

Lookers plc

2020 Annual Report & Accounts The year of our people



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Strategic Review



Chairman's statement

Introduction

I was appointed Chairman of the Board on 4 September 2006 and it is with some sadness that I present my final Chairman's Statement. The recruitment process for my successor is progressing as planned and I will step down when an appointment is confirmed later this year.

Like all businesses, over the years Lookers has experienced many challenges and none greater than those of 2020. The COVID-19 global pandemic resulted in the complete closure and severe disruption to our normal business operations and trading patterns throughout much of the year. This had a material impact on our financial performance. During this time, we made many changes and enhancements to our operating model which not only helped mitigate the impact of COVID-19 but also served to act as a catalyst for permanent change and improvement across the business.

In addition, in June 2020 we requested the FCA temporarily suspend our shares whilst we investigated potentially fraudulent transactions in one of our operating divisions, concluded a substantial independent investigation and delayed the publication of both the full year 2019 results and interim 2020 results. Following the successful conclusion of these matters, we requested and were granted restoration of our shares to the official list of the London Stock Exchange on 29 January 2021.

In June 2020 we also announced a material restructuring programme to prepare the business for a more sustainable future and to optimise the many opportunities we believe lie ahead.

The combination of these issues resulted in material uncertainty throughout much of the year.

Strategy

Following this period of uncertainty and reflecting on our learnings throughout the COVID-19 pandemic, we refreshed our strategy. The customer remains front and centre of everything we do, underpinned by the right brands in the right locations. Our strategic building blocks are centred on delivering operational excellence, providing an engaging and safe environment for all our colleagues and customers, enabling technology both front and back of house and simplifying and strengthening our policy framework.

Our strategic initiatives are focused on continuing with increasing our efficiency and improved cash management, digital investment, preparing for electrification which we see as the biggest opportunity in a generation and our controls enhancement programme.

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, we temporarily closed all our 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.

From the middle of May 2020 we progressively opened all our locations in a manner consistent with appropriate local regulations. We implemented new operational processes to ensure the appropriate COVID-19 secure protocols were in place protecting both staff and customers. This included the complete redesign of our sales processes to offer a fully contactless experience.

In November 2020 further restrictions came into effect and as a result we were only able to provide our customers with pre-booked aftersales appointments and to provide both new and used vehicles sales using our Click & Drive contactless solution as the showrooms remained closed. In December 2020 various regional and tiered restrictions were implemented across England, Scotland and Ireland.

On 4 January 2021 a third national lockdown commenced which saw our vehicle showrooms closed. This situation continued until 12 April 2021 (Northern Ireland - 30 April 2021) when we were delighted to be able to re-open the entire business as normal.

We remain committed to providing the best possible service whilst ensuring the wellbeing of both our colleagues and customers.

Restructuring

In June 2020 the Board undertook a review of the Group to consider the future operating model 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 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, protect and enhance the business over the long term.

Performance in 2020

The financial performance of the Group during the year was significantly impacted by the disruption caused by the COVID-19 global pandemic together with a number of non-underlying one-off costs resulting from the Group's restructuring programme, impairment of goodwill and costs in relation to the investigation and resolution of legacy accounting issues.

Statutory profit before tax for the year was £2.0m (2019: restated loss of £45.7m). Excluding the impact of non-underlying items, the Group recorded an underlying profit before tax* of £14.1m (2019: restated £4.0m).

The first six months of the year (H1) proved very challenging with the complete closure and lockdown of operations for over two months. As we emerged from lockdown, performance in the second six months of the year (H2) improved materially. This was driven by strong outperformance of the retail new car market, improved used car margins, the early benefits of the Group's restructuring initiatives and several operational improvements implemented during lockdown. Underlying profit before tax* in H2 was £50.2m (2019: loss (£18.1m)). Our performance in H2 brings me confidence that we can deliver our 1.5% - 2.0% target return on sales over the long term.

*Alternative performance measure - see Note 30 to the Financial Statements



“I am extremely grateful for the support and patience that we have received from our stakeholders, including the UK government, throughout what has been a very challenging period for both the business and our people.”



Refinancing

Throughout the year the Board was focused on preserving cash and protecting the Group's liquidity position. As at 31 December 2020 net debt* was £40.7m (2019: £59.5m). This reduction has been delivered through increased control and focus on all aspects of working capital management and a robust approach to capital allocation.

In May 2021 we agreed with our Banking Club a new credit facility providing an initial £150m expiring in September 2023. I would like to take the opportunity to thank our Banking Club for all their support over the last 18 months.

Regulatory relations

As previously reported, we have been working internally to review our governance, systems and controls including as they relate to our regulated activities. On 2 March 2021 we announced that the FCA had advised the Board of its decision to close the investigation against Lookers Motor Group Limited for the possible mis-selling of regulated products between January 2016 and June 2019. The FCA closed the investigation without applying any sanction but noted several concerns relating to the historic culture, systems and controls of the Group which the Board fully accepted.

The Group is satisfied that the FCA confirmation represents an adjusting event after the balance sheet date as this provides proof that there was not an obligating event and have therefore released the £10.4m provision made in the 2019 Financial Statements in 2020.

Management and Board changes

2020 was a year of significant change as we sought to refresh and reshape the Board to prepare for the significant opportunities and challenges ahead. Richard Walker, Sally Cabrini, Stuart Counsell and Tony Bramall all left the Board during 2020.

We were delighted to appoint Mark Raban as Chief Executive Officer in February 2020 and Duncan McPhee as Chief Operating Officer in January 2021.

Anna Bielby was appointed as Interim Chief Financial Officer in January 2021 for a term of six months. Since then she has made a very valuable contribution to the Group. She has agreed to extend her assignment and will leave the Group at the end of July 2021 following completion of a number of big projects. A search for Anna's replacement is underway.

Heather Jackson was appointed Senior Independent Director and Chair of the Remuneration Committee in July 2020 and November 2020 respectively. On 13 April 2021 Heather advised the Board of her decision to step down to focus on her increasing non-executive directorships and business interests.

Victoria Mitchell assumed the role of Chair of Lookers Motor Group, the FCA regulated entity, in July 2020.

*Alternative performance measure - see Note 30 to the Financial Statements

We were also pleased to appoint Robin Churchouse as an independent Non-Executive Director and Chair of Audit and Risk Committee in December 2020 and January 2021 respectively, and Paul Van der Burgh as Non-Executive Director in April 2021 and then as Senior Independent Director from May 2021.

As the search for my successor continues the Board has asked me to remain as Chair in order to ensure an orderly handover, and I therefore stood for reelection at the 2021 AGM.

I would like to thank all my Board colleagues, past and present, for their continued support and contribution to the Group.

Dividends

The Board remains mindful of its relationships and commitments to all stakeholders. The dividend policy remains that subject to satisfactory trading prospects, dividends are covered around 3.0 to 3.5 times underlying earnings and paid in approximately one third (interim dividend) and two thirds (final dividend) split.

In the light of the financial performance during the period, continued uncertainty around COVID-19 and as part of its ongoing actions to protect the Group's balance sheet the Board has decided not to recommend any dividends for the year.

Current trading and financial outlook

In line with COVID-19 restrictions, the Group's showrooms remained closed until 12 April 2021 (Northern Ireland - 30 April 2021). Despite these restrictions, the Group continued to take orders and fulfill vehicle handovers through its dealership teams, call centres and website. These activities were underpinned by our Click & Drive and contact-less technology platform.

As we announced on 25 May 2021 and 28 June 2021, trading across the Group has been robust since the reopening of our dealerships. We continue to experience strong consumer demand and ongoing outperformance of the UK retail new car market. Used vehicle margins also remain strong, benefitting from improving residual values and greater operational focus. In addition to these market trends, the Group continues to benefit from its enhanced hybrid omni-channel customer offer, and the decisive self-help restructuring initiatives implemented last year.

As we look forward into the second half of 2021, there remains some uncertainty driven by the ongoing impact of COVID-19 and notable supply restrictions in both new and used vehicles which have been tightening in recent weeks - the former in part due to the current worldwide semiconductor chip shortage.

Notwithstanding these uncertainties, given the strength of performance during the first half of 2021, the Board remains confident about the outlook for the remainder of 2021.

Conclusion

2020 was a very challenging year. I am extremely proud of how our people responded, showing real dedication and flexibility. I would like to personally thank the whole Lookers team for their understanding and dedication during such a challenging time for the Group.

We have always enjoyed strong relationships with our Original Equipment Manufacturer (OEM) Brand Partners and are grateful for their support across a range of financial and other measures during the year.

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 were a great disappointment. With these matters now resolved we can look to the future with increased confidence.

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.

It has been a great privilege to chair Lookers, and I wish all my colleagues, past and present, our stakeholders, and my successor as Chair every future success.

Phil White

Chairman
30 June 2021





Implemented and launched completely online system for buying a car



£3.70 billion
revenue

(2019: £4.81bn)

150
franchise
dealerships*

(2019: 151)

32
manufacturer
brands*

(2019: 32)

11.1%
gross profit margin (2019: 10.7%)

£30.9m
operating profit/(loss) (2019: £(12.8)m)

£14.1m
underlying profit before tax (2019: £4.0m)

£2.0m
profit/(loss) before tax (2019: £(45.7)m)

£40.7m**
net debt (2019: £59.5m)

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

Sold nearly
165,000
new & used cars and light
commercial vehicles

(2019: 213,000)



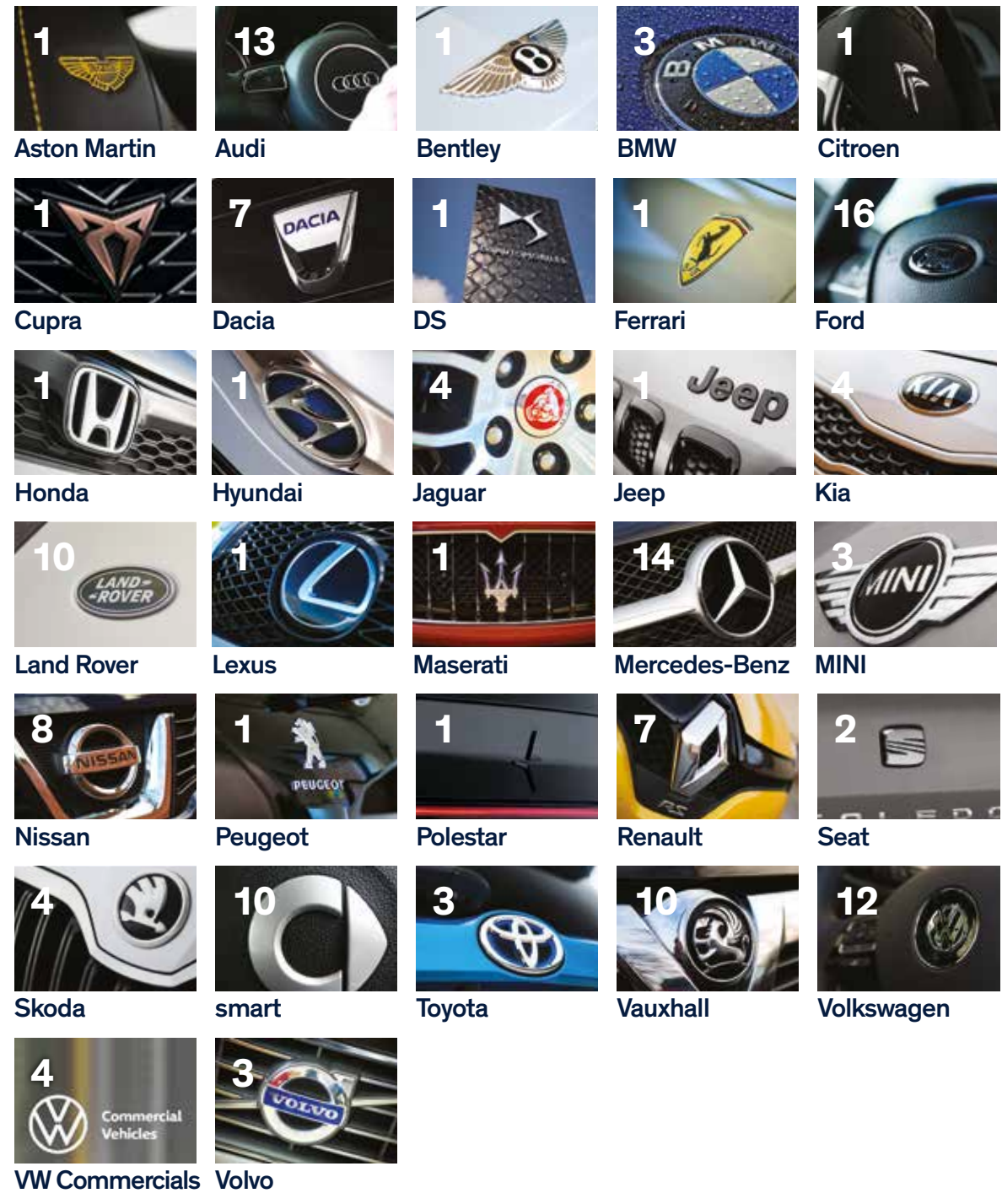
*Cars and light commercial vehicles

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. Definitions of APMs are made within the Glossary of Terms on page 181.

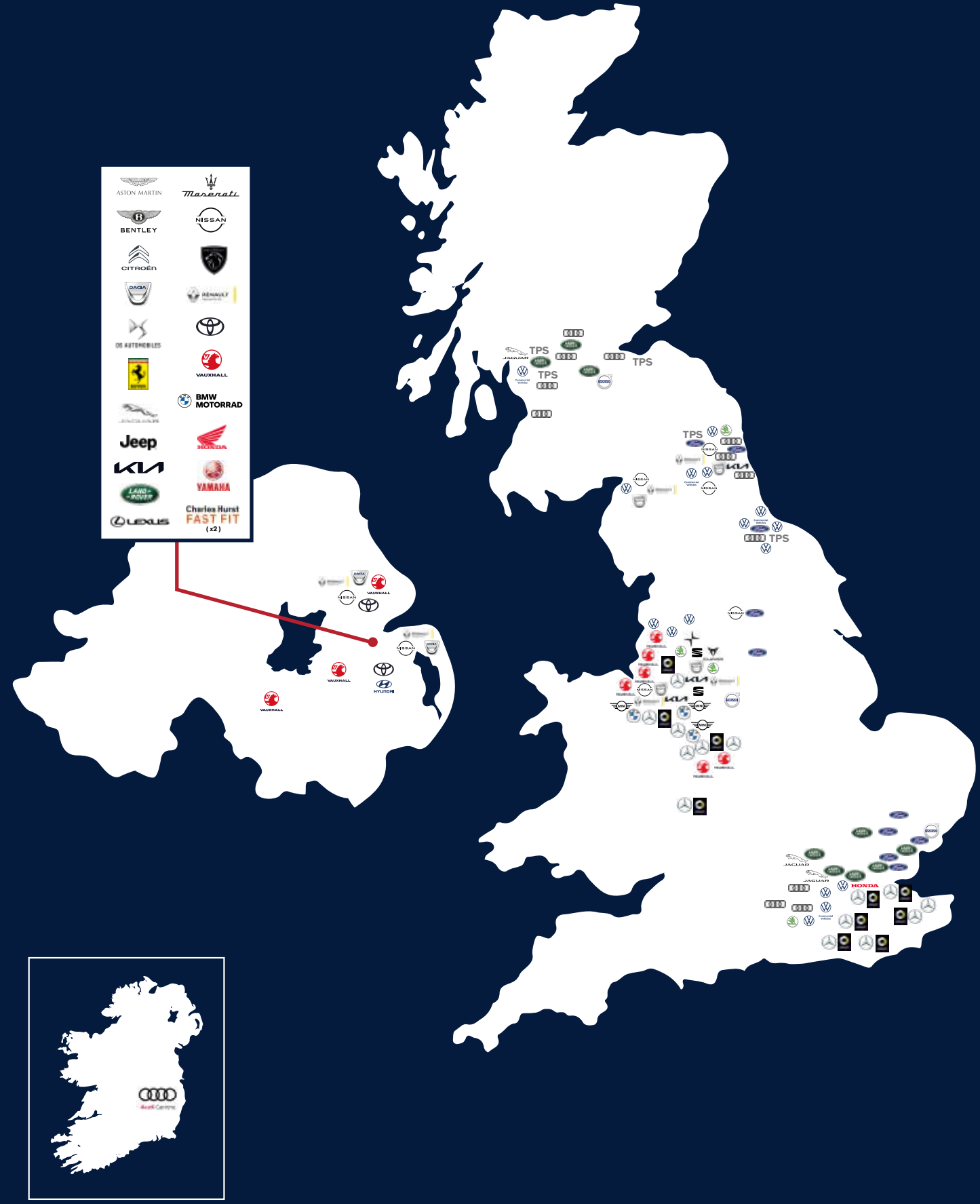
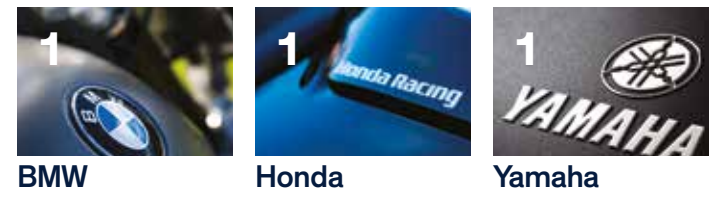


Our business and locations

Car & commercial vehicles



Motorcycles



Business model and strategy

Our strategy is to have the right brands in the right locations. We deliver on our strategy by operating a diverse business in the UK motor sector, supported by a variety of OEM Brand Partners which we represent across the UK. This structure helps reduce our exposure to anomalies or fluctuations in demand, which may affect specific manufacturers or geographic locations.

We aim to put the customer and safe customer outcomes at the centre of everything we do. Underpinning this strategy is our focus

on people, simplicity and consistency, operational excellence and technology to ensure that we deliver a great customer experience achieving customer loyalty and retention. We aim to serve our customers through whatever means they choose, and so should they decide to engage with us in person, by phone or through the internet we are here to deliver a simple, engaging and transparent customer experience every time.

We aim to achieve this through investment in the following areas:



- People driven**

We have a hard working, committed, resilient and talented team at Lookers and we see our people as our most important asset. To continue to succeed we will continue to drive staff engagement through a number of reward, recognition and well-being initiatives. We aim to build an empowering and safe environment with a culture based on always doing the right thing.
- We are Lookers**

As a result of several years of acquisition driven growth, the Group has become quite fragmented and complex. We are now firmly focused on driving simplicity, consistency and transparency in our operating model. We aim to keep things simple with consistent processes, systems and controls so our people are equipped with the right tools to do the right thing for our customers.
- Operational excellence**

We are committed to delivering best in class performance and to deliver long term sustainability for our OEM Brand Partners. We aim to foster relationships that are built on mutual respect. From operational profit, volume, margin and cost control to customer satisfaction, brand scorecard performance, compliance and staff engagement our aim is to be the best. It is through this approach that we hope to grow our existing brand partner relationships and attract new OEM Brand Partners to the Group.
- Technology enabled**

We see technology as a key business enabler. We aim to deploy technology creatively in all areas of the business to drive real competitive advantage that benefits our customers, our people and our OEM Brand Partners. We have made significant advances over the past 12 months in standardising and developing the various sales and aftersales platforms all with the customer experience remaining front and centre. To support this, as a progressive business, we will continue to drive efficiencies through a cycle of continuous improvement and technology upgrades which will enhance the user experience and drive operational efficiency. We recognise the importance of the omni-channel experience and whilst the transition towards online is moving at pace, we are equally focused on developing our instore experience.

- Customers for life**

Built on trust and driven to be the best, is our purpose. The Lookers business has been around for over 100 years during which time we have delivered a great customer experience. We are trusted with every journey. The Group recently appointed a Director of Customer Engagement to focus on improving the customer experience through better data management, enhanced customer insights, simplified and transparent marketing communications and a consistent approach to our Customer Contact Hub operations. We are now ready to build on this with continuous focus on putting our customers at the heart of everything we do ensuring right first time, safe outcomes, building loyalty and a long-lasting relationship.

In a rapidly changing, ever evolving and competitive marketplace we continue to develop our retail proposition. In addition to our core strategy we are working on a number of other initiatives, to further develop our business for a long, sustainable and successful future. These are:

- Electrification and sustainability**

We have recently appointed a Business Development Director and Group Energy Manager in order to accelerate our progress in electrification and sustainability.
- SMART repair**

We are in the process of recruiting a senior manager to head up our SMART repair and bodyshop operations. We see SMART repair as being a significant contributor to aftersales profitability in the future.
- Retention**

The process is underway to improve customer retention through improved extended warranty and service plan sales, improved finance renewals performance and a robust approach towards lapsed customers.

Our goal is to be recognised as the local dealer of choice by our customers, the brand partner of choice by our OEM Brand Partners and the employer of choice by our people throughout both the UK and Ireland.

What we do:

- We sell new and used vehicles through retail, motability, fleet and leasing channels with an aftersales business that offers servicing, parts, repair, MOT and body repair.
- We aim to have the right brands in the right locations. We continuously review and refresh and in 2020 we carried out restructuring of existing sites whilst launching a new and exciting all electric brand to the UK called Polestar.
- Our people are our greatest asset. Our people support excellent customer experience to deliver our business model.
- Our model is underpinned by the customer lifecycle. Our customers typically buy a new car from us, provide a used car in part exchange to support our used business and use Lookers' aftersales department for servicing, parts and repair. Our happy customers are customers for life.
- Our business model is agile, and we have continued to adapt to evolution (for example digitisation through Click & Drive) alongside our regulatory requirements. We also adapted well to the challenges caused by the COVID-19 pandemic.

How we create value:

- For our customers:**

We aim to have customers for life. And we strive to increase the customer experience and our customer satisfaction scores
- For our people:**

We employ over 6,500 people and our feedback tells us that our people are engaged with the business
- For our shareholders:**

We sell cars and generate revenue, we have a laser focus on margin and we manage our cost base appropriately. Over the medium to long term we aim to create value for our shareholders via capital growth and dividends

In conversation:

Mark Raban

Chief Executive Officer



“I am most proud of the fantastic Lookers team who have continued to show great resolve, trust and loyalty as we navigated our way through the challenges of 2020, a year that we will not forget!”

How would you describe 2020 for Lookers?

Last year was without doubt one of the toughest years in the Group's history. Shortly before we were due to publish our 2019 financial results in March 2020, we discovered some potentially fraudulent transactions in one of our operating divisions. We delayed the publication of our results and immediately instructed an independent investigation. At the same time, the first national COVID-19 lock down commenced and we closed virtually our entire operations furloughing the vast majority of our colleagues. Completing the investigation in such conditions was challenging and after delaying our results we requested that our shares be temporarily suspended in July 2020.

We concluded our investigation and finally published our 2019 accounts in November 2020. Although our 2018 and 2017 comparatives were materially restated we were pleased to achieve an unqualified audit opinion.

Dealing with the investigation and the impact of COVID-19 together was a “perfect storm” for the Group which placed considerable pressure on our colleagues, shareholders, pension trustees, OEM Brand Partners, suppliers and our Banking Club. I am very grateful for the way all our stakeholders stepped up to support the Group during this difficult time. Against this background, from a financial perspective, I am particularly pleased that in 2020 we managed to increase our underlying profit and reduce our net debt.

Finally, I am most proud of the fantastic Lookers team who have continued to show great resolve, trust and loyalty as we navigated our way through the challenges of 2020, a year that we will not forget!

Are all the legacy issues behind you now?

Our fraud and accounting investigation is complete; our historic financials have been restated and our shares were restored to the London Stock Exchange at the end of January 2021. In addition, in March 2021 the enforcement division of the FCA confirmed that they had closed their investigation into our historic sales processes without further sanction. We remain absolutely committed to delivering safe and transparent customer outcomes as part of our “customers for life” strategy. I am personally leading a cultural development programme across the Group that aims to build on the Group's core values of simplicity, engagement and transparency. We have recently rolled out a new remuneration and incentive programme for our sales team, to underpin and encourage these values.

We are continuing our programme of strengthening our systems and controls environment and are well underway with progress towards a single, standardised dealer management system throughout the entire dealership network.

I continue to strongly believe that the right culture and behaviours underpinned by robust systems and controls will provide the right customer outcomes and give us significant competitive advantage.

How did the COVID-19 global pandemic impact the business?

The COVID-19 global pandemic touched every aspect of everyone's lives. My first thoughts remain with all of those that have been personally impacted by the virus and the nation's key workers, including our own technicians, who have done a fantastic job at looking after others.

History teaches us that at times of crisis the pace of change, development and invention often accelerates. Over the last 12 months the Group has developed significantly. In order to mitigate the impact of COVID-19 we rolled out many operational changes and enhancements to enable the Group to continue to operate in this “new world”. Our colleagues and customers were quick to respond to and accept these new ways of working. New technology solutions like Click & Drive, our online sales proposition, unaccompanied test drives, remote document signing and contactless sales experience are initiatives which will all continue and develop as the Group moves forward post COVID-19.

As we reflect on the learnings of the last year, I am more convinced than ever that we must continue to strive to allow our customers to interface with us in a way that is driven by and satisfies them. Many customers want to be able to experience a hybrid online / offline process and we aim to create technology which allows them this seamless interconnectivity.

My overriding memory of the global pandemic is again rooted in the reaction and response from the Lookers team who throughout have looked out for each other and our customers with great care.

What are your views on electric vehicles?

The pathway to the entire replacement of the internal combustion engine in favour of battery powered electric vehicles is already well underway. This represents the biggest industry change since the

invention of the automotive vehicle itself. Battery and plug in hybrid powered vehicles currently account for over 10% of the UK new car market and under government policy by 2030 all new vehicles sold will be electric powered.

All our OEM Brand Partners have invested significantly in electric product development and have good pipelines of electric vehicles coming to market over the next few years. Initial customer “range anxiety” and comparatively high vehicle pricing has been an issue for early adopters but as technology improves many new models will have extended range capability.

There are many hurdles to overcome as we move towards pure electrification but as charging infrastructure is rolled out and vehicle pricing normalises, I believe we will see a material increase in the adoption of electric vehicles at a greater rate than currently anticipated.

Electrification is a fantastic opportunity for Lookers. In 2020 we launched our first new electric only partnership with Polestar. We aim to build on this success creating a centre of excellence and product knowledge for both sales and aftersales.

What are the priorities for the next 12 months?

We have four key priorities:

- **Investment and development of the Group's omni-channel customer experience**, enhancing choice through a flexible combination of digital engagement and high quality forecourt service. We are excited about our continued digital investment plans. Having invested significantly in our online capability over recent months we aim to build on this investing further in both front and back of house technology solutions to ensure the customer remains at the centre of everything we do.
- **Harnessing growth from the transition to electric vehicles** through infrastructure investment and connected car services, alongside the roll-out of new aftersales services. We believe this is a material opportunity for the Group moving forward.
- **Continued focus on driving operational excellence** through further productivity improvements, effective cash management and a robust approach to capital allocation.
- **Focus and investment in people and systems** to support the Group's simplification, controls, engagement and transparency initiatives.

Mark Raban
Chief Executive Officer
30 June 2021



Market overview

The new car market in 2020 was severely disrupted by the COVID-19 global pandemic. UK new vehicle registrations at 1.63m was the lowest level on record since 1992 and represented a decline of 29.4% versus 2019. New vehicle registrations to fleet customers were 0.88m representing 54.2% of the total market, declining by 31.7%. New vehicles registrations to retail customers declined by 26.6%.

Registrations of diesel and petrol engines continued to decline being 48% and 33% below 2019 respectively. There are notable regulatory pressures facing our OEM Brand Partners in achieving emissions targets. As a result of changing customer preferences and the evolving legislative landscape the registrations of alternative fuel vehicles continued to gain market share and showed a growth of 67%. The Board believes that the continued migration towards pure electric vehicles represents a significant opportunity for the Group.

In the period the Group outperformed the new car market and currently enjoys a 6.2% (2019: 5.8%) share of the UK retail market.

The used car market remains an area of material opportunity for the Group. In 2020 there were approximately 6.8m used vehicle transactions. Throughout the COVID-19 global pandemic consumers have continued to favour private transportation and in the period after the first lockdown in particular the Group experienced strong demand for cheaper used cars as consumers sought second and third vehicles for the household.

Aftersales represents the servicing and repair of vehicles and sale of franchised parts. In the UK the car parc is approximately 36.7m 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. As the Group responded to COVID-19 we made many enhancements to our online capabilities including launching Click & Drive, online finance applications, remote document authorisation and contactless handover. These initiatives have helped to mitigate the financial impact of COVID-19 trading restrictions and to ensure the continued safety of customers and our colleagues.

Operations summary

Total revenue of £3,699.9m (2019: £4,806.5m) was 23.0% lower than 2019. Like-for-like (LFL*) revenue declined by 20.4% with revenue from new cars, used cars and aftersales all declining as a result of the temporary closure of the Group's dealerships as a consequence of the COVID-19 global pandemic.

*See Glossary of terms on page 181.

Analysis of revenue

Revenue	2020 £m	2019 £m (restated)	Variance	2020 LFL £m	2019 LFL £m	LFL variance
New cars	1,709.3	2,226.4	-23.2%	1,690.3	2,135.3	-20.8%
Used cars	1,779.1	2,326.3	-23.5%	1,757.1	2,214.3	-20.6%
Aftersales	383.8	495.3	-22.5%	378.0	470.0	-19.6%
Leasing and other	148.4	153.3	-3.2%	136.0	137.3	-0.9%
Less: intercompany	(320.7)	(394.8)		(313.6)	(376.0)	
Total	3,699.9	4,806.5	-23.0%	3,647.8	4,580.9	-20.4%

Note: Leasing and other includes revenue from non-leasing vehicle sales made by the Group's leasing businesses.

Analysis of gross profit

Gross profit	2020 £m	2019 £m (restated)	Variance	2020 LFL £m	2019 LFL £m	LFL variance
New cars	109.2	147.0	-25.7%	107.6	143.3	-24.9%
Used cars	117.9	138.1	-14.6%	116.8	135.1	-13.5%
Aftersales	164.6	211.9	-22.3%	161.7	198.3	-18.5%
Leasing and other	19.3	16.1	19.9%	18.0	17.7	1.7%
Total	411.0	513.1	-19.9%	404.1	494.4	-18.3%
Gross Margin %	11.1%	10.7%		11.1%	10.8%	

Gross profit decreased by 19.9% to £411.0m (2019: £513.1m) driven by the revenue shortfall. Gross margin at 11.1% was 0.4 percentage points ahead of 2019. Gross margin in the first six

months of the year (H1) was broadly flat recovering in the second six months of the year (H2) as the Group drove stronger used vehicle margin.

New cars

New cars	2020	2019	Variance	2020 LFL	2019 LFL	LFL variance
Retail unit sales	46,665	59,212	-21.2%	45,784	55,179	-17.0%
Fleet unit sales	39,890	53,694	-25.7%	39,834	52,687	-24.4%
Total unit sales	86,555	112,906	-23.3%	85,618	107,866	-20.6%
Gross margin %	6.4%	6.6%		6.4%	6.7%	

The sale of new cars represented 26.6% (2019: 28.7%) of total gross profit. The COVID-19 global pandemic had a material impact on UK new car registrations during 2020. The start of lockdown during March resulted in a market decline of 44.4%, before the full impact was felt in April and May, with the market recording a decline of 97.3% and 89.0% respectively. This had a material impact on the overall H1 new car market which declined by 48.5%. Against this on

a like-for-like basis, the Group's sale of new units declined by 45.2% representing a modest outperformance against the UK market.

In H2 the new car market showed some recovery with UK new vehicle registrations declining by 6.2%. The Group's new vehicle sales performance improved materially in H2, benefitting from several operational initiatives and recording an outperformance of the total market by 16.2%.



Used cars

Used cars	2020	2019	Variance	2020 LFL	2019 LFL	LFL variance
Retail unit sales	78,341	100,764	-22.3%	76,968	94,629	-18.7%
Gross margin %	6.6%	5.9%		6.6%	6.1%	

The sale of used cars represented 28.7% (2019: 26.9%) of total gross profit. Like-for-like used unit sales declined by 18.7% which is a resilient result given the serious disruption caused by various lockdown restrictions throughout the year.

Gross margin was 0.7 percentage points ahead of 2019. In H1 gross margin was below last year's levels as the Group took active measures to reduce overall used car stock levels and significantly improve the ageing profile in response to the initial lockdown. These measures together with an improved market and robust residual values drove improved margin during H2.

We continue to focus on robust 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. During the period we made several enhancements to our business processes including unaccompanied test drives, a number of online enhancements and contactless handover all of which have helped mitigate the impact of lockdown restrictions and provide a catalyst for permanent positive change.



After-sales

After-sales	2020	2019	Variance	2020 LFL	2019 LFL	LFL variance
Revenue £m	383.8	495.3	-22.5%	378.0	470.0	-19.6%
Gross margin %	42.9%	42.8%		42.8%	42.2%	

After-sales is a key part of the Group and represented 40% (2019: 41.3%) of total gross profit. On a like-for-like basis after-sales revenues were 19.6% down versus 2019. At the outset of lockdown, the Group asked for volunteers from its technicians and parts teams in order to maintain a presence at 41 after-sales locations supporting key workers.

Our workshops remained fully operational throughout H2 operating with upweighted COVID-19 secure protocols to protect both our customers and colleagues. We implemented online service check in which has proved popular with customers and has helped to drive productivity.

We continue to focus on increasing the penetration of service plans. We now have 168,986 live service plan agreements, which is up 5% on 2019. Service plan contracts are a strong retention tool for the Group, creating a long lasting and sustainable relationship with our customers.

We remain fully committed to our ongoing technician apprentice scheme which has developed significantly over the past year.



Key events 2020 timeline

23 March	Temporary closure of all trading locations announced. Following the introduction of new operating measures, the Group subsequently partly reopened 31 locations providing essential repairs and maintenance to key workers vehicles and 10 parts distribution centres.
20 April	Group launched new website functionality allowing customers to reserve vehicles, pay a deposit, complete an online finance application and receive vehicle delivery and handover at home. We subsequently developed this by launching our Click & Drive online offer.
11 May	Successfully implemented and tested new operating procedures and the Group reopened all its aftersales facilities gradually rebuilding capacity.
18 May	Group implemented a new contactless vehicle handover and delivery process delivering nearly 4,000 new and used retail vehicle orders in May. Unaccompanied test drives initiated.
1 June	Group fully reopened all dealerships in England in accordance with government policy and updated operating procedures.
8 June	Group fully reopened all dealerships in Northern Ireland.
29 June	Group fully reopened all dealerships in Scotland. All UK dealerships fully operational from this point.
5 November	New lockdown restrictions in place, pre-booked aftersales service being provided with new and used car sales activity carried out via Click & Drive.
December	Various regional and tiered restrictions implemented across England, Scotland, NI and ROI.
4 January 2021	A third national lockdown was implemented. Pre-booked aftersales service being provided with new and used car sales activity carried out via Click & Drive.
12 April 2021 (30 April 2021 - NI)	All dealerships fully reopened and trading normally.

