-	(7.1)
Net cash inflow from operating activities	54.9	(4.3)	92.8	14.2	157.6
Cash flows from investing activities					
Purchase of property, plant and equipment	(25.7)	4.2	-	-	(21.5)
Purchase of vehicles for long term leasing	-	-	(26.1)	-	(26.1)
Purchase of rental fleet vehicles	-	-	(60.1)	-	(60.1)
Purchase of intangibles	(7.9)	-	-	-	(7.9)
Purchase of subsidiaries net of cash received	(13.7)	-	-	-	(13.7)
Proceeds from disposal of property, plant and equipment	35.1	-	-	-	35.1
Net cash outflow from investing activities	(12.2)	4.2	(86.2)	-	(94.2)
Cash flows from financing activities					
Proceeds from issue of ordinary shares	-	-	-	-	0.0
Redemption of ordinary shares	(9.3)	-	-	-	(9.3)
Increase in leasing finance liabilities	-	-	72.7	-	72.7
Repayment of leasing finance liabilities	-	-	(79.3)	-	(79.3)
Repayment of loans	(14.6)	-	-	-	(14.6)
Draw down on RCF	135.3	-	-	-	135.3
Repayment on RCF	(134.1)	-	-	-	(134.1)
Repayment of lease liabilities	-	-	-	(14.2)	(14.2)
Dividends paid	(15.6)	-	-	-	(15.6)
Net cash outflow from financing activities	(38.3)	-	(6.6)	(14.2)	(59.1)
Increase in cash and cash equivalents	4.4	(0.1)	-	-	4.3
Cash and cash equivalents at 1 January	38.9	1.1	-	-	40.0
Cash and cash equivalents at 31 December	43.3	1.0	-	-	44.3
Analysis of cash and cash equivalents					
Cash and cash equivalents	44.4	108.4	-	-	152.8
Bank overdraft	(1.1)	(107.4)	-	-	(108.5)
Cash and cash equivalents at 31 December	43.3	1.0	-	-	44.3

Details of the corrections of errors and impact of adoption of IFRS 16 are made in note 1e on page 152.

Notes to the financial statements

As at 1 January 2018 and 31 December 2018

1d Statement of Financial Position (restated)

Company	As previously reported 31 December 2018 £m	Correction of errors - control weaknesses £m	Impact of IFRS 16 £m	At 31 December 2018 (restated) £m	As previously reported 1 January 2018 £m	Correction of errors - control weaknesses £m	Impact of IFRS 16 £m	At 1 January 2018 (restated) £m
Non-current assets								
Intangible assets	13.2	(1.2)	-	12.0	11.3	(1.0)	-	10.3
Property, plant and equipment	0.7	0.2	-	0.9	0.4	1.4	-	1.8
Right of use assets	-	-	1.2	1.2	-	-	1.3	1.3
Investment in subsidiaries	126.8	-	-	126.8	57.8	-	-	57.8
Deferred tax assets	12.2	-	-	12.2	4.1	0.6	-	4.7
	152.9	(1.0)	1.2	153.1	73.6	1.0	1.3	75.9
Current assets								
Trade and other receivables	389.3	10.0	-	399.3	461.3	(2.1)	-	459.2
Current tax receivable	9.1	(0.3)	-	8.8	1.0	(0.5)	-	0.5
Cash and cash equivalents	19.1	0.1	-	19.2	11.8	21.5	-	33.3
	417.5	9.8	-	427.3	474.1	18.9	-	493.0
Total assets	570.4	8.8	1.2	580.4	547.7	19.9	1.3	568.9
Current liabilities								
Bank loans and overdrafts	25.9	-	-	25.9	30.7	20.7	-	51.4
Trade and other payables	118.9	9.5	-	128.4	83.5	(5.0)	-	78.5
Lease liabilities	-	-	0.6	0.6	-	-	0.5	0.5
	144.8	9.5	0.6	154.9	114.2	15.7	0.5	130.4
Net current assets	272.7	0.3	(0.6)	272.4	359.9	3.2	(0.5)	362.6
Non-current liabilities								
Bank loans	118.7	-	-	118.7	111.5	-	-	111.5
Lease liabilities	-	-	0.6	0.6	-	-	0.8	0.8
Pension scheme obligations	69.4	-	-	69.4	65.6	-	-	65.6
	188.1	-	0.6	188.7	177.1	-	0.8	177.9
Total liabilities	332.9	9.5	1.2	343.6	291.3	15.7	1.3	308.3
Net assets	237.5	(0.7)	-	236.8	256.4	4.2	-	260.6
Shareholders' equity								
Ordinary share capital	19.4	-	-	19.4	19.9	-	-	19.9
Share premium	78.4	-	-	78.4	78.4	-	-	78.4
Capital redemption reserve	15.1	-	-	15.1	14.6	-	-	14.6
Retained earnings	124.6	(0.7)	-	123.9	143.5	4.2	-	147.7
Total equity	237.5	(0.7)	-	236.8	256.4	4.2	-	260.6

Details of the corrections of errors and impact of adoption of IFRS 16 are made in Note 1e on page 152.

Notes to the financial statements

As at 1 January 2018 and 31 December 2018

1e Notes of restatements

As detailed on page 27 of the Financial Review, a number of restatements and adjustments were identified arising from the Investigation and subsequent internal review. The nature and cause of the items are detailed in the Financial Review on pages 32 to 35. This note summarises the impact of the adjustments to each financial year and to each of the primary financial statements.

For the purposes of this report, the adjustments have been aggregated where the nature and cause of the misstatement is similar. These groupings are as follows:

- Correction of fictitious transactions;
- Correction of errors arising from inappropriate or inconsistent accounting standards application 'Policy misapplication'; and
- Correction of errors arising from weaknesses in controls grouped by nature 'Control weaknesses'.

Further details concerning the adoption of IFRS 16 are included on page 136.

Statement of Total Consolidated Comprehensive Income

Presentational adjustments

This column discloses the reclassification of distribution costs, administration expenses and share based payments to net operating expenses, the reclassification of debt issue costs to net interest expense and the introduction of non-underlying items. These reclassifications are presentational only and do not change the reported result for the year ending 31 December 2018.

Correction of errors - fictitious transactions

Correction of error totalling £1.6m in relation to the fictitious entries created in one of the Group's operating entities for manufacturer bonus credits in the year ending 31 December 2018.

Correction of errors - accounting policy misapplication

Correction of errors in relation to misapplication of accounting policies. These consist of the following categories of adjustments:

- 1 - Adjustments to correctly recognise ring-fenced cash and associated financial liabilities, adjustments to disclose cash and overdrafts gross of any offsetting and adjustments to impair unamortised debt issue costs in the year ending 31 December 2018
- 2 - Adjustments to correct the accounting entries made within the Group's leasing business units including adjustments to recognise revenue and cost of sales in addition to the recognition of increased depreciation and lease interest charges. These reductions in revenue and cost of sales are to reverse the previous treatment of these as sales which was incorrect because control was retained. Balance sheet adjustments relate to the reclassification of inventories to property, plant and equipment and the recognition of lease buy-back creditors and deferred income
- 3 - Adjustments to correct the accounting entries made within the Group's motor trading business units with regards to company staff car schemes. This has resulted in adjustments to revenue and cost of sales in addition to balance sheet adjustment for inventories, trade and other receivables and trade and other payables. These reductions in revenue and cost of sales are to reverse the previous treatment of these as sales which was incorrect because control was retained.

Year ending 31 December 2018/Adjustment	1	2	3	Total
Impact on profit before tax - £m	(0.7)	0.3	0.4	-
Opening reserves impact - £m	0.2	(1.2)	(0.7)	(1.7)

Correction of errors - control weaknesses

Correction of errors in relation to failures in internal control and processing. These consist of the following categories of adjustments:

- 4 - Adjustments in relation to corrective accounting entries to property plant and equipment, goodwill and intangible assets which principally affects net operating expenses and associated balance sheet cost and accumulated depreciation and impairment totals
- 5 - Adjustments in relation to corrective measures for the recognition of manufacturer bonus income in cost of sales and motor vehicle trade debtors
- 6 - Adjustments in relation to corrective measures across the head office accounting function which has resulted in corrections to a number of trade and other receivable and trade and other payable balances in relation to cut-off errors and recharge accounting which have affected net operating expenses
- 7 - Adjustments in relation to corrective measures across the divisional accounting functions which has resulted in corrections to a number of trade and other receivable and trade and other payable balances in relation to cut-off errors and recharge accounting which have affected net operating expenses

Year ending 31 December 2018/Adjustment	4	5	6	7	Total
2018 Impact on profit before tax - £m	2.2	(0.6)	(8.1)	0.9	(5.6)
Opening reserves impact - £m	(6.2)	(1.2)	2.5	(0.5)	(5.4)

Impact of IFRS 16

Adjustments in relation to the fully retrospective adoption of IFRS 16.

Consolidated statement of financial position

Correction of errors - fictitious transactions

Correction of error totalling £1.6m in relation to the fictitious entries created in one of the Group's operating entities for manufacturer bonus credits in the year ending 31 December 2018.

Correction of errors - accounting policy misapplication

Correction of errors in relation to misapplication of accounting policies. These consist of the following categories of adjustments:

- 1 - Adjustments to correctly recognise ring-fenced cash and associated financial liabilities, adjustments to disclose cash and overdrafts gross of any offsetting and adjustments to impair unamortised debt issue costs in the year ending 31 December 2018
- 2 - Adjustments to correct the accounting entries made within the Group's leasing business units including adjustments to recognise revenue and cost of sales in addition to the recognition of increased depreciation and lease interest charges. These reductions in revenue and cost of sales are to reverse the previous treatment of these as sales which was incorrect because control was retained. Balance sheet adjustments relate to the reclassification of inventories to property, plant and equipment and the recognition of lease buy-back creditors and deferred income
- 3 - Adjustments to correct the accounting entries made within the Group's motor trading business units with regards to company staff car schemes. This has resulted in adjustments to revenue and cost of sales in addition to balance sheet adjustment for inventories, trade and other receivables and trade and other payables. These reductions in revenue and cost of sales are to reverse the previous treatment of these as sales which was incorrect because control was retained.
- 8 - Adjustments to correctly recognise consignment inventories and associated financial liabilities in accordance with the Group's accounting policies at 1 January 2018

31 December 2018/Adjustment	1	2	3	8	Total
Impact on non-current assets	-	67.7	-	-	67.7
Impact on current assets	107.8	(57.1)	1.7	-	52.4
Impact on current liabilities	108.3	(8.4)	2.0	-	101.9
Impact on non-current liabilities	-	19.9	-	-	19.9
1 January 2018/Adjustment	1	2	3	8	Total
Impact on non-current assets	-	69.1	-	-	69.1
Impact on current assets	88.8	(55.8)	(6.2)	19.6	46.4
Impact on current liabilities	89.3	12.3	(5.5)	19.6	115.7
Impact on non-current liabilities	(0.7)	2.2	-	-	1.5

Notes to the financial statements

As at 1 January 2018 and 31 December 2018

1e Notes of restatements (continued)

Correction of errors - control weaknesses

Correction of errors in relation to failures in internal control and processing. These consist of the following categories of adjustments:

- 4 - Adjustments in relation to corrective accounting entries to property plant and equipment, goodwill and intangible assets which principally effects net operating expenses and associated balance sheet cost and accumulated depreciation and impairment totals
- 5 - Adjustments in relation to corrective measures for the recognition of manufacturer bonus income in cost of sales and motor vehicle trade debtors
- 6 - Adjustments in relation to corrective measures across the head office accounting function which has resulted in corrections to a number of trade and other receivable and trade and other payable balances in relation to cut-off errors and recharge accounting which have affected net operating expenses
- 7 - Adjustments in relation to corrective measures across the divisional accounting functions which has resulted in corrections to a number of trade and other receivable and trade and other payable balances in relation to cut-off errors and recharge accounting which have affected net operating expenses

31 December 2018/Adjustment	4	5	6	7	Total
Impact on non-current assets	(4.3)	-	-	-	(4.3)
Impact on current assets	(5.1)	(1.8)	(7.6)	(1.4)	(15.9)
Impact on current liabilities	(5.4)	-	(2.0)	0.7	(6.7)
Impact on non-current liabilities	-	-	-	(3.3)	(3.3)

1 January 2018/Adjustment	4	5	6	7	Total
Impact on non-current assets	(2.7)	-	-	-	(2.7)
Impact on current assets	(4.3)	(1.2)	(2.6)	1.1	(7.0)
Impact on current liabilities	(0.8)	-	(5.1)	4.7	(1.2)
Impact on non-current liabilities	-	-	-	(3.1)	(3.1)

Impact of IFRS 16

Adjustments in relation to the fully retrospective adoption of IFRS 16, see page 140 for details.

Company statement of financial position

Correction of errors - control weaknesses

Correction of errors in relation to failures in internal control and processing. These consist of the following categories of adjustments:

- 9 - Adjustments in relation to corrective accounting entries to property plant and equipment and intangible assets which principally effects net operating expenses and associated balance sheet cost and accumulated depreciation and impairment totals
- 10 - Adjustments in relation to corrective measures across the head office accounting function which has resulted in corrections to a number of trade and other receivable and trade and other payable balances in relation to cut-off errors and recharge accounting which have affected net operating expenses

31 December 2018/Adjustment	9	10	Total
Impact on non-current assets	(1.0)	-	(1.0)
Impact on current assets	-	9.8	9.8
Impact on current liabilities	-	9.5	9.5
Impact on non-current liabilities	-	-	-

1 January 2018/Adjustment	9	10	Total
Impact on non-current assets	1.0	-	1.0
Impact on current assets	-	18.9	18.9
Impact on current liabilities	-	15.7	15.7
Impact on non-current liabilities	-	-	-

Impact of IFRS 16

Adjustments in relation to the fully retrospective adoption of IFRS 16, see page 140 for details.

Notes to the financial statements

As at 1 January 2018 and 31 December 2018

1e Notes of restatements (continued)

Consolidated cash flow statement

With the exception of the omitted bank accounts referred to above, the impact of the adjustments does not affect the net movement in cash and cash equivalents for 2018. However, by adjusting for the restatements above, there have been a number of reclassifications of items between Operating, Financing and Investing cash flows. These are primarily attributed to the effect of the adoption of IFRS 16 as disclosed on page 140 and the correction of accounting policies applied to the Group's vehicle leasing companies. As detailed above, the Group previously treated these transactions as sales which was incorrect because control was retained. As a consequence the cash flow statement previously treated such transactions as operating cash flows. In restating the cash flow statement for the revised policy, this primarily results in:

- an increase in investing outflows of to reflect the purchase of £86.2m rental fleet assets; and
- an increase in financing inflows of £72.7m and outflows of £79.3m to reflect the financial liabilities arising in connection with the financing of the vehicle lease arrangements

2. Segmental reporting

As noted in Accounting policy 12 on page 135 in preparing the financial statements the Directors have reassessed and revised the presentation of the segmental information to better reflect the Group's revenue streams, gross profit contributions and the single-segment trading nature of the business' operations. No further disclosures have been made given the single segment trading nature of the business' operations which are predominantly transacted in the United Kingdom.

In preparing the revised presentation, revenues from leasing and other revenue channels have been shown separately from aftersales and all channels have been shown as gross totals prior to the elimination of intercompany trading activity so as to provide more granular detail around the Group's internal trading activities.

Motor distribution	2019 £m	Mix*	2018 (restated)** £m	Mix*
New cars	2,226.4	43.0%	2,364.7	45.8%
Used cars	2,326.3	44.9%	2,215.7	43.0%
Aftersales	495.3	9.6%	464.0	9.0%
Leasing and other	134.0	2.6%	115.3	2.2%
Less: intercompany	(394.8)	-	(331.4)	-
Revenue	4,787.2	100%	4,828.3	100%

*Mix calculation excludes the effect of intercompany revenues.

**Previously New car revenue was disclosed as £2,384.8m, Used car revenue was disclosed as £1,939.4m and Aftersales was disclosed as £545.3m. No disclosures were made with regards to Leasing and other, intercompany eliminations.

Notes to the financial statements

For the year ended 31 December 2019

3. (Loss)/profit before taxation

The following have been included before arriving at (loss)/profit before taxation:

	Note	2019 £m	2018 (restated) £m
Staff costs	5	301.6	286.2
Depreciation of property, plant and equipment and right of use assets	12,13	48.3	39.8
Depreciation of rental fleet assets	18	5.8	6.3
Amortisation of intangible assets	11	6.1	5.6
Impairment of intangible assets (underlying element)	11	0.4	0.5
Loss/(gain) on disposal of rental fleet vehicles		0.2	(0.5)
Gain on disposal of leased vehicles		(0.5)	(0.6)
Cost of inventories recognised as an expense		3,751.0	3,807.0
Non-underlying items	4	49.7	0.9
Restructure of regulated activities (underlying element)		2.1	-
Low value leased assets		0.4	0.4
Utilities		33.8	31.7
Other expenses		601.5	580.2
Total cost of sales and operating expenses		4,800.4	4,757.5

In the year ending 31 December 2019 staff costs have been restated to include share-based compensation charges and exclude the effect of additional past service costs as these are disclosed within non-underlying items. In addition costs of inventories recognised as an expense have been represented following the identification of prior period adjustments.

Services provided by the group's auditor

The analysis of auditor's remuneration is as follows:

Group	2019 £000	2018 £000
Audit of the Company	20.0	20.0
Audit of the Group and Company's subsidiaries	1,422.6	660.0
Total audit fees	1,442.6	680.0
Other non-audit fees - review of financial information	-	20.0
Total non-audit fees	-	20.0

Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis and therefore included above.

Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Report from the Chairman of the Audit and Risk Committee.

Non-audit fees were £20,000 in 2018 and related to review procedures undertaken in respect of the Group's interim results. No non-audit fees were incurred in 2019.

Notes to the financial statements

For the year ended 31 December 2019

4. Non-underlying items

The following details items of income and expenditure that the Group has classified as non-underlying in its statement of total comprehensive income.

Non-underlying items at operating profit	Note	2019 £m	2018 £m
1 - Gain on property disposals	12,14	(4.9)	(2.5)
2 - Impairment of property, plant and equipment	12	3.7	-
2 - Impairment of right of use assets	13	1.8	-
2 - Restructuring costs		8.8	-
3 - Impairment of goodwill and intangible assets	10,11	30.4	-
4 - Value added tax (VAT)		(6.2)	-
5 - Restructure of regulated activities		4.7	-
5 - FCA provision	21	10.4	-
6 - Additional pension past service costs	26	-	3.4
7 - Accrual for potential tax penalties		1.0	-
Non-underlying items at operating profit		49.7	0.9

- 1 - Property disposals relate to the net gains on the sale of a number of freehold properties during the current year. In the comparative period the net gains were recognised following the sale and leaseback of two properties.
- 2 - In addition to the group-wide restructuring, costs relating to site closure and impairment losses have been recognised during the year net of £0.6m of insurance income recorded herein.
- 3 - During the year the Directors have concluded that impairment charges against the carrying value of certain elements of the Group's intangible asset base is required given the current market conditions.
- 4 - During the year the Group has benefitted from a change in how HMRC view VAT treatment for dealer deposit contributions which was previously uncertain and has given rise to a one-off credit of £5.6m in respect of prior periods. In addition a one-off VAT charge totalling £2.0m has been made in relation to manufacturer deposit contributions and following a challenge over accounting for VAT on Motability sales, the Group has recognised a credit of £2.6m in year ending 31 December 2019.
- 5 - Costs totalling £4.7m in respect of the Group-wide FCA focused restructure plan have been recorded as non-underlying. These costs represent the infrequently occurring set-up expenditure for the establishment of new processes and controls and governance structure in order to improve internal control, risk assurance systems and internal audit as well as delivering best practice and an enhanced customer experience. A provision of £10.4m has been recorded in respect of FCA matters. See Note 21 for further details.
- 6 - In the year ending 31 December 2018, £3.4m of enhanced past service pension costs were incurred in respect of pension harmonisation charges and have been treated as non-underlying items.
- 7 - An accrual of £1.0m has been recognised in respect of potential tax penalties arising from the understatement of taxable profits in prior years in some of the Group's subsidiary undertakings.

Notes to the financial statements

For the year ended 31 December 2019

5. Information regarding employees

Group

Employee costs:	2019 £m	2018 (restated) £m
Wages and salaries	270.7	255.8
Social security costs	24.7	25.6
Other pension costs	4.8	3.1
Share based compensation	1.4	1.7
	301.6	286.2

Other pension costs in respect of the year ending 31 December 2018 have been re-presented and £3.4m is now disclosed within non-underlying items in Note 4.

Average number employed during the year:	2019 No.	2018 No.
Aftersales	2,091	1,836
Sales	2,194	2,200
Administration	4,376	4,287
	8,661	8,323

The average number employed by the Company during the year was 310 (2018: 281).

Key management compensation:	2019 No.	2018 No.
Short-term employee benefits	6.0	7.0
Post-employment benefits	0.2	0.2
Termination benefits	0.8	-
Share options	0.3	0.4
	7.3	7.6

The key management compensation given above includes Executive Directors and key operational staff. During the year the aggregate gains made on the exercise of share options by Directors was £nil (2018: £nil). Further details of Directors' remuneration is included in the Directors' Remuneration Report.

Notes to the financial statements

For the year ended 31 December 2019

6. Net interest

	2019 £m	2018 (restated) £m
Interest expense:		
Interest payable on bank borrowings	(10.0)	(5.6)
Interest on consignment, repurchase vehicle liabilities and stocking loans	(12.1)	(13.1)
Interest on vehicle rental finance liabilities	(2.2)	(2.2)
Interest on lease liabilities	(5.7)	(5.5)
Interest cost on defined benefit pension obligation	(8.1)	(7.4)
Debt issue costs	(0.4)	(1.1)
	(38.5)	(34.9)
Interest income:		
Interest income on bank balances	-	0.3
Interest income on pension scheme assets	6.2	5.7
	6.2	6.0
Net interest	(32.3)	(28.9)

Refer to Note 1e on page 152 for discussions of the nature and origin of prior period adjustments affecting net interest.

Notes to the financial statements

For the year ended 31 December 2019

7. Taxation

	2019 £m	2018 (restated) £m
Current tax (credit)/charge:		
Current year	(1.2)	11.1
Adjustment in respect of prior years	(2.5)	(1.8)
	(3.7)	9.3
Deferred tax (credit)/charge:		
Deferred tax - origination and reversal of temporary differences	0.2	-
Adjustment in respect of prior years	(0.4)	-
	(0.2)	-
Total tax (credit)/charge	(3.9)	9.3
Tax on items charged to other comprehensive income:		
Tax on pension scheme obligations	1.2	(1.2)
Reconciliation of total tax		
(Loss)/profit before tax	(45.5)	41.9
Standard rate of corporation tax at 19% (2019: 19%)	(8.6)	7.9
Disallowable items	6.4	2.8
Share based compensation	0.7	0.5
Adjustment in respect of prior years	(2.9)	(1.8)
Difference on overseas tax rate	0.5	(0.1)
Total tax	(3.9)	9.3

Refer to Note 1e on page 152 for discussions of the nature and origin of prior period adjustments affecting tax.

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the deferred tax liability as at 31 December 2019 has been calculated at this rate. In the 11 March 2020 budget it was announced that the UK tax rate will remain at the current rate of 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the Group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have increased by £4.0m.

8. Dividends

Group	2019 £m	2018 £m
Interim dividend for the years ended 31 December 2019 and 2018 1.48p (2018: 1.48p)	5.8	5.8
Final dividend for the years ended 31 December 2018 and 2017 2.60p (2017: 2.48p)	10.1	9.8
	15.9	15.6

The Directors do not propose a final dividend in respect of the financial year ended 31 December 2019 (2018: final dividend 2.60p).

Notes to the financial statements

For the year ended 31 December 2019

9. (Loss)/earnings per share

	2019	2018 (restated)
(Loss)/earnings attributable to ordinary shareholders (£m)	(41.6)	32.6
Weighted average number of shares in issue	389,182,654	394,662,632
Basic (loss)/earnings per share (p)	(10.69)	8.26
(Loss)/earnings attributable to ordinary shareholders (£m)	(41.6)	32.6
Dilutive effect of share based payment options and weighted average number of shares in issue	389,182,654	410,404,570
Diluted (loss)/earnings per share (p)	(10.69)	7.94
(Loss)/profit before tax (£m)	(45.5)	41.9
Add: Non-underlying items (£m)	49.7	0.9
Underlying profit before tax (£m)	4.2	42.8
Tax rate	19.0%	19.0%
Underlying tax (£m)	(0.8)	(8.1)
Underlying earnings attributable to ordinary shareholders (£m)	3.4	34.7
Weighted average number of shares in issue	389,182,654	394,662,632
Underlying basic earnings per share (p)	0.87	8.78

In the year ended 31 December 2019 the basic and diluted earnings per share are equal as a result of the Group incurring a loss for the year. This has therefore created an anti-dilutive impact. The diluted weighted average number of shares in issue in 2019 was 393,961,890. The weighted average number of ordinary shares in 2018 has been restated following a restatement to the Company's share capital at 31 December 2018 and earnings per share have been restated following the adoption of IFRS 16 and the recognition of prior period adjustments.

Notes to the financial statements

For the year ended 31 December 2019

10. Goodwill

Group

Cost	2019 £m	2018 (restated) £m	2017 (restated) £m
At 1 January	122.4	115.1	119.3
Correction of errors	-	-	(4.2)
At 1 January (restated)	122.4	115.1	115.1
Additions	-	7.3	-
As at 31 December	122.4	122.4	115.1
Aggregate impairment			
At 1 January	10.7	10.4	10.4
Charge for the year	29.8	0.3	-
As at 31 December	40.5	10.7	10.4
Carrying amount at 31 December	81.9	111.7	104.7

Following the Group's annual impairment review and a deterioration in expected market conditions underpinning the value in use calculations, an impairment charge of £29.8m has been recognised during the year (2018: £0.3m).

The following table summarises goodwill and intangibles with an indefinite useful economic life allocated by CGU:

CGU	2019 Goodwill £m	2019 Licences and brands £m	2019 Total £m	2018 Goodwill £m	2018 Licences and brands £m	2018 Total £m	2017 Goodwill £m	2017 Licences and brands £m	2017 Total £m
JLR	9.0	-	9.0	11.8	-	11.8	11.8	-	11.8
Audi	22.1	28.9	51.0	22.1	28.9	51.0	22.1	28.9	51.0
Charles Hurst	9.4	-	9.4	9.4	-	9.4	9.4	-	9.4
Renault Nissan Dacia	2.6	2.9	5.5	2.6	2.9	5.5	2.6	2.9	5.5
Mercedes-Benz	15.2	28.2	43.4	15.2	28.2	43.4	15.2	28.2	43.4
Volkswagen	6.9	15.9	22.8	6.9	15.9	22.8	7.2	15.9	23.1
Ford	7.4	2.9	10.3	24.8	2.9	27.7	17.5	2.9	20.4
BMW	-	21.7	21.7	9.6	22.3	31.9	9.6	22.3	31.9
Vauxhall	0.2	-	0.2	0.2	-	0.2	0.2	-	0.2
Fleet & Leasing	9.1	-	9.1	9.1	-	9.1	9.1	-	9.1
	81.9	100.5	182.4	111.7	101.1	212.8	104.7	101.1	205.8

Figures included in the 2017 and 2018 goodwill allocations by CGU have been re-presented following the recognition of prior period adjustments. Refer to Note 1e on page 152 for further information.

The Group's three year strategic review considers the Group's profit and loss, cashflows, debt and other key financial ratios over the period.