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 sanitiser 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 removed on 1 September 2020. Executive bonus entitlement was also waived.
- Various capital expenditure programmes were delayed.
- Dividends were suspended.
- All discretionary costs 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 (CJRS) and other Government initiatives to protect cash flow. The Group benefited during the year from £34.9m of receipts under the CJRS arrangements, and a £10.2m business rates holiday. In addition the Group deferred a VAT payment of £15.6m that it settled in full in March 2021.

The Board would like to thank its financing and Banking Club 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

Financial performance

Despite operating against a backdrop of COVID-19 for the majority of the year, the Board is pleased with the financial performance of the business, recording an underlying profit before tax* of £14.1m ahead of 2019 restated £4.0m and a profit before tax of £2.0m (2019: restated loss of £45.7m).

The first half of the year was materially impacted by the COVID-19 pandemic which led to the closure of the Group's operations for a significant period. Despite this, restructuring, strong cost control actions and the development of the Group's omni-channel offering (including the launch of Click & Drive) led to a resilient performance in the second half, underpinned by significant outperformance of the retail UK new car market.

Revenue for the year was £3,699.9m which was 23.0% lower than last year (£4,806.5m). Like-for-like* revenue declined by 20.4% with revenue from new cars, used cars and aftersales all impacted by the COVID-19 pandemic. In line with revenue, gross profit decreased by £102.1m to £411.0m (2019: £513.1m). Gross profit margin was higher than the prior year at 11.1% (2019: 10.7%) largely as a result of strong used margins in the second half of the year, driven by a buoyant market and robust residual values.

Underlying net operating expenses at £368.0m (2019: £476.2m) were 22.7% below last year. The Group's Statement of Consolidated Income includes the benefit of both a £34.9m receipt from the Government's job retention scheme and £10.2m of rates reductions under the Government's business rates holiday scheme. Excluding the elements of government support included within net operating expenses (as opposed to cost of sales), underlying net operating expenses were 14.6% below last year as a result of ongoing focus and control of the Group's cost base.

During the year, the Group's bank borrowings were based on a floating rate linked to LIBOR. Net finance costs were slightly below the prior year at £28.9m (2019: £32.9m). Given the unprecedented COVID-19 situation, the Board made the decision to make substantial drawings against the Group's revolving credit facility and hold these sums in cash, creating an inefficient liquidity position and increasing financing costs; however, this was offset by lower interest cost on vehicle rental liabilities and reduced stock levels.

Taxation

The Group's taxation charge for the year is £6.1m (2019: credit of £3.9m) which is composite of a corporation tax credit of £0.4m and a deferred tax charge of £6.5m. The Group's tax charge is considerably higher this year as a result of a significant increase in profits chargeable for taxation, capital gains resulting from property disposals, and the revaluation of the Group's deferred tax liabilities following the 11 March 2020 Budget announcement that the standard rate of corporation tax would remain at 19% instead of reducing to 17% from 1 April 2020. The current tax recoverable recorded in the Group statement of financial position has reduced from £9.8m to £1.1m following receipts received from HMRC during the year.

*Alternative performance measures – see Note 30 to the Financial Statements

Cash flow

The Group's net cash inflow from operating activities is £37.8m (2019: restated £79.0m).

The prior year net cash inflow includes the benefit of increases stocking funding in 2019 (from 81% in 2018 to 93% in 2019) alongside a small delay in payments of trade and other payable balances at the end of that year.

In 2020, we have seen the unwind of those 2019 year end actions which did not repeat in 2020. We have also seen the continued focus on working capital, in particular tighter controls around the management of inventory and debtors. The year end Consolidated Statement of Financial Position shows a significant year on year reduction in inventory and debtors and we have also seen an improvement in the ageing profiles. Stock funding at the balance sheet date has remained consistent at 93%.

Property, plant and equipment capital expenditure totalled £13.8m (2019: £45.8m) reflecting significantly lower spend as a result of the COVID-19 pandemic as the Board took the decision to delay and cancel certain initiatives in order to protect the cash position of the Group.

The Group realised £18.0m from the disposal of freehold properties during the year (2019: £17.6m) and continues to benefit from its strong property portfolio. The net book value of freehold and leasehold properties was £301m (equivalent to 77 pence per share) at the year-end.

Net debt* (excluding lease liabilities, vehicle rental liabilities and stocking loans) at 31 December 2020 was £40.7m (2019: £59.5m). This includes the benefit of £15.6m of deferred VAT agreed under Government schemes.

Bank funding

At 31 December 2020, the Group had a revolving credit facility (RCF) of £238m provided by five banks (The Bank of Ireland, Barclays, HSBC, Lloyds and NatWest).

In May 2021, the Group agreed an amendment and extension to its RCF, with the same banks. The amended RCF is for an initial £150m and will expire on 30 September 2023. Under the amended facility, interest is charged at a margin of between 3.25% and 4.25% (above SONIA) based on the level of utilisation. The facility is subject to quarterly covenant tests on leverage, interest cover and a minimum EBITDA* per rolling twelve month period.

The Board has run a number of scenarios and stress tests in order to test the appropriateness of these facilities and based on the results of those tests, the Board supports the preparation of the Annual Report & Accounts on a Going Concern basis.



Dividends

As a result of the impact of the COVID-19 pandemic, the Board previously communicated that it will not be recommending a dividend for the year ended 31 December 2020.

The Board remains mindful of its relationships with, and commitments to, all stakeholders and recognises the importance of dividends to shareholders and will reinstate the payment of dividends as soon as it believes that it is prudent to do so.

As noted in our 2019 Annual Report & Accounts, the Board has become aware of an issue concerning technical compliance with the 2006 Act in relation to the payment of interim and final dividends in 2013, 2014 and 2015.

The effect of these irregularities is that the interim and final dividends paid in 2013, 2014 and 2015 were paid to shareholders at a time when the Company did not hold adequate distributable reserves. However, 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.

To satisfy the steps required to rectify these irregularities, the Company will put forward a resolution at the Company's forthcoming General Meeting. The Company has put in place the necessary controls and processes to ensure that a similar issue will not reoccur.

Pension schemes

The Group has two defined benefit pension schemes, The Lookers Pension Plan and The Benfield Motor Group Pension Plan. Both schemes are closed to entry for new members and closed to future accrual.

During June 2020 the former Dutton Forshaw Pension Plan trustees resolved to transfer all remaining assets and liabilities to The Lookers Pension Plan. During the year the Group concluded its triennial valuation of The Lookers Pension Plan and received approval from its lenders to increase pension deficit payments to £12m plus expenses and PPF levy, all subject to increases linked to CPI. The revised contributions were effective from 1 July 2020.

The Group's triennial valuation of the Benfield Pension Plan was concluded in February 2021 with a continuation of deficit contributions of £0.3m plus expenses and PPF levy.

At 31 December 2020, the aggregate IAS 19 pension deficit is £79.3m (31 December 2019: £55.7m). The year on year increase arises as a result of the decrease in both corporate bond yields and discount rate, which has been partly offset by an increase in the schemes' asset values. The total actuarial loss on the Group's defined benefit pension schemes in the year was £32.5m (2019: gain of £7.1m).

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

The Group recorded net non-underlying costs of £12.1m during the year. The Board has taken the view that each of the following items relate to costs or income which are not incurred in the normal course of business or due to their size, nature and irregularity are not included in its assessment of financial performance. Non-underlying items have been presented separately on the face of the Statement of Total Comprehensive Income.

The principal items are as follows:

Restructuring costs and associated asset impairment £12.5m

During the year, the Board took decisive restructuring actions to position the Group for a strong and sustainable future. This included the identification of 12 sites (2019: 15) for either closure, consolidation or refranchising. The Group now operates from a portfolio of 150 dealerships.

The Board also undertook a review of the Group's operating model in light of both its strategy and the structural changes taking place across the industry. This led to 1,500 redundancies being made. These costs are now complete.

Professional fees - £9.2m

In our 2019 Annual Report & Accounts we detailed the Accounts investigation. During the year, the Group incurred certain professional fees in relation to procedures carried out by a number of different advisory firms. These costs are now complete.

During 2020, and into 2021, the Group has continued to improve its controls and governance and is making progress against the remediation. To date the Group has:

- Made progress in the formalisation of accounting policies, processes and procedures, focussing initially on financial reporting risk and judgemental areas
- Restructured the Finance team and recruited a Group Financial Controller
- Implemented a Financial Reporting attestation process for senior financial and operational management
- Continued to standardise the Group's Dealer Management System with more dealerships now aligned to the Group's agreed "blueprint"

Goodwill and intangible impairments £3.6m

In the first half of the year the Group made a non-cash impairment charge of £2.6m against its Ford cash generating unit, following a deterioration in market conditions. The Group also fully impaired its Lomond brand in the second half of the year, resulting in a non-cash charge of £1.0m.

FCA provision £10.4m credit

In March 2021, the FCA advised the Board that it had decided to close its investigation against Lookers Motor Group Ltd for the possible mis-selling of regulated products between January 2016 and June 2019. The FCA investigation was closed without applying any sanction but noted several concerns relating to the historic culture, systems and controls of the Group which the Board fully accepted. The Group is satisfied that the FCA confirmation represents an adjusting event after the balance sheet date as this provides evidence that there was not an obligating event and have therefore released the £10.4m provision - created in the 2019 Annual Report & Accounts - into non-underlying items in 2020.

Gain on property disposal £3.1m credit

Following the closure of 15 dealerships in 2019, and a further 12 this year, a number of freehold properties no longer required within the Group have been disposed, generating a gain of £3.1m.

Prior period adjustments - Group

(a) IFRS 16 leases

During the course of our year end procedures we identified a number of leases which had been omitted in error from our IFRS 16 lease calculations. These omissions have a material impact on balance sheets at 1 January 2019 and 31 December 2019. As a result, and in line with IAS8, we have included this as a prior year adjustment. The most significant impact of this adjustment on the Group's 2019 Consolidated statement of financial position is an increase in right of use assets and lease liabilities of £11.3m and £12.8m respectively. Full details of this adjustment are set out in Notes 1 and 13.

(b) Rental fleet vehicles

In addition, as part of our year-end procedures, we identified that certain balances and transactions in the Group's Get Motoring UK Limited subsidiary had been incorrectly treated in respect of IFRS 16 in the Group's 2019 Annual Report & Accounts. Whilst the impact of this is not material to the Group's Financial Statements, the correct accounting treatment does impact the classification and treatment of particular financial statement line items and these have therefore been corrected. See Note 1 for details.

Prior period adjustment – Company

Dividend receipts

In preparing subsidiary Financial Statements, the Directors identified a number of adjustments that had not been made in the 2019 Group Financial Statements and that impacted dividends paid by these subsidiaries to Lookers plc in 2019 and prior. This has required an adjustment to the Lookers plc Financial Statements. See Note 1d.

*Alternative performance measures

The Group uses a number of Alternative Performance Measures (APMs) which are non-IFRS (International Financial Reporting Standards) measures in establishing their financial performance. 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. APMs should be considered in addition to IFRS measures and are not intended to be a substitute for IFRS measurements.

More details of the APMs 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 to the Financial Statements.

Anna Bielby

Interim Chief Financial Officer
30 June 2021

Key performance indicators

The Group has a number of financial and non-financial KPIs to monitor the performance of the business against its strategic objectives. The Board's target is to improve performance across all KPIs whilst maintaining a balanced approach to risk and the future development of the business.

Financial KPIs			
KPI	Definition	Performance	Link to risk factor
Revenue	Total revenue generated across the Group. This statutory measure is a key metric that shows our business performance and is linked to our long term strategy.	2020: £3,699.9m 2019: restated £4,806.5m A decrease of 23.0%, largely as a result of COVID-19 and the closure of our operations for a significant period of time.	1,3,4,5,6,7
Gross profit margin	Gross profit as a percentage of revenue. This is a key metric as it shows growth in profitability. Our target is to increase the Group's gross profit margin. This metric is linked to our long term strategy.	2020: 11.1% 2019: 10.7% An increase of 0.5 percentage points, driven by strong used car margins, particularly in H2.	1,3,4,5,6,7
Underlying profit before tax*	Profit before tax before the impact of non-underlying items. This is a key metric for our stakeholders and is also linked to remuneration. Our target is to increase underlying profit before tax year on year, and to exceed market expectation. This metric is linked to our long term strategy.	2020: £14.1m 2019: restated £4.0m Despite the challenging year, strong cost control and government support has allowed us to increase underlying profit before tax.	1,2,3,4,5,6,7
Underlying basic earnings per share*	The ratio of underlying profit after tax to the weighted average number of ordinary shares in issue during the financial year. Our target is to increase underlying basic earnings per share year on year. This metric is linked to our long term strategy.	2020: 2.93p 2019: restated 0.83p An increase of 2.10p reflecting higher year on year earnings.	1,2,3,4,5,6,7
Net debt*	Total borrowings excluding lease liabilities, vehicle rental liabilities and stocking loans less cash and cash equivalents. This is an important metric as the Group has a number of obligations and it is important that we continue to generate cash and manage working capital effectively in order to remain compliant with banking covenants. This KPI supports our operational or shorter term objectives.	2020: £40.7m 2019: £59.5m Our net debt balance continues to reduce. We managed net debt well during the year through strong working capital disciplines. We also benefitted from lower capex and the Government's VAT deferral scheme.	1,2,5,6,7
Aftersales Gross profit margin	Aftersales represents a key part of the Group's profitability and it is important that this is monitored closely. This is the first time that this metric has been included in our Annual Report & Accounts as a KPI. Our target is to maintain gross profit margins against a backdrop of changing technologies. This metric is linked to our long term strategy.	2020: 42.9% 2019: 42.8% Aftersales gross profit margin is broadly in line with 2019.	1,6,7

* Alternative performance measures defined in Note 30 of the Financial Statements.

Non-financial KPIs			
KPI Objective	Definition	Performance	Link to risk factor
New car performance v SMMT	This metric shows the annual performance over the year of the Group's new car registrations (in % terms) relative to the market, by comparing to data provided by the Society of Motor Manufacturers and Traders (SMMT). This important performance indicator is a new KPI this year and supports our long term strategy.	2020: +9.6 percentage points 2019: -5.4 percentage points The Group outperformed the UK retail market for 8 consecutive months from May 2020 to December 2020. This trend has continued in 2021.	1,6,7
Group new car sales	Number of new vehicles sold in units. This KPI supports our operational and medium term objectives. This metric may evolve in the future as OEM Brand Partners relationships and business models change.	2020: 86,555 2019: 112,906 Vehicle sales were lower than 2019, largely as a result of our dealership closures due to COVID-19.	1,6,7
Group used car sales	Number of used vehicles sold in units. This KPI supports our operational and medium term objectives.	2020: 78,341 2019: 100,764 Vehicle sales were lower than 2019, largely as a result of our dealership closures due to COVID-19.	1,6,7
Employee satisfaction	In 2020 we introduced a pulse survey to measure engagement across a number of topics. The response rate was 53% and the overall results suggest that our colleagues are engaged with the business with particular strengths across personal growth, co-operation and teamwork alongside recommending Lookers as a great place to work. We are also clear that further investment and support is needed on recognition and wellbeing and these are two cornerstones of our approach in 2021. We intend to repeat this pulse survey in Q3 of 2021 and are expecting to see improvements across the responses. This KPI supports our operational or shorter term objectives.		6,7

The Group continues to track a number of other performance indicators and will review and evolve the externally published KPIs as required.

Other KPIs which the Group may share in the future, but for which consistent data points do not exist at present include Lookers'

Customer Satisfaction score (at the moment the Group is tracking above industry average), enhanced People metrics covering Diversity and Inclusion and indicators around digitisation and sales of electric vehicles.

Risk overview and management

Enterprise risk management framework

As with all organisations, Lookers is exposed to a wide range of risks, both internal and external, as part of our on-going activities. The identification and management of those risks is integral to the achievement of our long-term goals which rely on our ability to identify and control those things that can hurt us and exploit opportunities that arise, both within our business and the wider market. We identify risks and assess the effectiveness of our control environment on an ongoing basis through robust risk management processes and reporting. As a part of this, we undertake horizon scanning to identify emerging risk, maintain ongoing dialogue with the business, provide management information to the Executive and the Board and keep up to date with developments in the automotive sector and wider economy. To assist, we have developed an Enterprise Risk Management Framework (ERMF) designed to deliver a common language that helps us define and categorise the risks that we face. It sets the high-level principles and underpinning minimum requirements for the identification, assessment, management and monitoring of each of those risk categories in line with Lookers' defined risk appetite.

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 exercises ownership of risk in the business, and independent oversight and challenge of those risks and their management 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 effectiveness of our controls. In summary the accountabilities between lines are split as follows:

- **The first line of defence** (the business) are accountable for owning, taking and managing the risk
- **The second line of defence** (Risk and 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

Our risk appetite framework defines the level of risk we are willing to take across the different risk categories and allows us to track mitigating action when our tolerance metrics suggest that we are moving away from where we want to be. Risk appetite is key for our decision-making process, including ongoing business planning, new product approvals and business change initiatives.

In setting the risk appetite, the Board outlines the "tone from the top" and provides a basis for ongoing dialogue between management and Board with respect to our 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 2020 the Group's control environment has continued to evolve, including internal controls over financial reporting. The Financial Risk Policy and supporting Policy Standards have been further developed. A review of the underpinning processes and procedures has been undertaken and documented, including a strengthened balance sheet reconciliation process and a dedicated risk and control register. In addition, the Finance function has been strengthened with an enhanced operating model introduced across the period.

The Board continues to oversee a programme of work to further enhance finance controls. These enhancements address the issues previously identified in the Financial Review.

Controls have been designed to ensure that the Group's financial reporting presents a true and fair reflection of the Group's financial position. Many of these improvements have been implemented although the process of further improving controls will continue during 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, management and review of risks which may threaten the achievement of our strategic objectives.

These risks are those that could cause the greatest damage if not effectively identified, assessed 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.

The tables opposite give an overview of the principal risks and their impact, aligned to the corresponding controls and mitigating actions. 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.

Financial risks			
No.	Principal risk and description	Impact	Mitigating activity
1	Liquidity and funding risk <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"> • A failure of cash management to ensure all financial obligations are met when they fall due or failure to fund the future needs and growth of the business. • Reputational damage with external stakeholders. • 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 Banking Club is kept under continual review including compliance with our covenants. • We ensure that cash and 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. We continually maintain open dialogue with the Banking Club
Pension risk			
No.	Principal risk and description	Impact	Mitigating activity
2	Pension risk <ul style="list-style-type: none"> • The risk that Lookers does not adequately manage pension liabilities. • The risk that Lookers fails to manage funding of its pension schemes. 	<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. 	<ul style="list-style-type: none"> • We maintain relationships with pension trustees and deliver against pension investment plans. 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.

Risk overview and management

Regulatory risk			
No.	Principal risk and description	Impact	Mitigating activity
3	<p>Regulatory risk</p> <ul style="list-style-type: none"> Where the Group's activities are subject to regulatory compliance there is risk of failure to comply with applicable laws, regulations, and codes. 	<ul style="list-style-type: none"> Potential poor customer outcomes, financial loss or imposition of penalties, damages or fines on the Group. Failure to address forthcoming regulatory developments. Failure to maintain appropriate regulatory permissions for Lookers' activities. Failure to manage regulatory relationships effectively. Failure to comply with appropriate reporting disclosure and associated requirements. 	<ul style="list-style-type: none"> We have continued to invest in capability and capacity of 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 reviewed and refreshed our regulatory rule mapping to ensure applicable regulations remain covered and that we have an appropriate compliance framework. 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 who have now closed their investigation into our historic sales practices without sanction and the Primary Market Oversight division who ended their active interest following the publication of the 2019 year-end accounts and restoration 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 have and are continuing to address and enhance 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 the risk that our behaviours, attitudes, motivations and actions lead to unfair customer outcomes or poor standards of 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 values or to meet customer needs. Failure to manage and investigate complaints appropriately. 	<ul style="list-style-type: none"> We ensure that fair customer outcomes are embedded within our corporate strategy. 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. We have invested considerably during the year in capability and capacity within the Compliance function to support the business and manage our relationship with the regulators and other stakeholders. 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.



Risk overview and management

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 (including bribery and corruption), 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 financial crime, including internal and external fraud against the Group or its customers. 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 continue to embed the financial crime policies and procedures that we put into place over 2019 and have trained our colleagues accordingly to ensure that they understand their obligations to report 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, customers or suppliers. We ensure that anonymous reporting processes are in place via the whistleblowing process. We have in place an Anti-bribery and Corruption Policy and the appropriate underpinning processes and procedures. Where instances of financial crimes arise these are thoroughly investigated and where appropriate criminal prosecution is pursued.

Strategic and business 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 deliver our strategy and create shareholder value, including to:</p> <ul style="list-style-type: none"> adequately manage relationships with the manufacturers. adapt to changing market demands including autonomous driving, EVs and shared mobility demands. adequately monitor and react to changes following the UK's departure from the EU. Monitor and react to any potential new COVID-19 variants that lead to additional restrictions and/or interruption to the supply chain. <p>The risk that developments in the wider market, including the worldwide shortage in semiconductor chips impacts on the ability of the firm to execute its strategy.</p>	<ul style="list-style-type: none"> Failure to demonstrate the value-add of the franchise model resulting in manufacturers 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 create or protect shareholder value. Failure to proactively monitor and react to issues following the departure of the UK from the EU, and the developing world-wide shortage of semiconductor chips impacting supply chain. General economic uncertainty or downturn in consumer confidence arising from Brexit or other macro-economic issues e.g. 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 and consider their needs 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. We have worked hard on digital and contactless journeys, ensuring that we can meet the needs of our OEM Brand Partners and customers whilst ensuring safety, compliance and confidence in a COVID-19 environment. We are working closely with our OEM Brand Partners who manage the global automotive supply chain to develop the necessary mitigating actions to ensure continuity of supply to mitigate issues such as the world-wide shortage of semiconductor chips and changes in trade relations with the EU. 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.



Risk overview and management

Operational risk			
No.	Principal risk and description	Impact	Mitigating activity
7	<p>Operational risk Operational risk is defined as a failure of our people, policies or procedures and is divided into a number of subcategories (Level 2 Risks) including:</p> <p>Information, IT and cyber security and business continuity risk</p> <ul style="list-style-type: none"> The risk of ineffective underlying IT infrastructure supporting the Group's day-to-day operations and generating timely management information. The Group processes personal information which leads to a risk of failure to protect confidential or sensitive data which could result in significant operational and reputational damage. The Group is responsible for the safeguarding of data, in accordance with the Data Protection Act 2018 (DPA) 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 risk that the Group does not have adequate learning and 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 providers are not appropriately managed on an ongoing basis, including the impacts 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. The Group could be subject to Cyber-attack resulting in business interruption, theft of data or ransom. 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 HSE legislation leading to the risk of personal injury and/or fines and legal action. 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. 	<ul style="list-style-type: none"> We have established Operational Risk policies which are regularly reviewed. 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 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 personal data in accordance with the DPA 2018 requirements. We are undertaking a wide-ranging programme of work to enhance our Cyber and information security controls. We operate a robust Health and Safety system to ensure compliance with HSE legislation. In addition, 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. 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.



Viability statement

In accordance with the Corporate Governance Code, the Board have assessed the viability of the Group 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.

Process and scenarios considered

The Group's detailed plan considers the profit and loss, cash flows, debt and other key financial ratios over the period including compliance with existing covenant arrangements. These metrics are subjected to sensitivity analysis, in which a number of the main underlying assumptions are adjusted and tested to consider alternative risk-based scenarios. The detailed plan takes into account the Group's response to COVID-19, including the development of Click & Drive, see pages 22 to 23 for more detail on the Group's responses to COVID-19.

As detailed in Risk Overview and Management on page 30 the Group identifies risks on an ongoing basis through a robust risk management process. We have stress tested our detailed plan taking into account severe but plausible scenarios which are aligned to the Group's risk appetite and principal risks as documented on pages 31 to 36. The Board has also considered the availability of the Group's banking facility, which runs until 30 September 2023, and the likelihood of securing a new facility thereafter.

The Board's assessment of the Group's viability over the period has been made with reference to:

- The impact on the Group of the COVID-19 pandemic, and potential longer-term impacts on consumer confidence;
- the long-term impact of automotive technological change;
- digital disruption to our markets and pricing; and
- potential business model changes of our key suppliers.

We have also considered the emerging issue of semi-conductor shortages, and the likely impact on stock availability. Whilst accepting that this could reduce sales volumes in the short term, in a severe but plausible scenario we do not consider there to be a significant impact on our overall viability assessment. The impact of Brexit has been considered and it is not deemed to have a significant impact on this assessment. Modelling these risks tests the Group's ability to withstand a material reduction in revenue and margin.

While it is impossible to foresee all risks (or take into account risks which are currently immaterial but could turn out to be significant) mitigating activities could be performed, for example reducing capital expenditure, discretionary spend or making changes to dividend payments.

In the most severe scenario modelled, the test indicates that the Group has sufficient headroom in its banking facility and would not breach any of the associated covenants. Details of the Group's financing arrangements can be found in Note 22 of the Financial Statements.

Viability statement

Having assessed the current position of the Group, its prospects and principal risks and taking into account the assumptions above, the Board has determined that it has a reasonable expectation that the Group is financially sound and stable and therefore will be able to continue in operation and meet its liabilities as they fall due over a period of three years from 1 January 2021.



Section 172 statement and non-financial information 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 various sections of our Strategic Report, including our COVID-19 update, and the Corporate Social Responsibility Report are also key documents of reference when considering how the Company has interacted with its stakeholders.

The Board recognises the support of all of its stakeholders, including its employees, OEM Brand Partners, shareholders, Banking Club and also its regulators during the challenges faced by the Group during 2020 and would like to extend its thanks to all of those who helped the Group resolve the issues faced.

The following table provides information on the ongoing stakeholder engagement methods used by the Group, information on areas of note for 2020 and management actions on matters applicable to each stakeholder group.



Engagement method	Considerations	Actions taken
<p>Our shareholders The Board recognises that the Company's relationship with its shareholders are of critical importance. It is against this backdrop that 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.</p> <p>Meetings are regularly held with analysts and major shareholders and our PR advisers.</p> <p>Shareholders are encouraged to attend the Annual General Meeting where they have an opportunity to ask questions of Board members and senior executives. The Company also adheres to its obligations in respect of material votes against any resolutions at General Meetings and further engages with shareholders accordingly.</p> <p>The Chairman and Company Secretary are available to answer shareholder queries via CoSec@lookers.co.uk</p>	<p>The Board was extremely disappointed that the share listing was suspended during 2020. The Board considered carefully the implication of this to shareholders and the senior executives worked extremely hard to ensure the issues that had led to this were resolved so that the listing could be restored, which it believed was in the best interests of all stakeholders.</p> <p>In light of the COVID-19 pandemic the Board had to consider the safety of shareholders and comply with Government rules and was disappointed to have to hold a closed Annual General Meeting (AGM) and General Meeting in 2020 and AGM in 2021.</p> <p>Feedback from our PR advisers, brokers and other sources on significant issues raised following the release of information is provided to the Board and the Board uses this feedback to help better inform any decision making process.</p>	<p>The Board sponsored and oversaw a systems and controls remediation programme to ensure that the Company was able to have its shares restored to the Official List and to be traded on the London Stock Exchange. The Board was extremely pleased that following the considerable effort made to enhance the governance of the Group in order to satisfy the FCA that we can meet the obligations to maintain a premium listing, the share listing was restored in January 2021.</p> <p>As at the time of writing the Government restrictions and guidelines indicate that the Company will be able to hold the Accounts General Meeting as an "open" meeting, with all shareholders able to attend. However, it is relatively soon after the lifting of restrictions and we anticipate that the event will be quite different to usual because of social distancing requirements. We are monitoring Government advice on the format of the Accounts General Meeting, which could change ahead of the meeting. The Board is keen to resume the usual format for its AGM in future.</p> <p>At the General Meeting held in December 2020, significant votes against the Remuneration Report were received. Details of how this has been addressed are included in the Directors' Remuneration Report on page 84.</p> <p>The level of debt was significantly reduced during the year providing more stability to the liquidity of the Group to the benefit of our stakeholders.</p>

Section 172 statement and non-financial information statement

Engagement method	Considerations	Actions taken
<p>Our colleagues We keep in touch with our colleagues through regular updates from the Executive team. This includes ensuring that all people working with us are aware of financial and economic factors affecting the Group's performance.</p> <p>Regular staff surveys are conducted. Staff consultations are undertaken, where appropriate, on matters impacting them.</p> <p>A schedule of quarterly listening sessions hosted by a Non-Executive Director have been implemented.</p> <p>We encourage and nurture a culture that is open and supportive with a healthy approach to speaking up. We are committed to the highest possible standards of openness and accountability and acknowledge that there may be occasions when people become aware of or suspect wrongdoing.</p> <p>As such, we operate a Whistleblowing Policy that encourages our people to raise any concerns of wrongdoing as soon as possible in the knowledge that their concerns will be taken seriously and investigated appropriately whilst protecting its confidential nature and their anonymity. To ensure objectivity and independence, our Chief Risk Officer is the nominated point of escalation with oversight of each case being given by a Non-Executive Director.</p> <p>Operating a safe environment for our colleagues is of paramount importance and we have worked hard during the period to ensure that our COVID-19 protocols are in place and working appropriately.</p>	<p>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.</p> <p>The quarterly listening sessions are an opportunity for the Non-Executive Board to hear feedback from staff directly and raise the profile of the Non-Executive Directors across the business. Any issues or suggestions arising from these are communicated to management on a no names basis.</p> <p>During 2020 a new Head of HR was appointed, who has subsequently been promoted to Chief People Officer. One of the key tasks for this executive is to improve the way in which management interacts and communicates with our colleagues and seeks their views. One such consultation taking place is to seek views on how the Head Office will operate in a post COVID-19 environment.</p> <p>The Group operates various employee ownership share schemes.</p> <p>Staff surveys are undertaken, with the results and proposed actions reported across the business and to the ExCo and Board.</p> <p>Statistics on staff turnover, attrition, internal promotions and recruitment statistics that indicate the level of engagement within the organisation are presented to the Board.</p> <p>Our Health and Safety team continually audit our dealerships and liaise with the appropriate public bodies where needed. This is in turn reported to the Board to give them the assurance that our COVID-19 protocols are effective.</p>	<p>The Board recognises the incredible amount of hard work and great results achieved by all teams across the business during what was a very difficult year for the Group. Senior Executives have made sure that the appreciation of the management team has been communicated, and the Board would like to reiterate the thanks.</p> <p>Careful consideration to the furlough of staff was given and staff safety during the pandemic was of prime consideration. The Group utilised the Government's Coronavirus Job Retention Scheme to support the retention of staff as far as was possible. More information on this is included in the separate statement on page 82.</p> <p>Revised staff remuneration and incentive schemes were discussed during the year and introduced for management and sales staff in early 2021. The aim of these was to improve the balance between basic salary and OTE in order to drive the correct behaviours and to make them more consistent and easier for our colleagues to understand. Further changes will be implemented over the course of 2021 for aftersales staff. We also standardised work hours to improve work/life balance.</p> <p>Our training and competency scheme has been embedded and all sales staff and sales management are required to complete a number of mandatory e-learning modules and receive a monthly one-to-one.</p> <p>Redundancies were made during the year via a properly consulted and documented process. Whilst this was an incredibly difficult decision to have to make, the Board had to consider Stakeholders as a whole, including our colleagues who would remain, and took a difficult decision to ensure a strong business remained as we emerge out of lockdown.</p> <p>Action taken following the results of staff surveys include the introduction of various initiatives. More information on this and some of the other workforce matters described above can be found in the Corporate Social Responsibility Statement on pages 81 to 82.</p>

Engagement method	Considerations	Actions taken
<p>Our customers We obtain the views of our customers in a number of different ways, including customer listening and from manufacturer, in-house and online surveys.</p> <p>Our customer listening sessions have a direct influence on business decisions. For example, during the session at the end of 2020 our customers told us how much they enjoyed unaccompanied test drives. We have continued to offer these despite the relaxing of COVID-19 restrictions in this area.</p> <p>We use Reputation.com to benchmark our performance and reputation against our industry peers. This partnership has also increased the number of customer reviews we receive with our average star rating on google increasing from an average of 4.1 in 2019, to 4.2 in 2020 and 4.4 2021 year to date. We now have over 20,000 five star reviews on Google.</p> <p>We are also able to benchmark against manufacturers in relation to customers using research including net promoter scores, manufacturer balanced scorecard metrics and customer satisfaction measures.</p> <p>We undertake mystery shopping exercises to gain insights into the sales process and ensure that we are obtaining good customer outcomes.</p> <p>Reporting and insights are regularly shared and reviewed with senior management and the Board.</p>	<p>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 and sustainable relationships with our customers.</p> <p>Ensuring a fantastic customer experience is fundamental to the success of Lookers. 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.</p> <p>Training and development is critical not only to deliver a compliant experience for our customers but also to help our customer facing teams with the softer, more emotional aspects of customer experience. Over the next four months we will be rolling out GREAT customer experience. This is a simple framework that has been designed following feedback from our top performing sales colleagues; those that are exceeding sales targets by consistently demonstrating great behaviours.</p> <p>Training has been designed to introduce the framework and the behavioural skills required with the objective of maximising sales, by delivering a GREAT customer experience and good customer outcomes.</p> <p>GREAT Customer Experience training compliments the Sales Process Awareness – L1 & L2 training that all our sales colleagues and new starters are required to complete. Sales Process Awareness delivers the "What" we need to do and GREAT focuses on the "How".</p>	<p>The Group has worked hard to improve its score on Reputation.com over the past six months and all divisions have a score above that of the national average.</p> <p>The Board continues to oversee a cultural change programme for the Group as part of the transformation programme reported in our 2019 Report and Accounts. The independent Board Committee comprised of certain Non-Executive Directors that was established to ensure the proper implementation of actions identified has made considerable progress and a lot of work has been done to set the cultural tone from the top. Whilst the Board believes that the situation is vastly improved the process of change and improvement is ongoing. Enhancements to the way we monitor both culture and behaviours and embedding these across the Group is an ongoing area of focus.</p> <p>We have reviewed our remuneration frameworks to ensure that the structure of our incentives promote the right behaviours. This has included the introduction of compliance underpins.</p> <p>During 2020 we identified examples where there were inconsistencies between the outstanding balance of some settled finance agreements and the amount that had been passed back to the customer. Remediation action was taken to ensure that the impacted customers were put back into the position that they would have been prior to the error. In any such instance, it is important to the Board that management conduct a thorough root cause analysis of the problem and take action to improve our training, processes and systems to ensure the issues do not reoccur. We view this as a continual improvement process.</p> <p>We have designed our sales processes and sales oversight framework to ensure good customer outcomes.</p> <p>We do however acknowledge that things can go wrong and commit that where they do, we have measures in place to take corrective action promptly.</p>

Section 172 statement and non-financial information statement

Engagement method	Considerations	Actions taken
<p>Our customers (continued) Senior management receive feedback from dealerships on customer feedback and report to the Board.</p> <p>As with our colleagues, operating a safe environment for our customers is of paramount importance and we have worked hard during the period to ensure that our COVID-19 protocols are in place and working appropriately.</p>	<p>In addition to our Quality Assurance framework, we undertake mystery shopping exercises and customer listening sessions to gain insights into the sales process and ensure that we are obtaining good customer outcomes.</p> <p>Health and safety at our dealerships is of prime importance and the operation of the Group's business during the COVID-19 pandemic was an ongoing Board discussion during 2020. Our Health and Safety team continually audited our dealerships and liaised with the appropriate public bodies where needed. This was in turn reported to the Board to give them the assurance that our COVID-19 protocols were effective.</p>	<p>In addition, during 2020, the Board took the decision to recommence certain capital expenditure to improve both equipment and premises as a direct consequence of health and safety considerations.</p> <p>Click & Drive was introduced in order to allow customers to continue to purchase cars whilst our dealerships were shut. We wanted to ensure that our customers were able to still take possession of vehicles in the most safe and frictionless environment as possible. The restrictions forced us to look at things differently and enhance our online capabilities which has made a real improvement to our customer experience and the transaction process.</p> <p>During the periods that the dealerships were open, we ensured that all precautions were taken to reduce the risk of transmission of COVID-19 to best protect our customers and staff. More information is included in our specific COVID-19 statement on pages 22 to 23.</p>



Engagement method	Considerations	Actions taken
<p>Our suppliers The Group deals with a wide range of third-party suppliers.</p> <p>Our OEM Brand Partners are clearly central to our strategic aims and as such our senior management team work closely with them to ensure a close and continuous dialogue.</p> <p>Our funding relationships are also core to the achievement of our strategic aims. The Finance team maintain regular, open and constructive dialogue with our Banking Club.</p> <p>The management of our wider third party suppliers is also recognised as critical to the Group's success and as such we keep these relationships under continual review.</p>	<p>The Group is fortunate to have as its key suppliers the leading automotive manufacturers. 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.</p> <p>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. The Board receives these measures and factors these into the decision-making process.</p> <p>The Board received regular updates from the Director of Finance (Corporate) on the facilities with our funders and lending banks, both in terms of corporate debt and stocking funding.</p> <p>Third party supplier risk is managed as a category within the Board approved Enterprise Risk Management Framework which sets the high level principles and minimum requirements that the Board and Executive expect the Group to align to when entering into and then managing a third party relationship.</p>	<p>The franchised dealer model is strong, resilient and supportive. The management team worked closely with our OEM Brand Partners during 2020 and a number of initiatives were agreed with them to support the Dealer network. These included the removal of targets and introduction of guaranteed margin, extension to funding periods, suspension of brand audits and standards, suspension of training fees and reduction of demo and courtesy vehicle requirements.</p> <p>We worked closely with our OEM Brand Partners during 2020 to reduce the impact of the COVID-19 pandemic on our operations.</p> <p>The Group was focussed on amending and extending its banking facilities during 2020 and into 2021. The banks have been very supportive throughout a protracted period of uncertainty. The Board is pleased to have been able to secure the necessary revolving credit funding from its lending banks and stocking funding from both manufacturer and third party funders to ensure the Group can operate to the benefit of all stakeholders. More information is included on page 25.</p> <p>As a part of the embedding our Enterprise Risk Management framework, we have worked through an assessment of the risks and controls associated with our third-party management. This has seen us look to invest further in procurement and ongoing supplier management.</p>

Section 172 statement and non-financial information statement

Engagement method	Considerations	Actions taken
Our communities and the environment: Environmental policies are regularly reviewed.	<p>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.</p> <p>The Group recognises that its activities have an impact on the environment and is therefore keen to promote and support initiatives that minimise the effect of such activities through adherence to its environment policy. We 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.</p>	<p>During the COVID-19 pandemic, we were pleased to be able to keep our aftersales facilities open to offer support to the NHS and key worker community. This included 41 locations from 23 March 2020 with a phased approach to see the remaining aftersales centres being open by mid-May.</p> <p>The Board and Executive Committee have been considering how to accelerate our approach towards EV and sustainability and have made two key hires to lead on this. More information can be found in our Corporate and Social Responsibility statement on page 80.</p>

Taking the above into account, the Board considered several key areas impacting stakeholders during the course of 2020. The Board was cognisant of its duties under section 172 and the impact on its various stakeholders when making decisions, some of which were extremely difficult to make but vital to the ongoing success of the Group. A summary of the key decisions is below; more information is described within the Chairman's Statement and COVID-19 Response sections of the Strategic Report and in the table above.

- Introduction of new remuneration and incentive schemes and a cultural change programme.
- Capital expenditure programme to improve equipment and premises.
- Extension of banking facilities.
- Suspension of the share listing and subsequent actions to secure restoration.
- Closure of 12 sites.
- Board and senior management pay cuts.
- Dividend suspension.
- Furlough of staff and redundancies.



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*	Section 172 Statement – Page 46 Corporate social responsibility review, including mandatory carbon reporting – Pages 80 to 81
Employees	Employee Gender Pay Reporting** Health and Safety Policy* Ethical Policy Statement* Diversity Policy** Code of Conduct Policy*	COVID-19 response – Pages 22 to 23 Section 172 Statement – Page 42 Corporate social responsibility statement, including ethical employment and diversity, human rights, recruiting, retaining and developing our people, communicating with our people, COVID-19 impact and stay safe and healthy – Pages 81 to 82
Social matters and Community Engagement	Volunteering Standards*	Section 172 Statement – Page 46 Corporate Social Responsibility review – Pages 80 to 82
Respect for human rights	Modern Slavery Act Statement** Data Privacy Policy* Information and Cyber-Security Policy*	Corporate social responsibility review, human rights – Page 81
Anti-corruption and anti-bribery	Anti-bribery and Anti-Corruption Fraud Risk Management Policy	Operational and other risks – Page 34 Modern Slavery - Page 81
Description of the business model		Business model and strategy – Pages 14 to 15
Description of principal risks and impact of business activity		Risk overview and management - Pages 30 to 36
Non-financial key performance indicators		Non-financial key performance indicators - Page 29

*Certain Group policies are internal standards and guidelines and are not published externally.
**These policies are published elsewhere and are not contained within this Annual Report & Accounts.

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

Mark Raban
Chief Executive Officer
30 June 2021

Governance



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 made a number of changes to the Board throughout the year and subsequently. In December 2020, we were pleased to welcome Robin Churchouse as Independent Non-Executive Director and Chair of the Audit and Risk Committee. In January 2021, Anna Bielby was appointed as Interim Chief Financial Officer and Duncan McPhee was promoted to Chief Operating Officer. Both have been appointed to the Board as Executive Directors. On 1 April 2021 Paul Van der Burgh was appointed as a Non-Executive Director. Heather Jackson stepped down from the Board on 30 April 2021.

Full details of changes made to the Board during 2020 and up to the date of this report are described within the Nomination Committee Report on page 72.

Key:

- PLC: Board of Directors of Lookers plc;
- ARC: Audit and Risk Committee;
- NomCo: Nomination Committee;
- RemCo: Remuneration Committee;
- LMGB: Board of Directors of Lookers Motor Group Limited;
- ExCo: Executive Committee;
- OpsCo: Operations Committee.

Mark Raban Chief Executive Officer

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

Membership:
PLC, LMGB, ExCo, OpsCo

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 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.

Mark supplements these talents with significant finance experience including financial planning and analysis; business development initiatives and project management; working capital improvement, cash management and debt financing; turnaround and performance improvement.

External Appointments:

- Director of Precise Finance Limited



Phil White CBE

Non-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 once again took on the interim role of Executive Chairman on 1 July 2020 in order to guide the business through the restoration of its premium listing on the Official List of the London Stock Exchange. Following release of the interim results on 29 January 2021, he returned to his position as Non-Executive Chairman.

Membership:

PLC (Chair), NomCo (Chair), RemCo*

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 2006. 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 until his promotion at National Express Group. 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:

- Non-Executive Director of VP plc
- Non-Executive Director of Vibroplant Trustees Limited
- Non-Executive Director of Vantage Motor Group Limited
- Non-Executive Director of Vantage Garages (Blackburn) Limited
- Non-Executive Director of Vantage Motor Group Automotive Limited
- Non-Executive Director of Vantage Motor Group Holdings Limited

*Not during periods of Executive office

Victoria Mitchell

Non-Executive Director, Chair of LMGB and Interim Chair of RemCo



Appointed: December 2019

Membership:

PLC, LMGB (Chair), ARC, NomCo, RemCo (Interim Chair)

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 upmost importance to the long-term sustainability of the Group.

External Appointments:

- Non-executive director of The West Bromwich Building Society
- Non-executive director of N Brown Group plc

Robin Churchouse

Non-Executive Director and Chair of ARC



Appointed: December 2020

Membership:

PLC, LMGB, ARC (Chair), NomCo, RemCo

Skills and Experience:

- Qualified chartered accountant and experienced chief financial officer, with a background in risk and operations management
- Extensive financial services regulatory experience, alongside a track record in mergers and acquisitions and strategic consulting

Robin has over 30 years financial services experience in leading and advising finance, risk, operational and strategic teams in a wide range of regulated financial services organisations. Most recently, he was chief financial officer of Yorkshire Building Society, having held a variety of senior executive roles there after working as finance and commercial director for a number of mortgage servicing companies, and as both a strategy consultant and financial services regulator. Robin graduated in law at Cambridge and qualified as a chartered accountant with Price Waterhouse.

Robin's experience as an accountant and his strong professional and financial services background are key attributes to the long-term sustainability of the Group.

External Appointments:

- Non-executive director of Belmont Green Financial Limited
- Non-executive director of Commercial and Northern Limited

Anna Bielby

Interim Chief Financial Officer



Appointed: January 2021

Membership:

ExCo, OpsCo
Anna stepped down from the Board with effect from 30 June 2021 but remains as Interim Chief Financial Officer until 31 July 2021.

Skills and Experience:

- Qualified chartered accountant
- Retail and plc experience

Anna trained as a chartered accountant with PwC, where she worked for 14 years specialising in retail and was an audit director. She brings plc experience, having worked at KCOM Group for five years in a number of senior financial roles, latterly as chief financial officer.

External Appointments:

- Director of BLB (UK) Limited

Duncan McPhee

Chief Operating Officer



Appointed: January 2021

Membership:
PLC, LMGB, ExCo, OpsCo

Skills and Experience:

- 25 years retail operations experience

Duncan has over 25 years of experience in the motor retail industry including spending the last 12 years at Lookers in a number of senior management roles, the previous 9 years at Franchise Director level and most recently, he has been Chief Retail Operations Officer with responsibility for the dealership portfolio and OEM Brand Partners relationships. Before joining Lookers, he spent 10 years with Arnold Clark in Scotland, including five years as general manager.

Duncan's deep sector expertise and insight is of paramount importance to the Board. His strategic thought, customer centric mindset and pragmatic approach are a real asset to the long-term sustainability of the Group.

External Appointments:

- Director of Bryn Edwin Management Company Limited

Paul Van der Burgh

Non-Executive Director and Senior Independent Director



Appointed: April 2021

Membership:
PLC, LMGB, ARC, NomCo, RemCo

Skills and Experience:

- Highly experienced in the global automotive industry
- 35 years experience, with senior executive positions at leading multinational brands around the world

Paul has extensive experience in the global automotive industry, having held senior executive positions at leading multinational brands around the world for 20 years.

He spent 15 years at Toyota and Lexus, most recently as the president and managing director of Toyota (GB). Prior to this, Paul held a variety of roles at Ford in the UK and the Americas. Paul has also been an executive director of the Society of Motor Manufacturers & Traders.

He is well known and highly respected throughout the motor industry for all he has achieved in his career. His in-depth understanding of the industry and the changing dynamics in the market are invaluable to the long-term sustainability of the Group.

External Appointments:

- None

Philip Kenny

General Counsel and Company Secretary



Appointed: December 2019

Membership:
PLC*, LMGB*, ExCo, OpsCo
* as 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 graduated from the University of Central Lancashire in 2004 with a Bachelor of Laws. He has 14 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 and capital markets, company secretarial matters and mergers and acquisitions.

External Appointments:

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

Group Executive Team

Mark Raban

Chief Executive Officer



See page 50 for full profile

Anna Bielby

Interim Chief Financial Officer



See page 53 for full profile

Duncan McPhee

Chief Operating Officer



See page 54 for full profile

Philip Kenny

General Counsel and Company Secretary



See page 55 for full profile

Marcus Kenny

Chief Risk Officer



Appointed: Joined in an interim capacity in May 2019 and switched to permanent (and became a Director of Lookers Motor Group Ltd) in October 2019

Membership:
LMGB, ExCo, OpsCo

Skills and Experience:

- Extensive regulatory and strategic change expertise having led a number of regulatory and strategic remediation programmes and high profile acquisitions and disposals.
- Multi-channel retail and PLC experience.
- Proven regulatory relationship management experience with both the FCA (authorisations, supervision and Primary Market Oversight) and PRA.
- Developed and implemented contemporary Enterprise Risk Management frameworks appropriate for the varying size and complexity of various firms and their varied markets.
- Successful track record in developing and leading risk and compliance teams with the right levels of capability and capacity.

Marcus is a senior governance, risk and compliance professional with a unique blend of capability and experience across a variety of sectors including retail, insurance, consumer credit and banking.

External Appointments:
• None

Andy Garrett

Chief Information Officer



Appointed: October 2020

Membership:
ExCo & OpsCo

Skills & Experience:

- Over 10 years experience driving technology enabled change and transformation in major omni-channel retailers.
- Proven C-suite IT professional in all aspects of IT strategy, delivery and day-to-day operations.
- Has led significant technology changes to stabilise and now modernise the Lookers business.
- Leading the digital transformation at Lookers including key strategic projects across the business.

Andy started his career in Technology at Fujitsu and has worked for several big retailers over the years, such as B&Q, Screwfix and Travis Perkins; holding a range of senior roles in both Technology & Business Change.

Now as Chief Information Officer the purpose of his role is to lead on the digital transformation of the organisation and deliver the Technology that underpins it.

Andy also attends the LMGB and Audit and Risk Committee by invite.

External Appointments:
• None

Chris Whitaker

Chief People Officer



Appointed: March 2021
(interim from 1st December 2020)

Membership:
ExCo & OpsCo

Skills and Experience:

- 25 years of HR leadership experience gained at a leading listed technology services business, and within the public sector.
- Deep expertise in Reward, Change Management, the impact of the UK governance code on remuneration matters, and mergers and acquisitions.
- Significant experience of attending and advising PLC Boards, Remuneration and Nomination Committees on all people related issues.

Chris brings extensive HR & Leadership experience gained across all HR disciplines and carries expertise in Reward and Change Management. Chris is leading the Group's review of Equality, Diversity and Inclusion in 2021.

Chris attends and advises Remuneration and Nomination Committee by invite.

External Appointments:
• None

Chairman's statement on corporate governance



Introduction from the Chairman

As I report in my opening Chairman's statement, 2020 proved to be an extremely difficult year for the Group. During the year the Board had to address many legacy issues including the newly discovered potentially fraudulent transactions and accounting irregularities which we set out in detail in our reports for 2019.

This led to both external and internal accounting investigations, the findings of which resulted in detailed discussions with our auditors and regulators. As a consequence of these issues, combined with the global COVID-19 pandemic, we were unable to publish our 2019 Annual Financial Statements or our June 2020 interim financial results on time. A request to the FCA to temporarily suspend our shares ensued.

Once concluded, our full year results for the year 2019 were published on 25 November 2020 and our unaudited interim results for the six months ended 30 June 2020 were published on 29 January 2021. During the period of suspension, the Board instigated a review into the Group's systems and controls, both financial and non-financial, insofar as they related to the Company's ability to adhere to its listing obligations. As a consequence of this, the Group took the opportunity to enhance its control framework including updating policies, procedures and processes.

On the publication of the interim results on 29 January 2021 and in conjunction with the conclusion of the control framework improvements, we requested and were granted restoration of our shares to the official list of the London Stock Exchange on 29 January 2021.

On behalf of the Board, I apologise unreservedly for the uncertainty caused by this and I would like to thank my Lookers colleagues for their tireless work during this period to both ensure we continued to trade as effectively and compliantly as possible but also for their inherent desire to do the right things. I would also like to thank our stakeholders for their ongoing support of the Company during this difficult time.

As far as legacy issues are concerned, and as previously reported, we have been working internally to review our governance, systems and controls as they relate to our regulated activities. On 2 March 2021 we announced that the FCA had advised the Board of its decision to close the investigation against Lookers Motor Group Ltd for the possible mis-selling of regulated products between January 2016 and June 2019. The FCA closed the investigation without applying any sanction but noted several concerns relating to the historic culture, systems and controls of the Group which the Board fully accepted. The £10.4m financial provision contained within the 2019 Financial Statements has now been released following confirmation of the outcome.

In summary, the Board continued to respond to ongoing challenges seen by the Group during 2020 by driving transformative change through all aspects of our business. The change process is ongoing, but I am pleased to report on the significant changes made and that the Group is now in a stronger position than we

were in 2019. Governance will continue to be a focus, recognising the role this will play in the delivery of our strategy and purpose. More information on the work undertaken in 2020 and so far in 2021 is described in the Risk Overview and Management section of the Strategic Report on page 30 and in the Report from the Chairman of the Audit and Risk Committee on pages 74 to 79.

Corporate governance statement

The Board is responsible for the culture and values of the Group, and the system for internal controls. The Board has taken action in following recommendations made in relation to improvements in its governance, systems and controls and financial reporting described above and elsewhere in this Report. It 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. The Code is available on the FRC website, www.frc.org.uk. 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 2020, the Group complied with the provisions of the Code other than:

- i) Provision 5 in relation to the methods used to engage with the workforce. The Board has used an alternative method to engage to those recommended by the Code. More detail on the method used is given on page 61.
- ii) Provision 12 regarding the Senior Independent Director meeting the Non-Executive Directors to appraise the Chair's performance. The rationale for this is explained on page 64.
- iii) Provision 19 concerning the tenure of the Chair. An explanation of the reasons for this position are provided on page 67.

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.

Considerable progress was made during the second half of 2020, continuing into 2021, to document our values and ensure they 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. A significant part of the Board evaluation for 2020 related to behaviours and setting the tone across the business.

Chairman's statement on corporate governance



We recognise that governance and culture is central to achieving fair treatment of our customers and returns for our shareholders. 2019 and 2020 were the ultimate test of 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 acknowledged and have addressed areas where there is need for improvement and we continue 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.

This was a key focus for the Board during 2020 with work being done to document, communicate and update practices (including in relation to how staff are incentivised) to fully embed the required culture to address previous issues across the business. We believe that the Group now has a stronger culture which reinforces and rewards the right behaviours by ensuring our colleagues have the knowledge, tools and motivation to do the right thing. Culture is seen as a key driver to the success of our business and our disclosures within the Strategic Report highlight the importance of this on our operations.

Looking to the future

The CEO sponsored ongoing enterprise wide cultural change programme looking at our mission, strategy and, very importantly behaviours and key operating principles, continues. This programme will include the continued focus on all the issues identified by Grant Thornton in an independent review undertaken and subsequent internal investigations. Transparency and doing the right thing sit right at the heart of this change programme. We believe that the Group's future high level of business performance will be made possible by the fundamental values that underpin each of its actions. Keeping these values in mind, we build our customers' and stakeholders' trust in us, our employees' dedication to the Group, a comfortable work environment and effective business practices.

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, 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

More information is included in our Business Model and Strategy on pages 14 to 15, our section 172 Statement on pages 40 to 46 and the Corporate Social Responsibility Review on pages 80 to 82.

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 Corporate Social Responsibility Statement at page 82 and the section 172 statement on pages 41 to 46.

Shareholders

The Company places considerable importance on communications with shareholders and responds to them on various issues. It has an ongoing programme of dialogue and meetings with major institutional shareholders, where a 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/investors/regulatory-news 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 Annual Report & Accounts (ARA), the Interim Report and the Annual General Meeting (AGM). A presentation is usually made at the AGM to facilitate greater awareness of the Group's activities. The Board were unable to offer this at the AGM or separate General Meeting held on 29 June and 28 December 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. As explained in the Notice of Annual General Meeting posted to shareholders on 7 June 2021, because of the timing of publishing the 2020 ARA, the Company's AGM only considered matters that are not related to the ARA. A separate General Meeting to approve the ARA related business will be convened (the "Accounts General Meeting"). Whilst the 2021 AGM had to be held as a closed meeting due to COVID-19 restrictions, the Accounts General Meeting is currently expected to be held without Government restrictions, although we will be operating with social distancing measures. Shareholders will again be given the opportunity to submit questions in advance.

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 AGM to meet with shareholders in person and to take their questions.

Separate resolutions are proposed for each item of business, with voting conducted by a poll. All valid proxy appointment forms are recorded and counted and, after a vote has been counted, information regarding the votes is published on the Company's website. The Notice 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. At the General Meeting held on 28 December 2020 there were concerns raised by shareholders in relation to the Remuneration Report, with 29% of those shares voted being against the passing of the resolution to approve it. The Company announced that the Remuneration Committee would reflect on this and communicate with shareholders in relation to the specific actions it intended to take. A statement was published on the Company's website setting out the Board's understanding of the reasons for the objections and more information is also included in the Directors' Remuneration Report on page 84.

Workforce engagement

The Code recommends ways in which the Board should engage with employees by either a director appointed from the workforce, a formal workforce advisory panel or a designated non-executive director. During 2020 the Board agreed that rather than adopt one of these options, it should have collective responsibility for workforce engagement and a quarterly listening session programme has commenced in 2021 whereby via rotation a Non-Executive Director will meet with different groups of employees to gather views. The Board believes that this will provide both the ability to receive a wider range of feedback from a large and geographically diverse range of employees and also aid visibility of

the Board across the workforce. Feedback from these sessions is relayed to the Board and executives on an anonymised basis. More information on this and the employment initiatives undertaken during 2020 are explained within the business model and strategy and section 172 Statement.

The Group has whistleblowing arrangements in place whereby the workforce can raise concerns in confidence. The Audit and Risk Committee routinely reviews this and reports arising from its operation, as explained in the Report of the Chairman of the Audit and Risk Committee.

Division of responsibilities

The Board

The Board currently comprises the Non-Executive Chairman, Chief Executive Officer, Chief Operating Officer, Senior Independent Director, two independent Non-Executive Directors and, until 30 June 2021, the Interim Chief Financial Officer. The biographies of the Directors on pages 50 to 55 provide details of their roles and details of their external appointments.

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. The Chairman ensures a culture of openness and debate and facilitates constructive discussions between the Executive and Non-Executive Directors. Managing these relationships has been of particular importance during what has been a difficult year for the Group.

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. In normal circumstances, the Senior Independent Director will lead the other Non-Executive Directors in the annual performance evaluation of the Chairman. As explained elsewhere in this report, a different approach was taken to the evaluation in 2020. The Senior Independent Director would also usually chair the Nomination Committee in respect of the Chairman's succession. However, due to the timing of the search for a Chairman's successor and the departure of Heather Jackson as Senior Independent Director, the current search for a new Chairman is being led by Victoria Mitchell and she is also taking the Chair for relevant meetings of the Nomination Committee where Chair succession is discussed.

Chairman's statement on corporate governance

Board balance and independence

The Board has 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 reviewed the overall balance of skills, experience, diversity, independence and knowledge, making additional appointments in 2020 and 2021 to

enhance the balance between Executives and Non-Executives. The Nomination Committee Report on pages 70 to 73 provides more details on the changes to the Board and process for appointment of new Directors. The Non-Executive Directors are encouraged by the Chairman to provide constructive challenge and scrutiny of management performance.



The table below sets out the Directors in place during 2020 and as at the date of this report. The numbers in the table indicate the balance of Directors (Executive versus Non-Executive) excluding the Chairman to evidence the Company's compliance with the Code.

Period	Executive Directors	Independent Non-Executive Directors	Non-Independent Non-Executive Directors	Chairman
2020				
1 January – 4 February	Mark Raban Richard Walker ²	Sally Cabrini Stuart Counsell Heather Jackson Victoria Mitchell ⁴	Tony Bramall ¹	Phil White ¹
5 February – 12 March	Mark Raban Cameron Wade Richard Walker ³	Sally Cabrini Stuart Counsell Heather Jackson Victoria Mitchell ⁴	Tony Bramall ¹	Phil White ¹
13 March – 28 February	Mark Raban Richard Walker ²	Sally Cabrini Stuart Counsell Heather Jackson Victoria Mitchell ⁴	Tony Bramall ¹	Phil White ¹
1 March – 30 March	Mark Raban ¹	Sally Cabrini Stuart Counsell Heather Jackson Victoria Mitchell Richard Walker ⁵	Tony Bramall ¹	Phil White ¹
31 March – 29 June	Mark Raban ¹	Sally Cabrini Stuart Counsell Heather Jackson Victoria Mitchell Richard Walker ⁵	Tony Bramall ¹	Phil White ²
30 June	Mark Raban ¹	Stuart Counsell Heather Jackson Victoria Mitchell ³	Tony Bramall ¹	Phil White ²
1 July – 7 December	Mark Raban ¹	Stuart Counsell Heather Jackson Victoria Mitchell ³	Tony Bramall ¹	Phil White ¹
8 December – 31 December	Mark Raban ¹	Robin Churchouse Stuart Counsell Heather Jackson Victoria Mitchell ⁴	Tony Bramall ¹	Phil White ¹
2021				
1 January – 4 January	Mark Raban ¹	Robin Churchouse Heather Jackson Victoria Mitchell ³		Phil White ¹
5 January – 28 January	Anna Bielby Mark Raban ²	Robin Churchouse Heather Jackson Victoria Mitchell ³		Phil White ¹
29 January – 31 March	Anna Bielby Duncan McPhee Mark Raban ³	Robin Churchouse Heather Jackson Victoria Mitchell ³		Phil White ²
1 April – 30 April	Anna Bielby Duncan McPhee Mark Raban ³	Robin Churchouse Heather Jackson Victoria Mitchell Paul Van der Burgh ⁴		Phil White ²
1 May – 30 June	Anna Bielby Duncan McPhee Mark Raban ³	Robin Churchouse Victoria Mitchell Paul Van der Burgh ³		Phil White ²

¹ Executive Chairman ² Non-Executive Chairman. Further details of changes made to the Board in the year under review are included in the Nomination Committee report on page 72.

Chairman's statement on corporate governance

Time commitment and external appointments

The time commitment of Non-Executive Directors is set out on appointment and is regularly monitored. Details of the Board's external appointments can be found on pages 50 to 55. The Board has considered each of these appointments, noting the Directors' other commitments, and 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' liability 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 to enable them to acquire a detailed understanding of the Group's business, strategy and the key risks and issues. This includes meetings with the Chairman, the Chairs of the Board Committees, the Company Secretary, senior management and other key individuals from around the business and visits to a range of dealerships.

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 refresher training via an interactive online session with Freshfields Bruckhaus Deringer on the obligations, responsibilities and liabilities of directors on a premium listed company. This occurred in November 2020 and all new subsequent Directors have also received an in-house version of this training.

Board evaluation

The Board last commissioned an external Board evaluation in 2019, the results of which were shown in last year's Annual Report & Accounts. In 2020 an internal evaluation was carried out via the completion of questionnaires by the Board of Directors and representatives of the management team. The questionnaire was sent out towards the end of 2020 and was designed to allow free form responses rather than a series of tick boxes. The information gathered as part of this exercise was then collated into a detailed discussion paper by the Chairman which was deliberated on at a special meeting of the Board in March 2021. This more informal process allowed Directors and senior management to speak freely about issues and concerns which was important after what had been a very difficult period for the Group.

Because of the events of 2020 and the numerous changes to the Board over the period, it was not deemed practical to have separate appraisals for the individual Directors and the Chairman as the performance and behaviours of the Board and how the members worked together were discussed in detail as part of the wider process. The challenges experienced by the Group during 2020 meant that a considerable amount of extra input was needed by the Non-Executive Directors over the year. Careful consideration was given to the split of duties between Non-Executive and Executive roles of the Directors and as a result of the challenges faced there was often some overlap in responsibilities. The 2020 Board evaluation highlighted this and allowed this to be discussed and addressed once again. It was noted that from the beginning of 2021 we have been able to move back to a normal split of responsibilities and we believe that the Board is now operating more effectively. The recent changes to the Board have introduced additional skills which will continue to enhance its performance. This has allowed us to move into 2021 in a very positive way and we will continue to build on this during the year. As we moved forward through 2021, we are conscious that we have a relatively new Board with the exception of the Chairman. This brings about both opportunities and challenges and these will be monitored and optimised accordingly.

Key recommendations arising from the evaluation discussions included:

- The need to return to normality with a clear distinction between Executive and Non-Executive roles;
- More meetings to be held across the various dealerships and amongst the workforce;
- Continue to rebalance the Board to ensure its composition captures all the necessary skills;
- The Board needs to be more accessible and visible to the Group as a whole post the elimination of COVID-19 restrictions;
- To put greater emphasis on strategic planning post COVID-19;
- Increased profile for the Committees with particular regard to the Audit and Risk Committee and the Internal Audit function.

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 Committee 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 a Board portal. A range of governance documents to assist the Board in their duties are also included 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.

Board committees

The Board has established a Nomination Committee, Remuneration Committee and Audit and Risk Committee. Details of the responsibilities of each of these Committees, their membership and the work undertaken by each during 2020 are given in the individual reports of those Committees which appear on pages 70 to 73, 84 to 106 and 74 to 79 respectively. The Terms of Reference of these Committees, together with documents setting out the responsibilities of the Board, the Chairman, Chief Executive and Senior Independent Director, can be found on the website www.lookersplc.com/investors/corporate-governance.

Board and Committee attendance

The following table shows the attendance of Directors at scheduled Board meetings and at meetings of the Audit and Risk Committee (ARC), Remuneration Committee and Nomination Committee during 2020:

Director	Board	ARC	Remuneration	Nomination
Number held	15	11	9	5
Number attended				
Tony Bramall	15	n/a	n/a	n/a
Sally Cabrini ¹	9	2	4	3
Robin Churchouse ²	1	0	1	1
Stuart Counsell	15	11	9	5
Heather Jackson	15	11	8	5
Victoria Mitchell	15	11	9	5
Mark Raban	15	n/a	n/a	n/a
Cameron Wade ³	1	n/a	n/a	n/a
Richard Walker ¹	9	1	1	n/a
Phil White ⁴	15	n/a	1	5

¹ Sally Cabrini and Richard Walker stepped down from the Board on 29 June 2020.

² Robin Churchouse was appointed on 8 December 2020.

³ Cameron Wade stepped down from the Board on 12 March 2020.

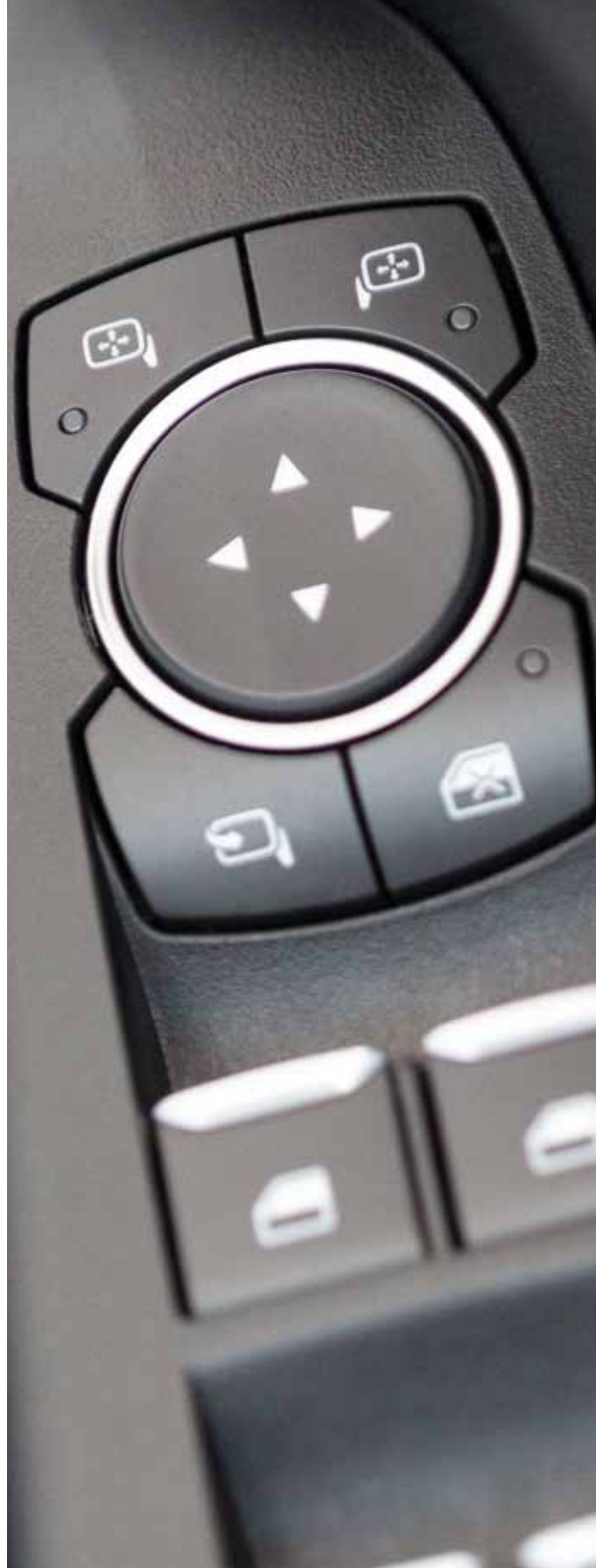
⁴ Phil White was only a member of the Remuneration Committee between 1 April and 30 June 2020.