There are a number of key assumptions within these forecasts and these have been based on management's past experience and knowledge of the market. The key assumptions that have been used in determining the value in use of each cash generating unit in the impairment model are set out in the table below:

Assumption	2019	2018	2017
One to five year revenue growth	0.0% to 1.0%	0.0% to 1.4%	0.0% to 1.6%
One to five year operating expenses growth	0.0% to 2.0%	0.0% to 1.1%	0.0% to 1.1%
Post year five growth rate	0%	0%	0%
Discount rate	8.51%	8.70%	9.70%

The value-in-use of each CGU is calculated using cash flow projections for a five-year period; from 1 January 2020 to 31 December 2024. These projections are based on the Board approved budget for the year ending 31 December 2020 forming the basis for the Group's strategic plan. The key assumptions in the most recent annual budget on which the cash flow projections are based relate to expectations of sales volumes and margins and expectations around changes in the operating cost base.

The pre-tax adjusted discount rate used has been calculated using the Group's estimated cost of capital, adjusted for the impact of IFRS 16 and benchmarked against externally available data.

As noted above an impairment of £29.8m has been recognised to reduce the carrying amount of goodwill in three cash generating units where the value in use estimation was lower than the associated carrying value. Acknowledging continued uncertainty in the UK economy, including the impact of post-Brexit negotiations, we have performed further sensitivity analysis. This principally has been a reduction in forecast revenues and associated margins of up to 5.5% and 2.5% respectively as well as up to 2.0% increase in direct costs. This shows that, with the exception of the JLR, Ford and BMW CGUs, no impairment arises in response to reasonable possible change scenarios as at 31 December 2019 balance sheet position. This sensitivity reduces the headroom on the Renault Nissan Dacia CGU to £0.9m and for the three CGUs that show additional impairment, the additional impairment that would arise is as follows:

CGU	Additional impairment – £m
JLR	15.9
Ford	11.9
BMW	5.9
Total	33.7

Details with regard to subsequent events effecting the carrying value of goodwill and non amortised intangible assets are considered in Note 27.

Since the finalisation of the impairment review the Group has merged the operational activities of the Renault Nissan Dacia CGU with that of the Vauxhall CGU. Subsequent impairment reviews will therefore be undertaken based on this revised CGU.

Notes to the financial statements

For the year ended 31 December 2019

11. Intangible assets

Group

Cost	Licences and brands £m	IT development £m	Total £m
At 1 January 2018	102.6	23.8	126.4
Additions	-	7.9	7.9
At 31 December 2018	102.6	31.7	134.3
At 1 January 2019	102.6	31.7	134.3
Additions	-	7.9	7.9
At 31 December 2019	102.6	39.6	142.2
Accumulated amortisation and impairment			
At 1 January 2018	1.5	12.6	14.1
Correction of errors	-	1.0	1.0
At 1 January 2018 (restated)	1.5	13.6	15.1
Charge for the year	-	5.6	5.6
Correction of errors	-	0.2	0.2
At 31 December 2018 (restated)	1.5	19.4	20.9
At 1 January 2019	1.5	19.4	20.9
Charge for the year	-	6.1	6.1
Impairment charge	0.6	0.4	1.0
At 31 December 2019	2.1	25.9	28.0
Carrying amount			
As at 1 January 2018 (restated)	101.1	10.2	111.3
As at 31 December 2018 and 1 January 2019 (restated)	101.1	12.3	113.4
As at 31 December 2019	100.5	13.7	114.2

Refer to Note 1e on page 152 for discussions of the nature and origin of prior period adjustments affecting intangible assets.

The impairment charge of £0.6m relating to licences and brands incurred in the year is included in non-underlying items following the Group's annual impairment review. The impairment charge of £0.4m has been recorded in underlying items and has arisen following a review of the continued use of IT platforms that were capitalised in 2019.

At 31 December 2019 there is an amount of £nil (2018: £nil) committed for future capital expenditure.

Included within intangible assets is the capitalised development of the Group's website which is being amortised over four years.

Refer to Note 1e on page 152 for details of the accounting policy on amortisation of intangible assets.

Group	IT development £m
Cost	
At 1 January 2018	23.3
Additions	7.4
At 31 December 2018	30.7
At 1 January 2019	30.7
Additions	7.9
At 31 December 2019	38.6
Accumulated amortisation and impairment	
At 1 January 2018	12.0
Correction of errors	1.0
At 1 January 2018 (restated)	13.0
Charge for the year	5.5
Correction of errors	0.2
At 31 December 2018 (restated)	18.7
At 1 January 2019	18.7
Charge for the year	6.0
Impairment charge	0.4
At 31 December 2019	25.1
Carrying amount	
As at 1 January 2018 (restated)	10.3
As at 31 December 2018 and 1 January 2019 (restated)	12.0
As at 31 December 2019	13.5

Refer to Note 1e on page 152 for discussions of the nature and origin of prior period adjustments affecting intangible assets. The impairment charge of £0.4m has been recorded in underlying items and has arisen following a review of the continued use of IT platforms that were capitalised in 2019.

At 31 December 2019 there is an amount of £nil (2018: £nil) committed for future capital expenditure.

Included within intangible assets is the capitalised development of the Group's website which is being amortised over four years. Refer to Note 14 on page 135 for details of the accounting policy on amortisation of intangible assets.

Notes to the financial statements

For the year ended 31 December 2019

12. Property, plant and equipment

Group

Cost	Freehold property £m	Leasehold property £m	Motor vehicles for rental £m	Other £m	Total £m
At 1 January 2018 (as stated)	267.8	77.7	-	77.3	422.8
Corrections of errors - policy misapplication	-	-	98.9	-	98.9
Corrections of errors - control weakness	1.4	4.2	-	(4.9)	0.7
Effect of IFRS 16	-	(5.8)	-	-	(5.8)
At 1 January 2018 (restated)	269.2	76.1	98.9	72.4	516.6
Additions	12.8	0.9	26.1	7.8	47.6
Additions from business combinations	11.4	0.5	-	0.6	12.5
Disposals	(13.2)	(0.1)	(1.0)	(3.3)	(17.6)
Transfers to inventories	-	-	(25.5)	-	(25.5)
Transfers to assets held for sale	(11.7)	-	-	-	(11.7)
Corrections of errors - control weakness	-	-	-	7.4	7.4
At 31 December 2018 (restated)	268.5	77.4	98.5	84.9	529.3
At 1 January 2019	268.5	77.4	98.5	84.9	529.3
Movements in foreign exchange	(1.0)	-	-	(0.1)	(1.1)
Additions	3.7	10.5	35.5	31.6	81.3
Disposals	(9.7)	(1.6)	(0.4)	(10.2)	(21.9)
Transfers	15.3	6.6	-	(21.9)	-
Transfers to inventories	-	-	(32.5)	-	(32.5)
Transfers to assets held for sale	(6.6)	-	-	-	(6.6)
At 31 December 2019	270.2	92.9	101.1	84.3	548.5
Accumulated depreciation and impairment					
At 1 January 2018 (as stated)	18.6	17.1	-	45.1	80.8
Corrections of errors - policy misapplication	-	-	29.8	-	29.8
Corrections of errors - control weakness	1.5	(0.4)	-	(2.9)	(1.8)
Effect of IFRS 16	-	(2.5)	-	-	(2.5)
At 1 January 2018 (restated)	20.1	14.2	29.8	42.2	106.3
Charge for the year	2.0	2.4	16.1	6.3	26.8
Disposals	(1.1)	-	(0.7)	(3.3)	(5.1)
Transfers to inventories	-	-	(14.3)	-	(14.3)
Transfers to assets held for sale	(1.2)	-	-	-	(1.2)
At 31 December 2018 (restated)	19.8	16.6	30.9	45.2	112.5
At 1 January 2019	19.8	16.6	30.9	45.2	112.5
Movements in foreign exchange	-	-	-	(0.1)	(0.1)
Charge for the year	2.5	3.0	19.0	9.5	34.0
Impairment loss	3.1	-	-	1.2	4.3
Disposals	(0.6)	(1.3)	(0.4)	(10.0)	(12.3)
Transfers to inventories	-	-	(17.6)	-	(17.6)
Transfers to assets held for sale	(1.5)	-	-	-	(1.5)
At 31 December 2019	23.3	18.3	31.9	45.8	119.3
Carrying amount					
As at 1 January 2018 (restated)	249.1	61.9	69.1	30.2	410.3
As at 31 December 2018 and 1 January 2019 (restated)	248.7	60.8	67.6	39.7	416.8
As at 31 December 2019	246.9	74.6	69.2	38.5	429.2

Notes to the financial statements

For the year ended 31 December 2019

12. Property, plant and equipment (continued)

Assets in the course of construction relate to build costs that have been incurred but the property is not yet in use and are included in Other. The total of these assets held at 31 December is £3.6m (2018: £8.9m). These assets will be transferred to Freehold or Leasehold property when complete. Other includes plant and machinery, fixtures, fittings and tools and equipment.

Included within freehold property is freehold land at a cost of £7.5m (2018: £6.5m) which is not depreciated. At 31 December 2019 there is an amount of £7.2m (2018: £nil) committed for future capital expenditure.

Following the identification of prior period adjustments the analysis of property plant and equipment has been altered to account for the restatement of leased motor vehicles for rental as property, plant and equipment. In addition there are several other reclassifications as a result of the prior period adjustments. Refer to Note 1e on page 152 for further information.

During the year ending 31 December 2019 the total net book value of disposals from property amounted to £9.6m. Total proceeds received were £14.7m resulting in a gain on disposals of £5.1m.

Following the Group's restructuring program, an impairment charge of £3.1m has been recorded representing an adjustment to the expected recoverable values of assets subsequently transferred into assets held for sale. A further £1.3m has been recognised as an impairment loss against the carrying amount of affected assets following a fire at one of the Group's dealerships during 2019. At the balance sheet date £5.2m of properties have been reclassified into to assets held for sale. See Note 14 for further details.

Company	Other £m
Cost	
At 1 January 2018	2.8
Corrections of errors - control weakness	1.4
At 1 January 2018 (restated)	4.2
Additions	0.6
Corrections of errors - control weakness	(1.2)
At 31 December 2018 (restated)	3.6
At 1 January 2019	3.6
Additions	0.2
At 31 December 2019	3.8
Accumulated depreciation and impairment	
At 1 January 2018	2.4
Charge for the year	0.3
At 31 December 2018	2.7
At 1 January 2019	2.7
Charge for the year	0.3
At 31 December 2019	3.0
Carrying amount	
As at 1 January 2018	1.8
As at 31 December 2018 and 1 January 2019	0.9
As at 31 December 2019	0.8

There are several other reclassifications as a result of the prior period adjustments. Refer to Note 1e on page 152 for further information.

At 31 December 2019 there is an amount of £nil (2018: £nil) committed for future capital expenditure.

Notes to the financial statements

For the year ended 31 December 2019

13. Right of use assets

Group

Cost	Property £m	Other £m	Total £m
At 1 January 2018	205.3	3.6	208.9
Additions	30.7	2.4	33.1
Additions from business combinations	4.5	-	4.5
Retirements and surrenders	(0.4)	-	(0.4)
At 31 December 2018	240.1	6.0	246.1
Cost			
At 1 January 2019	240.1	6.0	246.1
Additions	19.5	2.9	22.4
Retirements and surrenders	(5.3)	(2.6)	(7.9)
At 31 December 2019	254.3	6.3	260.6
Accumulated depreciation and impairment			
At 1 January 2018	123.4	1.3	124.7
Charge for the year	10.4	2.6	13.0
Sale and leaseback remeasurement	5.2	-	5.2
Retirements and surrenders	(0.1)	-	(0.1)
At 31 December 2018	138.9	3.9	142.8
At 1 January 2019	138.9	3.9	142.8
Charge for the year	11.5	2.8	14.3
Impairment charge	1.8	-	1.8
Retirements and surrenders	(3.4)	(2.6)	(6.0)
At 31 December 2019	148.8	4.1	152.9
Carrying amount			
As at 1 January 2018	81.9	2.3	84.2
As at 31 December 2018 and 1 January 2019	101.2	2.1	103.3
As at 31 December 2019	105.5	2.2	107.7

Included within the Other category are leases for motor vehicles and IT equipment.

The impairment charge of £1.8m has been treated as a non-underlying item (see Note 4).

	Note
Disclosure of lease costs of low value assets	3
Gains on property disposals	4
Lease interest costs	6
Movements in lease liabilities	22

Notes to the financial statements

For the year ended 31 December 2019

13. Right of use assets (continued)

Company	Other £m
Cost	
At 1 January 2018	1.7
Additions	0.6
At 31 December 2018	2.3
Cost	
At 1 January 2019	2.3
Additions	0.6
At 31 December 2019	2.9
Accumulated depreciation and impairment	
At 1 January 2018	0.4
Charge for the year	0.7
At 31 December 2018	1.1
At 1 January 2019	1.1
Charge for the year	0.7
At 31 December 2019	1.8
Carrying amount	
As at 1 January 2018	1.3
As at 31 December 2018 and 1 January 2019	1.2
As at 31 December 2019	1.1

Included within the Other category are leases for IT equipment.

14. Assets held for sale

Lower of carrying amount and fair value less cost to sell	Group 2019 £m	Group 2018 £m	Group 2017 £m	Company 2019 £m	Company 2018 £m	Company 2017 £m
At 1 January	8.0	-	-	-	-	-
Net transfers from property, plant and equipment and financial liabilities	5.1	8.0	-	-	-	-
Disposals	(3.1)	-	-	-	-	-
At 31 December	10.0	8.0	-	-	-	-

During the year the total carrying amount disposed from held for sale amounted to £3.1m. Total proceeds received was £2.9m resulting in a loss on property disposals of £0.2m. As a result of the restructuring events during 2019 certain properties have been transferred from property, plant and equipment into assets held for sale at 31 December 2019.