Directors who are not members of a Committee are able to attend by invitation.

The requirement of the Code in relation to the recent and relevant financial experience of the Chairman of the Audit Committee were met throughout 2020. The requirement for the Chair of the Remuneration Committee to have served on a remuneration committee for over 12 months was also met during 2020.



Chairman's statement on corporate governance



In addition to the schedule of regular attendance at meetings detailed above, the Board met formally on a further 43 occasions during 2020. Informal Director updates were also held on a daily basis at certain times during the year. Participation levels by Directors at these ad hoc and informal meetings was high and reflects the considerable extra time and effort involved in seeking to address the issues seen by the Group in the year. The items considered at these meetings included:

- the investigation into fraud and accounting irregularities and the resultant delays in the 2019 audit, publication of the 2019 ARA and 2020 Interim Financial Statements
- the impact of COVID-19, including receipt of regular trading updates, health and safety and furlough of staff, rent reviews and the debt position
- corporate culture
- the suspension of the listing and work needed to gain restoration
- Board and senior management composition
- FCA engagement
- banking and refinancing

These items were a key part of the considerations by the Board in accordance with section 172, as explained further on pages 40 to 46.

The increased number of ARC meetings held during 2020 is also reflective of the additional input needed to consider the financial reporting and control issues faced by the Group during the year.

Succession planning, election, and diversity

The Code 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. The Chairman has been in post for over 15 years and so is currently not in compliance with this provision of the Code. We announced in our 2018 Annual Report & Accounts that we had started the succession planning process for the Chairman. As described in our 2019 report, 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 1 November 2019 until 31 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 carefully considered the position and agreed to delay its search for a new Chairman. It concluded that it continued to benefit from the Chairman's corporate knowledge and experience during this difficult period, and asked that he again fulfil an Executive role from 1 July 2020 until the 2020 interim results were published on 29 January 2021.

The succession planning and recruitment process for a new Non-Executive Chairman is underway. The Nomination Committee, in the absence of Phil White, discussed how best to proceed in terms of Phil's intention to stand down at the 2021 Annual General Meeting and it was agreed that it was in the best interests of stakeholders that Phil White be asked to extend his tenure on an interim basis. Phil White has confirmed that he is willing to continue in office on an interim basis and the Nomination Committee agreed that his re-election would therefore be put to shareholders at the AGM.

The Board recognises the importance of effective succession and once the current Chairman has stood down, the policy for the tenure of the Chairman will be no longer than nine years, subject to extension for a limited time if necessary to aid succession planning or continuity in certain circumstances in accordance with the provisions of the Code.

Succession planning, rotation of Directors and 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. Further information about the succession planning process, including its consideration of diversity in its succession plans and gender diversity metrics is detailed in the Nomination Committee Report on page 71.

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.

Some progress has been made during 2020, however, the challenge presented by both the internal and external distractions during the year has limited this. The Board recognises the need for continued focus on this issue during 2021. More information on workforce diversity is included in Corporate and Social Responsibility Report on page 81.

Risk management and internal control

Accountability

The Board recognises the importance of maintaining 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 30 to 36.

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 30.

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 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.

Following the first COVID-19 lockdown in March 2020, the functioning and structure of the internal audit department has been reviewed and a new permanent head of internal audit was appointed during 2020. These changes have evidenced materially better risk and internal control governance.

Review of risk management during the year

In 2020, the Group 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 to continue the work started in 2019 to review the design and implementation of a new enterprise risk management framework to strengthen controls over the business operations. Over the year management was 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 on pages 30 to 36.

The Board has closely monitored the progress of the implementation of these controls by management and receives an update at each meeting on the project tasked with addressing the financial, operational and compliance controls identified in 2019. In addition, it receives regular reports on risk management and internal controls via the Audit and Risk Committee.

Identifying, evaluating and managing risks, including emerging risks

There is a process in place for the identification, assessment and management of risk, which is covered in further detail in the Risk Overview and Management section on page 30. This includes consideration of the principal risks to the Group and any emerging risks identified, with the input of management and Internal Audit. This includes a robust assessment, at least annually, by the Audit and Risk Committee of the probability and potential impact of the risks which the Group may face. Reporting has been developed to track the Group's performance against Board agreed risk appetite and escalate new and emerging risks to the Audit and Risk Committee and the Board as appropriate.

Chairman's statement on corporate governance



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. It does so through its governance arrangements and oversight of the Enterprise Risk Management Framework (see above).

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 regular 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 for 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

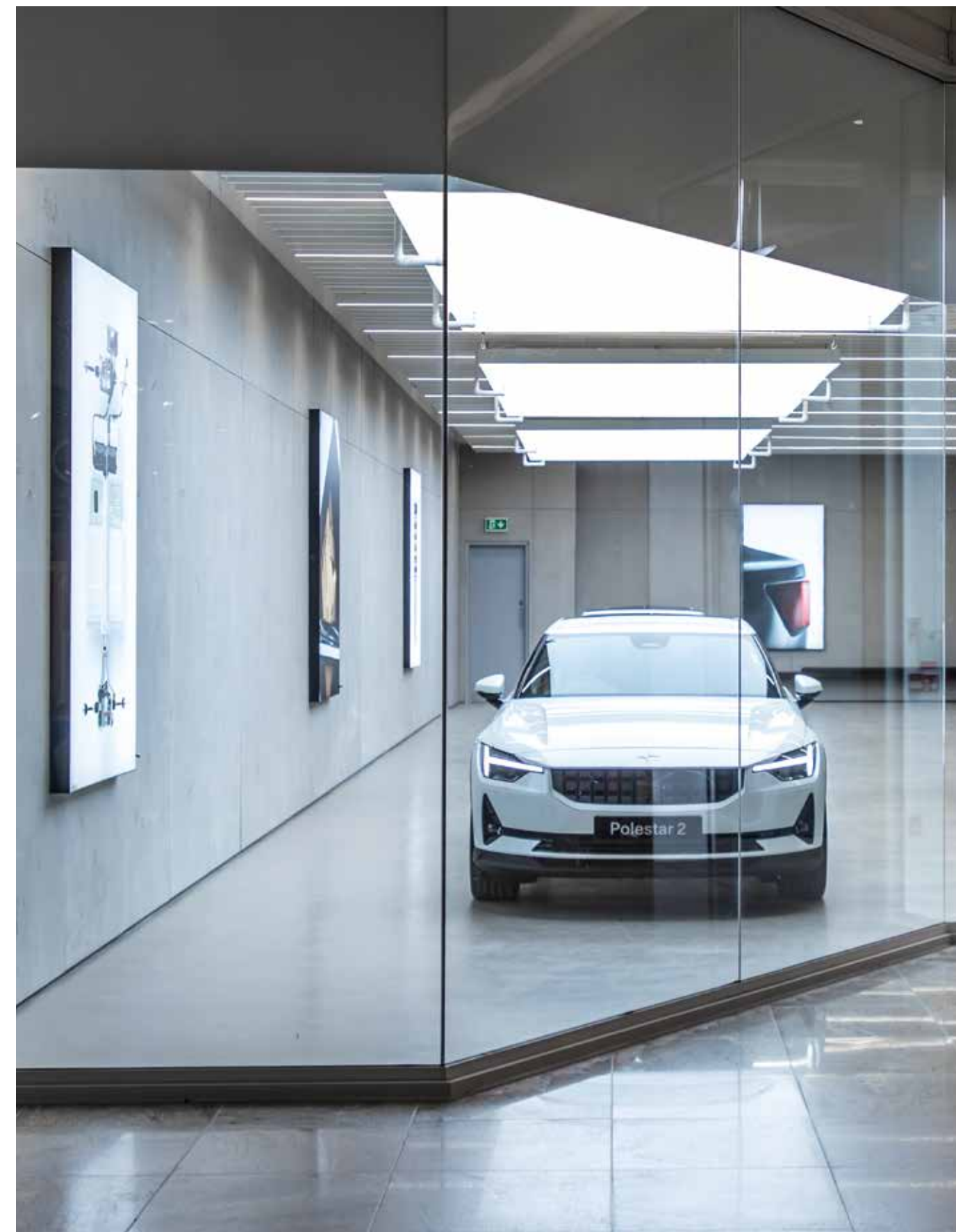
reflection of the Group's financial position. The Board has acknowledged the significant weakness in the control environment identified by the Grant Thornton investigation and its own internal reviews. Responding to these weaknesses, it considered and approved significant improvements to the Group's 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 2021.

Assessment of position

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

Phil White
Chairman
30 June 2021



Report from the Chairman of the Nomination Committee

Dear Shareholder

As Chair of the Nomination Committee, I am pleased to be able to update you on the ongoing work which has been carried out during 2020, and 2021 so far, in terms of refreshing the Board and the leadership. As reported in my report for 2019, the Nomination Committee and the Board have been reflecting upon the leadership needs of the Group, together with the skills, knowledge, independence, diversity and experience needed from the Board and senior management.

Composition and attendance

The Nomination Committee is composed solely of the Non-Executive Directors and met five times during 2020 to consider a number of ongoing significant changes to the Board and senior management. Any Non-Independent Director, the CEO and Chief People Officer are able to attend meetings of the Committee by invitation as appropriate.

The attendance at meetings by each member of the Committee is set out on page 65.

The role of the Nomination Committee

The role of the Nomination Committee is to establish a framework for appointments of Executive and Non-Executive Directors and senior management. The Nomination Committee further assists the Board in ensuring its size, structure and composition is regularly reviewed and refreshed and makes recommended changes to the Board, 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.

Succession planning

Recognising that improvements were needed in terms of the process for succession planning during 2020, in the first quarter of 2021 the Nomination Committee spent some time considering Board and senior executive succession, which included the mapping of skills and experience in order to identify any gaps. This included i) setting out the succession to fill any sudden and unforeseen departures, ii) medium term planning for the orderly replacement of Directors as they reach the end of their tenure period and iii) long term planning to ensure that the alignment of skills now and in the future were right to ensure the delivery of the Company's strategy and objectives. This included identifying appropriate staff within the business who could, over time and with the necessary support and training, be candidates for future senior executive roles.

A number of emerging skill requirements were identified for senior management and these will be filled either by training or recruitment. At Board level, the Nomination Committee feels that following Board refreshment, it went into 2021 with the right mix of people to carry forward the strategy of the Group. However, the Company is in a fast paced environment and the needs may change over time and the succession plan will need to be flexible to adapt. The Committee will continue to review this and ensure

the succession of the Chair, Chair of RemCo and a permanent CFO are a priority. The recruitment process for these positions is well underway as at the date of this report.

As part of succession planning, the length of service of the Board as a whole is considered. The Committee is cognisant that as a result of the recent refreshment of the Board, the end of tenure periods of the Non-Executive Directors are all very close together and how to ensure a gradual and orderly succession will need to be addressed in the future.

Appointment of Directors

The Nomination Committee leads the process, as set out below, for appointments to Board and senior management positions (other than for the Chairman and the Chief Executive Officer which are matters considered by the Company's Board).

The Nomination Committee determines:

- Where external candidates are sought, whether a search agency will be used and the process for their appointment;
- 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;
- Whether there is internal talent available to fill any vacancy;
- Other ways it can access a diverse pool of candidates including a wide range of backgrounds;
- The content of the role specification and usage of open advertising where appropriate;
- 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.

Recent appointments to the Board were facilitated in a variety of ways. Anna Bielby was appointed on an interim basis following a personal recommendation; Duncan McPhee was promoted internally; Paul Van der Burgh was appointed following an approach made by the Board on his retirement as president of Toyota GB; and Robin Churchouse was recruited via a search agency. The external agency used to assist with the appointment of Robin Churchouse had no connection with the Company or individual Directors. All external appointments were subject to interviews by the Non-Executive Directors.

All Directors stand for election or re-election by shareholders at the next AGM following their appointment to the Board. Details of the Directors who stood for election/re-election and 2021 AGM, with supporting information on their contribution to the Group, were included in the Notice of AGM. The Committee recommended to the Board that all Directors standing for election or re-election at the 2021 AGM be recommended for approval by shareholders.

Anna Bielby's appointment as Interim Chief Financial Officer was for an initial term of six months. She has agreed to extend her assignment and will leave the Group at the end of July following finalisation of a number of key projects. She did not seek election as a Director at the 2021 Annual General Meeting, and stepped down from the Board with effect from 30 June 2021.

As detailed on page 9, I have agreed to extend my tenure and therefore, whilst previously announced that I would not be standing for re-election, I stood for re-election at this year's AGM.

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. With these targets in mind, we continue to review the composition of the Board, ensuring any appointments continue to be based on merit.

More information on the considerations in relation to diversity of the workforce is given in the Corporate Social Responsibility Review on page 81.

The gender balance as at 31 December was:

	2020		2019	
	Male	Female	Male	Female
Board Members	5	2	5	3
Senior Management*	19	1	25	3
All staff**	4,991	1,603	6,636	1,988

*Includes representatives of the Executive Committee (including the Company Secretary) and senior direct reports, excluding Executive Directors.

** Excludes Non-Executive Directors.



Report from the Chairman of the Nomination Committee

In addition to gender diversity, a diverse range of experience and backgrounds is also important. Part of the Nomination Committee's deliberations on the appointment of an additional Non-Executive Director subsequent to the year-end sought to diversify the Non-Executive pool of experience and it is believed that Paul Van der Burgh's experience in the motor industry will aid the Board's understanding of the workforce and its customers. The additional Board appointments to fill key roles on the Board will be made with the need to continue to ensure a broad range of skills and experience in mind.

The Committee has noted the Parker Review in relation to Ethnic Diversity of UK Boards and confirms that it is cognisant of all diversity issues when considering succession and potential Board candidates but recognises that there is substantially more to be done in this area.

Changes to the Board

As explained in our 2019 Annual Report & Accounts, during 2020 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 first COVID-19 lockdown, we believed it was time to put in place plans for the future of Lookers and agreed an orderly transition to refresh the Board. As part of this process, and as recommended by the Committee, the following changes to the Board took place between 1 January 2020 and the date of this report:

5 February 2020	<ul style="list-style-type: none"> Mark Raban appointed as Chief Executive Officer Cameron Wade appointed as Chief Operating Officer and to the Board
1 March 2020	<ul style="list-style-type: none"> Richard Walker returned to Non-Executive role
12 March 2020	<ul style="list-style-type: none"> Cameron Wade stepped down from the Board
30 March 2020	<ul style="list-style-type: none"> Jim Perrie appointed as Interim Chief Financial Officer (not to the Board)
31 March 2020	<ul style="list-style-type: none"> Phil White returned to Non-Executive role
29 June 2020	<ul style="list-style-type: none"> Richard Walker stepped down from the Board Sally Cabrini stepped down from the Board
1 July 2020	<ul style="list-style-type: none"> Heather Jackson appointed as Senior Independent Director Victoria Mitchell appointed as Chair of Lookers Motor Group Ltd, the Group's FCA regulated entity Phil White resumed the role of Executive Chairman to oversee a transitional period
25 November 2020	<ul style="list-style-type: none"> Heather Jackson appointed as Chair of the Remuneration Committee
8 December 2020	<ul style="list-style-type: none"> Robin Churchouse appointed as Non-Executive Director
31 December 2020	<ul style="list-style-type: none"> Stuart Counsell stepped down from the Board Tony Bramall stepped down from the Board
1 January 2021	<ul style="list-style-type: none"> Robin Churchouse appointed as Chair of the Audit and Risk Committee
5 January 2021	<ul style="list-style-type: none"> Anna Bielby appointed as Interim Chief Financial Officer and as an Executive Director
29 January 2021	<ul style="list-style-type: none"> Phil White returned to Non-Executive role Duncan McPhee promoted to Chief Operating Officer and appointed as an Executive Director
1 April 2021	<ul style="list-style-type: none"> Paul Van der Burgh appointed as a Non-Executive Director
30 April 2021	<ul style="list-style-type: none"> Heather Jackson stepped down from the Board
5 May 2021	<ul style="list-style-type: none"> Paul Van der Burgh appointed as Senior Independent Director Victoria Mitchell appointed as Interim RemCo Chair
30 June 2021	<ul style="list-style-type: none"> Anna Bielby stepped down as an Executive Director but remains as Interim Chief Financial Officer

Details of the experience of the Directors in situ as at the date of this report and the key attributes they bring to the Board are detailed on pages 50 to 55.

Objectives for 2021

As the new Board and senior management structure continues to embed over the remainder of 2021, 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 continue to keep under review the options for workforce engagement as described elsewhere in this report.

Our key priorities during 2021 are the appointment of a new Chairman and a permanent Chief Financial Officer; our searches for both are well underway. The Chairman does not participate in meetings to discuss his successor and the current search is being managed by a sub-group of the Nomination Committee, led by Victoria Mitchell.

Phil White
Chairman
30 June 2021



Report from the Chairman of the Audit and Risk Committee



Dear Shareholder

I am pleased to present my first report as Chair of the Audit and Risk Committee ("the Committee"). The report details the Committee's role, responsibilities and activities during 2020, including how it considered and responded to developments in the business and the wider environment.

Having joined the Board in December 2020, and assumed the role of Chair of the Committee from 1 January 2021, this review relies heavily on a review of the papers and minutes of the Committee's meetings through 2020, as well as conversations with the members of the Committee who are still in office.

The year under review was clearly a very challenging one for the Group, with the ongoing impact of internal and external regulatory reviews, ongoing risk and regulatory improvement and remediation programmes, and the management of the Group's response to fraudulent activities, accounting irregularities and the impact of COVID-19. I cover all of these in more detail below, and they are also discussed in the Chairman's Report on pages 6 to 9.

Role and responsibilities

The Committee is an essential part of the Group's governance framework. Its fundamental purpose is to oversee and advise the Board on the Group's financial reporting, risk management, internal audit and internal controls.

The Committee is specifically responsible for:

1. Monitoring the integrity of the Financial Statements, including ensuring they present a fair, balanced and understandable view of the Group's performance and position;
2. Reviewing, and challenging, the Group's accounting and financial reporting processes;
3. Advising the Board in assessing material accounting judgements, estimates and issues;
4. Advising the Board in assessing the Group's going concern and viability statements;
5. Overseeing the Group's overall risk profile, strategy, appetite and risk management framework, including the review of risk management arrangements, key risk policies, reports on risk positions, and activity by the Group's risk and compliance functions;
6. Monitoring the risk culture throughout the Group, and how effectively it supports good risk management;
7. Reviewing the role and effectiveness of the Group's risk and compliance functions, including the adequacy of the resources available to these functions;
8. Monitoring the scope, adequacy and effectiveness of the Group's internal control, internal financial control and risk management systems, as well as the implementation of any remediation and improvement programmes;
9. Reviewing the arrangements in place to deal with whistleblowing, fraud, bribery and anti-money laundering;
10. Reviewing the role and effectiveness of the Group's internal audit function, including the adequacy of the resources available to the function;
11. Reviewing the annual workplan for the Group's internal audit function, as well as the results of the function's work and resolution of any identified issues;
12. Reviewing the role, effectiveness and independence of the Group's external audit arrangements.

Composition and attendance

The Committee's membership is composed solely of independent Non-Executive Directors. During 2020 membership consisted of:

- Stuart Counsell** (Chair – resigned 31 December 2020)
- Heather Jackson**
- Richard Walker** (reappointed 5 March 2020, resigned 29 June 2020)
- Robin Churchouse** (appointed 8 December 2020)
- Sally Cabrini** (resigned 29 June 2020)
- Victoria Mitchell**

The Committee members have, through their current and previous business activities, broad experience in financial, risk and commercial matters. Biographies of all members are shown on pages 50 to 55.

On Stuart Counsell's resignation on 31 December 2020, I was appointed as Chair of the Committee, a role for which I had been specifically assessed and recruited.

The Committee met on eleven occasions during the year. The table on page 65 provides details of attendance. Through the year a broad range of management were also invited to attend meetings of the Committee, including the CEO, CFO, CRO, Head of Internal Audit, Company Secretary and Group Chair.



Report from the Chairman of the Audit and Risk Committee

Key matters impacting the Committee

During 2020 two issues understandably dominated the Committee's agenda, namely:

- the ongoing investigations, enhancements and remediation of regulatory sales issues; and,
- the investigation of potentially fraudulent transactions, other accounting irregularities, and the impact of these on the Group's 2019 and prior year accounts.

Taking these in turn:

Regulated sales – systems and controls

The FCA's consideration of the issues has now concluded and whilst no enforcement action and/or fines were imposed, significant concerns relating to the historic culture, systems and controls of the Group were emphasised, which the Board fully accepted. The Group cooperated fully with the FCA on these issues.

The S166 reviews, which were undertaken by Grant Thornton, were received in November 2019 and February 2020. They identified a significant number of issues and improvements with which the Group agreed, and which it committed to resolve. A key focus for the Committee (as well as for the Group as a whole, and both the Board of the Company and its principal trading subsidiary, Lookers Motor Group Limited (LMGL)) in 2020 was the implementation and embedding of these recommendations. This included establishing a risk sub-committee within LMGL (where the regulated activity sits) to monitor and advise on the Company's response. This sub-committee included three members of the Committee, and in July 2020 was integrated into the LMGL Board.

The restructuring actions taken by the Group include the appointment of a Chief Risk Officer, and the introduction of a broad range of risk and compliance enhancements within LMGL and the broader Group. This has included the development of a revised governance structure and the design and implementation of a new enterprise risk management framework, as well as a refresh and re-approval of the Group's key risk policies. During 2020 the Committee played a key role in reviewing, challenging and recommending to the Board all of these improvements. A significant amount of work has been carried out, and in 2021 the focus of the Group and the Committee has shifted to fully embedding the new framework.

Fraud, accounting irregularities and 2019 accounts

In March 2020 the Group announced an investigation into potentially fraudulent transactions within one of its divisions. This investigation, which was undertaken with the help of Grant Thornton, uncovered a significant number of accounting irregularities including systems and control weaknesses, non-compliance with policies and accounting standards and poor accounting practices. The nature of these issues, including their scale, was fully disclosed in the 2019 Report and Accounts. The Committee was closely involved in the work performed by the Group and its advisors (Grant Thornton and PwC) to both identify

the exact nature, scale and quantum of the accounting issues, their impact on the 2019 and prior year results, and the remedial actions required to ensure they do not re-occur. This included liaising regularly with the external auditors, Deloitte, who, as part of their audit work, reviewed and challenged the issues identified and their impact on the 2019 accounts.

Throughout the second half of the year the Committee spent significant time reviewing and challenging the final analyses of all of the issues and their impact on the 2019 accounts. This included a particular focus on:

- **Fictitious transactions** – identified within one division, but with challenges including not just the impact of those items but also ensuring no wider issues existed;
- **Policy misapplications** – across a number of areas including cash and bank classifications, lease accounting across different subsidiaries and staff car schemes;
- **Property, plant and equipment and intangibles** – with, in particular, inappropriate treatment of costs associated with capital projects;
- **Control weaknesses** – on accounting for manufacturers' bonuses, and also more broadly across divisional and head office functions.

In 2021, our focus has been on resolving the knock on impacts of delays in finalising the 2019 Accounts on our 2020 interim results and subsidiary accounts, on returning our financial reporting to a normalised timetable, on transitioning to a new external auditor and on embedding and building on the improvements to our financial reporting and broader finance function.

Committee activities

Looking at the Committee's responsibilities (as set out above) and the work undertaken in 2020:

1. Monitoring the integrity of the Financial Statements
2. Reviewing, and challenging, the Group's accounting and financial reporting processes;
3. Advising the Board in assessing material accounting judgements, estimates and issues;
4. Advising the Board in assessing the Group's going concern and viability statements;

Much of the work in these areas during the year is covered above (see "Fraud, accounting irregularities and 2019 accounts"). In terms of the 2019 accounts, the Committee also looked in detail at a wide range of areas including:

- **Leasing** – with the Group retrospectively adopting IFRS 16 for the 2019 accounts, the Committee reviewed management's implementation of the standard and its key judgements.

- **Goodwill and intangibles** – the Committee reviewed the results of the Group's annual assessment of the carrying value of goodwill and intangibles. This includes challenging the judgements and assessments used including long term growth rates, forecast cashflows, forecast timeframes and discount rates. The Committee considered and challenged the methodology, as well as the consideration of reasonable "downside" sensitivity analyses. For the 2019 results the Committee also focussed on ensuring that the impact of wider accounting adjustments had been correctly recognised.
- **Inventories** – the Committee reviewed and challenged management's assessment of the fair value of inventories, including both standard and judgemental provisions, with a particular focus on used car valuations which are more volatile;
- **Pensions** – the Group operates 3 defined pension schemes, and for each of these the Committee reviewed the assumptions used by management and the Group's external actuaries. This included discussion of appropriate approaches to deficit reduction;
- **Alternative performance measures** – the Committee considered the treatment of certain items as non-underlying and agreed with management's view that they were either not incurred in the normal course of business, or due to their size, nature and irregularity should not be included in the assessment of core trading.
- **Regulatory provisions** – the Committee reviewed the proposed provision for a fine from the FCA in relation to its review of the Group's past regulated sales processes;
- **Customer remediation** – the Committee reviewed and agreed management's approach to identifying and calculating provisions required for known customer detriment and redress;
- **Brexit** – the Committee considered the potential impacts of Brexit on the Group's prospects, including possible impacts on new vehicle prices, vehicle parts supply and used vehicle values, as well as broader macro-economic repercussions. Whilst even after 31 December 2020 the outlook remains uncertain, the Committee was satisfied with the mitigating actions taken by management;
- **Going concern and viability statements** – the Committee's considerations were significantly complicated by the impact of COVID-19 and the associated lockdowns and economic impacts. The Group's reaction to COVID-19 is laid out in more detail in this report (and in the 2019 accounts). The Committee monitored these actions, and discussed in detail the Group's forecasts and funding arrangements, as well as a number of stressed scenarios tested against financing covenants and broader financial sustainability. The Committee was satisfied that the assumptions used were appropriate, and, taking into account discussions with the external auditors, were satisfied that it is appropriate to adopt the going concern basis. The Committee satisfied itself as to the appropriateness of the going concern and viability statements;

As part of the process for the completion of the 2020 accounts the Committee looked in detail at a reduced number of areas, reflecting the progress made by management in resolving legacy issues. Those areas specifically considered were:

- Going concern and viability
- Goodwill and intangibles
- Inventories
- Pensions
- Regulatory provisions
- Commercial Income
- Non-underlying items

The Committee reviewed and agreed management's approach for estimating commercial income owed from manufacturers, and agreed with management's judgement that the non-underlying items presented within these accounts were consistent with the Group's policy and their separate presentation more accurately reflected the underlying results of the Group. The Committee's actions regarding the other areas were consistent with those performed as part of the 2019 accounts process.

As set out in the Financial Review and Note 1 to the Financial Statements, the 2020 Annual Report & Accounts includes three prior period adjustments which impact the year ended 31 December 2019.

- (i) An adjustment to the Lookers plc Company Statement of Financial Position in order to correct retained earnings in the years ended 31 December 2019 and 31 December 2018, resulting from adjustments to subsidiary retained earnings that were made after the completion of the 2019 Group Financial Statements.
- (ii) An adjustment to the Group Financial Statements in order to correctly account for a number of leases which have been omitted in error from our IFRS 16 right of use lease calculations on adoption of this standard. This adjustment is non-cash and not material to the Group's net assets or reported profit.
- (iii) An adjustment to the application of IFRS 16 in the Group's Get Motoring UK Limited subsidiary. This adjustment is non-cash and is not material to the Group's net assets or reported profit.

An overarching responsibility of the Committee is to make certain that the Group's accounts present a fair, balanced and understandable view of the Group's performance and position. Inherent in this is that they provide shareholders with the information they need to assess the Group's position, performance, business model and strategy. In doing this the Committee specifically considered, alongside the broader picture the following:

- That satisfactory verification and remedial processes were undertaken by management in respect of the adjustments required in 2019 and prior years, and that adequate explanation of those items was included in the accounts;

Report from the Chairman of the Audit and Risk Committee

- That key events during the year were fairly reported, as well as any significant post balance-sheet date events;
- That key messages and judgements within the financial and narrative sections are consistent;
- That alternative performance measures were clearly explained and appropriate to explaining the underlying performance of the business.

5. Overseeing the Group's overall risk profile, risk strategy, risk management framework and risk appetite
6. Monitoring the risk culture throughout the Group, and how effectively it supports good risk management.
7. Reviewing the role and effectiveness of the Group's risk and compliance functions.
8. Monitoring the scope, adequacy and effectiveness of the Group's internal control, internal financial control and risk management systems, as well as the implementation of any remediation and improvement programmes;
9. Reviewing the arrangements in place to deal with whistleblowing, fraud, bribery and anti-money laundering;

Whilst the Board has overall responsibility for the Group's internal control environment and for assessing its effectiveness, the Committee, along with the LMGL Board, plays a critical role in helping it to fulfil this responsibility. It does this through more detailed review and challenge, in particular of the Group's risk management structures, strategies and appetites. As previously noted, 2020 was a year of continued change for the Group's risk and internal control structures. The Committee spent a significant amount of time reviewing and monitoring the development of a revised governance structure and the design and implementation of a new enterprise risk management framework, as well as a refresh and re-approval of the Group's key risk policies.

Specific areas considered by the Committee during the year include:

- Receiving regular updates from the CRO on over-arching risk management and compliance activities and developments, including health and safety matters;
- Receiving updates from the CRO on regulatory compliance performance and reviews (including regulated complaints performance and quality assurance programmes), and on progress in embedding of revised sales processes;
- Receiving updates on all interactions with the FCA;
- Monitoring progress in implementing and embedding the enhancements to the Group's governance framework (including ongoing compliance with the FCA's Senior Management Regime), risk and compliance management and broader internal controls;
- Receiving updates and reports on the impact of COVID-19 on the Group's activities, and on the Group's response;
- Progress reports on incidents of actual or potential customer harm, and associated remediation programmes to ensure customers were made good;
- Receiving updates from the Chief Information Officer on general IT controls and their maintenance and continuous improvements, including specifically cyber security and GDPR;
- Receiving briefings and reports on whistleblowing, money laundering and related financial crime matters, regulatory developments and "horizon risks";

- Reviewing and approving an enhanced suite of risk management policies including conduct risk, regulatory risk, operational risk and financial crime risk policies;
- Reviewing the Risk and Compliance functions forward looking plans and resourcing requirements.

The Committee plays a significant role in preparing the Group's overall risk assessment and identification of key risks, which are set out on pages 31 to 36.

The Committee, as noted above, is responsible for monitoring the scope, adequacy and effectiveness of the Group's internal control, internal financial control and risk management systems. Clearly the events of 2020 evidence that the systems in place were not fully effective. With this in mind:

- In terms of the 2019 Accounts, the Committee satisfied itself that the extensive additional work undertaken in preparing, reviewing and auditing of those accounts compensated for shortcomings in the systems of control;
- There has been significant improvement in the systems and their effectiveness during 2020, and this continues into 2021. In the latter part of the year an external review was undertaken to confirm adequate progress on key financial controls, and this review, along with extensive internal work and challenge, was critical in the Group being comfortable to apply for re-listing of its shares in January 2021 and the accompanying duty to comply with its ongoing obligations as a premium listed company;
- Combined with the work undertaken internally, and by our new auditors on the 2020 Accounts, the Committee is satisfied that the combination of internal controls and more substantive internal finance and external audit work has provided adequate assurance over these accounts.

As noted elsewhere, whilst we are satisfied that our systems and controls are adequate, we remain committed to a programme of further and continuous improvement and embedding.

10. Reviewing the role and effectiveness of the Group's internal audit function, including the adequacy of the resources and budgets available to the function;
11. Reviewing the annual workplan for the Group's internal audit function, as well as the results of the function's work and resolution of any identified issues;

2020 saw continued development of the Internal Audit function and programme, including the appointment of a new Head of Internal Audit in September 2020. Throughout the year internal audit reports and their associated actions were reviewed by the Committee, as well as enhancements to the risk register and risk dashboards. Areas considered included GDPR, Cyber Security and financial controls. A full review of the forward looking internal audit plan was considered, and a programme agreed that will see further development of our approach and use of internal audit through 2021.

12. Reviewing the role, effectiveness and independence of the Group's external audit arrangements;



The Committee is responsible for assessing the effectiveness of Deloitte's audit including their independence and objectivity. During 2020 Deloitte informed the Board that it intended to resign as auditors following completion of the 2019 audit. The steps that the Committee took to assess Deloitte's independence and objectivity were set out in the 2019 Accounts.

We note that the Financial Reporting Council (FRC) has commenced an investigation into the audits by Deloitte LLP of the Financial Statements of the Group for the years ended 31 December 2017 and 31 December 2018.

Following on from Deloitte's indicative intention to resign, the Committee ran a tender process with two firms for the provision of external audit services:

- Both confirmed their independence;
- The process was run so as to ensure both had fair and equal information and access to Committee members, the Group's Chair, the CEO, CFO, CRO and other senior managers;
- Both were invited to present to the Committee.

The Committee, taking into account sector and public company experience, independence, ability to challenge and audit quality, recommended that BDO LLP be appointed for the year ended 31 December 2020.

In considering BDO's independence and objectivity in the context of the 2020 Accounts the Committee has taken into account:

- BDO's annual independence statement, and their compliance with relevant laws, regulations and other professional and ethical statements;
- The business's feedback on BDO's approach and performance;

- The short tenure of BDO;
- The Committee's own interactions with BDO.

Taking all of these into account, the Committee is satisfied with BDO's independence and level of challenge.

BDO received £nil non audit fees (2019: Deloitte £nil).

Looking forward

The Group clearly faced significant challenges throughout 2019 and 2020. There has been much change and improvements in the systems of governance, financial management, risk and compliance management, internal audit and broader control areas over that period. As we have moved into 2021 the focus is shifting to:

- Clearing the backlog issues caused by the delays in finalising the 2019 Accounts;
- Re-establishing normal financial reporting and transitioning to a new external auditor;
- Embedding and continuously building on the improvements to systems and controls.