Notes to the financial statements

For the year ended 31 December 2019

15. Investments in subsidiary undertakings

Cost	2019 £m	2018 £m	2017 £m
At 1 January	126.8	57.8	57.8
Transfers from related undertakings	-	69.0	-
At 31 December	126.8	126.8	57.8

Details of the subsidiary undertakings of Lookers plc (Registered Office: Lookers House, 3 Etchells Road, West Timperley, Altrincham, WA14 5XS, England) are as follows:

Registered Office: Lookers House, 3 Etchells Road, West Timperley, Altrincham, WA14 5XS, England	Lookers Bedale Garage Limited	PLP Motors Limited	Thompson-Reid Tractors Limited
	Lookers Birmingham Limited	Pollendine Motors (Frinton) Limited	Town & Country Fuels Limited
	Lookers Colborne Limited	Radford (Bavarian) Limited	Ulster Garages Limited
	Lookers Directors Limited	Roadshow Limited	
	Lookers GB & E Limited	Rosedale Finance & Leasing Limited	Incorporated and registered in Scotland
	Lookers JV Limited	S. Jennings Group Limited	**Arran Oils Limited
	Lookers Leasing Limited	S. Jennings Limited	**Ballcop (No.1) Limited
	*Lookers Motor Group Limited	The Dovercourt Motor Company Limited	**Ballcop (No.2) Limited
	*Lookers Motor Holdings Limited	The Dutton-Forshaw Group Limited	**Ballcop (No.3) Limited
	*Lookers Motors Limited	The Dutton-Forshaw Motor Company Limited	**Ballcop (No.4) Limited
	*Lookers North West Limited	*The Dutton-Forshaw Trustee Company Limited	**Ballcop (No.5) Limited
	*Lookers Norwich Limited	Truc-Bodies Limited	**Ballcop (No.7) Limited
	*Lookers of Barnsley Limited	Vehicle Rental Services Limited	**Ballcop (No.8) Limited
	*Lookers of Bradford Limited	Vikings Canterbury Limited	**Ballcop (No.9) Limited
	*Lookers of Burton Limited	Warwick Holdings Limited	**Ballcop (No.10) Limited
	*Lookers of Colwyn Bay Limited		**Ballcop (No.11) Limited
	*Lookers of Dewsbury Limited	Incorporated and registered in Northern Ireland	**Hurst Energy Services Limited
	*Lookers of Macclesfield Limited	Registered Office: 62 Boucher Road, Antrim, Belfast, BT12 6LR, Northern Ireland	**Hurst Fuels (Caledonia) Limited
	*Lookers of Manchester Limited	Adelaide Finance Limited	**Inverclyde Sales & Service Limited
	*Lookers of Northwich Limited	Bairds Cars Limited	***J M Sloan & Company (Car Hire) Limited
	*Lookers of Rochdale Limited	Balmoral Motors Limited	***J M Sloan & Company Limited
	*Lookers Pension Plan Trustee Limited	Charles Hurst Holdings Limited	**JN Holdings Limited
	*Lookers Secretaries Limited	Charles Hurst JV Limited	****Lomond Motors (East) Limited
	Lookers South East Limited	Charles Hurst Limited	****Lomond Motors Limited
	Lookers Southern Limited	Charles Hurst Motors Limited	****Lomond TPS Limited
	Lookers Thornton Engineering Limited	Fleet Financial Limited	***Shields Automotive Limited
Martins (Middlesbrough) Limited	Guthrie & Anderson Limited	***Taggarts Motor Group Limited	
Martins (Stockton) Limited	Hurstco Limited		
Martins (Sunderland) Limited	Savilles Auto Village Limited	Incorporated and registered in Republic of Ireland	
Martins-Wellington Limited	*The Charles Hurst Corporation Limited	Registered Office: 6th Floor, South Bank House, Barrow Street, Dublin 4, Ireland	
MB South Limited		Charles Hurst (Dublin) Limited	
Meteor Group Limited			
NNK Holdings Limited			
Picking (Liverpool) Limited			
Platts Harris Limited			

All subsidiary companies are wholly owned through ownership of ordinary share capital.

*These subsidiaries are directly owned by Lookers plc whilst the remaining are indirectly owned.

**Registered Office: 528/540 Windmill Hill Street, Motherwell, ML1 2AQ

***Registered Office: 1 Brasswell Park, Annan Road, Dumfries, DG1 3JA

****Registered Office: 520 Hillington Road, Braehead, Glasgow, G52 4UB

Notes to the financial statements

For the year ended 31 December 2019

16. Inventories

Group	2019 £m	2018 (restated) £m	2017 (restated) £m
Goods for resale	398.7	464.9	443.2
Vehicle spare parts for resale	24.1	28.0	34.6
Consignment vehicles	533.7	480.0	464.0
	956.5	972.9	941.8

Total write-offs of £0.0m (2018: £0.1m, 2017: £0.0m) have been incurred during the year and there has been no reversals of past write-downs (2018: none, 2017: none). Stocking loans provided by third party finance houses are secured over the vehicles used for the provision of such finance.

Included within goods for resale are vehicles leased out to staff employees on short-term lease arrangements via a third party but are still actively marketed for immediate sale to third parties by the Group as the Group has not relinquished control of these vehicles. As at 31 December 2019 these total £33.0m (2018: £26.1m, 2017 £21.3m).

At 31 December 2019 the Group had entered into a number of future purchase commitments amounting to £11.6m (2018: £8.1m, 2017: £3.2m) which are not recognised in the financial statements.

Details of the restatement in respect of the years ending 31 December 2018 and 31 December 2017 are explained in Note 1e on page 152 and in the tables below:

Group	2018 (as stated) £m	Adjustments £m	2018 (restated) £m
Goods for resale	547.7	(82.8)	464.9
Vehicle spare parts for resale	-	28.0	28.0
Consignment vehicles	480.0	-	480.0
	1,027.7	(54.8)	972.9

Group	2017 (as stated) £m	Adjustments £m	2017 (restated) £m
Goods for resale	542.1	(98.9)	443.2
Vehicle spare parts for resale	-	34.6	34.6
Consignment vehicles	442.0	22.0	464.0
	984.1	(42.3)	941.8

Vehicle spare parts have been disclosed separately from goods for resale for the first time in the year ending 31 December 2019. Therefore prior period comparatives have been restated accordingly along with the other prior period adjustments as noted in Note 1e on page 152.

Notes to the financial statements

For the year ended 31 December 2019

17. Trade and other receivables

	Group 2019 £m	2018 (restated) £m	2017 (restated) £m	Company 2019 £m	2018 (restated) £m	2017 (restated) £m
Trade receivables	111.6	119.8	138.6	1.1	0.4	0.4
Group receivables	-	-	-	343.5	389.4	427.9
Other receivables	8.0	17.3	70.3	7.7	7.4	28.4
Prepayments	20.6	23.7	24.6	3.8	2.1	2.5
	140.2	160.8	233.5	356.1	399.3	459.2

Balances held within Group receivables relate to balances due from subsidiary undertakings of the Company. All amounts are unsecured, interest free and repayable on demand.

Details of the restatements in respect of the years ending 31 December 2018 and 31 December 2017 are explained in Note 1e on page 152 and in the tables below:

	Group 2018 (as stated) £m	Adjustments £m	Group 2018 (restated) £m	Company 2018 (as stated) £m	Adjustments £m	Company 2018 (restated) £m
Trade receivables	121.6	(1.8)	119.8	-	0.4	0.4
Group receivables	-	-	-	378.8	10.6	389.4
Other receivables	30.5	(13.2)	17.3	9.2	(1.8)	7.4
Prepayments	27.4	(3.7)	23.7	1.3	0.8	2.1
	179.5	(18.7)	160.8	389.3	10.0	399.3

	Group 2017 (as stated) £m	Adjustments £m	Group 2017 (restated) £m	Company 2017 (as stated) £m	Adjustments £m	Company 2017 (restated) £m
Trade receivables	139.8	(1.2)	138.6	0.4	-	0.4
Group receivables	-	-	-	427.9	-	427.9
Other receivables	73.9	(3.6)	70.3	30.6	(2.2)	28.4
Prepayments	27.4	(2.8)	24.6	2.4	0.1	2.5
	241.1	(7.6)	233.5	461.3	(2.1)	459.2

Notes to the financial statements

For the year ended 31 December 2019

18. Rental fleet vehicles

	Group 2019 £m	2018 £m	2017 £m
Cost			
At 1 January	57.1	63.6	69.9
Transfer from group inventories	31.3	29.3	20.6
Additions	61.7	60.1	66.5
Disposals	(63.3)	(76.5)	(82.3)
Transfer to group inventories	(24.7)	(19.4)	(11.1)
At 31 December	62.1	57.1	63.6
Accumulated depreciation			
At 1 January	2.9	2.7	2.8
Charge for the year	5.8	6.3	6.2
Disposals	(4.4)	(4.8)	(5.0)
Transfer to group inventories	(1.6)	(1.3)	(1.3)
At 31 December	2.7	2.9	2.7
Carrying amount at 31 December	59.4	54.2	60.9

The reconciliation of movements above has been re-presented for the years ending 31 December 2017 and 31 December 2018 to split out transfers from and to group inventories from additions and disposals respectively. The transfer of vehicles to group inventories represents vehicles that have been transferred to other members of the Group for sale to third party customers.

Rental vehicles included in current assets reflect those vehicles which are purchased for the purpose of short-term rentals and which are expected to be disposed of in less than one year.

Notes to the financial statements

For the year ended 31 December 2019

19. Cash and cash equivalents

	Group 2019 £m	2018 (restated) £m	2017 (restated) £m	Company 2019 £m	2018 (restated) £m	2017 (restated) £m
Cash at bank and in hand	150.3	152.8	135.6	17.4	19.2	33.3
Bank overdraft	(118.9)	(108.5)	(95.6)	(40.6)	(25.5)	(41.4)
Cash and cash equivalents per statement of cash flows	31.4	44.3	40.0	(23.2)	(6.3)	(8.1)

Total restricted cash for the Group at 31 December 2019 is £0.3m (2018: £0.3m, 2017: £1.1m) and for the Company is £0.2m (2018: £0.1m, 2017: £0.1m).

	Group 2018 (as stated) £m	Adjustments £m	Group 2018 (restated) £m	Company 2018 (as stated) £m	Adjustments £m	Company 2018 (restated) £m
Cash at bank and in hand	44.4	108.4	152.8	19.1	0.1	19.2
Bank overdraft	(1.1)	(107.4)	(108.5)	(25.5)	-	(25.5)
	43.3	1.0	44.3	(6.4)	0.1	(6.3)

	Group 2017 (as stated) £m	Adjustments £m	Group 2017 (restated) £m	Company 2017 (as stated) £m	Adjustments £m	Company 2017 (restated) £m
Cash at bank and in hand	45.3	90.3	135.6	11.8	21.5	33.3
Bank overdraft	(6.4)	(89.2)	(95.6)	(20.7)	(20.7)	(41.4)
	38.9	1.1	40.0	(8.9)	0.8	(8.1)

Refer to Note 1e on page 152 for details of the nature and origin of prior period adjustments affecting cash and cash equivalents.

Notes to the financial statements

For the year ended 31 December 2019

20. Trade and other payables

	Group 2019 £m	2018 (restated) £m	2017 (restated) £m	Company 2019 £m	2018 (restated) £m	2017 (restated) £m
Current						
Trade payables	206.9	283.3	290.8	8.9	4.4	7.3
Repurchase commitments	47.6	23.2	25.7	-	-	-
Stocking loans	337.1	282.5	290.6	-	-	-
Consignment vehicle creditors	533.7	480.0	464.0	-	-	-
Group payables	-	-	-	112.6	116.7	50.7
Other tax and social security payable	0.8	9.6	18.3	-	-	5.7
Other creditors	16.3	35.4	35.8	1.5	0.2	6.6
Deferred income	6.4	8.2	6.7	-	-	-
Vehicle Rental finance liabilities	62.2	57.5	66.4	-	-	-
Accruals	50.5	40.7	52.5	13.3	7.1	8.2
	1,261.5	1,220.4	1,250.8	136.3	128.4	78.5

	Group 2019 £m	2018 (restated) £m	2017 (restated) £m	Company 2019 £m	2018 (restated) £m	2017 (restated) £m
Non-current						
Deferred income greater than one year	7.3	7.1	9.1	-	-	-
Vehicle Rental finance liabilities	35.0	32.2	29.9	-	-	-
	42.3	39.3	39.0	-	-	-

Balances within Group payables relate to balances due to subsidiary undertakings of the Company. All amounts are unsecured, interest free and repayable on demand. Included within the £35.8m of other creditors at 31 December 2017 is a derivative financial instrument of £0.6m.

Details of the restatements in respect of the years ending 31 December 2018 and 31 December 2017 are explained in Note 1e on page 152 and in the tables overleaf.