The Committee will continue to play its part in successfully managing the Group safely through uncertain times including the impacts of Brexit, COVID-19, broader economics and a changing motor market, doing so in a way that protects the interests of all of our stakeholders including customers, colleagues, funders, shareholders and regulators.

Robin Churchouse

Chairman of the Audit and Risk Committee
30 June 2021

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 environmental 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. The Group has recently appointed a Group Energy & Sustainability Manager with key responsibility for driving improvements in energy and sustainability throughout Lookers.

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
- Deployment of energy monitoring and metering solutions to further improve data capture and reporting.

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. Lookers has completed the Energy Saving and Opportunities Scheme reporting and the Streamlined Energy and Carbon Reporting for 2019 and 2020. During 2020 Lookers' total carbon emissions fell by 28%, however this reduction is in context of the reduction in operations due to COVID-19.
2. Greenhouse Gas Reporting (GHG). This is our eighth 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 during 2020 we recycled (95.9%) of all waste (2019: 95.9%).

We have increased site EV charge capacity across the entire estate by 15% during 2020. Our journey to vehicle electrification is now well underway combined with a cohesive sustainability programme. We are investing in dedicated senior resource to drive these programmes and an experienced Business Development Director has been recruited to develop EV combined with sustainability. This appointment is supported by the new Group Energy & Sustainability Manager and the property team and will drive progress over 2021.

Mandatory carbon reporting

As has been noted in previous years, the Group reports each year to the Environment Agency under the Government's CRC Energy Efficiency Scheme. The Group now aligns its carbon reporting with the new requirements under Streamlined Energy and Carbon Reporting (SECR); its first report is due in Q2 2021.

This is our eighth year of mandatory carbon reporting and covers the period 1 January to 31 December 2020 to align to the SECR reporting.

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 1.1% 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 years to 31 December 2020 and 2019 are:

	2020 (tCO ₂ e)	2020 (tCO ₂ e/£m)	2019* (tCO ₂ e)	2019* (tCO ₂ e/£m)
Scope 1				
Gas	5,252	1.41	6,310	1.32
Vehicle fuels	13,345	3.58	17,707	3.70
Total	18,597	4.99	24,017	5.02
Scope 2				
Electricity	7,050	1.89	9,119	1.91
Statutory total	25,647	6.88	33,136	6.93

* Prior year disclosures updated to 31 December 2019 (2019: 31 March 2019).

With effect from the current reporting period, we are also required to disclose the annual quantity of energy consumed by the Group from activities and that consumed resulting from the purchase of electricity, heat, steam or cooling in kilowatt hours. The data for the year to 31 December 2020 is below:

	2020 (kWh)
Gas	28,289,432
Vehicle fuels	56,407,456
Electricity	30,097,246
Total	114,794,134

This energy is materially consumed in the UK. As the business conducted outside of the UK is de minimis, as described earlier, we have not reported on energy usage outside of the UK.

Ethical employment and diversity

We are committed to encouraging equality and diversity amongst our workforce and eliminating unlawful discrimination. Everyone has a part to play in the application of the policy, which extends to the treatment of job applications, employees (including former employees), customers, clients, suppliers and visitors. Diversity factors include geography, background, education, disability, gender, sexual orientation, religion, belief, age, culture, personality, workstyle and cognitive or personal strengths.

The purpose of this policy on diversity is to provide equality, fairness and respect for all in our workplace, promote positive measures to prevent discrimination occurring and set standards and monitor conduct to support the policy.

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.

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. We have signed up to the Automotive 30% Club (the Club), an initiative to promote the industry to women and seek to have 30% of management roles filled by women by 2030 and our Chief Executive Officer (CEO) is undertaking a number of initiatives with the Club.

We recognise that we are behind the curve when it comes to the consideration of wider diversity issues. The newly appointed Chief People Officer (CPO) has the remit of leading this forward over the course of 2021 and will launch a diversity audit in order to understand where we are currently and how we can move forward to improve the position.

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. 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/modern-slavery-statement.

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 CPO reports directly into the CEO and is responsible for developing the HR function alongside a Senior team, supported by divisional HR Managers.

Corporate social responsibility review

Communicating with our people

We believe the way we communicate has a huge impact on how our people feel about the Group. We communicate with our people on a regular basis through team briefings, digital magazines, Workplace by Facebook, Microsoft Teams and more. On a quarterly basis a Non-Executive Director (with support from the Chief People Officer) holds a listening session with colleagues. Feedback from this session is shared with the Board and action points agreed with Executives.

Pulse surveys are undertaken and actions are monitored monthly within the HR team and reported at least bimonthly to the OpsCo and ExCo and Boards as applicable. All results are also communicated across the business. Initiatives agreed as result of this included the following in 2020:

- Meet the ExCo media introducing the members of our management team
- Introduction of consistent pay and reward
- Mental Health training for 163 management level employees
- Encouragement throughout the year for our people to book and take their annual leave entitlement to rest and relax ensuring we promote a healthy work life balance.
- An increase in recognition interventions through the course of 2021 including personal thank you letters to nominated individuals from the COO.
- Introducing feel good rewards for all team member as demonstrated with Easter Chocolates.

COVID-19 impact

At the height of the COVID-19 pandemic in 2020 Lookers furloughed 6,800 employees. These were predominately operational roles, with a small number of aftersales employees returning to the business to support with emergency/key worker aftersales requirements early in April 2020. We maintained between 90-100% of earnings during April 2020 for all employees. In May, furloughed workers were paid in line with CJRS guidelines, with the exception of managers who received 80% of basic pay uncapped. In June, all employees who remained furloughed were paid in line with the CJRS. A monthly update was emailed to all employees to highlight any changes to pay/mandated holidays and included contact details for queries. A selection matrix was used to determine those employees that were to be unfurloughed and requested to return to the business. This was to ensure we were fair and transparent during the process of furlough/unfurlough of our employees.

During the pandemic, those who were at work and were in variable paid roles continued to receive their average pay, capped at £3,500. This was to compensate for their missed opportunity to earn bonus due to business trading conditions. Those who were in management or salaried roles received 100% of basic pay. In July 2020, all pay plans were re-instated, including operational management bonus plans. Employees who were shielding were furloughed, and were paid in line with all other colleagues.

All employees were made aware of the whistleblowing policy, and provided with the details for the Employee Assistance Programme

to support with any financial or wellbeing concerns. The HR team worked closely with managers to ensure that contact was maintained with those furloughed to have continuous dialogue about wellbeing and support available and that regular reviews took place with employees who continued to work to ensure we were operating in COVID-19 safe environment. The Health and Safety team worked closely with the operational team to ensure the safety of employees and customers throughout the period.

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 years ended 31 December are:

	2020	2019
Number of fatalities	-	-
Injuries resulting in absence over three days	14	23
Major injuries reported under RIDDOR*	12**	17
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

** 11 injuries / 1 illness reported to HSE



Directors' remuneration report

Dear Shareholder,

I'm pleased to introduce the Directors' remuneration report for the year ended 31 December 2020. This letter sets out the performance for the year and the resulting pay outcomes, the work undertaken by the Committee during 2020 and the implementation of the policy for 2021.

The Remuneration Committee is composed solely of the independent Non-Executive Directors. Sally Cabrini chaired the Remuneration Committee until she stepped down at the AGM on 29 June 2020. Heather Jackson took the chair at meetings of the Committee for an interim period before formally being appointed as Chair of the Committee with effect from 25 November 2020. Following Heather's decision to step down from the Board I was appointed Committee Chair on 5 May 2021. I would like to thank Sally and Heather for their service to the business.

Context for executive pay and review of policy

Our approach to pay during the year was determined by the existing Directors' Remuneration Policy that was approved at our AGM in 2017. This has continued to shape our thinking and approach during the year. The Committee was pleased that over 90% of shareholders voted in support of the revised Remuneration Policy which was tabled at the General Meeting in December 2020. The formulation of this policy followed a close review of its effectiveness and an ever-changing economic background. While we originally intended to put a revised policy to a shareholder vote at the 2021 AGM, the Committee has determined that the timing is not right for this given the challenges being faced by the business. We will continue to monitor market sentiment and the alignment of the policy with the business strategy and will engage with shareholders to the extent that seeking approval for a revised policy is deemed to be appropriate ahead of the usual three year timescale.

We recognise there was a significant vote against the Annual Report on Remuneration for 2020 and understand that this was related to termination payments for Robin Gregson. Robin Gregson stood down from the Board in July 2019 and continued to receive basic salary and full benefits for a further period of 3 months while a handover of responsibilities was undertaken. The Board was comfortable this was a fair and reasonable arrangement in the circumstances. However, the Committee is mindful of the views of shareholders in relation to this issue, and we will ensure that we minimise the cost of any departures from the Board. We have demonstrated this with the treatment of Cameron Wade, Andy Bruce and Nigel McMinn, all of whose unvested incentive awards lapsed on cessation. The Committee has taken independent advice following shareholder feedback on CEO pay and are comfortable that the current level of remuneration is reasonable and competitive given the scale and complexity of the business.

2020 was a year of change and uncertainty, not only within Lookers but nationally. This uncertainty continues into 2021 and will be reflected in our approach to executive remuneration for this period.

Changes to Board

During 2020 and early 2021 there were several changes across the Executive and Non-Executive Director roles. Full details are included in the Report of the Chairman of the Nomination Committee on page 72.

In relation to the two new Executive Directors appointed to the Board during the year:

1. Anna Bielby's interim contract as Chief Financial Officer expires on 31 July 2021. She was appointed on a base salary of £300,000 with a 10% salary allowance linked to the production of the 2020 Annual Report & Accounts. This was agreed to reflect the interim appointment, and Anna has no entitlement to any variable pay during the term of the interim appointment.
2. Duncan McPhee was appointed as Chief Operating Officer with a base salary of £280,000 and other remuneration provisions in line with the Directors' Remuneration Policy.

Changes to remuneration

As reported in the 2019 Directors' Remuneration Report, 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 periods during 2020:

- Non-Executive Directors (April to July 2020 inclusive): Fee of £50,000 p.a. (reduced from £65,000 p.a.);
- Non-Executive Chairman (April to June 2020 inclusive): Fee of £97,500 p.a. (reduced from £130,000 p.a.);
- Executive Chairman (July to August 2020 inclusive): Fee of £245,000 p.a. (reduced from £350,000 p.a.);
- Chief Executive Officer (April to August 2020 inclusive): Salary of £315,000 (reduced from £450,000).

Following a review of the increased role and responsibilities of the Non-Executive Chairman, it was agreed that the fee for this role would increase from £130,000 to £160,000 per annum with effect from 1 February 2021. It was also agreed that additional allowances of £20,000 for the role of the Chairman of Lookers Motor Group and £10,000 for the role of Senior Independent Director would be introduced with effect from this date.

Performance and incentive outcomes during 2020

As reported in the 2019 Directors' Remuneration Report, it was agreed that there would not be an annual bonus award for the Chief Executive Officer for 2020 given the disruption caused by COVID-19 and the challenges faced by the business.

None of the Executive Directors serving during the year had outstanding LTIP awards due to vest based on performance to 31 December 2020.



Incentive awards for 2020 and 2021

In recognition of the external environment and the delay to the publication of our 2019 Annual Report & Accounts, no long-term incentive awards were made in 2020. The Committee believed that it would be inappropriate to grant long term incentives when there was an external investigation into the Group uncertainty of financial accounts and ongoing disruption from COVID-19.

The Committee believes that long term incentive arrangements, linked to the Company's performance, are an integral part of the Directors' Remuneration Policy. It has been agreed that an LTIP award will be made in respect of 2021. The details of this award will be finalised when the Group's financial performance in the first half of 2021 is known. These awards will be in accordance with the existing Remuneration policy.

In line with the approved Directors' Remuneration Policy, Executive Directors will be able to earn up to 150% of salary subject to the achievement of stretching bonus targets for 2021, against financial, team and individual objectives, with majority weighting (60%) on financial measures. Further detail is available on page 87.

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 90	Remuneration summary
Pages 88 to 97	Annual report on remuneration This sets out payments and awards made to the Directors and details the link between Company performance and remuneration for 2020 and, together with this statement, is subject to an advisory shareholder vote at the General Meeting convened to approve the Annual Report & Accounts & Financial Statements.
Pages 101 to 106	This sets out key sections of the Company's policy on Directors' Remuneration which was approved at the December 2020 General Meeting.

Directors' remuneration report

In conclusion

This was a year of change across the Board, the Company and our industry. Together with our advisors we continue to monitor changes within corporate governance developments and best practice during 2021 to determine whether we need to revise our approach to remuneration going forward.

We are always keen to listen to shareholder feedback and very much look forward to engaging with you in future.

By Order of the Board
Victoria Mitchell
 Interim Chair of Remuneration Committee
 30 June 2021

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	Incentivise and motivate the achievement of business objectives and reward performance against annual targets	Align interests with shareholders by providing long-term incentives delivered in the form of shares	Ensure alignment between the interests of Executive Directors and shareholders
Operation in 2021	Base salaries: M Raban: £450,000 D McPhee: £280,000 A Bielby: £300,000 Pension allowance: Up to 5% of salary A Bielby has a 10% of salary allowance linked to production of the 2020 Annual Report & Accounts. This was agreed on appointment to reflect the interim appointment. Benefits include: Participation in the Company's car schemes, health insurance, life assurance and the opportunity to join the SAYE	Maximum bonus: 150% of salary The performance targets for the 2021 bonus will be based on profit before tax, net debt, team and personal objectives Up to 50% of bonus earned is deferred into shares. For 2021, 35% of the bonus will be deferred Subject to regulatory, customer and performance underpin bonus is subject to malus and clawback A Bielby is not entitled to any variable pay during the term of her interim appointment	Normal LTIP opportunity: CEO: 150% of salary Other Executives: 100% of salary The Committee has agreed that an award will be made in respect of 2021, but that the details of this award will be finalised when the Group's financial performance for the first half of 2021 is known. Subject to regulatory, customer and performance underpin 3-year performance period and 2 year holding period LTIP is subject to malus and clawback	Shareholding at 31 December 2020: M Raban: 2% vs requirement of 200% of salary The deferral of bonus into shares and the holding period are measures that seek to facilitate the increase of the Executive's holding towards the requirement



Directors' remuneration report

Considerations when determining remuneration policy and practice

The remuneration policy and practices have been operated 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 remuneration policy and practice
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. The Committee sets out the targets and performance against them in each Directors' Remuneration Report, as well as any exercise of discretion.
Simplicity	<ul style="list-style-type: none"> The remuneration policy is simpler than the previous policy 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. The incentive metrics are well understood by Executives and shareholders alike as they are in common use in the market.
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 under the current policy contain specific reference to customer outcomes and regulatory compliance. There has been no use of these discretion, malus and clawback provisions during 2020.
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. This is demonstrated by the change in the proposed metrics for 2021. 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. This discretion has not been used for 2020.
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. This is demonstrated in the metrics used for the 2021 bonus.

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.

The Committee is satisfied that the remuneration policy operated as intended during 2020. In particular, no bonus award was made in respect of performance for 2020 and no LTIP was granted during the year given the circumstances faced by the business. In assessing the appropriateness of the policy, the Committee carries out remuneration benchmarking using companies of similar size and complexity for the Directors at least every three years. The Committee is satisfied that the current levels of remuneration are appropriate in the light of the information provided.



Directors' remuneration report

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 2020 financial year. Comparative figures for the 2019 financial year have also been provided.

£'000	Salary/ Fees		Benefits ⁽¹²⁾		Annual bonus		LTIP ⁽¹¹⁾		Pension		Total		Total fixed pay		Total variable pay	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Executive Directors																
Mark Raban ⁽¹⁾	381	139	1	1	-	-	-	-	22	7	404	147	404	147	-	-
Cameron Wade ⁽²⁾	33	-	-	-	-	-	-	-	2	-	35	-	35	-	-	-
Directors carrying out Non-Executive and Executive roles																
Richard Walker ⁽³⁾	98	116	-	-	-	-	-	-	-	-	98	116	98	116	-	-
Phil White ⁽⁴⁾	269	167	-	-	-	-	-	-	-	-	269	167	269	167	-	-
Non-Executive Directors																
Tony Bramall ⁽⁵⁾	61	46	-	-	-	-	-	-	-	-	61	46	61	46	-	-
Sally Cabrini ⁽⁶⁾	28	52	-	-	-	-	-	-	-	-	28	52	28	52	-	-
Robin Churchouse ⁽⁷⁾	5	-	-	-	-	-	-	-	-	-	5	-	5	-	-	-
Stuart Counsell ⁽⁸⁾	60	52	-	-	-	-	-	-	-	-	60	52	60	52	-	-
Heather Jackson ⁽⁹⁾	69	11	-	-	-	-	-	-	-	-	69	11	69	11	-	-
Victoria Mitchell ⁽¹⁰⁾	69	5	-	-	-	-	-	-	-	-	69	5	69	5	-	-

- Notes:
- Mark Raban joined the Group as Chief Financial Officer on 15 July 2019 and was appointed to the Board on this date. He was appointed to the role of Chief Executive Officer on 5 February 2020.
 - Cameron Wade joined the Group as Chief Operating Officer on 5 February 2020 and was appointed to the Board on this date. He subsequently stepped down from the Board on 12 March 2020.
 - 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. He subsequently stepped down from the Board on 29 June 2020.
 - Phil White became interim Executive Chairman effective between 1 November 2019 and 31 March 2020, and between 1 July 2020 and 31 January 2021. Prior to 1 November 2019 and between 1 April 2020 and 30 June 2020, Phil was the Non-Executive Chairman.
 - Tony Bramall stepped down from the Board on 31 December 2020.
 - Sally Cabrini stepped down from the Board on 29 June 2020.
 - Robin Churchouse was appointed to the Board as a Non-Executive Director on 8 December 2020.
 - Stuart Counsell stepped down from the Board on 31 December 2020.
 - 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 2020 was £1,073,000 (2019: £1,347,000).
 - Benefits are participation in the Company's car schemes, health insurance and life assurance premiums.

Salary and fees (audited)

No salary increases took place during the year. The table below sets out the salary rates applicable during the year.

Director	Salary from 1 January 2020	Salary from 5 February 2020	Reduced salary from 1 April 2020 to 31 August 2020
Mark Raban ⁽¹⁾	£300,000	£450,000	£315,000
Cameron Wade ⁽²⁾	-	£310,000	-

- Notes:
- Mark Raban was Chief Financial Officer until 5 February 2020 and was appointed to the role of Chief Executive Officer from 5 February 2020. Mark's salary was reduced by 30% to £315,000 for the period from April to August 2020 inclusive to support the business during the COVID-19 pandemic.
 - Cameron Wade was appointed to the Board in the role of Chief Operating Officer on 5 February 2020 and stepped down from the Board on 12 March 2020.

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 annual rates of fees they received during 2020 are set out below:

Director	Interim Executive Director fee from 1 January 2020	Non-Executive Director fee for March 2020	Reduced Non-Executive Director fee for April to June 2020 inclusive	Fee for July 2020 (notice period)
Richard Walker ⁽¹⁾	£450,000	£65,000	£50,000	£65,000

- Notes:
- Richard Walker returned to his Non-Executive Director role with effect from 1 March 2020. He subsequently stepped down from the Board on 29 June 2020. His fees were reduced by £15,000 p.a. from April to June 2020 inclusive to support the business during the COVID-19 pandemic.

Director	Interim Executive Chairman fee from 1 January 2020	Reduced Non- Executive Chairman fee from April to June 2020 inclusive	Interim Executive Chairman Fee for July to August 2020 inclusive	Fee from 1 September 2020
Phil White ⁽¹⁾	£350,000	£97,500	£245,000	£350,000

- Notes:
- Phil White returned to his Non-Executive Chairman role with effect from 1 April 2020. He subsequently was re-appointed to the Executive Chairman role with effect from 1 July 2020. His fees were reduced by 30% for the period from 1 April 2020 to 31 August 2020 to support the business during the COVID-19 pandemic.



Directors' remuneration report

The Non-Executive Director fees applying during 2020, were reduced from £65,000 to £50,000 for the period between April and July 2020 to support the business during the COVID-19 pandemic.

In the light of the additional workload and responsibilities of the roles, including additional time commitment for various projects being undertaken during the year, it was agreed that the fees for Heather Jackson and Victoria Mitchell would be increased to £85,000 for a transition period with effect from 1 August 2020 to 31 January 2021.

Annual bonus (audited)

As reported in the 2019 Directors' Remuneration Report, it was agreed that there would not be an annual bonus award for Executive Directors in respect of 2020 given the disruption caused by COVID-19 and the challenges faced by the business.

LTIP awards vesting during the year (audited)

None of the Executive Directors serving during the year had outstanding LTIP awards due to vest based on performance to 31 December 2020.

Pension entitlements and cash allowances (audited)

The cash in lieu of pension payments to Executive Directors during the year was 5% of salary per annum.

Payments for loss of office (audited)

On 12 March 2020, Cameron Wade stepped down from the Board as Chief Operating Officer 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.

Payments to past Directors (audited)

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 calculated by reference to base salary and benefits, payable in monthly instalments and subject to mitigation. However, in response to the Company's circumstances and the ongoing investigations, the Committee considered it appropriate to suspend the notice payments in March 2020.

In the course of the year, the Committee considered whether it was appropriate to reinstate the notice payments due to Andy Bruce and Nigel McMinn and permit the exercise of their vested share awards, alongside considering whether it should seek to claw back any share awards and bonus amounts paid to any of the Company's former Directors.

After careful consideration and having taken legal advice on the extent of its powers to apply malus and clawback to the former Directors' remuneration, the Committee approved that (1) malus be applied to the vested LTIP awards granted in 2016 to Andy Bruce and Nigel McMinn, which were previously suspended, such that the number of shares under award be reduced to nil; (2) settlement payments of £170,112 and £79,875 be made to Andy Bruce and

Nigel McMinn respectively, equal to a portion of the suspended notice payments, but with a reduction in the total amounts to reflect the Committee's decision to clawback 100% of the gross amount of each of Andy Bruce and Nigel McMinn's FY2018 annual bonuses, on the grounds of material misstatement in the Company's accounts; and (3) the suspension on the ability of Andy Bruce and Nigel McMinn to exercise their vested LTIP awards granted to them in 2015 be lifted, which was determined by the Committee in its discretion to be appropriate, taking into account that the 2015 LTIP awards were granted some time before the discovery of financial misstatements in the Company's accounts, the Committee's decision to clawback 100% of the former Directors' FY 2018 bonuses and the benefit to the Company of avoiding protracted legal proceedings. Andy Bruce's 2015 LTIP award is over 274,615 shares with a value of £191,681 based on a share price of £0.698 on vesting as at 25 June 2021, whilst Nigel McMinn's 2015 LTIP award is over 209,884 shares with a value of £146,499 based on a share price of £0.698 as at 25 June 2021. In addition the Committee resolved to lift the suspension of the ability to exercise Andy Bruce and Nigel McMinn's outstanding ESOS awards, granted on 5 January 2011 and 30 June 2014. Andy Bruce's 2011 ESOS award is over 269,836 shares with a value of £188,346 based on a share price of £0.698 as at 25 June 2021 and his 2014 ESOS award is over 289,256 shares with a value of £201,901 based on a share price of £0.698 as at 25 June 2021. Nigel McMinn's 2014 ESOS award is over 221,074 shares with a value of £154,310 based on a share price of £0.698 as at 25 June 2021.

The Committee also agreed to pay £15,000 + VAT to each of Andy Bruce and Nigel McMinn by way of contribution to their legal fees.

As previously reported, Robin Gregson's 2017 LTIP award completed its performance period as at 31 December 2019. However, in the course of the year, the Committee considered whether, in light of the restatements to Lookers' Financial Statements following the completion of investigations, it would be appropriate to clawback all or a percentage of (i) Robin Gregson's FY2018 annual bonus; (ii) the LTIP awards made to him in each of 2015 and 2016; and (iii) whether it should seek to apply malus to his LTIP awards for the years 2017, 2018 and 2019 such that the number of shares subject to those awards would be reduced to nil. Having taken legal advice on the extent of its powers to apply malus and clawback to Robin Gregson's remuneration in respect of both the bonus amount and LTIP awards, the Committee has determined that taking this course of action would be appropriate. The Company is therefore currently in correspondence with Robin Gregson in order to seek to apply clawback and malus.

LTIP awards granted during the year (audited)

Robin Gregson stepped down from the Board as Chief Financial Officer in July 2019. He was treated as a good leaver and therefore retained his long term incentive awards granted in 2017, 2018 and 2019, subject to time pro-rating and performance. While the performance period for the 2017 and 2018 awards is completed, the Committee has not yet approved the vesting of these awards, but is working with the business to undertake an exercise to review the performance against the targets in the light of the restatements to Lookers' Financial Statements following the completion of investigations.

Statement of Directors' shareholdings (audited)

The table below summarises the Directors' shareholdings as at 31 December 2020, 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 2020 of £0.21 and effective salary as at that date.

	Shareholding requirement* (% of salary)	Number of shares held (including by connected persons)	Vested but unexercised share options)	Unvested share interests not subject to performance	Overall shareholding		Unvested share interests subject to performance
					Number of shares	% of salary	
Directors carrying out Non-Executive and Executive roles							
Mark Raban	200%	50,000	-	-	50,000	2%	-
Cameron Wade ⁽¹⁾	200%	-	-	-	-	0%	-
Directors carrying out Non-Executive and Executive roles							
Richard Walker	-	-	-	-	-	N/A	-
Phil White	-	53,716	-	-	53,716	N/A	-
Non-Executive Directors							
Tony Bramall	-	75,658,051	-	-	75,658,051	N/A	-
Sally Cabrini	-	-	-	-	-	N/A	-
Robin Churchouse	-	-	-	-	-	N/A	-
Stuart Counsell	-	226,559	-	-	226,559	N/A	-
Heather Jackson	-	-	-	-	-	N/A	-
Victoria Mitchell	-	-	-	-	-	N/A	-

Notes:

1. Cameron Wade's outstanding share interests lapsed on cessation on 12 March 2020.

[There were no subsequent changes in shareholdings for Directors who remain in service as at the date of approval of this report.]

* See policy on page 103.

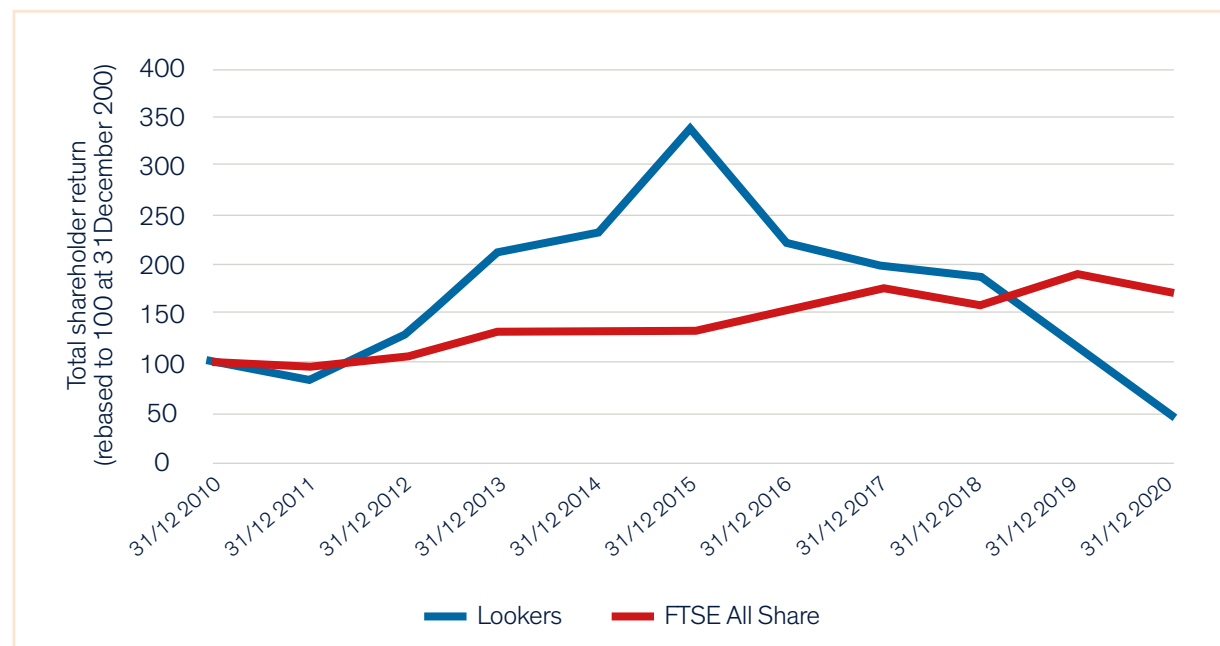


Directors' remuneration report

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.



	2011	2012	2013	2014	2015	2016	2017	2018	2019		2020	
Chief Executive Officer	Peter Jones	Peter Jones	Peter Jones ⁽¹⁾	Andy Bruce	Andy Bruce	Andy Bruce	Andy Bruce	Andy Bruce	Andy Bruce ⁽²⁾	Richard Walker ⁽³⁾	Richard Walker	Mark Raban ⁽⁴⁾
Total single figure (£'000)	583	739	1,436	806	894	1,628	553	633	463	75	43	373
Annual bonus (% of max)	63%	100%	100%	100%	87%	67%	20%	34%	-	-	-	-
LTIP vesting (% of max)	-	-	100%	-	-	100%	-	-	-	-	-	-

Notes:

- Peter Jones retired on 31 December 2013.
- Andy Bruce was appointed on 1 January 2014 and stepped down on 1 November 2019.
- Richard Walker became interim Executive Director on 1 November 2019.
- Mark Raban was appointed Chief Executive Officer on 5 February 2020.

Percentage change in remuneration of Directors and employees

The table below sets out the percentage change in salary, taxable benefits and annual bonus paid to each Director in respect of 2019 and 2020, compared to that of the average change for employees in the Group as a whole.

	% increase from 2019 to 2020		
	Salary and fees	Benefits	Annual Bonus
Executive Directors			
Mark Raban ⁽¹⁾	27%	0%	0%
Cameron Wade ⁽²⁾	-	-	-
Directors carrying out Non-Executive and Executive roles			
Richard Walker ⁽³⁾	8%	-	-
Phil White ⁽⁴⁾	61%	-	-
Non-Executive Directors			
Tony Bramall	33%	-	-
Sally Cabrini ⁽⁵⁾	17%	-	-
Robin Churchouse ⁽⁶⁾	-	-	-
Stuart Counsell	15%	-	-
Heather Jackson ⁽⁷⁾	6%	-	-
Victoria Mitchell ⁽⁸⁾	6%	-	-
Employee average			
All employees	1%	10%	-22%

Notes:

- Mark Raban was Chief Financial Officer between 15 July 2019 and 4 February 2020 inclusive and Chief Executive Officer with effect from 5 February 2020. The percentage increase is based on the difference between his annual rate of pay as Chief Financial Officer and the total pay received during 2020.
- Cameron Wade served during 2020 only.
- Richard Walker fulfilled a part-time Executive role and a Non-Executive role during 2019 and 2020. Richard stepped down from the Board on 29 June 2020. The percentage increase is based on the difference between his 2019 pay and his annualised rate of pay assuming he had remained in service as a Non-Executive Director for the remainder of 2020.
- Phil White fulfilled a part-time Executive role and a Non-Executive role during 2019 and 2020.
- Sally Cabrini stepped down from the Board on 29 June 2020. The percentage increase is based on the difference between her 2019 pay and her annualised rate of pay assuming she had remained in service as a Non-Executive Director for the remainder of 2020.
- Robin Churchouse served during 2020 only.
- Heather Jackson was appointed to the Board as a Non-Executive Director on 25 November 2019. The percentage increase is based on the difference between her annualised rate of pay for 2019 and her actual pay for 2020.
- Victoria Mitchell was appointed to the Board as a Non-Executive Director on 20 December 2019. The percentage increase is based on the difference between her annualised rate of pay for 2019 and her actual pay for 2020.

Directors' remuneration report

Chief Executive Officer pay ratio

The table below compares the 2020 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
2020	Option B	21:1	15:1	11:1
2019	Option B	26:1	20:1	13:1

As required by the regulations, the CEO single figure used to determine the 2020 pay ratios is based on the sum of the total single figures of remuneration for Richard Walker (as Acting CEO) between 1 January 2020 and 4 February 2020 inclusive and for Mark Raban from 5 February 2020. This gives a total of £415,463.

The remuneration figures for the employee at each quartile were determined with reference to the financial year ended 31 December 2020.

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 2020) 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 2020 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.

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	£18,138	£25,598	£33,429
Total pay and benefits	£19,383	£27,638	£36,293

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. The ratios have decreased between 2019 and 2020, which is primarily due to a reduction in the total pay of the CEO of around 20%. The Committee believes that the ratios are at a level that are appropriate in a year when Executive Directors did not earn any variable pay in the form of bonus or LTIP pay-outs, given the role and responsibilities of the Chief Executive Officer.

Relative importance of spend on pay

The table below sets out the total spend on pay in 2019 and 2020 compared with distributions to shareholders and which was the most significant outgoing for the Company in the last financial year:

	2020	2019	% increase
Spend on staff pay (including Directors) ¹	£234.3m	£300.2m	-22%
Profit distributed by way of dividend and share buy-back ²	£0m	£15.9m	-100%

Notes:

¹ Excluding share based compensation – see Note 5 to the Financial Statements. 2020 is net of £34.9m of Coronavirus Job Retention Scheme receipts.

² No dividends were paid and no share buy-backs occurred in the year ended 31 December 2020.

Directors' remuneration report



Statement of implementation of Directors' remuneration policy in 2021

Salaries and fees

The salaries and fees to be paid to Directors in 2021 are set out in the table below. Following a review of the role and responsibilities of the Non-Executive Chairman, it was agreed that the fee for this role would increase from £130,000 to £160,000 per annum with effect from 1 February 2021. Save for an adjustment to the structure of the fees for the Non-Executives, there were no further changes in salary or fee levels between 2020 and 2021.

£ pa	2021 Salary/Fees
Executive Directors	
Anna Bielby ⁽¹⁾	£300,000
Duncan McPhee ⁽²⁾	£280,000
Mark Raban	£450,000
Non-Executive Directors	
Non-Executive Chairman	£160,000
Non-Executive Director base fee	£65,000
Lookers Motor Group Chairman additional fee ⁽³⁾	£20,000
Senior Independent Director additional fee ⁽⁴⁾	£10,000

Notes:

1. Anna Bielby was appointed to the role of Interim Chief Financial Officer on 5 January 2021.
2. Duncan McPhee was appointed to the role of Chief Operating Officer on 29 January 2021.
3. Additional fee for Lookers Motor Group Chairman was introduced effective from 1 February 2021.
4. Additional fee for Senior Independent Director was introduced effective from 1 February 2021.