Notes to the financial statements

For the year ended 31 December 2019

20. Trade and other payables (continued)

Details of the restatements in respect of the years ending 31 December 2018 and 31 December 2017 are explained in Note 1e on page 152 and in the tables below:

Current	Group 2018 (as stated) £m	Adjustments £m	Group 2018 (restated) £m	Company 2018 (as stated) £m	Adjustments £m	Company 2018 (restated) £m
Trade payables	282.3	1.0	283.3	4.4	-	4.4
Repurchase commitments	-	23.2	23.2	-	-	-
Stocking loans	336.5	(54.0)	282.5	-	-	-
Consignment vehicle creditors	480.0	-	480.0	-	-	-
Group payables	-	-	-	106.0	10.7	116.7
Rental fleet vehicle finance	40.0	(40.0)	-	-	-	-
Other tax and social security payable	9.4	0.2	9.6	-	-	-
Other creditors	39.3	(3.9)	35.4	-	0.2	0.2
Deferred income	-	8.2	8.2	-	-	-
Vehicle rental finance liabilities	-	57.5	57.5	-	-	-
Accruals	48.2	(7.5)	40.7	8.5	(1.4)	7.1
	1,235.7	(15.3)	1,220.4	118.9	9.5	128.4

Non-current	Group 2018 (as stated) £m	Adjustments £m	Group 2018 (restated) £m	Company 2018 (as stated) £m	Adjustments £m	Company 2018 (restated) £m
Repurchase commitments	11.9	(11.9)	-	-	-	-
Rental fleet vehicle finance	7.5	(7.5)	-	-	-	-
Deferred income	-	7.1	7.1	-	-	-
Vehicle Rental income	-	32.2	32.2	-	-	-
	19.4	19.9	39.3	-	-	-

Notes to the financial statements

For the year ended 31 December 2019

20. Trade and other payables (continued)

Details of the restatements in respect of the years ending 31 December 2018 and 31 December 2017 are explained in Note 1e on page 152 and in the tables below:

	Group 2017 (as stated) £m	Adjustments £m	Group 2017 (restated) £m	Company 2017 (as stated) £m	Adjustments £m	Company 2017 (restated) £m
Trade payables	299.3	(8.5)	290.8	6.8	0.5	7.3
Repurchase commitments	-	25.7	25.7	-	-	-
Stocking loans	326.4	(35.8)	290.6	-	-	-
Consignment vehicle creditors	442.0	22.0	464.0	-	-	-
Group payables	-	-	-	50.7	-	50.7
Rental fleet vehicle finance	46.4	(46.4)	-	-	-	-
Other tax and social security payable	18.2	0.1	18.3	5.6	0.1	5.7
Other creditors	37.2	(1.4)	35.8	8.6	(2.0)	6.6
Deferred income	-	6.7	6.7	-	-	-
Vehicle rental finance liabilities	-	66.4	66.4	-	-	-
Accruals	58.6	(6.1)	52.5	11.8	(3.6)	8.2
	1,228.1	22.7	1,250.8	83.5	(5.0)	78.5

	Group 2017 (as stated) £m	Adjustments £m	Group 2017 (restated) £m	Company 2017 (as stated) £m	Adjustments £m	Company 2017 (restated) £m
Non-current						
Repurchase commitments	31.1	(31.1)	-	-	-	-
Rental fleet vehicle finance	5.7	(5.7)	-	-	-	-
Deferred income	-	9.1	9.1	-	-	-
Vehicle Rental liabilities	-	29.9	29.9	-	-	-
	36.8	2.2	39.0	-	-	-

Amounts relating to repurchase commitments and deferred income have been shown separately from stocking loans and accruals respectively for the years ending 31 December 2018 and 31 December 2017.

Notes to the financial statements

For the year ended 31 December 2019

21. Provisions

For the year ended 31 December 2019	Group 2019 £m	2018 £m	2017 £m	Company 2019 £m	2018 £m	2017 £m
Provision in respect of regulatory matters	10.4	-	-	-	-	-
At 31 December	10.4	-	-	-	-	-

Group	Provision for other charges
At 1 January 2019	-
Created in the year	10.4
At 31 December 2019	10.4

The Group is currently in discussion with the FCA on a number of matters including the past business review, ongoing enforcement review and the events that led to the delay in publishing the Annual Report & Accounts and the suspension of shares on 1 July 2020. After careful consideration of the open matters, the Board has concluded that it is more likely than not that the Group will incur an outflow of economic resources in respect of at least some of these matters and has therefore recorded a provision at 31 December 2019. The spectrum of possible outcomes which includes restitution of customer detriment, additional costs associated with the regulated activities and potential sanctions (which may or may not include a fine) is broad and the considered outcome based on that range is £10.4m.

Notes to the financial statements

For the year ended 31 December 2019

22. Financial instruments

Carrying amount of financial assets

The carrying amounts of financial assets by category were:

	Group 2019 £m	2018 £m	2017 £m
Financial assets measured at amortised cost:			
Cash at bank and in hand	150.3	152.8	135.6
Trade receivables	111.6	119.8	138.6
Other receivables	8.0	17.3	70.3
	269.9	289.9	344.5

None of the assets are materially credit-impaired and there has been no significant increase in credit risk since initial recognition. The amounts disclosed above also represent the maximum exposure to credit risk ignoring cash flows from realisation of the assets and impairment losses.

The gross carrying amounts of trade receivables is as follows:

	Group 2019 £m	2018 £m	2017 £m
Current (not past due)	86.9	101.9	125.1
Past due up to three months	23.9	15.8	14.7
Past due from three months up to six months	1.6	2.0	0.9
Past due over six months	1.6	2.2	0.4
Total gross amount at 31 December	114.0	121.9	141.1
Less: Total loss allowance at 31 December	(2.4)	(2.1)	(2.5)
Trade receivables	111.6	119.8	138.6

Notes to the financial statements

For the year ended 31 December 2019

22. Financial instruments (continued)

The loss allowance based on the simplified approach for lifetime expected credit losses is as follows:

	Weighted average loss rate	Group 2019 £m	2018 £m	2017 £m
Current (not past due)	1.0%	1.4	1.4	2.0
Past due up to three months	2.0%	0.8	0.4	0.4
Past due from three months up to six months	4.0%	0.1	0.2	0.1
Past due over six months	8.0%	0.1	0.1	-
Total loss allowance at 31 December		2.4	2.1	2.5

The Group has not disaggregated out customer risk profiles to account for variation in credit risk grades as the majority of the debt is held with a number of manufacturer brand partners with similar risk profiles.

A reconciliation of the changes in the loss allowance is set out below:

	Group 2019 £m	2018 £m	2017 £m
As at 1 January	2.1	2.5	2.2
Derecognition including write-off's	(0.1)	(0.3)	(0.4)
Charge/(credit) for the year	0.4	(0.1)	0.7
As at 31 December	2.4	2.1	2.5

Carrying amount of financial liabilities

The carrying amounts of financial liabilities by category were:

	Group 2019 £m	2018 £m	2017 £m
Financial liabilities measured at amortised cost:			
Bank overdrafts	118.9	108.5	95.6
Secured bank loans (current and non-current)	90.9	130.2	136.0
Trade and other payables	1,289.3	1,234.8	1,264.8
Total lease liabilities	134.1	128.4	105.1
	1,633.2	1,601.9	1,601.5
Current			
Bank overdraft	118.9	108.5	95.6
Secured bank loans	0.5	1.5	13.2
	119.4	110.0	108.8
Non-current			
Secured bank loans	90.4	128.7	122.8
Total borrowings	209.8	238.7	231.6

Notes to the financial statements

For the year ended 31 December 2019

22. Financial instruments (continued)

The loss allowance based on the simplified approach for lifetime expected credit losses is as follows:

	Group 2019 £m	2018 £m	2017 £m
Bank loans and overdraft repayable:			
Less than one year	119.4	110.0	108.8
More than one year and not more than two years	1.1	-	57.9
More than two years and not more than five years	84.7	122.9	57.7
More than five years	4.6	5.8	7.2
	209.8	238.7	231.6

	Group 2019 £m	2018 £m	2017 £m
Total lease liabilities			
Current	18.5	18.6	15.8
Non-current	115.6	109.8	89.3
	134.1	128.4	105.1

	Group 2019 £m	2018 £m	2017 £m
Lease liabilities repayable:			
Less than one year	18.5	18.6	15.8
More than one year and not more than two years	17.0	16.6	14.5
More than two years and not more than five years	43.7	43.9	37.2
More than five years	115.9	104.6	85.5
(Less): interest allocated to future years	(61.0)	(55.3)	(47.9)
	134.1	128.4	105.1

The Group is party to a number of lease arrangements as a lessee and are primarily long leasehold property leases for a number of dealerships, workshops and office space across the Group. The Group also holds a number of lower value leases for motor vehicles and IT equipment used to support the Group's operations. The Group is not materially exposed to variable lease payments however a number of the property leases have contractual clauses including rent reviews, contract extension and contract termination options which, dependent upon any significant business reorganisation activities, may affect the future cashflows of the Group.

During the financial year ending 31 December 2018 the Group successfully completed, two sale and leaseback transactions from its property portfolio. One transaction resulted in gains being recognised immediately in the income statement as a result of the previous property carrying amount being less than the sale price (established at fair value) at the point of leaseback. The other property transaction resulted in a nominal loss being recognised immediately in the income statement. The effect of these transactions gave rise to an inflow in the consolidated cash flow statement. As a result of the adoption of IFRS 16, the gain recorded in 2018 has been restricted by a remeasurement of £5.2m in relation to the corresponding right of use assets that were recognised at the point of leaseback.

	Group 2019 £m	2018 £m	2017 £m
Trade and other payables			
Current	1,254.3	1,202.6	1,225.8
Non-current	35.0	32.2	29.9
	1,289.3	1,234.8	1,255.7

Notes to the financial statements

For the year ended 31 December 2019

22. Financial instruments (continued)

	Group 2019 £m	2018 £m	2017 £m
Trade and other payables repayable:			
Less than one year	1,254.3	1,202.6	1,225.8
More than one year and not more than two years	35.0	32.2	29.9
	1,289.3	1,234.8	1,255.7

Movement in financial liabilities	At 1 Jan 2019 £m	Net RCF movement £m	Loan repayment £m	Lease incentives £m	Lease repayment £m	Lease receipt £m	Non-cash movement £m	At 31 Dec 2019 £m
Other loans	11.5	-	(1.4)	-	-	-	-	10.1
RCF	118.7	(37.3)	-	-	-	-	(0.6)	80.8
Lease liabilities	128.4	-	-	1.2	(15.6)	-	20.1	134.1
Vehicle rental finance liabilities	89.7	-	-	-	(69.0)	76.5	-	97.2
	348.3	(37.3)	(1.4)	1.2	(84.6)	76.5	19.5	322.2
Cash and cash equivalents	(152.8)							(150.3)
Bank overdraft	108.5							118.9
Net debt excluding lease and vehicle rental liabilities	85.9							59.5
Net debt excluding lease and vehicle rental liabilities	304.0							290.8

Non-cash movements in relation to IFRS 16 relate to the recognition and de-recognition of lease liabilities.

Movement in financial liabilities	At 1 Jan 2018 £m	Net RCF movement £m	Debt arising on acquisition £m	Loan repayment £m	Lease repayment £m	Lease receipt £m	Non-cash movement £m	At 31 Dec 2018 £m
Term loans	75.0	-	-	(5.0)	-	-	(70.0)	0.0
Other loans	15.2	-	5.9	(9.6)	-	-	-	11.5
RCF	45.8	1.2	-	-	-	-	71.7	118.7
Lease liabilities	105.1	-	-	-	(14.2)	-	37.5	128.4
Vehicle rental finance liabilities	96.3	-	-	-	(79.3)	72.7	-	89.7
	337.4	1.2	5.9	(14.6)	(93.5)	72.7	39.2	348.3
Cash and cash equivalents	(135.6)							(152.8)
Bank overdraft	95.6							108.5
Net debt excluding lease and vehicle rental liabilities	96.0							85.9
Net debt including lease and vehicle rental liabilities	297.4							304.0

A non-cash movement of £1.7m arose in the prior year following the retranslation of a Euro denominated loan and the reclassification and amortisation of the Group's debt issue costs. Non-cash movements in relation to IFRS 16 relate to the recognition and de-recognition of lease liabilities.

At 31 December 2019 the Group has a revolving facility of £250.0m with a further of £50.0m available for future acquisitions. This facility was renegotiated on 21 December 2018 with the syndicated providers who had provided the previous term loan and previous revolving facility. These previous facilities were settled in the year ending 31 December 2018 using the new revolving credit facility.

Notes to the financial statements

For the year ended 31 December 2019

22. Financial instruments (continued)

The remaining balance of £70.0m on the term loan was rolled into the new revolving credit facility. The Group will continue to evaluate the Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39 and IFRS 7 (Sep 2019) as part of the Group's next refinancing arrangement. As noted in the Accounting Policy around Going Concern, in February 2020 the Group successfully renegotiated a relaxation to the interest cover covenant attached to the revolving credit facility.

The new revolving credit facility expires on 31 March 2022 and has an option for a further one year extension subject to syndicate approval. The facility is secured via a debenture over certain assets (predominantly property) of the Group.

An analysis of the Group's fixed and floating rate borrowings and lease liabilities is as follows:

	Floating rate		Fixed rate		Total interest bearing £m	On which no interest is paid £m	2019 Total £m
	£m	Weighted average effective interest rate %	£m	Weighted average effective interest rate %			
2019							
Other loans	10.1	2.2	-	-	10.1	-	10.1
RCF	80.8	2.1	-	-	80.8	-	80.8
Lease liabilities	-	-	134.1	4.5	134.1	-	134.1
Total borrowings	90.9	4.3	134.1	4.5	225.0	-	225.0

	Floating rate		Fixed rate		Total interest bearing £m	On which no interest is paid £m	2018 Total £m
	£m	Weighted average effective interest rate %	£m	Weighted average effective interest rate %			
2018							
Other loans	11.5	2.1	-	-	11.5	-	11.5
RCF	118.7	1.9	-	-	118.7	-	118.7
Lease liabilities	-	-	128.4	4.5	128.4	-	128.4
Total borrowings	130.2	4.0	128.4	4.5	258.6	-	258.6

A maturity analysis of the Group's undiscounted inflows from lease receivables is as follows:

Year ending	Within 1 year £m	Within 1-2 years £m	Within 2-3 years £m	Within 3-4 years £m	Within 4-5 years £m	After 5 years £m	Total £m
31 December 2017	0.5	-	-	-	-	-	0.5
31 December 2018	1.1	-	-	-	-	-	1.1
31 December 2019	1.5	0.3	0.1	-	-	-	1.9

Financial risk management objectives

The Board manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and capital risk. The Group does not enter into or trade financial instruments (including derivative financial instruments) for speculative purposes.

Market risk

The Group has exposures to the following risks inherent in its financial instruments:

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Foreign exchange risk arises as a result of having monetary assets and liabilities denominated in non-Sterling balances. Exchange rate exposures are managed within approved policy parameters utilising natural hedges where appropriate.

Notes to the financial statements

For the year ended 31 December 2019

22. Financial instruments (continued)

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Assets			Liabilities		
	Group 2019 £m	2018 £m	2017 £m	Group 2019 £m	2018 £m	2017 £m
Euro	2.2	2.4	1.1	8.8	11.1	12.7

The majority of the Group's business is carried out in sterling. However for the limited number of transactions in foreign currency the Group is mainly exposed to Euros. The following table details the Group's sensitivity on financial assets and liabilities to a 10% change in pounds sterling against the respective foreign currency. 10% is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period.

Group	2019 £m +10% change	2019 £m -10% change	2018 £m +10% change	2018 £m -10% change	2017 £m +10% change	2018 £m -10% change
Financial assets	(0.2)	0.2	(0.2)	0.3	(0.1)	0.1
Financial liabilities	(0.8)	1.0	(1.0)	1.3	(1.2)	1.4

Interest rate risk management

The sensitivity analyses below have been determined based on the exposure to changes in interest rates at the reporting date and stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. Based on historical experience, a 50 basis point change is used when reporting interest risk internally to the Board and represents the Board's assessment of the possible change in interest rates. Interest rate risk is the financial impact by which the Group is exposed in respect of the financial liabilities attracting an interest charge. The Group manages interest rate risk by ensuring a mix of fixed and floating rate borrowings and ensuring an optimum level of draw-down on each facility.

Group	+50 Basis Points		
	Group 2019 £m	2018 £m	2017 £m
Profit or loss and equity	0.7	0.6	0.7

A decrease of 50 basis points has an equal and opposite effect to that disclosed above.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Default is defined by the Group as any financial asset subject to non-payment and is assessed as irrecoverable in relation to the circumstances of the counterparty. The Group's exposure and the credit ratings of its counterparties are controlled by counterparty limits that are reviewed and approved by management.

Trade receivables are spread across a large number of counterparties across the UK and Ireland. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

Notes to the financial statements

For the year ended 31 December 2019

22. Financial instruments (continued)

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At the year end the Group is in a net current liabilities position of £73.2m (2018: £3.6m) however has more than sufficient headroom available on the Group's working capital facility to draw down long-term repayable funds into available cash to ensure that all current liabilities can be met in-line with their contractual maturities.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue to those liabilities except where the Group is entitled and intends to repay the liability before its maturity.

	Less than 1 year £m	Over 1 year £m	Total £m
2019 Financial liabilities	1,392.2	241.0	1,633.2
2018 Financial liabilities	1,331.2	270.7	1,601.9
2017 Financial liabilities	1,359.5	242.0	1,601.5

An analysis of the Company's borrowings is as follows:

	Company 2019 £m	2018 £m	2017 £m
Current:			
Bank overdrafts	40.6	25.5	41.4
Secured bank loans	-	0.4	10.0
	40.6	25.9	51.4
Non-current			
Secured bank loans	81.4	118.7	111.5
	122.0	144.6	162.9
Bank loans and overdrafts repayable			
Less than one year	40.6	25.9	51.4
More than one year and not more than two years	-	-	-
More than two years and not more than five years	81.4	118.7	111.5
More than five years	-	-	-
	122.0	144.6	162.9

Details of the Company's RCF borrowings are as per the analysis for the Group position.

Notes to the financial statements

For the year ended 31 December 2019

22. Financial instruments (continued)

Details of the Company's lease liabilities are as follows:

Company	Company 2019 £m	2018 £m	2017 £m
Total lease liabilities:			
Current	0.7	0.6	0.5
Non-current	0.4	0.6	0.8
	1.1	1.2	1.3
Lease liabilities repayable			
Less than one year	0.7	0.6	0.5
More than one year and not more than two years	0.4	0.6	0.8
More than two years and not more than five years	0.1	0.1	0.1
(Less): interest allocated to future years	(0.1)	(0.1)	(0.1)
	1.1	1.2	1.3

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged since the prior year.

The capital structure of the Group consists of cash and cash equivalents, debt and borrowings, and equity holders of the parent, comprising issued share capital, share premium, a capital redemption reserve and retained earnings. The Group is not subject to any externally imposed capital requirements.

The Board reviews the capital structure on a semi-annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

Gearing ratio

The gearing ratio at the year end is as follows:

	Group 2019 £m	2018 £m	2017 £m
Total borrowings excluding lease and vehicle rental liabilities	209.8	238.7	231.6
Cash at bank and in hand	(150.3)	(152.8)	(135.6)
Net debt	59.5	85.9	96.0
Total equity	311.4	361.9	358.5
Net debt to equity ratio	19.1%	23.7%	26.8%

Debt is defined as long-term and short-term borrowings as detailed above. In accordance with sector practice and the Group's accounting policy, stocking loans are included as trade creditors. Equity includes all capital and reserves of the Group that are managed as capital.

The gearing ratio inclusive of lease liabilities is as follows:

	Group 2019 £m	2018 £m	2017 £m
Net debt (including lease and vehicle rental liabilities)	290.8	304.0	297.4
Total equity	311.4	361.9	358.5
Net debt (including lease and vehicle rental liabilities) to equity ratio	93.4%	84.0%	83.0%

Notes to the financial statements

For the year ended 31 December 2019

23. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2018: 17%) and movements in the year are as follows:

	Group 2019 £m	2018 (restated) £m	Company 2019 £m	2018 £m
As at 1 January	33.0	31.6	(12.2)	(4.7)
Arising on business combinations	-	1.8	-	-
(Credited)/charged to the Income Statement	(0.2)	-	1.5	-
Charged/(credited) to Other Comprehensive Income	1.2	(1.2)	1.2	(1.1)
Transfers	-	0.8	-	(6.4)
As at 31 December	34.0	33.0	(9.5)	(12.2)

Group

	Intangible assets £m	Accelerated tax depreciation £m	Capital gains £m	Total £m
Deferred tax liabilities:				
As at 1 January 2019	18.4	28.1	4.1	50.6
Reclassifications	(0.4)	0.4	-	-
Movement in year	-	(1.2)	-	(1.2)
As at 31 December 2019	18.0	27.3	4.1	49.4

	Leases £m	Share options £m	Employee benefits £m	Provisions £m	Total £m
Deferred tax assets:					
As at 1 January 2019	(4.9)	(0.5)	(11.9)	(0.3)	(17.6)
Movement in year	0.6	0.3	2.2	(0.9)	2.2
As at 31 December 2019	(4.3)	(0.2)	(9.7)	(1.2)	(15.4)

Net deferred tax liability:

As at 1 January 2019	33.0
As at 31 December 2019	34.0

Company

	Accelerated tax depreciation £m	Share options £m	Employee benefits £m	Provisions £m	Total £m
Deferred tax assets:					
As at 1 January 2019	(0.3)	-	(11.8)	(0.1)	(12.2)
Reclassifications	0.6	(0.6)	-	-	-
Movement in year	0.2	0.3	2.2	-	2.7
As at 31 December 2019	0.5	(0.3)	(9.6)	(0.1)	(9.5)

The Directors are satisfied with the recognition of a deferred tax asset in the Company due to the probability of future taxable profits becoming available.

Notes to the financial statements

For the year ended 31 December 2019

24. Share capital

Group and Company	2019 Shares	£m	2018 Shares (restated)	£m	2017 Shares (restated)	£m
Authorised:						
Ordinary shares of 5p each	480,000,000	24.0	480,000,000	24.0	480,000,000	24.0
Allotted, called up and fully paid:						
As at 1 January	389,038,358	19.4	398,036,155	19.9	396,878,720	19.8
Allotted under share option schemes	1,100,016	0.1	569,710	0.0	1,157,435	0.1
Redeemed in the year	-	-	(9,567,507)	(0.5)	-	-
As at 31 December	390,138,374	19.5	389,038,358	19.4	398,036,155	19.9

In the year ending 31 December 2018 shares repurchased under the share buy-back programme have been restated by 557,746 shares to account for all such buy-backs and shares allotted under share option schemes have been restated by 85,058 shares. Total shares at 1 January 2017 have also been restated by 336,412 shares.

An equivalent amount was transferred to the non-distributable capital redemption reserve which has existed since 2003 following the redemption of preference shares then in issue. All ordinary shares rank equally and have the same rights attached.

25. Share-based compensation

The Company has a number of share option schemes for all employees of the Group and an Executive share option scheme (ESOS).

Employee ShareSave Scheme

The Employee ShareSave scheme was available to all eligible employees and was based on Save As You Earn (SAYE) savings contracts with options exercisable within a period from the conclusion of a three year term as appropriate from the date of grant. Under the terms and conditions of this scheme, for every month (up to no more than six months) an employee fails to contribute the agreed monthly amount determined under the rules of the scheme, the last date exercisable will be delayed by one month.

Details of the Employee ShareSave Scheme options outstanding during the year are as follows:

	2019 Number of share options	Weighted average exercise price (in £)	2018 Number of share options	Weighted average exercise price (in £)
Outstanding at the beginning of the year	11,265,412	0.91	12,485,875	0.97
Granted during the year	-	-	3,839,382	0.84
Exercised during the year	(2,080)	0.86	(56,416)	1.01
Cancelled during the year	(8,024,206)	0.89	(2,855,424)	0.91
Forfeited during the year	(154,161)	0.89	(167,563)	0.91
Lapsed during the year	(417,744)	1.32	(1,980,442)	0.91
Outstanding at the end of the year	2,667,221	0.90	11,265,412	0.91

Notes to the financial statements

For the year ended 31 December 2019

25. Share-based compensation (continued)

No options were granted in 2019. The options outstanding at 31 December 2019 have an exercise price in the range of 84 pence to £1.07 and a weighted average contractual life of 24 months (2018: range of 84 pence to £1.45 and a weighted average contractual life of 24 months). All share options are settled via equity.

Executive Share Option Scheme (ESOS LTIPs)

The Executive Share option scheme was available to all eligible senior management of the Group. Options are exercisable at the nominal share value and the vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire.

Details of the Executive Share option Scheme options outstanding during the year are as follows:

	2019 Number of share options	Weighted average exercise price (in £)	2018 Number of share options	Weighted average exercise price (in £)
Outstanding at the beginning of the year	6,376,480	-	5,011,836	-
Granted during the year	2,216,058	-	2,068,826	-
Exercised during the year	(1,012,419)	-	(704,182)	-
Cancelled during the year	-	-	-	-
Forfeited during the year	(3,707,677)	-	-	-
Lapsed during the year	-	-	-	-
Outstanding at the end of the year	3,872,442	-	6,376,480	-

The weighted average option price at the date of exercise for share options exercised during the period was £nil (2018: £nil). The options outstanding at 31 December 2019 and 31 December 2018 had a weighted average exercise price of £nil, and a weighted average contractual life of 11 months.

The estimate of the fair value of the services received in respect of share option schemes is measured using the Black-Scholes option pricing model. The inputs into the Black-Scholes model are as follows:

	2019	2018
Expected volatility	36%	36%
Expected life	3 years	3 years
Risk-free rate	0.02%	0.02%
Expected dividend yields	4.00%	4.00%

Volatility was measured by reference to the changes in the Company's share price between 1 January 2015 and 31 December 2019.

The total share based payment charge recorded in the year ending 31 December 2019 was £1.4m (2018: charge of £1.7m).

Notes to the financial statements

For the year ended 31 December 2019

26. Pensions

The Group operates three defined benefit pension schemes, The Lookers Pension Plan (operated by Lookers plc company), The Dutton Forshaw Group Pension Plan and the Benfield Group Pension Plan. The summary of the assets, liabilities and surplus or deficits of these schemes are summarised below. The Group's risk management strategy for pension liabilities is summarised on Page 39 within the Strategic Review section.

During the previous year the Dutton Forshaw Group Pension Plan merged with the Lookers Pension Plan. Some assets were retained in the Dutton Forshaw Group Pension Plan to cover any remaining scheme liabilities and associated costs with closing the scheme.

	The Lookers Pension Plan 2019 £m	The Dutton Forshaw Pension Plan 2019 £m	The Benfield Group Pension Plan 2019 £m	Total 2019 £m
Defined benefit obligation	(283.1)	(2.7)	(14.2)	(300.0)
Scheme assets	226.4	4.4	13.5	244.3
(Deficit)/surplus	(56.7)	1.7	(0.7)	(55.7)
Amounts recognised in the income statement	2.8	0.1	-	2.9
Actuarial gains/(losses) recognised in the statement of comprehensive income	6.8	0.1	0.2	7.1
Cumulative fair value losses on plan assets	(10.5)	-	(1.0)	(11.5)

	The Lookers Pension Plan 2018 £m	The Dutton Forshaw Pension Plan 2018 £m	The Benfield Group Pension Plan 2018 £m	Total 2018 £m
Defined benefit obligation	(271.2)	(2.8)	(12.6)	(286.6)
Scheme assets	201.8	4.5	11.4	217.7
(Deficit)/surplus	(69.4)	1.7	(1.2)	(68.9)
Amounts recognised in the income statement	5.8	0.3	0.2	6.3
Actuarial losses recognised in the statement of comprehensive income	(6.5)	(0.1)	(0.6)	(7.2)
Cumulative fair value losses on plan assets	(17.3)	(0.1)	(1.2)	(18.6)

The Lookers Pension Plan - Group and Company

The Lookers Pension Plan provides benefits based on final pensionable salary and is administered by Aon Hewitt Limited. The scheme has been registered with the Registrar of Pensions. The assets of the scheme are held separately from those of the Group, being held in separate funds by the Trustees of the Lookers Pension Plan.

A valuation update was made as at 31 December 2019 by a qualified independent actuary, using the projected unit credit method to take account of the IAS 19 (Revised) requirements. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the scheme's assets at their 31 December market value.

Notes to the financial statements

For the year ended 31 December 2019

26. Pensions (continued)

Fair value and major categories of assets:

	Market value 2019 £m	Plan % 2019	Market value 2018 £m	Plan % 2018
Equities	36.7	16.2	67.2	33.3
Target return funds	84.4	37.3	68.6	34.0
Corporate bonds	56.6	25.0	61.5	30.5
Cash	48.7	21.5	4.5	2.2
Total fair value of assets	226.4	100.0	201.8	100.0

£7.26m (19.8%) of the equity assets of the scheme are quoted investments. For those assets that are not quoted, excluding cash, the investments are valued on a daily basis by the investment managers.