Benefits and pension

No changes are intended to be made to the benefits available to the Directors during 2021.

Consistent with the proposed Directors' Remuneration Policy, Executive Directors receive a pension contribution of up to 5% of salary, which is aligned with the current pension for the wider workforce, as follows:

Director	Pension provision
Anna Bielby	3% of salary between Lower Earnings Limit and Upper Earnings Limit
Duncan McPhee	6% of salary above the Upper Earnings Limit (equivalent to 4.9% of total salary)
Mark Raban	5% of salary

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

Incentives for 2021

Bonus awards of up to 150% of salary may be earned by Executive Directors in respect of performance during 2021. The following metrics and weightings will apply:

Metric	Weighting
Financial objectives:	
• Underlying Profit Before Tax	40%
• Net debt	20%
Team objectives, including those related to Dealer Management System, Business Development Centres and Culture.	25%
Individual objectives	15%

No bonuses will be paid if a minimum level of Underlying Profit Before Tax is not earned.

Details of the targets are commercially sensitive and will be disclosed in the 2021 Directors' Remuneration Report, alongside performance against them.

65% of the bonus earned will be paid in cash and 35% will be deferred into shares for three years.

Anna Bielby has a 10% of salary allowance linked to production of the 2020 Annual Report & Accounts. This was agreed to reflect the interim appointment. Anna is not entitled to any variable pay during the term of the interim appointment.

It has been agreed that an LTIP award will be made in respect of 2021. The details of this award will be finalised when the Group's financial performance for the first half of 2021 is known. These awards will be in accordance with the existing Remuneration Policy.

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 members of the Committee during 2020 were:

- Sally Cabrini, (Chair of the Remuneration Committee until she stepped down from the Board on 29 June 2020);
- Stuart Counsell;
- Phil White (between 1 April and 30 June 2020 only);
- Richard Walker (for a meeting in May 2020 only);
- Heather Jackson (Chair of the Remuneration Committee from 25 November 2020);
- Victoria Mitchell; and
- Robin Churchouse, from 8 December 2020.

The Committee met nine times during 2020. The attendance at meetings by each member of the Committee is set out in the Corporate Governance Statement on page 65.

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 2020

The Committee carried out the following during 2020:

- Reviewed and determined:
 - salary levels for the Executive Directors and fees for the Chairman;
 - the outcome of targets under the annual bonus plan and LTIP;
- Set targets for the 2020 annual bonus plan;
- Considered LTIP awards and determined that no LTIP award would be granted for 2020;
- Considered emerging developments in executive pay;
- Completed a consultation exercise with shareholders on the Directors' Remuneration Policy;
- Approved remuneration arrangements for appointments to and departures from the Board;
- Reviewed the 2019 Remuneration Report; and
- Reviewed the 2020 gender pay gap report.

The Committee previously appointed PwC 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 £125,400 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 Chief People Officer, the General Counsel and Company Secretary, the Chairman (including periods of Executive office) 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.

The Committee undertook a consultation exercise including investors and their representative proxy bodies during 2020 ahead of seeking approval for a new Directors' Remuneration Policy. Although we were not proposing significant changes to the policy, we were pleased with the support demonstrated by shareholders, culminating in votes in favour from over 90% of shareholders at the General Meeting in 2020. The Committee is happy to take on board feedback from shareholders and to meet with shareholders to discuss any aspect of remuneration.

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 Chief People Officer to develop a greater level of understanding in relation to pay and people practices in the business, but the Committee has not engaged directly with employees in relation to how executive pay policy aligns with wider pay policy.





Statement of voting

The latest votes in respect of remuneration matters were cast at a General Meeting on 28 December 2020 for the Directors' Remuneration Policy and the 2019 Annual Report on Remuneration as follows:

	Votes for		Votes against		Abstentions
	Number	%	Number	%	Number
To approve the Directors' Remuneration Policy	256,362,073	92.2%	21,743,451	7.8%	228,792
To approve the 2019 Annual Report on Remuneration	197,690,603	71.1%	80,413,403	28.9%	230,310

The Committee took note that while the vast majority of shareholders voted in favour of the policy, 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 primarily concerned with notice being served for our previous Chief Financial Officer with effect from his date of stepping down from the Board rather than from the date of announcement. While Mark Raban was recruited to the role of CFO in July 2019, there was a significant amount of handover work to be completed and therefore there was a

requirement for Robin Gregson to continue employment until September to assist with this. The Remuneration Committee determined at the time that it was fair given the circumstances surrounding Robin's departure that a full 12 month notice period should be provided for from his termination date. We will take on board the response to this decision in future and continue a dialogue with shareholders.

Victoria Mitchell,
Interim Chair of Remuneration Committee,
30 June 2021

Directors' remuneration policy

The Directors' Remuneration Policy was approved by shareholders at a General Meeting held on 28 December 2020. The following section reproduces certain sections of the approved 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 include 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.

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>

Directors' remuneration report

Future policy table

BENEFITS	
Provide benefits consistent with role.	
<p>Operation</p> <p>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).</p> <p>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.</p>	<p>Maximum potential value</p> <p>The cost of providing benefits is borne by the Company and varies from time to time.</p> <p>Performance metrics</p> <p>None</p>

ANNUAL BONUS	
Incentivises achievement of business objectives by providing a reward for performance against annual targets.	
<p>Operation</p> <p>A proportion of the bonus earned (up to 50%) is deferred into shares for two years and the remaining amount is paid in cash.</p> <p>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, 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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Maximum potential value</p> <p>Up to 150% of salary.</p> <p>Performance metrics</p> <p>Performance conditions are determined annually by the Committee and threshold and maximum targets are set for each condition.</p> <p>At least 50% of the bonus is subject to financial targets. The measures vary from year to year to reflect priorities and business strategy.</p> <p>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.</p>

Future policy table

LONG-TERM INCENTIVE PLAN (LTIP)	
Alignment of interests with shareholders by providing long-term incentives delivered in the form of shares.	
<p>Operation</p> <p>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.</p> <p>A two-year holding period applies to all vested awards, during which time Executive Directors may not sell shares, save to settle tax due.</p> <p>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.</p> <p>The Committee has discretion to:</p> <ul style="list-style-type: none"> (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. 	<p>Maximum potential value</p> <p>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.</p> <p>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.</p> <p>Performance metrics</p> <p>Awards are based on a combination of performance metrics, with at least 50% being financial measures.</p> <p>Threshold and maximum targets are set at grant.</p> <p>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.</p>

SHARE OWNERSHIP REQUIREMENT	
To ensure alignment between the interests of Executive Directors and shareholders.	
<p>Operation</p> <p>200% of salary for all Executive Directors, to be reached over a five-year period from appointment to the Board.</p> <p>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.</p> <p>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.</p>	<p>Maximum potential value</p> <p>Not applicable</p> <p>Performance metrics</p> <p>Not applicable</p>

Directors' remuneration report

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.

Directors' remuneration report

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

Non-Executive Director fees are determined by the Board within the limits set out in the Articles of Association.

An additional fee may be paid for additional duties and/or specific roles.

Paid in 12 equal monthly instalments during the year.

Expenses, including travel to and from Board meetings, are reimbursed by the Company including any tax payable on those expenses.

Maximum potential value

Reviewed annually to reflect role, responsibility and performance of the individual and the Company.

Annual rate set out in the Annual Report on remuneration for the current year and the following year.

No prescribed maximum annual increase.

By Order of the Board

Victoria Mitchell

Interim Chair of Remuneration Committee

30 June 2021



Content of the report

Lookers plc is a public limited company incorporated in the United Kingdom under the Companies Act 2006, with registered number 11 1876 in England and Wales. The Directors present their report for the year ended 31 December 2020. Our Strategic Review on pages 6 to 47 contains the information to be presented by way of a management report in accordance with DTR 4.1.8, i.e. a fair review of the Company's business and a description of the principal risks and uncertainties it faces. It also includes certain other information on which reports and statements are required by the UK Corporate Governance Code (this includes our section 172 statement and information on stakeholder and UK workforce engagement) and an indication of the likely future developments in the Group's business. The Board approved the Strategic Review set out on pages 6 to 47 and the Viability Statement set out on page 38. Additional information on which the Directors are required by law to report is set out below or within 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 (including energy consumption and efficiency reporting, greenhouse gas emissions disclosures and disclosures in relation to the employment of disabled persons)
- Directors' Remuneration Report (including details on compensation for loss of office)
- Directors' Report
- Directors' Responsibility Statement

Dividends

As explained in the Chairman's Statement on page 9, the Board is not recommending the payment of a dividend for the year to 31 December 2020.

Directors who served during the year

The following were the Directors of the Company who served during the year:

Name	
Tony Bramall ¹	Sally Cabrini ²
Robin Churchouse ³	Stuart Counsell ¹
Heather Jackson ⁵	Victoria Mitchell
Mark Raban	Cameron Wade ⁴
Richard Walker ²	Phil White

- 1 Stuart Counsell and Tony Bramall resigned as Directors of the Company with effect from 31 December 2020.
- 2 Sally Cabrini and Richard Walker did not stand for re-election at the AGM on 29 June 2020.
- 3 Robin Churchouse was appointed as a Director of the Company on 8 December 2020.
- 4 Cameron Wade was appointed a Director of the Company on 5 February 2020 and resigned with effect from 12 March 2020.
- 5 Heather Jackson resigned from her position after the year-end and her resignation was effective 30 April 2021.

Directors' interests and conflicts

The Directors have a statutory duty to avoid conflicts of interest. There are procedures in place to deal with any conflicts or potential conflicts of interest and to ensure that all such interests are disclosed and (where appropriate) approved by the Board. 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 in order to provide the necessary approvals.

Details of the Directors' interests in the Company's shares and securities are disclosed in the Directors' Remuneration Report on page 93.

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.

Share buy-back and share capital

The Company's issued share capital is made up of ordinary shares of 5p each with full voting, dividend and capital distribution, including distribution rights. They do not confer any right of redemption. On a poll every ordinary shareholder is entitled to one vote for each share of which they are the holder.

Details of the current shares in issue and changes during the year is shown in Note 24 to the Financial Statements.

The powers of the Directors to issue or buy back shares are restricted to those approved by shareholders at a general meeting.

At the AGM in June 2020, 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 2021 AGM, at which a resolution was proposed for its renewal.

At the AGM in June 2020, pursuant to section 701 of the Companies Act 2006, shareholders approved that the Company could make market purchases of shares up to 10% of the existing issued share capital. This authority, which has not been used, expired at the conclusion of the 2021 AGM, at which a resolution was proposed for its renewal.

The Company operates a number of share option schemes available to all staff and/or executives. More information is included in Note 25 to the Financial Statements.

Financial instruments

Details of the Group's use of financial instruments is included in Note 22 to the Financial Statements. That Note provides details of the financial risk management objectives and policies and the policy on hedging and the exposure to price risk, credit risk, liquidity risk and cash-flow risk.

Donations

Charitable donations amounted to £2k paid in the year (2019: £623k). No political donations were made in the current or prior financial year.

Research and development

The Group is committed to developing its offering and devotes time to researching emerging technologies and developing its practices and service to customers, for example in relation to the electrification of vehicles. More information on this is included in the Strategic Report on pages 6 to 47.

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.

Substantial shareholdings

As at 31 December 2020, the following interests in the ordinary share capital of the Company had been disclosed to the Company in accordance with DTR 5 concerning notification of major shareholdings or voting rights arising from the holding of certain financial instruments:

	Number of Shares	% Voting Rights	Interest
D. C. A. Bramall	75,658,051	19.44	Indirect
Artemis Fund Managers Limited	39,604,611	10.15	Indirect
Guernsey Investments Limited	39,034,087	10.03	Direct
JO Hambro Capital Management	22,129,189	5.62	Indirect
Aberforth Partners LLP	19,727,002	5.07	Indirect
JPMorgan Asset Management Holdings Inc	19,528,035	5.02	Indirect
Tweedy Browne	Not stated	5.01	Direct
Aggregate of Standard Life Aberdeen plc affiliated investment management entities	12,378,153	3.14	Indirect
Norges Bank	11,716,384	3.01	Direct

Interests disclosed to the Company that have occurred between 31 December and the date of this report are as follows:

	Number of Shares	% Voting Rights	Interest
D. C. A. Bramall	78,598,051	20.14	Indirect
Guernsey Investments Limited	44,699,087	11.45	Direct

Articles of association

The Company is required to conduct its business in accordance with its Articles of Association, changes to which have to be approved by shareholders.

Subsequent events

Details of events occurring subsequent to the year-end are made within Note 27 to the Financial Statements.

Information to be disclosed under LR 9.8.4R

Listing Rule	Detail	Page reference
9.8.4R (1), (2) and (5) to (14)	Not applicable	n/a
9.8.4R (4)	Long-term incentive schemes	92

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

Phillip Kenny
Company Secretary
30 June 2021

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report & Accounts and the Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and 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 in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Company Financial Statements applied FRS 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group and Company for that period. The Directors are also required to prepare Financial Statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the Financial Statements;
- state whether they have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- prepare a Directors' report, a strategic report and Directors' remuneration report which comply with the requirements of the Companies Act 2006.

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 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

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 ensuring that the Annual Report & Accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Website publication

The Directors are responsible for ensuring the Annual Report & Accounts and the Financial Statements are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- The Financial Statements have been prepared in accordance with the applicable set of accounting standards and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group and Company.
- The Annual Report & Accounts includes a fair review of the development and performance of the business and the financial position of the Group and Company, together with a description of the principal risks and uncertainties that they face.
- The Annual Report & Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Mark Raban

Chief Executive Officer
30 June 2021





Financial Statements

Independent auditor's report to the members of Lookers plc

Opinion on the Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Group Financial Statements have been properly prepared in accordance with international financial reporting standards: adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

We have audited the Financial Statements of Lookers plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the statement of total consolidated comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, the consolidated statement of cash flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards, adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

Independence

Following the recommendation of the Audit and Risk Committee, we were appointed by the Directors on 22 January 2021 to audit the Financial Statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and re-appointments of the firm is 1 year, covering the year ended 31 December 2020.

We remain 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 FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

The Group's disclosure on application of the going concern basis of preparation for the Financial Statements is included in the principal accounting policies disclosed on pages 124 to 135.

The Group is reliant on its finance facilities to ensure that it can meet its liabilities as they fall due. These have been renegotiated subsequent to the year-end and require the Group to maintain specified financial ratios and certain other financial covenants including an assessment of liquidity and minimum cumulative EBITDA requirements tested quarterly.

Due to the ongoing effects of the COVID-19 pandemic and the global shortage of semiconductor chips, there is an increased risk that the business may fail to comply with the required covenant conditions which may affect the Group's ability to operate as a going concern.

Management have prepared estimates of future trading performance and costs and the impact of this performance on future covenant requirements and liquidity. In completing this model management have included the ongoing effects of the COVID-19 pandemic and taken into consideration latest guidance from manufacturers on the potential impact of the shortage of semiconductor chips on new car stock available over the period under review.

Management have also prepared a number of reverse stress tests that models changes in the forecast performance to test how resilient the business is to reasonably possible events, including an analysis of what mitigating actions may be required to rectify forecast loss of headroom in key covenants. As a result of the judgements required by management in their forecasts and assessments we considered going concern and viability to be a key audit matter.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting and our response to the key audit matter included the following procedures:

We obtained management's assessment that supports the Board's conclusions with respect to the disclosures provided around going concern and viability and performed the following:

- We considered the consistency of management's cash flow forecasts with other areas of the audit, such as the impairment model;
- We challenged the rationale for the assumptions utilised in the forecasts including new and used car sales, using our knowledge of the business, the sector and wider commentary available from competitors and peers with the support of internal business restructuring experts. We 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;
- We considered the appropriateness of management's forecasts by testing their mechanical accuracy, assessing historical forecasting accuracy and understanding management's consideration of downside sensitivity analysis;
- We obtained an understanding of the renewed financing facilities, including the nature of the facilities, repayment terms, covenants and attached conditions as well as amendments to the facilities prior to the Directors' approval of the Financial Statements. We assessed whether the terms and conditions therein were consistent with those applied by management in their base case and downside scenario forecasts;

- We reviewed the facility and covenant headroom calculations, and re-performed sensitivities on management's base case and downside scenarios;
- We considered the reasonableness of 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
- We reviewed the going concern disclosures, and assessed its consistency with management's forecasts.

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

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

Coverage of areas subject to a full scope audit	84% of Group revenue	
	75% of Group net assets	
Key audit matters	2020	
	Management Override of Controls	✓
	Valuation of Goodwill and Other Intangibles	✓
	Inventory Valuation and Provisioning for Used Vehicles	✓
	Commercial Income Recognition	✓
	Classification of Non-underlying Items	✓
Materiality	Going Concern and Viability	✓
	Group Financial Statements as a whole	£1.84m (based on 0.05% of revenue)

Independent auditor's report to the members of Lookers plc

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the Financial Statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Overall our audit procedures accounted for 84% of the Group's revenue and 75% of the Group's total net assets. Components were scoped in to address aggregation risk and to ensure sufficient coverage was obtained over Group balances on which to base our audit opinion. The scope of our audit is summarised below:

- We focused primarily on the audit work at ten significant components, which were subject to full scope audit procedures. The ten components considered significant were Lookers plc, Bolling Investments Limited, Lookers Motor Group Limited, The Dutton-Forshaw Motor Company Limited, Charles Hurst Limited, Addison Motors Limited, Colebrook and Burgess Limited, MB South Limited, Drayton Group Limited and Warwick Holdings Limited.
- 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.
- Dutton-Forshaw Holdings Company Limited and Lookers Motor Holdings Limited were audited to a set component materiality to provide additional coverage of net assets.
- Three leasing entities including Get Motoring UK Limited, Lookers Leasing Limited and Fleet Financial Limited were subject to risk based agreed upon procedures.

All audit work was performed by the UK engagement team including a Group team as well as component team, with the use of external experts where necessary. The Group engagement team directed and supervised the work of the component team, attended planning calls with the component team where the scope of their work was discussed, and also attended further planning calls with divisional management. The Group engagement team reviewed the working papers of the component team and attended meetings with them and the respective divisional management teams following completion of the work.

The Parent Company is accounted for by the head office finance team. The audit work in respect of the Parent Company was completed by the Group engagement team. The remaining components of the Group were considered non-significant and these components were principally subject to analytical review procedures by the Group engagement team.

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, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters 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.

Key Audit Matter	How the scope of our audit addressed the key audit matter
<p>Management override of controls</p> <p>The Group addressed a number of accounting irregularities in the prior year following a series of investigations. These were a combination of correctional adjustments for fictitious transactions, inappropriate or inconsistent accounting standards being applied over a number of years and errors arising from control deficiencies.</p> <p>There are three principal ways in which management might be likely to override the controls:</p> <ul style="list-style-type: none"> • Overriding the Group's revenue recognition policies meaning that profits on sales are moved from one accounting period to another; • Changes to accounting estimates affecting the relevant charge to the profit and loss account; and • Posting of manual journals outside the normal accounting process to fraudulently misstate the relevant balance. <p>Due to the unpredictable way in which such override could occur and recognising the known issues from the prior year, this was an area of increased risk of fraud and error for the audit.</p>	<p>Our audit response involved the following:</p> <ul style="list-style-type: none"> • an assessment of the scope of the review carried out by management and the forensic accountants in the prior year including the procedures performed; • use of internal forensic specialists to support the audit team in evaluating the scope and findings of the investigation. This included an assessment of the evidence pertaining to the adjustments identified and other evidence gathered as part of the investigation. The forensic specialists also supported the audit team in tailoring the audit response to those findings; • Assessment of whether there was any understatement of liabilities, incorrect capitalisation of PPE or issues in relation to offsetting of cash and overdrafts which were all identified as key adjustments in the prior year at head office; • use of data analytics tools to interrogate accounting journals and other adjustments to the Financial Statements. In doing so determining key risk characteristics based on our understanding of the Group and its divisions and verification of a sample of entries made that met the risk criteria, agreeing the journals to supporting documentation; • challenge of estimates and judgements applied by management in the preparation of the Financial Statements to assess their appropriateness and determine whether there is any evidence of the existence of systematic bias. See other key audit matters documented below; • consideration of the nature of unadjusted audit differences to assess whether there are any indications of bias or deliberate misstatement; • testing of revenue recognition and cut-off around the year end to check revenue had been recognised in the correct period; • a critical assessment of the consolidation (including recharges and intra Group eliminating entries) and verification through supporting documentation for all related journals posted over our set thresholds. This included the consideration of manual or late journals posted in the consolidation. <p>Key observations</p> <p>Based on the procedures performed, we did not identify any material bias in management's estimates and consider the key judgements and assumptions used to be appropriate. Our testing of journal entries and other adjustments did not identify any inappropriate items.</p>

Independent auditor's report to the members of Lookers plc

Key Audit Matter	How the scope of our audit addressed the key audit matter
<p>Valuation of goodwill and other intangible assets</p> <p>The Group's accounting policies are disclosed on pages 124 to 135. See critical accounting judgements and key sources of estimation uncertainty on page 128, disclosure on page 149 (Note 10) and the Audit and Risk Committee Report on page 77.</p> <p>Where there are low contribution dealerships then there is a risk that goodwill and intangible assets attributed to those cash generating units ("CGU") may be impaired. At the year-end, impairments were recognised to goodwill amounting to £2.6 million and to intangible assets amounting to £1 million.</p> <p>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.</p> <p>Management performed a full impairment assessment for goodwill to determine if the carrying value of goodwill is supported.</p> <p>The key assumptions applied by the Directors in the impairment reviews are:</p> <ul style="list-style-type: none"> • cash flow forecasts are consistent with those used as part of the going concern review, including assumptions of future growth, gross margin and central cost allocation; and • discount rates. <p>We considered this to be a key audit matter as the value of goodwill is supported by forecasts of future cash flows of the business. There is inherent uncertainty within these forecasts arising from changing industry and economic conditions and thus significant management judgement and assumptions are required.</p>	<p>Our audit response involved the following:</p> <ul style="list-style-type: none"> • challenge of the appropriateness of the CGUs identified including the allocation changes made during the current year with reference to the accounting standards; • assessment of management's considerations on which specific assets/groups of assets give rise to the most concern in relation to impairment by challenging the underlying cash flows in the impairment model; • consideration of the rationale for key inputs made by management in the cash flow forecasts and how these linked back to the going concern forecasts; • consideration of IAS 36 requirements in respect of the assumptions related to growth and discount rates to understand any areas of estimation uncertainty; • use of our internal valuation experts to review the appropriateness of the discount rates adopted; • use of third party market data to assess the appropriateness of growth rates applied; • assessment of the accuracy and the mechanics behind management's impairment model. <p>Key observations</p> <p>Based on the work performed, we concluded that the assumptions applied in the impairment model are appropriate.</p>

Key Audit Matter	How the scope of our audit addressed the key audit matter
<p>Inventory valuation and provisioning for used vehicles</p> <p>The Group's accounting policies are disclosed on pages 124 to 135. See critical accounting judgements and key sources of estimation uncertainty on page 128, disclosure on page 158 (Note 16) and the Audit and Risk Committee Report on page 77.</p> <p>The used inventory balance, included within goods for resale, totalled £196.7 million (2019: £221.6 million) at the year-end.</p> <p>The assessment of net realisable value of used vehicles inventory can fluctuate as a result of market factors and the condition of vehicles. These factors lead to difficulty in estimating the likely sale price of a vehicle and thus the level of provisioning required.</p> <p>As a result of the inherent judgement in the provision requirements for used inventory we considered this to be a key audit matter.</p>	<p>Our audit response involved the following:</p> <ul style="list-style-type: none"> • attendance of stock counts to assess the identification of obsolete stock as well as the condition of the stock to check any impact on the provision was considered; • verification of the ageing of inventory across the divisions to assess whether the ageing profiles which flow into the provision calculations are accurate on a sample basis; • challenging the 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; and • assessment of the historical accuracy of management's estimate of provisions held by way of review of utilisation of the prior year provision. <p>Key observations</p> <p>Based on the work performed, we concluded that the valuation and provisioning for used vehicles at year-end are appropriate.</p>
<p>Commercial income recognition</p> <p>The Group's accounting policies are disclosed on pages 124 to 135. See critical accounting judgements and key sources of estimation uncertainty on page 128 and the Audit and Risk Committee Report on page 77.</p> <p>Commercial income receivable at the year-end was £34.1 million (2019: £46.3 million). The risk has been focused to the valuation of commercial income receivable held on the balance sheet at the year-end.</p> <p>Commercial income arises from volume related and vehicle specific rebates derived from the Group's manufacturer partners and is significant to the Group's overall results.</p> <p>This is due to a large number of differing agreements in place which can lead to a level of judgement being required to assess whether recognition criteria has been met at the year-end.</p>	<p>Our audit response involved the following:</p> <ul style="list-style-type: none"> • review of post year end receipts/credit notes to assess subsequent recovery on a sample basis; • a retrospective review of the recoverability of prior year commercial income receivable; • challenge of the integrity of the recorded data by management, 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 • an assessment of the suppliers' financial stability and therefore their ability to settle the commercial income receivable. <p>Key observations</p> <p>Based on the work performed, we consider that the valuation of commercial income receivable at year end is appropriate.</p>

Independent auditor's report to the members of Lookers plc

Key Audit Matter	How the scope of our audit addressed the key audit matter
<p>Classification of non-underlying items</p> <p>The Group's accounting policies are disclosed on pages 124 to 135. See critical accounting judgements and key sources of estimation uncertainty on page 127 and the Audit and Risk Committee Report on page 77.</p> <p>In the statement of total consolidated comprehensive income, the Group presents both non-underlying and underlying operating profit and profit before tax.</p> <p>During the current year a net £12.1 million expense (2019: £49.7 million) 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.</p> <p>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 underlying performance results through classifications of items due to the level of judgement involved and the importance of underlying profit to readers of the Financial Statements.</p>	<p>We challenged the Directors' rationale for the designation of certain items as non-underlying items, assessed such items against the Group's accounting policy and consistency of treatment with prior periods, taking into account the significant changes in the business that have occurred during the year. We also performed the following procedures:</p> <ul style="list-style-type: none"> challenged the appropriateness of those items disclosed as non-underlying, with particular consideration to European Securities and Markets Authority (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; challenged the treatment of the FCA provision release (£10.4m) as an adjusting post balance sheet event in line with IAS 10; and assessed the extent to which non-underlying items relate to previous underlying business performance to evaluate whether they are comparable. <p>Key observations</p> <p>Based on the work performed, we consider that those items disclosed as non-underlying on the face of the statement of total consolidated comprehensive income have been appropriately classified.</p>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the Financial Statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements as a whole.

Component materiality

Component materiality ranged from £50,000 to £1,656,000 in the audit of each component based on the size and our assessment of the risk of material misstatement of that component. We further applied performance materiality levels of 60% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit and Risk Committee that we would report to them all audit differences in excess of £36,800. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements or our knowledge obtained during the audit.

Going concern and longer-term viability	<ul style="list-style-type: none"> The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 125; and The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 38.
Other Code provisions	<ul style="list-style-type: none"> Directors' statement on fair, balanced and understandable set out on page 68; Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 30; The section of the Annual Report & Accounts that describes the review of effectiveness of risk management and internal control systems set out on page 68; and The section describing the work of the Audit and Risk Committee set out on page 74.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the

Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> 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. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Directors' remuneration	<p>In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or the Parent Company Financial Statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or certain disclosures of Directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit.

Independent auditor's report to the members of Lookers plc

Responsibilities of Directors

As explained more fully in the Directors' Responsibility 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.

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.

Extent to which the audit was capable of detecting irregularities, including fraud

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

Based on our understanding and accumulated knowledge of the Group and the sector in which it operates we considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the Financial Statements. These included but were not limited to those that relate to the form and content of the Financial Statements, such as the Group accounting policies, international accounting standards, the UK Companies Act 2006 and the UK Corporate Governance Code; those that relate to the payment of employees; and industry related such as compliance with health and safety and FCA compliance. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work and potential fraud risks.

We assessed the susceptibility of the financial statements to material misstatement including fraud and evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls as referred to in the key audit matter section above), and determined that the principal risks were related to posting inappropriate journal entries, revenue recognition, commercial income, lease accounting and management bias in accounting estimates.

Our audit procedures included, but were not limited to:

- Use of forensic specialists to consider the outcome of the investigations in the prior year, and the resulting impact this would have on the procedures to be performed;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Consideration of the processes in place in relation to furlough and substantive testing of amounts received to ensure valid recognition;
- 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;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the Group's defined benefit pension scheme liabilities, commercial income debtor recognition, and forecasts used within impairment models utilised to assess goodwill impairment; (as referred to in the key audit matter sections above);
- A critical assessment of the consolidation and consideration of manual or late journals posted at consolidated level;
- Identification and testing of journal entries, in particular any journal entries posted with unusual account combinations or including specific keywords using data analytics; and
- Agreement of the Financial Statement disclosures to underlying supporting documentation;

Our audit procedures were designed to respond to risks of material misstatement in the Financial Statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Gary Harding (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
3 Hardman Street
Spinningfields
Manchester
M3 3AT
30 June 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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 consolidated Financial Statements of the Company are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 £33.9m (2019: restated loss £9.3m).

The Company has applied FRS 101 'Reduced Disclosure Framework' in the year ended 31 December 2020.

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 instruments 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

From 1 January 2020, the following standards became effective in the Group's consolidated Financial Statements:

- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendments to IAS 1 and IAS 8 – Definition of Material;
- Amendments to IFRS 3 – Definition of a Business;
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform; and
- Amendment to IFRS 16 in relation to COVID-19 Related Rent Concessions

The accounting policies have been applied consistently throughout the reporting period. The standards that became applicable for the current period did not have any impact on the Group's accounting policies and did not require adjustments.

The Group has not early adopted other standards, amendments to standards or interpretations that have been issued but are not yet effective.

Amendment to IFRS 16 – COVID-19 Related Rent Concessions

The amendment provides lessees with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19, and that meets certain conditions, is a lease modification. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In applying the practical expedient, a lessee would generally account for a forgiveness or waiver of lease payments as a variable lease payment, and recognise the concession in the period in which the event or condition that triggers those payments occurs. The lessee also makes a corresponding adjustment to the lease liability, in effect derecognising the part of the lease liability that has been forgiven or waived. On adoption of the amendment, the Group has recognised a credit of £0.1m in the consolidated income statement.

New and revised IFRSs in issue but not yet effective

The following standards were in issue but were not yet effective at the balance sheet date. These standards have not yet been early adopted by the Group, and will be applied for the Group's financial years commencing on or after 1 January 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2;
- Annual Improvements to IFRS Standards 2018–2020;
- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use;
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract;
- Amendments to IFRS 3 (May 2020) – Reference to the Conceptual Framework;
- IFRS 17 – Insurance Contracts; and
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current.

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 consolidated Financial Statements are prepared on a going concern basis. 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 & 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 considered the future prospects and performance of the Group and have made an assessment of going concern considering the Group's cash and liquidity position, current performance and outlook, which assessed the restrictions put in place by the UK Government to control the impact of the COVID-19 pandemic, using the information available up to the date of issue of these Financial Statements. The details of this assessment conducted by the Directors is set out below.

During the lockdown restrictions throughout 2020 and 2021, management worked closely with its key OEM Brand Partners, who have positively supported the business and are continuing to do so. Management has continued to take action to protect the balance sheet and cash flow including accepting UK Government support measures including the Coronavirus Job Retention Scheme and the Expanded Retail Discount 2020/21 for business rates in addition to other self-help measures through a significant cost reduction programme, the deferral of capital expenditure, identification of property assets available for sale and cessation of the FY20 dividend.

Additionally, management has taken a number of longer term actions to protect cash including continued investment in the development of the Group's end-to-end online ordering capability through the use of Click & Drive, a comprehensive review of working capital management, and changed operational practices to de-risk the intra-month cash requirements.

At the date of approval of the consolidated Financial Statements, the UK is returning to some level of normality as lockdown restrictions are eased, however the Directors are cautiously monitoring the potential impact for future disruption. The UK Government is very well progressed in the roll out of the vaccination programme which should help the UK manage the future impact from the pandemic.

Banking facilities and funding position

As at 31 December 2020 the Group had £238m of committed revolving credit facilities due to expire on 31 March 2022. In recognition of the trading uncertainty through 2020 the financial covenants were renegotiated and included a suspension of the interest cover ratio and replacement with EBITDA and Liquidity covenants. The Group has satisfied each of those financial covenants.

The Group's revolving credit facilities were successfully renegotiated with its existing Banking Club in May 2021, for an initial amount of £150m and with an extension to September 2023. The profitability and cash generation of the Group has rebased the size of facility required to support the ongoing working capital needs of the Group following the restructuring of operations and reduced footprint of the Group and closure of sites in 2020. The amended facilities return to more normal covenant tests including core leverage, interest cover and EBITDA testing on a quarterly basis.

The Group has not made use of any borrowing under the COVID-19 Corporate Financing Facility or the Coronavirus Large Business Interruption Loan Scheme.

In addition to the revolving credit facility, the Group has stocking funding lines which were utilised at £210.0m as at 31 December 2020 (2019: £337.1m).

Assessment of the Group's financial position

The Group experienced significant disruption as a result of the impact of the COVID-19 pandemic, the details of which are set out in the Operating Review on page 18 and the Financial Review on page 25.

The Directors have considered the potential impact of ongoing measures to manage the impact of COVID-19 pandemic and considered the possible medium term-risks on the macro-economic impact the restrictions could have on the UK economy across the period to June 2022. The Directors have also considered the potential disruption to supply of new vehicles following the worldwide shortage of semiconductor chips. Management has modelled a number of adverse scenarios to assess the potential impact that COVID-19 and possible stock shortages may have on the Group's operations in addition to the scenarios discussed in the Viability Statement.

The Directors acknowledge that there remains uncertainty regarding the timing of a full return to the UK economic activity following the easing of restrictions in the UK and the potential for some further disruption to the UK economy. The Group has demonstrated significant resilience to issues faced during 2020.

The business has adapted to a new omni-channel operating platform and has shown great resilience to the issues faced in 2020 and 2021. This is underpinned by a strong balance sheet which has been reinforced by the renegotiation of the core funding facilities. The support received from OEM Brand Partners, the UK Government and other key partners has contributed to a strong financial position and places the Group in a strong position to manage its way through other future potential disruptions.

The conclusion of a trade deal between the UK and the EU has created more confidence with supply chains. The impact of Brexit has thus far been immaterial and the Directors do not expect it to cause any material impact to the supply chain or cause any issues with access to skilled labour.

Principal accounting policies

To support the assessment of the Group's ability to continue as a going concern, the Directors have modelled a Base Case and three downside scenarios as follows.

- A medium-term downside scenario, where further lockdown measures occur in quarter 4 of 2021 followed by a recession in the first half of 2022 caused by macro-economic conditions.
- A medium-term downside scenario, where potential stock restrictions are caused by the impact of semiconductor chip shortages. This sensitivity reduces volumes of new, used and fleet sales from September 2021 to March 2022. This would be partly offset by a reduction in operating costs. Normal trading performance is expected to resume from April 2022. As this potential issue continues to evolve, a second more severe sensitivity was run to further test the Group's resilience. The additional sensitivity reduces volumes of new and fleet volumes further and extends the downturn out to June 2022. This is partly offset by an increase in used volumes - though these are still below the Base Case - and reflects both slightly stronger gross margins and a modest reduction in operating costs.
- A reverse stress test scenario, which is designed to breach either liquidity or financial covenants. This scenario is driven from Base Case and sensitises a reduction in vehicles sales volumes and aftersales revenue only from April 2021. The scenario assumes a constant reduction in aftersales revenues from April 2021 and various reductions in vehicle volumes at increments over the period to June 2022. It does not reflect any mitigating actions which the Board could take.

In each of the scenarios the Directors have assumed that property disposals between May 2021 and June 2022 are postponed and therefore increase the net debt by the same value. Throughout 2020 and despite the impact of COVID-19, Management achieved several surplus property disposals with a net profit to book value. Under the base case and medium-term downside scenarios, the Group is forecast to comply with the financial covenants set out in its funding agreements and operate comfortably within its banking facility limits. The Government has reacted to the impact of COVID-19 by initiating demonstrable financial support to the macro-economy and implemented a world leading roll out of the vaccine.

The Group has equally reacted well to previous COVID-19 lockdowns as demonstrated by the performance in the four months to April 2021, where the Group has consistently outperformed the market.

The reverse stress test scenario models a decrease in sales volumes and aftersales revenues not factoring in management taking any significant mitigating actions. If the Group experienced a significant reduction in aftersales or vehicle sales revenue, the Board would take a series of actions to protect the business as evidenced in 2020.

Based on the findings above, the Directors are confident in the scenarios tested that there are no liquidity issues and that any potential breaches in financial covenants can reasonably be prevented or avoided through mitigating actions, as we have demonstrated very well in 2020.

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 Financial Statements of the Group have been prepared in accordance with International Reporting Standards (IFRS) adopted by the European Union and with those parts of the Companies Act 2006 applicable for companies under IFRS. The Group Financial Statements comply with article 4 of EU IAS Regulation.

Judgement	Effect on Financial Statements	Alternative accounting judgement that could have been applied	Effect of that alternative accounting judgement
Recognition and measurement of provisions and contingencies.	<p>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 a significant judgement in the Financial Statements.</p> <p>In this financial year significant judgement was made in relation to the release of the "FCA provision" recognised in the prior year. The provision was recognised for liabilities that may have arisen from the FCA's review of historic sales practices and Enforcement Investigation.</p> <p>In March 2021 the FCA advised the Board that it had decided to close its investigation. The FCA investigation was closed without applying any sanction but noted several concerns relating to the historic culture, systems and controls of the Group which the Board fully accepted. As a result of this outcome the Board concluded that this was an adjusting post balance sheet event and the £10.4m provision was released.</p>	A non-underlying post balance sheet event with release of the £10.4m provision in 2021.	Liabilities and net operating expenses would decrease, increasing net assets and shareholders' funds.
Classification of non-underlying items	<p>Judgement required whether transactions are outside the course of normal business and whether the presentation of exceptional items will assist in providing a meaningful comparison of the Group's trading results with previous periods.</p> <p>The Group has treated the impact of the COVID-19 pandemic as being within its underlying activities and has therefore not disclosed any related revenues or costs as non-underlying.</p>	Non-underlying items classified within underlying results.	Any of the non-underlying items detailed in Note 4 would be reclassified to the underlying result.

In 2019 capitalisation of development expenditure was considered a key accounting judgement. This is no longer considered a key accounting judgement due to lower levels of expenditure in the year.

Principal accounting policies

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. These key assumptions include our best estimates of the impact of COVID-19. The key area for estimation uncertainty surrounds the growth rates applied to revenue. Numerical disclosure regarding key assumptions used are made in Note 10.	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 26. 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 1.3% (2019: 2.1%).	Yes	Yes
Recognition of commercial income	The Group is party to a number of commercial arrangements with its OEM Brand Partners that result 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 £34.1m (2019: £46.3m)	Yes	Yes
Inventory valuation	The fair value of inventories is reviewed by management regularly, applying a mix of standard and judgemental provisions to adjust values, where appropriate, down to prevailing market values. The key area for estimation uncertainty is the assessment of net realisable value of vehicle inventory, which can fluctuate as a result of market factors and the condition of vehicles. The inventory provision as at 31 December 2020 represents 0.6% of the gross inventory balance (2019: 0.7%).	Yes	Yes

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:

	2020	2019
GBP:EUR at the end of the year	1.11	1.18
GBP:EUR average for the year	1.13	1.14

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 when the work has been completed.

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, (eg assigning finance), 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.

In terms of its leasing operations the Group makes an assessment whether substantially all risks and rewards incidental to ownership of the underlying asset are transferred on the commencement of the lease. Where substantially all risks and rewards are transferred the lease is classified as a finance leases, otherwise the lease is classified as an operating lease.

Under finance lease arrangements all revenues are recognised at the point risks and rewards of ownership are transferred. Under operating lease arrangements the initial amounts received in consideration are held as deferred income and 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.

All Company income is from recharges within the Group.

Principal accounting policies

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 Financial Statements the Board has 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, and are not included in the assessment of financial performance in order to reflect management's view of the core-trading performance of the Group.

9. Finance costs

Finance cost comprises interest payable on borrowings, consignment, repurchase liabilities, stocking loans, lease liabilities, interest on pension scheme obligations and debt issue costs. 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 Consolidated Statement of Total Comprehensive Income 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 (the Board of Directors) to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available. The Group has only one reportable segment.

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/forecast and 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 separately 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 the Consolidated Statement of Total Comprehensive Income 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.

As intangible licenses have an indefinite useful economic life, they are subjected to the Group's annual impairment review as detailed in the Goodwill and impairment policy.

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 12 includes 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

(a) As a lessee

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted 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 4.2% (2019: 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 Consolidated Statement of Cash Flows.

Principal accounting policies

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.

In accordance with the amendment to IFRS 16 COVID-19 Related Rent Concession the Group took the optional exemption from assessing whether a rent concession related to COVID-19, and that meets certain conditions, is a lease modification. In applying the practical expedient, adjustments to the lease liabilities have been made to derecognise the part of the liability that has been forgiven or waived in the period.

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.

(b) As a lessor

The Group operates a number of vehicle leasing businesses in which it acts as a lessor either under finance or operating leases. Vehicles leased under operating leases greater than one year are classified as property, plant and equipment and depreciated to their residual values over the course of the lease agreement.

Liabilities associated with the financing of these vehicles are recorded as vehicle rental finance liabilities in either current or non-current liabilities. Once the vehicle is no longer utilised for rentals it is transferred to inventory at its carrying amount and becomes available for sale as part of the Group's ordinary course of business.

Income from operating leases is recognised on a straightline basis over the period of the rental agreement.

On the commencement of finance lease arrangements a finance lease receivable is recognised equal to the net investment in the lease, whilst the underlying leased asset is derecognised from the Group's balance sheet. Rentals received over the lease term reduce the finance lease receivable.

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 generates 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 the Statement of Comprehensive Income. 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 to 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 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 purchased by the Group and hired to customers under short term operating leases are included within current assets and 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 is 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

Stocking loans are finance arrangements to fund new and used vehicles before sale with repayment periods set by the finance house.

Consignment vehicle creditors are recorded for any vehicles recognised as consignment vehicle inventory.

Repurchase commitment liabilities are recognised when the Group enters into repurchase commitments as part of the operation its Company staff car schemes.

Liabilities are disclosed as vehicle rental finance liabilities if they are incurred by the Group's leasing operations in order to procure vehicles.

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 2020 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 2020 by a qualified independent actuary. The last triennial valuation of the Benfield Group Pension Plan was carried out at 31 March 2019 by Deloitte Total Reward and Benefits Limited and has been updated to 31 December 2020 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 Statement of Consolidated Income 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.

Principal accounting policies

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. In the consolidated statement of cash flows, cash and cash equivalents comprise cash and cash equivalents, as defined above, net of bank overdrafts.

Trade, Group and other receivables

Trade receivables, Group and other receivables are initially measured at their transaction price. Trade receivables and 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.

Where the Group enters into vehicle purchase agreements with suppliers a repurchase debtor is recognised should the supplier have a contractual commitment to repurchase the vehicle. The repurchase debtor is initially recorded at the committed repurchase value. Repurchase debtors are due within 1 year.

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.

Bank loans

Bank loans are recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings, using the effective interest method.

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

A provision for impairment is established on an expected credit loss model under IFRS9. The amount of the provision is the difference between the asset's carrying amount and the expected value of the amounts recovered.

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 including Group 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, 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 and reserves

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.

Premium recognised on allocation of shares is recorded within the share premium account and is not available for distribution.

The capital redemption reserve has arisen following the purchase by the Group of its own shares and comprises the amount by which distributable profits were reduced by these transactions in accordance with S733 of the Companies Act 2006.

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 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. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. The grant is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. The grant income is included within either cost of sales or net operating expenses depending on where the related costs are accounted for. All grants relate to expense items.

Statement of Total Consolidated Comprehensive Income

For the year ended 31 December 2020 and 31 December 2019

	Note	2020 £m	(Restated)* 2019 £m
Revenue	2	3,699.9	4,806.5
Cost of sales		(3,288.9)	(4,293.4)
Gross profit		411.0	513.1
Net operating expenses		(380.1)	(525.9)
Operating profit/(loss)		30.9	(12.8)
Underlying operating profit		43.0	36.9
Non-underlying items	4	(12.1)	(49.7)
Finance costs	6	(28.9)	(32.9)
Profit/(loss) before taxation	3	2.0	(45.7)
Underlying profit before taxation		14.1	4.0
Non-underlying items	4	(12.1)	(49.7)
Tax (charge)/credit	7	(6.1)	3.9
Loss for the year (attributable to shareholders of the Company)		(4.1)	(41.8)
Exchange differences on translation of foreign operation (may be recycled to profit and loss)**		0.3	(0.4)
Actuarial (losses)/gains on pension scheme obligations (not recycled to profit and loss)	26	(32.5)	7.1
Deferred tax on pension scheme obligations (not recycled to profit and loss)	7	7.3	(1.2)
Total other comprehensive (expense)/income for the year		(24.9)	5.5
Total comprehensive expense for the year (attributable to shareholders of the Company)		(29.0)	(36.3)
Loss per share:			
Basic loss per share (p)	9	(1.05)	(10.74)
Diluted loss per share (p)***	9	(1.05)	(10.74)

*See Note 1 for details.

**In the year ended 31 December 2019 the exchange difference loss of £0.4m was incorrectly disclosed directly in equity.

***In the years ended 31 December 2020 and 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 31 December 2019 and 31 December 2020

	Note	Group 2020 £m	(Restated)* 2019 £m	(Restated)* 2018 £m	Company 2020 £m	(Restated)* 2019 £m	(Restated)* 2018 £m
Non-current assets							
Goodwill	10	79.3	81.9	111.7	-	-	-
Intangible assets	11	110.8	114.2	113.4	11.1	13.5	12.0
Property, plant and equipment	12	399.9	429.2	416.8	0.7	0.8	0.9
Right of use assets	13	117.6	119.0	110.6	0.8	1.1	1.2
Investment in subsidiaries	15	-	-	-	126.8	126.8	126.8
Deferred tax assets	23	-	-	-	14.2	9.5	12.2
		707.6	744.3	752.5	153.6	151.7	153.1
Current assets							
Inventories	16	655.2	956.5	972.9	-	-	-
Trade and other receivables	17	124.6	168.3	182.6	327.4	356.1	399.3
Current tax receivable		1.1	9.8	-	3.4	11.7	8.8
Rental fleet vehicles	18	30.1	32.0	32.9	-	-	-
Cash and cash equivalents	19	243.0	150.3	152.8	0.1	17.4	19.2
Assets held for sale	14	13.0	10.0	8.0	-	-	-
		1,067.0	1,326.9	1,349.2	330.9	385.2	427.3
Total assets		1,774.6	2,071.2	2,101.7	484.5	536.9	580.4
Current liabilities							
Bank loans and overdrafts	22	116.9	119.4	110.0	36.5	40.6	25.9
Trade and other payables	20	911.8	1,261.5	1,220.4	61.1	149.2	139.1
Lease liabilities	22	19.1	20.1	19.8	0.5	0.7	0.6
Current tax payable		-	-	3.3	-	-	-
		1,047.8	1,401.0	1,353.5	98.1	190.5	165.6
Net current assets/(liabilities)		19.2	(74.1)	(4.3)	232.8	194.7	261.7
Non-current liabilities							
Bank loans	22	166.8	90.4	128.7	158.4	81.4	118.7
Trade and other payables	20	39.8	42.3	39.3	-	-	-
Lease liabilities	22	125.3	126.8	117.0	0.4	0.4	0.6
Provisions	21	-	10.4	-	-	-	-
Pension scheme obligations	26	79.3	55.7	68.9	77.0	56.6	69.4
Deferred tax liabilities	23	33.2	34.0	33.0	-	-	-
		444.4	359.6	386.9	235.8	138.4	188.7
Total liabilities		1,492.2	1,760.6	1,740.4	333.9	328.9	354.3
Net assets		282.4	310.6	361.3	150.6	208.0	226.1
Shareholders' equity							
Ordinary share capital	24	19.5	19.5	19.4	19.5	19.5	19.4
Share premium		78.4	78.4	78.4	78.4	78.4	78.4
Capital redemption reserve		15.1	15.1	15.1	15.1	15.1	15.1
Retained earnings		169.4	197.6	248.4	37.6	95.0	113.2
Total equity		282.4	310.6	361.3	150.6	208.0	226.1

*See Note 1 for details.

The loss after tax for the Company was £33.9m (2019: restated loss of £9.3m). The Financial Statements of Lookers plc, registered no. 111876 were approved by the Directors on 30 June 2021.

Signed on behalf of the Board of Directors

Mark Raban
Director

Consolidated Statement of Changes in Equity

As at 1 January 2019, 31 December 2019 and 31 December 2020

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Year ended 31 December 2019						
As at 1 January 2019		19.4	78.4	15.1	249.0	361.9
Correction of errors*		-	-	-	(0.6)	(0.6)
As at 1 January 2019 (restated)		19.4	78.4	15.1	248.4	361.3
Loss for the year (restated)*		-	-	-	(41.8)	(41.8)
Total other comprehensive income for the year		-	-	-	5.5	5.5
Total comprehensive expense for the year (restated)		-	-	-	(36.3)	(36.3)
New shares issued	24	0.1	-	-	-	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	197.6	310.6
Year ended 31 December 2020						
As at 1 January 2020		19.5	78.4	15.1	197.6	310.6
Loss for the year		-	-	-	(4.1)	(4.1)
Total other comprehensive expense for the year		-	-	-	(24.9)	(24.9)
Total comprehensive expense for the year		-	-	-	(29.0)	(29.0)
Share based compensation	25	-	-	-	0.8	0.8
As at 31 December 2020		19.5	78.4	15.1	169.4	282.4

*Opening reserves as at 1 January 2019 have been restated by £0.6m and the loss for the year ended 31 December 2019 has been restated by £0.2m, a result of corrections to lease accounting entries in one of the Group's subsidiaries, and adjustments in relation to the Group's adoption of IFRS 16. See Note 1.

Retained earnings include £16.5m (2019: £16.5m) 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 2019, 31 December 2019 and 31 December 2020

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Year ended 31 December 2019						
As at 1 January 2019		19.4	78.4	15.1	123.9	236.8
Correction of errors*		-	-	-	(10.7)	(10.7)
As at 1 January 2019 (restated)		19.4	78.4	15.1	113.2	226.1
Loss for the year (restated)*		-	-	-	(9.3)	(9.3)
Total other comprehensive income for the year		-	-	-	5.6	5.6
Total comprehensive expense for the year (restated)*		-	-	-	(3.7)	(3.7)
New shares issued	24	0.1	-	-	-	0.1
Share based compensation	25	-	-	-	1.4	1.4
Dividends paid	8	-	-	-	(15.9)	(15.9)
As at 31 December 2019 (restated)*		19.5	78.4	15.1	95.0	208.0
Year ended 31 December 2020						
As at 1 January 2020		19.5	78.4	15.1	95.0	208.0
Loss for the year		-	-	-	(33.9)	(33.9)
Total other comprehensive expense for the year		-	-	-	(24.3)	(24.3)
Total comprehensive expense for the year		-	-	-	(58.2)	(58.2)
Share based compensation	25	-	-	-	0.8	0.8
As at 31 December 2020		19.5	78.4	15.1	37.6	150.6

*Opening reserves at 1 January 2019 have been restated by £10.7m and loss for the year ended 31 December 2019 has been restated by £2.2m in relation to unlawful dividends. See Note 1d.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020 and 31 December 2019

	Note	2020 £m	(Restated)* 2019 £m
Cash flows from operating activities			
(Loss) for the year		(4.1)	(41.8)
Tax charge/(credit)		6.1	(3.9)
Depreciation of property, plant and equipment, rental fleet and right of use assets	3	51.2	52.3
Profit on disposal of property, plant and equipment	3, 4	(3.1)	(4.9)
Gain on lease surrenders	13	(1.2)	(0.4)
Gain on disposal of right of use asset associated with rental fleet vehicles	3	(1.9)	(3.3)
Amortisation of intangible assets	3	4.8	6.1
Share based compensation	25	0.8	1.4
Impairment of property, plant and equipment	12, 14	5.0	4.3
Impairment of right of use assets	4	0.4	1.8
Impairment of intangible assets (underlying)	3	-	0.4
Impairment of goodwill and intangible assets (non-underlying)	4	3.6	30.4
Finance costs excluding pension related finance costs and debt issue costs	6	27.3	30.6
Debt issue costs	6	0.5	0.4
Difference between pension charge and cash contributions		(8.9)	(6.1)
Purchase of rental fleet vehicles		(21.8)	(17.4)
Purchase of right of use assets associated with rental fleet vehicles		(1.9)	(3.3)
Purchase of vehicles for long term leasing		(27.8)	(35.5)
Changes in provisions	21	(10.4)	10.4
Changes in inventories		355.1	57.4
Changes in receivables		43.4	14.7
Changes in payables		(359.8)	25.3
Cash generated from operations		57.3	118.9
Finance costs paid		(21.2)	(24.3)
Finance costs paid - finance leases		(6.1)	(6.3)
Tax refunded/(paid)		7.8	(9.3)
Net cash inflow from operating activities		37.8	79.0
Cash flows from investing activities			
Purchase of property, plant and equipment		(13.8)	(45.8)
Purchase of intangibles		(3.0)	(7.9)
Finance lease rentals collected		4.0	6.2
Proceeds from disposal of property, plant and equipment		18.0	17.6
Net cash inflow/(outflow) from investing activities		5.2	(29.9)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		-	0.1
Receipt of funding advanced for vehicle leasing arrangements		74.8	76.5
Repayment of funding advanced for vehicle leasing arrangements		(84.1)	(69.0)
Repayment of loans	22	(0.6)	(1.4)
Draw down on RCF	22	150.0	186.9
Repayment on RCF	22	(72.0)	(224.2)
Repayment of lease liabilities	22	(15.3)	(16.2)
Receipt of lease incentives	22	-	1.2
Dividends paid	8	-	(15.9)
Net cash inflow/(outflow) from financing activities		52.8	(62.0)
Increase/(decrease) in cash and cash equivalents		95.8	(12.9)
Cash and cash equivalents at 1 January		31.4	44.3
Cash and cash equivalents at 31 December		127.2	31.4
Analysis of cash and cash equivalents			
Cash and cash equivalents		243.0	150.3
Bank overdraft		(115.8)	(118.9)
Cash and cash equivalents at 31 December	19	127.2	31.4

*See Note 1 for details.

Notes to the Financial Statements

For the year ended 31 December 2020

1a Statement of Total Consolidated Comprehensive Income (restated) For the year ended 31 December 2019

	As previously reported 31 December 2019 £m	Correction of errors £m	(Restated) 31 December 2019 £m
Revenue	4,787.2	19.3	4,806.5
Cost of sales	(4,274.1)	(19.3)	(4,293.4)
Gross profit	513.1	-	513.1
Net operating expenses	(526.3)	0.4	(525.9)
Operating loss	(13.2)	0.4	(12.8)
Underlying operating profit	36.5	0.4	36.9
Non-underlying items	(49.7)	-	(49.7)
Finance costs	(32.3)	(0.6)	(32.9)
Loss before taxation	(45.5)	(0.2)	(45.7)
Underlying profit before taxation	4.2	(0.2)	4.0
Non-underlying items	(49.7)	-	(49.7)
Tax credit	3.9	-	3.9
Loss for the year (attributable to shareholders of the Company)	(41.6)	(0.2)	(41.8)
Exchange differences on translation of foreign operation (may be recycled to profit and loss)	(0.4)	-	(0.4)
Actuarial losses on pension scheme obligations	7.1	-	7.1
Deferred tax on pension scheme obligations	(1.2)	-	(1.2)
Total other comprehensive income for the year	5.5	-	5.5
Total comprehensive expense for the year (attributable to shareholders of the Company)	(36.1)	(0.2)	(36.3)
(Loss) per share:			
Basic (loss) per share (p)	(10.69)	(0.05)	(10.74)
Diluted (loss) per share (p)	(10.69)	(0.05)	(10.74)

In preparing the IFRS16 adjustments for the year ended 31 December 2020 the Directors identified errors in the underlying calculations. These errors originated at the point of initial adoption for the leases in question, so adjustments to the statement of financial position at 1 January 2019 were required to increase the amounts recorded within right of use assets by £7.3m, to increase total lease liabilities by £8.4m and to decrease retained earnings by £1.1m. Adjustments to the statement of financial position at 31 December 2019 were required to increase the amounts recorded within right of use assets by £11.3m, to increase total lease liabilities by £12.8m and to decrease retained earnings by £1.5m. The impact of these adjustments has been to increase the loss for the year ended 31 December 2019 by £0.4m, being the net impact of a £0.6m increase in finance costs and £0.2m reduction in net operating expenses. The adjustments had no overall impact on cashflows, however cash inflows from operating activities increased by £0.6m and cash outflows from financing activities decreased by £0.6m.

In addition, as part of our year end procedures, we identified that certain balances and transactions in the Group's Get Motoring UK Limited subsidiary had been incorrectly treated in respect of IFRS 16. Rental fleet vehicles acquired via sale and repurchase agreements had incorrectly been recognised as owned assets within current assets. As the Group has the right to control the vehicles only for a period of time the transactions should have been treated as leases. In addition, adjustments have been recorded to change the treatment of the subsequent rental of these vehicles, in which the Group acts as lessor, from operating leases to finance leases as these sub-leases are for substantially the entire period of the lead leases. The combined impact of these adjustments to the statement of financial position at 1 January 2019 is an increase to trade and other receivables of £21.8m (being the recognition of a repurchase debtor at the contractual repurchase amount (£20.8m) and finance lease receivable (£1.0m)), a reduction in rental fleet vehicles of £21.3m, and an increase in retained earnings of £0.5m. Adjustments to the statement of financial position at 31 December 2019 have increased trade and other receivables by £28.1m (being the recognition of a repurchase debtor at the contractual repurchase amount (£26.7m) and finance lease receivable (£1.4m)), reduced rental fleet vehicles by £27.4m, and increased retained earnings by £0.7m. The impact of these adjustments has been to reduce the loss for the year ended 31 December 2019 by £0.2m. Despite no overall impact to cashflows, the adjustments described above decrease both cash inflows from operating activities and cash outflows from investing activities by £6.2m in the Consolidated Statement of Cash Flows for the year ended 31 December 2019. In addition the treatment of proceeds from sale of rental fleet vehicles has been corrected, alongside the treatment of proceeds from sale of vehicles for long term leasing, to remove both the proceeds and associated profits from the face of the cashflow statement, with adjustments recorded against changes in inventories. These adjustments have no overall impact on the Consolidated Statement of Cash Flows, or any sub-categories included within.

Further, the profit on sale of owned rental fleet vehicles in the Group's Get Motoring UK Limited subsidiary had been incorrectly recorded net within the statement of consolidated comprehensive income for the year ended 31 December 2019 as disposals of fixed assets but should have been presented as sales of inventories. Adjustments to recognise sale proceeds and costs separately have increased revenues and cost of sales by £19.3m, with no change to profit for the year.

Separately, purchase of vehicles for long term leasing and purchase of rental fleet vehicles were incorrectly presented as investing cash outflows. In accordance with IAS 7, as these vehicles are subsequently held for sale the cashflows should be presented within operating activities. As a result these have been reclassified in the Consolidated Statement of Cash Flows for the year ended 31 December 2019, decreasing cash flows from operating activities and cash outflows from investing activities by £97.2m.

Notes to the Financial Statements

For the year ended 31 December 2020

1b Consolidated Statement of Financial Position (restated) As at 1 January 2019 and 31 December 2019

Group	As previously reported 31 December 2019 £m	Correction of errors £m	At 31 December 2019 (restated) £m	As previously reported 1 January 2019 £m	Correction of errors £m	At 1 January 2019 (restated) £m
Non-current assets						
Goodwill	81.9	-	81.9	111.7	-	111.7
Intangible assets	114.2	-	114.2	113.4	-	113.4
Property, plant and equipment	429.2	-	429.2	416.8	-	416.8
Right of use assets	107.7	11.3	119.0	103.3	7.3	110.6
	733.0	11.3	744.3	745.2	7.3	752.5
Current assets						
Inventories	956.5	-	956.5	972.9	-	972.9
Trade and other receivables	140.2	28.1	168.3	160.8	21.8	182.6
Current tax receivable	9.8	-	9.8	-	-	-
Rental fleet vehicles	59.4	(27.4)	32.0	54.2	(21.3)	32.9
Cash and cash equivalents	150.3	-	150.3	152.8	-	152.8
Assets held for sale	10.0	-	10.0	8.0	-	8.0
	1,326.2	0.7	1,326.9	1,348.7	0.5	1,349.2
Total assets	2,059.2	12.0	2,071.2	2,093.9	7.8	2,101.7
Current liabilities						
Bank loans and overdrafts	119.4	-	119.4	110.0	-	110.0
Trade and other payables	1,261.5	-	1,261.5	1,220.4	-	1,220.4
Lease liabilities	18.5	1.6	20.1	18.6	1.2	19.8
Current tax payable	-	-	-	3.3	-	3.3
	1,399.4	1.6	1,401.0	1,352.3	1.2	1,353.5
Net current liabilities	(73.2)	(0.9)	(74.1)	(3.6)	(0.7)	(4.3)
Non-current liabilities						
Bank loans	90.4	-	90.4	128.7	-	128.7
Trade and other payables	42.3	-	42.3	39.3	-	39.3
Lease liabilities	115.6	11.2	126.8	109.8	7.2	117.0
Provisions	10.4	-	10.4	-	-	-
Pension scheme obligations	55.7	-	55.7	68.9	-	68.9
Deferred tax liabilities	34.0	-	34.0	33.0	-	33.0
	348.4	11.2	359.6	379.7	7.2	386.9
Total liabilities	1,747.8	12.8	1,760.6	1,732.0	8.4	1,740.4
Net assets	311.4	(0.8)	310.6	361.9	(0.6)	361.3
Shareholders' equity						
Ordinary share capital	19.5	-	19.5	19.4	-	19.4
Share premium	78.4	-	78.4	78.4	-	78.4
Capital redemption reserve	15.1	-	15.1	15.1	-	15.1
Retained earnings	198.4	(0.8)	197.6	249.0	(0.6)	248.4
Total equity	311.4	(0.8)	310.6	361.9	(0.6)	361.3

Notes to the Financial Statements

For the year ended 31 December 2020

1c Consolidated Statement of Cash Flows (restated)

	As previously reported 31 December 2019 £m	Correction of errors £m	At 31 December 2019 (restated) £m
Cash flows from operating activities			
Loss for the year	(41.6)	(0.2)	(41.8)
Tax charge	(3.9)	-	(3.9)
Depreciation of property, plant and equipment, rental fleet and right of use assets	54.1	(1.8)	52.3
Profit on disposal of property, plant and equipment	(5.2)	0.3	(4.9)
Gain on lease surrenders	(0.4)	-	(0.4)
Gain on disposal of right of use asset associated with rental fleet assets	-	(3.3)	(3.3)
Amortisation of intangible assets	6.1	-	6.1
Share based compensation	1.4	-	1.4
Impairment of property, plant and equipment	4.3	-	4.3
Movement in right of use assets	1.8	-	1.8
Impairment of intangible assets (underlying)	0.4	-	0.4
Impairment of goodwill and intangible assets (non-underlying)	30.4	-	30.4
Finance costs excluding pension related finance costs and debt issue costs	30.0	0.6	30.6
Debt issue costs	0.4	-	0.4
Difference between pension charge and cash contributions	(6.1)	-	(6.1)
Proceeds from sale of vehicles for long term leasing	11.3	(11.3)	-
Proceeds from sale of rental fleet vehicles	58.7	(58.7)	-
Purchase of fleet vehicles	-	(17.4)	(17.4)
Purchase of right of use assets associated with rental fleet vehicles	-	(3.3)	(3.3)
Purchase of vehicles for long term leasing	-	(35.5)	(35.5)
Changes in provisions	10.4	-	10.4
Changes in inventories	23.1	34.3	57.4
Changes in receivables	20.6	(5.9)	14.7
Changes in payables	25.3	-	25.3
Cash generated from operations	221.1	(102.2)	118.9
Finance costs paid	(24.3)	-	(24.3)
Finance costs paid - finance leases	(5.7)	(0.6)	(6.3)
Tax refunded/(paid)	(9.3)	-	(9.3)
Net cash inflow from operating activities	181.8	(102.8)	79.0
Cash flows from investing activities			
Purchase of property, plant and equipment and own use vehicles	(45.8)	-	(45.8)
Purchase of vehicles for long term leasing	(35.5)	35.5	-
Purchase of rental fleet vehicles	(61.7)	61.7	-
Purchase of intangibles	(7.9)	-	(7.9)
Finance lease rentals collected	-	6.2	6.2
Proceeds from disposal of property, plant and equipment	17.6	-	17.6
Net cash outflow from investing activities	(133.3)	103.4	(29.9)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	0.1	-	0.1
Receipt of funding advanced for vehicle leasing arrangements	76.5	-	76.5
Repayment of funding advanced for vehicle leasing arrangements	(69.0)	-	(69.0)
Repayment of loans	(1.4)	-	(1.4)
Draw down on RCF	186.9	-	186.9
Repayment on RCF	(224.2)	-	(224.2)
Repayment of lease liabilities	(15.6)	(0.6)	(16.2)
Receipt of lease incentives	1.2	-	1.2
Dividends paid	(15.9)	-	(15.9)
Net cash outflow from financing activities	(61.4)	(0.6)	(62.0)
Decrease in cash and cash equivalents	(12.9)	-	(12.9)
Cash and cash equivalents at 1 January	44.3	-	44.3
Cash and cash equivalents at 31 December	31.4	-	31.4
Analysis of cash and cash equivalents			
Cash and cash equivalents	150.3	-	150.3
Bank overdraft	(118.9)	-	(118.9)
Cash and cash equivalents at 31 December	31.4	-	31.4

Notes to the Financial Statements

For the year ended 31 December 2020

1d. Company Statement of Financial Position (restated)

Company	As previously reported 31 December 2019 £m	Correction of errors £m	At 31 December 2019 (restated) £m	As previously reported 1 January 2019 £m	Correction of errors £m	At 1 January 2019 (restated) £m
Non-current assets						
Intangible assets	13.5	-	13.5	12.0	-	12.0
Property, plant and equipment	0.8	-	0.8	0.9	-	0.9
Right of use assets	1.1	-	1.1	1.2	-	1.2
Investment in subsidiaries	126.8	-	126.8	126.8	-	126.8
Deferred tax assets	9.5	-	9.5	12.2	-	12.2
	151.7	-	151.7	153.1	-	153.1
Current assets						
Trade and other receivables	356.1	-	356.1	399.3	-	399.3
Current tax receivable	11.7	-	11.7	8.8	-	8.8
Cash and cash equivalents	17.4	-	17.4	19.2	-	19.2
	385.2	-	385.2	427.3	-	427.3
Total assets	536.9	-	536.9	580.4	-	580.4
Current liabilities						
Bank loans and overdrafts	40.6	-	40.6	25.9	-	25.9
Trade and other payables	136.3	12.9	149.2	128.4	10.7	139.1
Lease liabilities	0.7	-	0.7	0.6	-	0.6
	177.6	12.9	190.5	154.9	10.7	165.6
Net current assets	207.6	(12.9)	194.7	272.4	(10.7)	261.7
Non-current liabilities						
Bank loans	81.4	-	81.4	118.7	-	118.7
Lease liabilities	0.4	-	0.4	0.6	-	0.6
Pension scheme obligations	56.6	-	56.6	69.4	-	69.4
	138.4	-	138.4	188.7	-	188.7
Total liabilities	316.0	12.9	328.9	343.6	10.7	354.3
Net assets	220.9	(12.9)	208.0	236.8	(10.7)	226.1
Shareholders' equity						
Ordinary share capital	19.5	-	19.5	19.4	-	19.4
Share premium	78.4	-	78.4	78.4	-	78.4
Capital redemption reserve	15.1	-	15.1	15.1	-	15.1
Retained earnings	107.9	(12.9)	95.0	123.9	(10.7)	113.2
Total equity	220.9	(12.9)	208.0	236.8	(10.7)	226.1

In preparing the subsidiary Financial Statements for Lookers Motor Group Limited and Lookers Motor Holdings Limited for the year ended 31 December 2019 the Directors identified a number of further adjustments affecting these subsidiaries that were not already adjusted in the 2019 Group Financial Statements. These adjustments were in relation to impairments to investment carrying values and goodwill held within the subsidiaries and reduced the distributable reserves within these entities. To the extent that the dividends paid by the subsidiaries in the year ended 31 December 2019 and previous periods exceeded their restated distributable reserves, these amounts are repayable by Lookers plc and have been restated as amounts repayable to Group undertakings.