Amounts recognised in the income statement:

Amounts recognised in the income statement:	2019 £m	2018 £m
Non investment expenses	0.9	0.9
Interest on obligation	7.7	7.4
Interest income	(5.8)	(5.7)
Past service cost	-	3.2
Total defined benefit expense	2.8	5.8

Changes in the present value of the defined benefit obligation:	2019 £m	2018 £m
Opening defined benefit obligation	271.2	283.5
Interest cost	7.7	7.4
Actuarial losses/(gains)	15.0	(10.8)
Past service cost	-	3.2
Benefits paid	(10.8)	(12.1)
Total defined benefit expense	283.1	271.2

Demographic changes was a gain of £3.1m (2018: £0.8m), other actuarial experience from financial assumptions was a loss of £29.0m (2018: gain of £10.0m) with an experience gain of £10.9m (2018: £nil).

Changes in the fair value of scheme assets:	2019 £m	2018 £m
Opening fair value of scheme assets	201.8	218.0
Interest income	5.8	5.7
Actuarial gains/(losses)	21.8	(17.3)
Contributions	8.7	8.4
Benefits paid	(10.8)	(12.1)
Non investment expenses	(0.9)	(0.9)
Closing fair value of scheme assets	226.4	201.8

Notes to the financial statements

For the year ended 31 December 2019

26. Pensions (continued)

None of the scheme's assets were invested in Lookers plc or property occupied by Lookers plc. The Group contributed an additional £8.7m in 2019 (2018: £8.4m) to fund accruing pensions and expects to maintain a similar level of pension contributions in the future to fund current service costs and deficit repayments. As a result of a high court ruling to guarantee minimum pensions between male and female participants, a one-off charge of £3.2m has been recorded as a past service cost in the financial year ending 31 December 2018.

Since the defined benefit scheme is closed to future accrual there is no funding required for future service, the funding required will be in relation to any current deficit and highly dependent on the future performance of the fund. Any agreed contributions will be reconsidered at each triennial valuation.

The most recent actuarial valuation of the Lookers Pension Plan was carried out as at 31 March 2019. The valuation remains subject to agreement between the trustees and the Group. Total deficit contributions during the 12 months to 31 December 2019 were £8.7m, plus administration expenses of £0.9m. By funding the defined benefit pension scheme, the Group is exposed to the risk that the cost of meeting its obligations is higher than anticipated. This could occur for several reasons, for example:

- Investment returns on the scheme's assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the scheme's liabilities;
- The level of price inflation may be higher than that assumed, resulting in higher payments from the scheme;
- Scheme members may live longer than assumed, for example due to advances in healthcare. Members may also exercise (or not exercise) options in a way that leads to increases in the scheme's liabilities, for example through early retirement or commutation of pension for cash, and;
- Legislative changes could also lead to an increase in the scheme's liabilities.

The trustee investment objectives and the processes undertaken to measure and manage the risks inherent in the scheme investment strategy are documented in the scheme's Statement of Investment Principles. The trustee and the Group review the investment strategy at the time of each funding valuation, with informal reviews carried out during the period between valuations. The trustees review the investment strategy based on professional advice from their investment advisors. The strategy determines the proportion of assets which are growth or matching assets and what policy is to be followed to hedge against increases in interest rates and inflation. It also considers the funding level of the scheme and the point at which a de-risking strategy might be appropriate. The risks that may be applicable to the investment strategy are primarily that investment returns on the scheme's assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the scheme's liabilities. The average duration of the defined benefit obligation at 31 December 2019 is 17 years (2018: 17.1 years).

Notes to the financial statements

For the year ended 31 December 2019

26. Pensions (continued)

Actuarial assumptions	2019 £m	2018 £m
Discount rate	2.10%	2.90%
Future pension increases	1.90%-2.90%	2.10%-3.10%
Life expectancy at age 65 for:		
current pensioners - males	86.7	86.8
current pensioners - females	88.7	89.1
future pensioners - males	87.2	87.5
future pensioners - females	89.5	90.0

The table below gives a broad indication of the impact on the scheme valuation for changes in the key assumptions:

Change in assumption	Approximate impact on current deficit	
Reduce discount rate by 0.1% p.a.	+£4.8m	(2018 + £4.6m)
Increase inflation assumptions by 0.1% p.a.	+£3.7m	(2018 + £2.7m)
Change mortality assumptions to SAPS SINA (- 1 year) CMI 2011 (1%)	+£11.3m	(2018 + £8.5m)

A change in more than one of these assumptions in the same direction would clearly have a more significant and potentially materially adverse impact on the deficit of the scheme.

Notes to the financial statements

For the year ended 31 December 2019

26. Pensions (continued)

The Dutton Forshaw Group Pension Plan - Group

The Dutton Forshaw Group Pension Plan provides benefits based on final pensionable salary and is administered by Aon Hewitt Limited. The scheme has been registered with the Registrar of Pensions. The assets of the scheme are held separately from those of the Group, being held in separate funds by the Trustees of the Dutton Forshaw Group Pension Plan.

A valuation update was made as at 31 December 2019 by a qualified independent actuary, using a projected unit credit method to take account of the IAS 19 (Revised) requirements. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the scheme's assets at their 31 December market value.

Fair value and major categories of assets of the scheme:

	Market value 2019 £m	Plan % 2019	Market value 2018 £m	Plan % 2018
Corporate bonds	2.5	57.1	4.4	98.4
Cash	1.9	42.9	0.1	1.6
Total fair value of assets	4.4	100.0	4.5	100.0

All assets excluding cash are unquoted investments.

Amounts recognised in the income statement:

	2019 £m	2018 £m
Non investment expenses	0.1	0.3
Interest cost	0.1	0.1
Interest income	(0.1)	(0.1)
Total defined benefit expenses	0.1	0.3

Changes in the present value of the defined benefit obligation:

	2019 £m	2018 £m
Opening defined benefit obligation	2.8	4.4
Interest cost	0.1	0.1
Actuarial losses	0.1	-
Benefits paid	(0.3)	(1.7)
Closing defined benefit obligation	2.7	2.8

Financial changes was a loss of £0.1m (2018: £nil).

Changes in the fair value of scheme assets:

	2019 £m	2018 £m
Opening fair value of scheme assets	4.5	6.5
Interest income	0.1	0.1
Actuarial gains/(losses)	0.2	(0.1)
Benefits paid	(0.3)	(1.7)
Non investment expenses	(0.1)	(0.3)
Closing fair value of scheme assets	4.4	4.5

Notes to the financial statements

For the year ended 31 December 2019

26. Pensions (continued)

The Group contributed an additional £nil in 2019 (2018: £nil) to fund accruing pensions and expects to make no pension contributions in 2020 following the transfer of assets and liabilities to the Lookers Pension Plan. Administrative expenses of £0.1m were paid in 2019.

Since the defined benefit scheme is closed to future accrual there is no funding required for future service, the funding required will be in relation to any current deficit and highly dependent on the future performance of the fund. Any agreed contributions will be reconsidered at each triennial valuation.

The most recent actuarial valuation of the Dutton Forshaw Pension Plan was carried out as at 31 March 2016. The contributions are now paid into the Lookers Pension Plan following the transfer into that scheme. By funding the defined benefit pension scheme, the Group is exposed to the risk that the cost of meeting its obligations is higher than anticipated. This could occur for several reasons, for example:

- Investment returns on the scheme's assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the scheme's liabilities;
- The level of price inflation may be higher than that assumed, resulting in higher payments from the scheme;
- Scheme members may live longer than assumed, for example due to advances in healthcare. Members may also exercise (or not exercise) options in a way that leads to increases in the scheme's liabilities, for example through early retirement or commutation of pension for cash, and;
- Legislative changes could also lead to an increase in the scheme's liabilities.

The trustee investment objectives and the processes undertaken to measure and manage the risks inherent in the scheme investment strategy are documented in the scheme's Statement of Investment Principles. The trustee and the Group review the investment strategy at the time of each funding valuation, with informal reviews carried out during the period between valuations. The trustees review the investment strategy based on professional advice from their investment advisors. The strategy determines the proportion of assets which are growth or matching assets and what policy is to be followed to hedge against increases in interest rates and inflation. It also considers the funding level of the scheme and the point at which a de-risking strategy might be appropriate. The risks that may be applicable to the investment strategy are primarily that investment returns on the scheme's assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the scheme's liabilities. The average duration of the defined benefit obligation at 31 December 2019 is 10 years (2018: 10.1 years).

Actuarial assumptions	2019 £m	2018 £m
Discount rate	2.10%	2.90%
Future pension increases	1.90%-2.90%	2.10%-3.10%
Life expectancy at age 65 for:		
current pensioners - males	86.7	86.8
current pensioners - females	88.7	89.1
future pensioners - males	87.3	87.6
future pensioners - females	89.4	90.0

The table below gives a broad indication of the impact on the scheme valuation for changes in the key assumptions:

Change in assumption	Approximate impact on current surplus	
Reduce discount rate by 0.1% p.a.	£negligible	(2018 + £negligible)
Increase inflation assumptions by 0.1% p.a.	£negligible	(2018 + £negligible)
Change mortality assumptions to SAPS SINA (-1 year) CMI 2011 (1%)	+ £0.1m	(2018 + £0.1m)

A change in more than one of these assumptions in the same direction would clearly have a more significant and potentially materially adverse impact on the deficit of the scheme.

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For the year ended 31 December 2019

26. Pensions (continued)

The Benfield Group Pension Plan - Group

The Benfield Motor Group Pension Plan provides benefits based on final pensionable salary. The Plan, which is a funded scheme, is administered by Deloitte. The scheme has been registered with the Registrar of Pensions. The assets of the scheme are held separately from those of the Group, being held in separate funds by the Trustees of the Benfield Motor Group Pension Plan.

A valuation update was made as at 31 December 2018 by a qualified independent actuary to take account of the IAS 19 requirements. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the scheme's assets at their 31 December market value.

Fair value and major categories of assets of the scheme:

	Market value 2019 £m	Plan % 2019	Market value 2018 £m	Plan % 2018
Equities	9.1	67.6	7.9	69.4
Corporate bonds	4.2	31.2	3.4	29.9
Cash	0.2	1.2	0.1	0.7
Total fair value of assets	13.5	100.0	11.4	100.0

All assets excluding cash are unquoted investments.

Amounts recognised in the income statement:

	2019 £m	2018 £m
Non investment expenses	-	-
Interest cost	0.3	0.3
Interest income	(0.3)	(0.3)
Past service cost	-	0.2
Total defined benefit expenses	0.0	0.2

Changes in the present value of the defined benefit obligation:

	2019 £m	2018 £m
Opening defined benefit obligation	12.6	13.3
Interest cost	0.3	0.3
Actuarial losses/(gains)	2.0	(0.5)
Past service cost	-	0.2
Benefits paid	(0.7)	(0.7)
Closing defined benefit obligation	14.2	12.6

Demographic changes was a gain of £0.2m (2018: £0.1m), other actuarial experience from financial assumptions was a loss of £1.5m (2018: gain of £0.4m) with an experience loss of £0.7m (2018: £nil).

Changes in the fair value of scheme assets:

	2019 £m	2018 £m
Opening fair value of scheme assets	11.4	12.8
Interest income	0.3	0.3
Actuarial gains/(losses)	2.2	(1.2)
Contributions by employer	0.3	0.2
Benefits paid	(0.7)	(0.7)
Closing fair value of scheme assets	13.5	11.4

Notes to the financial statements

For the year ended 31 December 2019

26. Pensions (continued)

The Group made contributions of £0.3m (2018: £0.2m) during the year and expect to make a similar level of contributions in the future to fund current service costs and deficit repayments. As a result of a high court ruling to guarantee minimum pensions between male and female participants a one-off charge of £0.2m has been recorded as a past service cost in the financial year ending 31 December 2018.

Since the defined benefit scheme is closed to future accrual there is no funding required for future service, the funding required will be in relation to any current deficit and highly dependent on the future performance of the fund. Any agreed contributions will be reconsidered at each triennial valuation.

The most recent actuarial valuation of the Benfield Group Pension Plan was carried out as at 31 March 2016. This was agreed between the trustees and the Group. Contributions of £0.3m were made to the plan in 2019. No administrative expenses are currently required to be made to the Plan. By funding the defined benefit pension scheme, the Group is exposed to the risk that the cost of meeting its obligations is higher than anticipated. This could occur for several reasons, for example:

- Investment returns on the scheme's assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the scheme's liabilities;
- The level of price inflation may be higher than that assumed, resulting in higher payments from the scheme;
- Scheme members may live longer than assumed, for example due to advances in healthcare. Members may also exercise (or not exercise) options in a way that leads to increases in the scheme's liabilities, for example through early retirement or commutation of pension for cash, and;
- Legislative changes could also lead to an increase in the scheme's liabilities.

The trustee investment objectives and the processes undertaken to measure and manage the risks inherent in the scheme investment strategy are documented in the scheme's Statement of Investment Principles. The trustee and the Group review the investment strategy at the time of each funding valuation, with informal reviews carried out during the period between valuations. The trustees review the investment strategy based on professional advice from their investment advisors. The strategy determines the proportion of assets which are growth or matching assets and what policy is to be followed to hedge against increases in interest rates and inflation. It also considers the funding level of the scheme and the point at which a de-risking strategy might be appropriate. The risks that may be applicable to the investment strategy are primarily that investment returns on the scheme's assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the scheme's liabilities. The average duration of the defined benefit obligation at 31 December 2019 is 15 years (2018: 14.9 years).

Actuarial assumptions	2019 £m	2018 £m
Discount rate	2.10%	2.90%
Future pension increases	1.90%-2.90%	2.10%-3.10%
Life expectancy at age 65 for:		
current pensioners - males	86.7	86.8
current pensioners - females	88.7	89.1
future pensioners - males	87.9	88.1
future pensioners - females	89.9	90.6

The table below gives a broad indication of the impact on the scheme valuation for changes in the key assumptions:

Change in assumption	Approximate impact on current deficit	
Reduce discount rate by 0.1% p.a.	+£0.2m	(2018 + £0.2m)
Increase inflation assumptions by 0.1% p.a.	+£0.1m	(2018 + £0.1m)
Change mortality assumptions to SAPS SINA (- 1 year) CMI 2011 (1%)	+£0.6m	(2018 + £0.4m)

A change in more than one of these assumptions in the same direction would clearly have a more significant and potentially materially adverse impact on the deficit of the scheme.

Defined contribution scheme

The Group and Company provide pension arrangements for certain Directors and employees under defined contribution schemes and have a defined contribution Stakeholder Pension Scheme for employees. The Income Statement account charge for the year in respect of defined contribution schemes was £4.8m (2018: £3.1m).

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27. Subsequent events

COVID-19

Subsequent to the balance sheet date the UK is subject to the COVID-19 pandemic. The impact of COVID-19 on the UK resulted in the Group making the decision to temporarily close all of its dealerships and subsequently reopen following appropriate local restrictions and actions to ensure the safety and wellbeing of all staff members. The Group considers COVID-19 to be a non-adjusting subsequent event.

Given the inherent uncertainties it is not possible at this time to fully quantify the impact of COVID-19 nor provide a quantitative assessment of this impact. In light of the temporary closure of Group's dealerships and with the support of the banking club, the Group Board has made a further draw down on its revolving credit facility in order to ensure it has sufficient cash reserves available to meet its short term financial liabilities.

The Board's impairment review assessment over goodwill and non-amortised intangible assets was based on economic and market conditions prevalent at 31 December 2019.

The impact of COVID-19 is likely to result in a contraction of the market and thereby have a detrimental timing impact on the Group's expected revenues and cash inflows. As a result of this expected contraction in revenues and volumes, the level of manufacturer bonus is expected to decrease as a result of decreased volumes. It is too early to fully quantify what the impact will be in terms of the cash realisation relating to the Group's inventories and whether the Group's property portfolio and the carrying values of goodwill and non amortised intangible assets will be adversely affected.

The Group has also reassessed the impact on the Lookers Pension Plan (the Group's largest scheme) at 30 September 2020. The deficit of this scheme has been estimated to increase to £69.7m based on a decrease in the discount rate applied of 1.6% which has increased the estimate of the total of the defined benefit obligation. This increase in the benefit obligation has been offset somewhat by an increase in expected returns of scheme assets but not to the same extent. The effect of these is shown in the increase in the overall scheme deficit compared with 31 December 2019. The combined schemes had contributions of £9.0m in 2019.

Other pension scheme matters

During 2020 the Dutton Forshaw Pension Plan trustees resolved the transfer of all remaining assets and liabilities to the Lookers Pension Plan which has resulted in the Dutton Forshaw Pension Plan retaining negligible scheme assets and liabilities as at the date of approval of these financial statements

The negotiation of the Lookers Pension Plan triennial review which was completed on 31 March 2019 remains ongoing. The impact of the events in the Group and COVID-19 has delayed negotiations with the Trustees. The Pension Regulator has engaged with the Trustees and is monitoring progress of the negotiations. Working closely with the actuary and advisors, management has negotiated a position in principle with Trustees to increase payments to £12m plus expenses over a similar time profile for the Lookers Pension Plan. This is above the limit of £9m set out in the current RCF facility. This was approved by the Board on 13 November 2020. It will now require approval from the Group's Lenders to increase the pension deficit payments on this scheme.

In a ruling issued on 20 November 2020, the High Court indicated that the trustees of the Group's defined benefit schemes could not rely on any statutory provisions, scheme rules or any discharge agreements made with the transferring members that would prevent the schemes needing to pay additional top-ups in respect of GMP equalisation. As a result, all transfers out since 17 May 1990 will need to be equalised. The Group is currently assessing the potential impact of this ruling on transfers out from its relevant pension schemes, but does not believe that this impact will be material.

Fraud investigation

During the first quarter of 2020 the Board became aware of potentially fraudulent transactions arising in one of its operating divisions and in March 2020, in conjunction with Grant Thornton LLP, the Board commenced an investigation focused on the operating division concerned and identified certain misrepresented debtor balances in respect of bonus receivables together with a number of fraudulent expenses claims.

At the request of the Board the initial investigation was extended across all operating divisions. The investigation has finalised and has resulted in a number of prior period adjustments presented in these financial statements.

Notes to the financial statements

For the year ended 31 December 2019

27. Subsequent events (continued)

Post year end restructuring and portfolio management

The Board has considered the future structure of Lookers in light of potential demand, a smaller dealership estate and the structural changes taking place across the industry. As a result, the Group has taken the difficult decision to commence redundancy consultations across all areas of the Group which has resulted in approximately 1,500 redundancies and the closure or consolidation of 12 sites. The Board carefully considered all options and regrettably considered this action as being necessary in the current environment to sustain and protect the Lookers business over the long term.

In addition and having worked closely with our brand partners, the Group has identified a further 12 dealerships (including seven freehold sites) for either closure, consolidation or refranchising. It is estimated this will be completed by the end of 2020. Following these closures, the Group will operate from a portfolio of 136 dealerships.

28. Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

		Sales to related parties £m	Purchases from related parties £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Key management personnel of the Group:					
Other directors interests:	2019	0.9	0.4	-	-
	2018	-	0.1	-	-

During 2019, Group companies made sales at market prices to Winterquay Limited, Bramall Properties Limited and Vantage Motor Group Limited. During both 2019 and 2018, Group companies made purchases at market prices from Bramall Properties Limited. These are considered to be related parties due to them having directors common to those of Lookers plc.

29. Ultimate controlling party

There is no controlling party of the Company's share capital.

Notes to the financial statements

For the year ended 31 December 2019

30. Reconciliation of Alternative Performance Measures

The Group uses a number of Alternative Performance Measures (APMs) which are non-IFRS measures in establishing their financial performance. Like for Like is the collection of dealerships and other trading businesses that have both a full year of trading activity in the current year and prior year. The Group believes the APMs provide useful, historical financial information to assist investors and other stakeholders to evaluate the performance of the business and are measures commonly used by certain investors for evaluating the performance of the Group. In particular, the Group uses APMs which reflect the underlying performance on the basis that this provides users of the financial statements with additional useful information to better assess the a more relevant focus on the core business performance of the Group. Details of the definitions of APMs are made within the Glossary on page 202. The table below shows restated comparative figures to show the impact of the adjustments identified in Note 1e on page 152. A reconciliation of the statutory measures to the Alternative Performance Measures is set out below:

	2019	2018 - restated*
Like-for-like revenue		
Revenue (£m)	4,787.2	4,828.3
Less: Non like-for-like revenue	(228.4)	(244.3)
Like-for-like revenue (£m)	4,558.8	4,584.0
Gross profit margin		
Revenue (£m)	4,787.2	4,828.3
Gross profit (£m)	513.1	513.1
Gross profit margin (%)	10.7%	10.6%
Underlying operating profit (£m)		
Operating (loss)/profit (£m)	(13.2)	70.8
Add: Non-underlying items (£m) - Note 4	49.7	0.9
Underlying operating profit (£m)	36.5	71.7
Underlying profit before tax and underlying basic EPS		
(Loss)/profit before tax (£m)	(45.5)	41.9
Add: Non-underlying items (£m) - Note 4	49.7	0.9
Underlying profit before tax (£m)	4.2	42.8
Tax rate (%)	19.0%	19.0%
Underlying tax (£m) - Note 9	(0.8)	(8.1)
Underlying profit after tax (£m)	3.4	34.7
Weighted average number of shares in issue - Note 9	389,182,654	394,662,632
Underlying basic EPS (p)	0.87	8.78
Property portfolio and property portfolio by share		
Property, plant and equipment (£m)	429.2	416.8
Less: Other property, plant and equipment (£m) - Note 12	(36.6)	(37.8)
Less: Motor vehicles (£m) - Note 12	(73.7)	(72.1)
Property portfolio (£m)	318.9	306.9
Share capital at 31 December - Note 24	390,138,374	389,038,358
Property portfolio per share (p)	81.7	78.9
Net debt excluding lease liabilities		
Bank loans and overdrafts (£m)	209.8	238.7
Less: Cash and cash equivalents (£m)	(150.3)	(152.8)
Net debt (£m)	59.5	85.9

*Details of the restatements due to presentational changes, correction of errors and adoption of IFRS 16 on Note 1e on page 152.

Trading outlets

Franchises

Aston Martin

Belfast

Audi

Ayr
Basingstoke
Farnborough
Dublin
Edinburgh
Glasgow
Guildford
Hamilton
Newcastle
Stirling
Teesside
Tyneside
Wearside

Bentley

Belfast

BMW

Crewe
Stafford
Stoke-on-Trent

Citroen

Belfast

Dacia

Belfast
Carlisle
Chester
Newcastle
Newtownabbey
Newtownards
Stockport

DS

Belfast

Ferrari

Belfast

Ford

Braintree
Chelmsford
Colchester
Frinton
Gateshead
Harrogate

Leeds
Middlesbrough
Sheffield
South Shields
South
Woodham Ferrers
Sudbury
Sunderland

Honda

Orpington

Hyundai

Dundonald

Jaguar

Aston Clinton
Belfast
Glasgow
West London

Jeep

Belfast

Kia

Belfast
Newcastle
Stockport

Land Rover

Belfast
Bishop Stortford
Chelmsford
Aston Clinton
Colchester
Glasgow - North
Glasgow - South
London - Battersea
Motherwell
West London

Lexus

Belfast

Maserati

Belfast

Mercedes-Benz

Ashford
Brighton
Canterbury
Eastbourne

Gatwick
Maidstone
Shrewsbury
Stafford
Stoke-on-Trent
Stourbridge
Tonbridge
Walsall
Wolverhampton
Worcester

Mini

Crewe
Stafford
Stoke-on-Trent

Nissan

Belfast
Carlisle
Chester
Gateshead
Leeds
Newcastle
Newtownabbey
Newtownards

Peugeot

Belfast

Renault

Belfast
Carlisle
Chester
Newcastle
Newtownabbey
Newtownards
Stockport

Seat

Manchester
Stockport

Skoda

Guildford
Manchester
Newcastle
Stockport
West London

Smart

Brighton
Gatwick
Maidstone
Shrewsbury
Stoke-on-Trent
Tonbridge
Wolverhampton
Worcester

Toyota

Belfast
Dundonald
Newtownabbey

Vauxhall

Belfast
Birkenhead
Birmingham
Chester
Ellesmere Port
Lisburn
Liverpool
Newtownabbey
Portadown
Selly Oak
Speke
St Helens

Volkswagen

Blackburn
Blackpool
Carlisle
Darlington
Guildford
London - Battersea
Newcastle
Northallerton
Preston
Silverlink
Teesside
Walton-on-Thames

Volkswagen - Commercial Vehicles

Glasgow
Guildford
Newcastle
Teesside

Volvo

Colchester
Glasgow
Stockport

Used Car Supermarkets

Belfast
Dublin

Motorcycles

BMW - Belfast
Honda - Belfast
Yamaha - Belfast

TPS

Edinburgh
Glasgow
Newcastle
Teesside

Tyres

Belfast -
Boucher Road
Belfast -
Sydenham Road
Coleraine
Omagh
Portadown

Service Centres

Jaguar - Chelmsford
VW - Wimbledon

Lookers Leasing

Harrogate

Fleet Financial

Belfast

Vehicle

Rental Services
Beaconsfield

Agricultural Division

Darley Dale
Tuxford

Glossary of terms

Introduction

In the reporting of the financial statements, the Directors have adopted various Alternative Performance Measures (APMs) of financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS). These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry. APMs should be considered in addition to IFRS measures and are not intended to be a substitute for IFRS measurements.

Purpose

The Directors believe that these APMs provide additional useful information on the underlying performance and position of the Group. APMs are also used to enhance the comparability of information between reporting periods by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid the user in understanding the Group's performance. Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes.

The key APMs that the Group has focused on this period are as follows:

Performance measure	Definition	Why we measure it
Like-for-like (LFL)	These are calculated on the basis that dealerships have contributed twelve months of revenue and profit contribution in both the current and comparative periods presented.	To provide a consistent overview of comparative trading performance
Gross profit margin	Gross profit as a percentage of revenue.	A measure of the significant revenue channels' operational performance
Non-underlying items	Relate to costs or incomes which are not incurred in the normal course of business or due to their size, nature and irregularity are not included in the assessment of financial performance in order to reflect management's view of the core-trading performance of the Group.	A key metric of the Group's non-underlying business performance.
Underlying operating profit	Operating profit before the impact of non-underlying items as defined above.	A key metric of the Group's underlying business performance.
Profit after tax	Profit after tax before the impact of non-underlying items as defined above.	A key metric of the Group's underlying business performance
Underlying earnings per share (EPS)	Earnings per share before the impact of non-underlying items as defined above.	A key metric of the Group's underlying business performance
Net debt	Bank loans and overdrafts less cash and cash equivalents. Lease liabilities and stocking loans are not included in net debt.	A measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength
Property portfolio	The net book value of freehold and leasehold properties as at the balance sheet date.	A key metric of the Group's statement of financial position
New car unit sale	A new vehicle sale which has generated revenue for the Group.	A measure of statistical volumes and indicator of operational performance
Used car unit sale	Any vehicle sold that isn't a new car unit sale.	A measure of statistical volumes and indicator of operational performance
Car parc	The approximate number of vehicles on the UK road network.	A measure of the UK market size and indicator for growth opportunities
New car market	Total number of annual new vehicle unit registrations made in the UK as defined by the Society of Motor Manufacturers and Traders ("SMMT").	A measure of the UK market size and indicator for growth opportunities
New car market share	The Group's annual share of the new car market calculated as a percentage of the Group's new car unit sales to the new car market size.	Our relative performance against the UK market

Details of the reconciliations of APMs to statutory measures are made on page 26.

The 'Code'

The UK Corporate Governance Code is a part of UK company law with a set of principles of good corporate governance aimed at companies listed on the London Stock Exchange. It is overseen by the Financial Reporting Council. A copy is available at www.frc.org.uk

www.lookers.co.uk