The impact on the retained earnings of Lookers plc has been to reduce the total by a cumulative figure of £10.7m as at 31 December 2018 and by a cumulative figure of £12.9m at 31 December 2019. Amounts payable to Group undertakings have increased by an equal amount as at 31 December 2018 and 31 December 2019 respectively.

These adjustments do not affect the previously disclosed financial performance of the Group.

Notes to the Financial Statements

For the year ended 31 December 2020

2. Segmental reporting

The Group presents segmental information to better reflect the Group's revenue streams 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. 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.

	2020		2019 (restated)	
	£m	Mix*	£m	Mix*
New cars	1,709.3	42.5%	2,226.4	42.8%
Used cars	1,779.1	44.3%	2,326.3	44.7%
Aftersales	383.8	9.5%	495.3	9.5%
Leasing and other	148.4	3.7%	153.3	3.0%
Less: intercompany	(320.7)	-	(394.8)	-
Revenue	3,699.9	100%	4,806.5	100%

*Mix calculation excludes the effect of intercompany revenues.

3. Profit/(loss) before taxation

The following have been included before arriving at profit/(loss) before taxation:

	Note	2020 £m	2019 (restated) £m
Staff costs	5	235.1	301.6
Depreciation of property, plant and equipment and right of use assets	12,13	47.2	49.3
Depreciation of rental fleet assets	18	4.0	3.0
Gain on disposal of right of use asset associated with rental fleet vehicles		(1.9)	(3.3)
Amortisation of intangible assets	11	4.8	6.1
Impairment of intangible assets (underlying element)	11	-	0.4
(Gain) on disposal of rental fleet vehicles		(0.5)	-
Loss/(gain) on disposal of leased vehicles		0.2	(0.5)
Cost of inventories recognised as an expense		2,779.2	3,770.3
Non-underlying items	4	12.1	49.7
Restructure of regulated activities (underlying element)		-	2.1
Low value leased assets		0.4	0.4
Utilities and rates		20.7	33.8
Other expenses		567.7	606.4
Total cost of sales and operating expenses		3,669.0	4,819.3

Services provided by the Group's auditor

The analysis of auditor's remuneration is as follows:

Group	2020 £m	2019 £m
Audit of the Company	20.0	20.0
Audit of the Group and Company's subsidiaries	1,130.0	2,030.0
Total audit fees	1,150.0	2,050.0

Fees paid in 2020 are in relation to BDO LLP and in 2019 are in relation to Deloitte LLP. Neither BDO LLP or Deloitte LLP provided non-audit services to the Group in either the year ended 31 December 2020 or 31 December 2019.

BDO LLP undertook stocktake procedures in relation to the year ended 31 December 2020 as an agreed upon procedures engagement prior to being appointed as auditor.

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.

Audit fees paid in 2019 have been restated to show the final agreed fees payable to Deloitte LLP for the audit of the Group and subsidiaries in the year ended 31 December 2019.

Notes to the Financial Statements

For the year ended 31 December 2020

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.

	Note	2020 £m	2019 (restated) £m
Non-underlying items at operating profit			
1 - Gain on property disposals	12,14	(3.1)	(4.9)
2 - Impairment of property, plant and equipment	12	3.4	3.7
2 - Impairment of right of use assets	13	0.4	1.8
2 - Gain on lease surrenders		(1.2)	(0.4)
2 - Restructuring costs		9.9	9.2
3 - Impairment of goodwill and intangible assets	10,11	3.6	30.4
4 - Value added tax (VAT)		-	(6.2)
5 - Restructure of regulated activities		-	4.7
5 - FCA provision	21	(10.4)	10.4
6 - Accrual for potential tax penalties		-	1.0
7 - Professional fees		9.2	-
8 - Finance overpayments		0.3	-
Non-underlying items at operating profit		12.1	49.7

- Property disposals relate to the net gains on the sale of a number of freehold properties during the current and prior year.
- During the year the Board took decisive restructuring actions to position the Group for a strong and sustainable future. This included the closure, consolidation or refranchising of 12 sites (2019: 15 sites). In addition to the Group-wide restructuring, costs relating to site closure and impairment losses have been recognised during the current and prior year net of £1.6m (2019: net of £0.6m income) insurance income. The restructuring and site changes were completed during the year.
- During the current and prior year the Directors have concluded that impairment charges against the carrying value of certain elements of the Group's intangible asset base are required (Ford CGU goodwill impairment £2.6m - see Note 10; Lomond brand impairment £1.0m - see Note 11).
- During the prior year the Group 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 was made in relation to manufacturer deposit contributions and following a challenge over accounting for VAT on Motability sales, the Group recognised a credit of £2.6m in year ended 31 December 2019.
- Costs totalling £4.7m in respect of the Group-wide FCA focused restructure plan were recorded as non-underlying in the prior year. These costs represented 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 was recorded in the year ended 31 December 2019 in respect of FCA matters. This provision was released in the year ended 31 December 2020. See Note 21 for further details.
- An accrual of £1.0m was recognised in the prior year in respect of potential tax penalties arising from the understatement of taxable profits in prior years in some of the Group's subsidiary undertakings.
- Professional fees incurred in relation to dealing with the Group's share suspension and investigation into prior period accounting irregularities have been treated as non underlying items.
- £0.3m of additional costs have been incurred during the current year in respect of rectifying historic issues in relation to finance overpayments.

Notes to the Financial Statements

For the year ended 31 December 2020

5. Information regarding employees

Group	2020	2019
	£m	£m
Employee costs:		
Wages and salaries	242.6	270.7
Social security costs	21.0	24.7
Other pension costs - defined contribution scheme	5.6	4.8
Share based compensation	0.8	1.4
	270.0	301.6
Less: Furlough scheme (CJRS) income	(34.9)	-
	235.1	301.6

During the year ended 31 December 2020 the Group received Government funds of £34.9m in relation to assistance with the COVID-19 pandemic.

	2020	2019
	No.	No.
Average number employed during the year:		
Aftersales	1,891	2,091
Sales	1,832	2,194
Administration	3,766	4,376
	7,489	8,661

Company	2020	2019
	£m	£m
Employee costs:		
Wages and salaries	18.7	14.8
Social security costs	1.9	1.8
Other pension costs - defined contribution scheme	0.3	1.5
Share based compensation	0.8	1.4
	21.7	19.5
Less: Furlough scheme (CJRS) income	(1.2)	-
	20.5	19.5

During the year ended 31 December 2020 the Company received Government funds of £1.2m in relation to assistance with the COVID-19 pandemic.

The average number employed by the Company during the year was 319 (2019: 310).

	2020	2019
	£m	£m
Key management personnel compensation:		
Short-term employee benefits	4.4	6.0
Post-employment benefits	0.1	0.2
Termination benefits	-	0.8
Share options	-	0.3
	4.5	7.3

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 (2019: £nil). Further details of Directors' remuneration is included in the Directors' Remuneration Report.

Notes to the Financial Statements

For the year ended 31 December 2020

6. Finance costs

	Note	2020	2019
		£m	(restated) £m
Finance costs:			
On revolving credit facility		(3.9)	(3.3)
On other bank borrowings		(1.6)	(2.7)
On consignment, repurchase vehicle liabilities and stocking loans		(14.0)	(16.1)
On vehicle rental finance liabilities		(1.7)	(2.2)
On lease liabilities		(6.1)	(6.3)
Debt issue costs		(0.5)	(0.4)
		(27.8)	(31.0)
Net pension costs:			
On defined benefit pension obligation	26	(6.1)	(8.1)
On pension scheme assets	26	5.0	6.2
		(1.1)	(1.9)
		(28.9)	(32.9)

Amounts disclosed in the year ended 31 December 2019 have been reanalysed to show a more detailed split of finance costs and have been restated for prior year adjustments. See Note 1.

7. Taxation

	2020	2019
	£m	£m
Current tax credit:		
Current year	-	(1.2)
Adjustment in respect of prior years	(0.4)	(2.5)
	(0.4)	(3.7)
Deferred tax charge/(credit):		
Deferred tax - origination and reversal of temporary differences	3.5	0.2
Deferred tax rate adjustment	5.0	-
Adjustment in respect of prior years	(2.0)	(0.4)
	6.5	(0.2)
Total tax charge/(credit)	6.1	(3.9)
Tax on items (credited)/charged to other comprehensive income:		
Tax on pension scheme obligations	(7.3)	1.2
	(7.3)	1.2

Notes to the Financial Statements

For the year ended 31 December 2020

7. Taxation (continued)

	2020 £m	2019 (restated) £m
Reconciliation of total tax		
Profit/(loss) before tax	2.0	(45.7)
Standard rate of corporation tax at 19% (2019: 19%)	0.4	(8.7)
Disallowable items	1.4	6.5
Capital gains	1.3	-
Share based compensation	0.5	0.7
Adjustment in respect of prior years	(2.4)	(2.9)
Deferred tax rate adjustment	5.0	-
Difference on overseas tax rate	(0.1)	0.5
Total tax	6.1	(3.9)

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. Deferred tax assets and liabilities have been recalculated based on a rate of 19% as at 31 December 2020 which has given rise to an overall increase in the Group's deferred tax base and an increased charge in the current period.

A UK corporation tax rate of 25% was announced in the Chancellor's budget of 3 March 2021 along with a temporary extension to the loss carry-back rules allowing up to £2.0m of tax losses to be carried back to the preceding three periods. The 25% rate will apply from 1 April 2021 and the carry-back of losses is expected to apply to years ended 31 December 2020 and 31 December 2021. If these two measures had been substantively enacted at the balance sheet date the Group's deferred tax liability would have increased by £10.4m and the current tax asset increased by £0.3m.

8. Dividends

Group	2020 £m	2019 £m
Interim dividend for the year ended 31 December 2020 nil p (2019: 1.48p)	-	5.8
Final dividend for the year ended 31 December 2019 nil p (2018: 2.60p)	-	10.1
	-	15.9

The Directors do not propose a final dividend in respect of the financial year ended 31 December 2020 (2019: nil).

As noted in the Financial Review on page 25, the Board has become aware of an issue regarding technical compliance with the 2006 Act in relation to the payment of interim and final dividends in 2013, 2014 and 2015. The effect of these irregularities is that the dividends paid in 2013, 2014 and 2015 were paid to shareholders at a time when the Company did not hold adequate distributable reserves. However, there were sufficient reserves held in subsidiaries of the Company which have been distributed to the Company in order to provide the Company with adequate reserves.

To satisfy the steps required to rectify these irregularities, the Company will put forward a resolution to retrospectively rectify these dividends at the Company's forthcoming General Meeting.

Notes to the Financial Statements

For the year ended 31 December 2020

9. Loss per share

	2020	2019 (restated)
Loss attributable to ordinary shareholders (£m)	(4.1)	(41.8)
Weighted average number of shares in issue	390,138,374	389,182,654
Basic loss per share (p)	(1.05)	(10.74)
Loss attributable to ordinary shareholders (£m)	(4.1)	(41.8)
Dilutive effect of share based payment options and weighted average number of shares in issue	390,138,374	389,182,654
Diluted loss per share (p)	(1.05)	(10.74)
Profit/(loss) before tax (£m)	2.0	(45.7)
Add: Non-underlying items (£m)	12.1	49.7
Underlying profit before tax (£m)	14.1	4.0
Tax rate	19.0%	19.0%
Underlying tax (£m)	(2.7)	(0.8)
Underlying earnings attributable to ordinary shareholders (£m)	11.4	3.2
Weighted average number of shares in issue	390,138,374	389,182,654
Underlying basic earnings per share (p)	2.93	0.83

In the years ended 31 December 2020 and 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 2020 was 398,084,323 (2019: 393,961,890).

10. Goodwill

Group	2020 £m	2019 £m
Cost		
At 1 January and 31 December	122.4	122.4
Aggregate impairment		
At 1 January	40.5	10.7
Charge for the year	2.6	29.8
At 31 December	43.1	40.5
Carrying amount at 31 December	79.3	81.9

Following the Group's annual impairment review and a deterioration in expected market conditions and site closures underpinning the value in use calculations, an impairment charge of £2.6m has been recognised during the year (2019: £29.8m). The 2020 charge of £2.6m was recognised in the first half of the year. No additional goodwill impairment was required following management's year-end impairment reviews.

In 2020 the Group has merged the operational activities of the former Renault Nissan Dacia CGU with that of the former Vauxhall CGU to form one new revised CGU. No impairments were identified during the annual impairment review on either the new or old CGU allocation basis.

Details of the £1.0m impairment of intangible assets is given in Note 11.

Notes to the Financial Statements

For the year ended 31 December 2020

10. Goodwill (continued)

The following table summarises goodwill and intangibles with an indefinite useful economic life allocated by CGU:

CGU	2020 Goodwill £m	2020 Licences and brands £m	2020 Total £m	2019 Goodwill £m	2019 Licences and brands £m	2019 Total £m
JLR	9.0	-	9.0	9.0	-	9.0
Audi	22.1	27.9	50.0	22.1	28.9	51.0
Charles Hurst	9.4	-	9.4	9.4	-	9.4
Ford	4.8	2.9	7.7	7.4	2.9	10.3
Mercedes-Benz	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
BMW	-	21.7	21.7	-	21.7	21.7
Vauxhall Renault Nissan Dacia	2.8	2.9	5.7	2.8	2.9	5.7
Fleet & Leasing	9.1	-	9.1	9.1	-	9.1
	79.3	99.5	178.8	81.9	100.5	182.4

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 value-in-use of each CGU is calculated using cash flow projections for a five-year period; from 1 January 2021 to 31 December 2025. These projections are based on the Board approved strategic plan to 31 December 2023. The key assumptions in the strategic plan 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 assumptions made are based on the Board's understanding of the extent and duration of the COVID-19 related trading restrictions currently imposed in addition to the current macro-economic context and outlook, past experience adjusted for expected charges, and external sources of information.

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	2020	2019	2018
Three to five year revenue growth	0.0% to 1.4%	0.0% to 1.0%	0.0% to 1.4%
Three to five year operating expenses growth	0.0% to 2.0%	0.0% to 2.0%	0.0% to 1.1%
Post year five growth rate	0%	0%	0%
Discount rate	9.87%	8.51%	8.70%

The pre-tax adjusted discount rate used has been calculated using the Group's estimated cost of capital and benchmarked against externally available data.

As noted above, an impairment of £2.6m has been recognised in the current year to reduce the carrying amount of goodwill in the Ford CGU. This impairment was recorded during the preparation of the Group's interim Financial Statements and appreciated the uncertainty COVID-19 was causing the business and on the market conditions at that time. In accordance with IFRIC 10 Interim Financial Reporting and Impairment, impairments recorded in interim Financial Statements are not permitted to be reversed should changes in facts and circumstances result in the recoverable amount of the CGU being higher than its carrying amount at the subsequent impairment test date. Having performed a number of additional sensitivity tests including modelling the impact of the Group's sensitised going concern model and increasing the WACC rate by 1.0% no additional disclosures are considered necessary as neither of these models resulted in any impairment. In addition a reverse stress test on the base case model was performed in order to eradicate the headroom on the CGU that started with the least headroom in the base case model. In order to achieve this a change in circumstances beyond what the Board considers to be a reasonable change in circumstances and assumptions would be required. As a result, no additional sensitivity disclosures have been disclosed.

Notes to the Financial Statements

For the year ended 31 December 2020

11. Intangible assets

Group

	Licenses and brands £m	IT development £m	Total £m
Cost			
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
At 1 January 2020	102.6	39.6	142.2
Additions	-	3.0	3.0
Reclassifications to property, plant and equipment	-	(0.6)	(0.6)
At 31 December 2020	102.6	42.0	144.6
Accumulated amortisation and impairment			
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
At 1 January 2020	2.1	25.9	28.0
Charge for the year	-	4.8	4.8
Impairment charge	1.0	-	1.0
At 31 December 2020	3.1	30.7	33.8
Carrying amount			
As at 1 January 2019	101.1	12.3	113.4
As at 31 December 2019 and 1 January 2020	100.5	13.7	114.2
As at 31 December 2020	99.5	11.3	110.8

Intangible assets are considered as part of the Group's annual impairment review (see Note 10).

An impairment charge of £1.0m has been made relating to the Group's Lomond brand. Following a review of the Group's marketing positioning the Board are now of the view that the value previously attributed to the Lomond brand has now been diminished and as such have recorded an impairment charge in the year as a non-underlying item.

At 31 December 2020 there is an amount of £nil (2019: £nil) committed for future capital expenditure.

Notes to the Financial Statements

For the year ended 31 December 2020

11. Intangible assets (continued)

Company	IT development £m
Cost	
At 1 January 2019	30.7
Additions	7.9
At 31 December 2019	38.6
At 1 January 2020	38.6
Additions	3.0
Reclassifications to property, plant and equipment	(0.6)
At 31 December 2020	41.0
Accumulated amortisation and impairment	
At 1 January 2019	18.7
Charge for the year	6.0
Impairment charge	0.4
At 31 December 2019	25.1
At 1 January 2020	25.1
Charge for the year	4.8
At 31 December 2020	29.9
Carrying amount	
As at 1 January 2019	12.0
As at 31 December 2019 and 1 January 2020	13.5
As at 31 December 2020	11.1

At 31 December 2020 there is an amount of £nil (2019: £nil) committed for future capital expenditure.

Notes to the Financial Statements

For the year ended 31 December 2020

12. Property, plant and equipment

Group	Freehold property £m	Leasehold property £m	Motor vehicles for rental £m	Other £m	Total £m
Cost					
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
At 1 January 2020	270.2	92.9	101.1	84.3	548.5
Movements in foreign exchange	1.1	-	-	0.1	1.2
Additions	3.0	1.2	28.9	8.5	41.6
Disposals	(14.1)	(3.0)	(2.8)	(13.3)	(33.2)
Transfers	(2.5)	3.2	4.2	(4.9)	-
Transfer from intangible assets	-	-	-	0.6	0.6
Transfers to inventories	-	-	(34.6)	-	(34.6)
Transfers to assets held for sale	(7.8)	(2.4)	-	-	(10.2)
At 31 December 2020	249.9	91.9	96.8	75.3	513.9
Accumulated depreciation and impairment					
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
At 1 January 2020	23.3	18.3	31.9	45.8	119.3
Movements in foreign exchange	-	-	-	0.1	0.1
Charge for the year	2.9	2.5	16.8	10.0	32.2
Impairment loss	0.2	-	-	1.3	1.5
Disposals	(3.1)	(2.2)	(1.9)	(13.1)	(20.3)
Transfers to inventories	-	-	(18.0)	-	(18.0)
Transfers to assets held for sale	(0.8)	-	-	-	(0.8)
At 31 December 2020	22.5	18.6	28.8	44.1	114.0
Carrying amount					
As at 1 January 2019	248.7	60.8	67.6	39.7	416.8
As at 31 December 2019 and 1 January 2020	246.9	74.6	69.2	38.5	429.2
As at 31 December 2020	227.4	73.3	68.0	31.2	399.9

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 2020 is £4.3m (2019: £3.6m). 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 (2019: £7.5m) which is not depreciated. At 31 December 2020 there is an amount of £7.3m (2019: £7.2m) committed for future capital expenditure.

Notes to the Financial Statements

For the year ended 31 December 2020

12. Property, plant and equipment (continued)

During the year ended 31 December 2020 the total net book value of disposals from property and other amounted to £12.0m (2019: £9.6m). Total proceeds received was £14.5m (2019: £14.7m) resulting in a gain on disposals of £2.5m (2019: £5.1m).

Following the Group's restructuring program, an impairment charge of £1.5m (2019: £3.0m) has been recorded representing an adjustment to the expected recoverable values of assets. In the prior year, 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 £9.4m (2019: £5.1m) of properties have been reclassified into assets held for sale. See Note 14 for further details.

Company

	Other £m
Cost	
At 1 January 2019	3.6
Additions	0.2
At 31 December 2019	3.8
At 1 January 2020	3.8
Disposals	(1.3)
Transfers from intangible assets	0.6
Transfers from fellow Group companies	0.3
At 31 December 2020	3.4
Accumulated depreciation and impairment	
At 1 January 2019	2.7
Charge for the year	0.3
At 31 December 2019	3.0
At 1 January 2020	3.0
Charge for the year	0.5
Disposals	(1.0)
Transfers from fellow Group companies	0.2
At 31 December 2020	2.7
Carrying amount	
As at 1 January 2019	0.9
As at 31 December 2019 and 1 January 2020	0.8
As at 31 December 2020	0.7

At 31 December 2020 there is an amount of £nil (2019: £nil) committed for future capital expenditure.

Notes to the Financial Statements

For the year ended 31 December 2020

13. Right of use assets

Group

	Property £m	Other £m	Total £m
Cost			
At 1 January 2019	240.1	6.0	246.1
Correction of errors*	18.2	-	18.2
As 1 January 2019 (restated)	258.3	6.0	264.3
Additions	24.5	6.2	30.7
Retirements and surrenders	(5.3)	(5.9)	(11.2)
At 31 December 2019	277.5	6.3	283.8
Cost			
At 1 January 2020	277.5	6.3	283.8
Additions	12.7	3.7	16.4
Retirements and surrenders	(11.0)	(2.9)	(13.9)
At 31 December 2020	279.2	7.1	286.3
Accumulated depreciation and impairment			
At 1 January 2019	138.9	3.9	142.8
Correction of errors*	10.9	-	10.9
At 1 January 2019 (restated)	149.8	3.9	153.7
Charge for the year	12.5	2.8	15.3
Impairment charge	1.8	-	1.8
Retirements and surrenders	(3.4)	(2.6)	(6.0)
At 31 December 2019	160.7	4.1	164.8
At 1 January 2020	160.7	4.1	164.8
Charge for the year	12.4	2.6	15.0
Impairment charge	0.4	-	0.4
Retirements and surrenders	(10.5)	(1.0)	(11.5)
At 31 December 2020	163.0	5.7	168.7
Carrying amount			
As at 1 January 2019	108.5	2.1	110.6
As at 31 December 2019 and 1 January 2020	116.8	2.2	119.0
As at 31 December 2020	116.2	1.4	117.6

*Details of the correction of errors are shown in Note 1.

Included within the Other category are leases for motor vehicles and IT equipment.

A charge of £0.4m (2019: £1.8m) has been recognised following the cessation of trade from certain dealerships during the year thereby giving rise to an impairment charge which has been treated as a non-underlying item (see Note 4)

Further details regarding leased assets are provided in the following Notes:

	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 2020

13. Right of use assets (continued)

Company	Other £m
Cost	
At 1 January 2019	2.3
Additions	0.6
At 31 December 2019	2.9
Cost	
At 1 January 2020	2.9
Additions	0.5
Retirements and surrenders	(1.0)
At 31 December 2020	2.4
Accumulated depreciation and impairment	
At 1 January 2019	1.1
Charge for the year	0.7
At 31 December 2019	1.8
At 1 January 2020	1.8
Charge for the year	0.8
Retirements and surrenders	(1.0)
At 31 December 2020	1.6
Carrying amount	
As at 1 January 2019	1.2
As at 31 December 2019 and 1 January 2020	1.1
As at 31 December 2020	0.8

Included within the Other category are leases for IT equipment.

14. Assets held for sale

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Lower of carrying amount and fair value less cost to sell				
At 1 January	10.0	8.0	-	-
Net transfers from property, plant and equipment	9.4	5.1	-	-
Impairment charge	(3.5)	-	-	-
Disposals	(2.9)	(3.1)	-	-
At 31 December	13.0	10.0	-	-

All items included as at 31 December 2020 and 31 December 2019 relate to properties held by the Group and have been transferred into assets held for sale following the cessation of trade at certain dealerships and the subsequent commencement of procedures to dispose of these vacant properties from the Group's portfolio. Properties held within assets held for sale are being actively marketed for disposal and there is an expectation that such properties will be disposed of within 12 months of the balance sheet date. Where necessary, provision for impairment to bring the assets carrying value in-line with its estimated fair value less costs of disposal have been recorded whilst the assets were held within property, plant and equipment and prior to their subsequent transfer into assets held for sale.

During the year the total carrying amount disposed from held for sale amounted to £2.9m (2019: £3.1m). Total proceeds received amounted to £3.5m (2019: £2.9m) resulting in a gain on property disposals of £0.6m (2019: loss of £0.2m). As a result of the restructuring events during the years ended 31 December 2020 and 31 December 2019 certain properties have been transferred from property, plant and equipment into assets held for sale. In 2020 an impairment charge of £3.5m has been incurred in respect of recording these properties at fair value less cost to sell.

Notes to the Financial Statements

For the year ended 31 December 2020

15. Investments in subsidiary undertakings

Company	2020 £m	2019 £m
Cost and Net Book Value		
At 1 January and 31 December	126.8	126.8

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		Incorporated and registered in Scotland
Addison Motors Limited (m)	*Lookers of Manchester Limited (d)	**Arran Oils Limited (d)
Addison TPS Limited (m)	*Lookers of Northwich Limited (d)	**Ballcop (No.1) Limited (dissolved 20 April 2021) (d)
Aston Green Limited (d)	*Lookers of Rochdale Limited (d)	**Ballcop (No.2) Limited (dissolved 20 April 2021) (d)
Benfield Motor Group Limited (d)	*Lookers Pension Plan Trustee Limited (d)	**Ballcop (No.3) Limited (d)
Benfield Pension Trustees Limited (d)	*Lookers Secretaries Limited (d)	**Ballcop (No.4) Limited (d)
Billingham Motors Limited (d)	Lookers South East Limited (d)	**Ballcop (No.5) Limited (d)
Bluebell (Crewe) Limited (d)	Lookers Southern Limited (d)	**Ballcop (No.7) Limited (d)
Bolling Investments Limited (p)	Lookers Thornton Engineering Limited (d)	**Ballcop (No.8) Limited (d)
Bramall & Jones VW Limited (h)	Martins (Middlesbrough) Limited (d)	**Ballcop (No.9) Limited (d)
Bristol Trade Centre Limited (d)	Martins (Stockton) Limited (d)	**Ballcop (No.10) Limited (d)
Burton Trade Centre Limited (d)	Martins (Sunderland) Limited (d)	**Ballcop (No.11) Limited (d)
Castle Bromwich Motors Limited (d)	Martins-Wellington Limited (d)	**Hurst Energy Services Limited (d)
Chipperfield Garage Limited (d)	MB South Limited (m)	**Hurst Fuels (Caledonia) Limited (d)
Chipperfield Holdings Limited (d)	Meteor Group Limited (d)	**Inverclyde Sales & Service Limited (d)
Colborne (HGG) 2012 Limited (d)	NNK Holdings Limited (h)	**J M Sloan & Company (Car Hire) Limited (d)
Colbornes Trade Parts Limited (m)	Picking (Liverpool) Limited (d)	**J M Sloan & Company Limited (d)
Colebrook & Burgess (Teesside) Limited (d)	Platts Harris Limited (a)	**JN Holdings Limited (d)
Colebrook & Burgess Holdings Limited (h)	PLP Motors Limited (d)	****Lomond Motors (East) Limited (m)
Colebrook & Burgess Limited (m)	Pollendine Motors (Frinton) Limited (d)	****Lomond Motors Limited (m)
Cox & Co (Lookers) Limited (d)	Radford (Bavarian) Limited (d)	****Lomond TPS Limited (m)
Drayton Group Limited (m)	Roadshow Limited (d)	***Shields Automotive Limited (d)
Dutton-Forshaw Holdings Limited (h)	Rosedale Finance & Leasing Limited (d)	***Taggarts Motor Group Limited (d)
Dutton-Forshaw Limited (d)	S. Jennings Group Limited (h)	
*Get Motoring UK Limited (l)	S. Jennings Limited (m)	
Harpers Carlisle Limited (p)	The Dovercourt Motor Company Limited (d)	
Howdens of Harrogate Limited (d)	The Dutton-Forshaw Group Limited (h)	
Jackson & Edwards Limited (d)	The Dutton-Forshaw Motor Company Limited (m)	
Kings Langley Land Rover Limited (d)	*The Dutton-Forshaw Trustee Company Limited (d)	
Knights North West Limited (d)	Truc-Bodies Limited (d)	
Look 4 Car Credit Limited (d)	Vehicle Rental Services Limited (d)	
Lookers (J & S Leaver) Limited (d)	Vikings Canterbury Limited (d)	
Lookers (St. Helens) Limited (d)	Warwick Holdings Limited (p)	
Lookers Bedale Garage Limited (d)		
Lookers Birmingham Limited (d)	Incorporated and registered in Northern Ireland. Registered Office: 62 Boucher Road, Antrim, Belfast, Northern Ireland, BT12 6LR	
Lookers Colborne Limited (m)	Adelaide Finance Limited (d)	**Registered Office: 528/540 Windmill Hill Street, Motherwell, ML1 2AQ
Lookers Directors Limited (d)	Bairds Cars Limited (d)	***Registered Office: 1 Brasswell Park, Annan Road, Dumfries, DG1 3JA
Lookers GB & E Limited (d)	Balmoral Motors Limited (d)	****Registered Office: 520 Hillington Road, Braehead, Glasgow, G52 4UB
Lookers JV Limited (d)	Charles Hurst Holdings Limited (h)	
Lookers Leasing Limited (l)	Charles Hurst JV Limited (d)	
*Lookers Motor Group Limited (m)	Charles Hurst Limited (m)	Principal activities key:
*Lookers Motor Holdings Limited (h)	Charles Hurst Motors Limited (d)	(a) Sale and maintenance of agricultural vehicles - business disposed November 2020
*Lookers Motors Limited (d)	Fleet Financial Limited (l)	(d) Dormant
*Lookers North West Limited (d)	Guthrie & Anderson Limited (d)	(h) Intermediate non-trading holding company
*Lookers Norwich Limited (d)	Hurstco Limited (d)	(l) Lessor of vehicles
*Lookers of Barnsley Limited (d)	Savilles Auto Village Limited (d)	(m) Sale and maintenance of vehicles; distribution of spare parts
*Lookers of Bradford Limited (d)	*The Charles Hurst Corporation Limited (h)	(p) Property management company
*Lookers of Burton Limited (d)	Thompson-Reid Tractors Limited (d)	
*Lookers of Colwyn Bay Limited (d)	Town & Country Fuels Limited (d)	
*Lookers of Dewsbury Limited (d)	Ulster Garages Limited (d)	
*Lookers of Macclesfield Limited (d)		

Notes to the Financial Statements

For the year ended 31 December 2020

16. Inventories

Group	2020 £m	2019 £m
Goods for resale	255.7	398.7
Vehicle spare parts for resale	17.2	24.1
Consignment vehicles	382.3	533.7
	655.2	956.5

Total write-offs of £nil (2019: £nil) have been incurred during the year and there have been no reversals of past write-downs (2019: 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 2020 these total £23.6m (2019: £33.0m).

At 31 December 2020 the Group had entered into a number of future purchase commitments amounting to £4.8m (2019: £11.6m) which are not recognised in the Financial Statements.

17. Trade and other receivables

	Group 2020 £m	2019 (restated) £m	2018 (restated) £m	Company 2020 £m	2019 £m
Trade receivables	74.5	111.6	119.8	0.3	1.1
Group receivables	-	-	-	309.6	343.5
Other receivables	12.8	8.0	17.3	10.4	7.7
Repurchase debtor	21.8	26.7	20.8	-	-
Finance lease receivables	1.1	1.4	1.0	-	-
Prepayments	14.4	20.6	23.7	7.1	3.8
	124.6	168.3	182.6	327.4	356.1

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.

18. Rental fleet vehicles

Cost	Group 2020 £m	2019 (restated) £m
At 1 January	33.7	57.1
Correction of errors	-	(22.4)
At 1 January (restated)	33.7	34.7
Transfer from Group inventories	12.3	25.4
Additions	21.8	17.4
Transfer to group inventories	(35.1)	(43.8)
At 31 December	32.7	33.7
Accumulated depreciation		
At 1 January	1.7	2.9
Correction of errors	-	(1.1)
At 1 January (restated)	1.7	1.8
Charge for the year	4.0	3.0
Transfer to Group inventories	(3.1)	(3.1)
At 31 December	2.6	1.7
Carrying amount at 1 January	32.0	32.9
Carrying amount at 31 December	30.1	32.0

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 2020

19. Cash and cash equivalents

	Group 2020 £m	2019 £m	Company 2020 £m	2019 £m
Cash at bank and in hand	243.0	150.3	0.1	17.4
Bank overdraft	(115.8)	(118.9)	(36.5)	(40.6)
Cash and cash equivalents per statement of cash flows	127.2	31.4	(36.4)	(23.2)

Total restricted cash for the Group at 31 December 2020 is £0.2m (2019: £0.3m) and for the Company is £0.1m (2019: £0.2m).

20. Trade and other payables

	Group 2020 £m	2019 £m	Company 2020 £m	2019 (restated) £m	2018 (restated) £m
Current:					
Trade payables	138.1	206.9	7.9	8.9	4.4
Repurchase commitments	20.8	47.6	-	-	-
Stocking loans	210.0	337.1	-	-	-
Consignment vehicle creditors	382.3	533.7	-	-	-
Group payables	-	-	22.5	125.5	127.4
Other tax and social security payable	29.4	0.8	16.1	-	-
Other creditors	24.2	16.3	1.4	1.5	0.2
Deferred income	7.2	6.4	0.7	-	-
Vehicle rental finance liabilities	55.4	62.2	-	-	-
Accruals	44.4	50.5	12.5	13.3	7.1
	911.8	1,261.5	61.1	149.2	139.1
Non current:					
Deferred income	7.3	7.3	-	-	-
Vehicle rental finance liabilities	32.5	35.0	-	-	-
	39.8	42.3	-	-	-

Further details of the prior period restatement affecting Group payables in the year ended 31 December 2019 are made in Note 1.

Notes to the Financial Statements

For the year ended 31 December 2020

21. Provisions

	Group 2020 £m	2019 £m	Company 2020 £m	2019 £m
Provision in respect of regulatory matters	-	10.4	-	-
At 31 December	-	10.4	-	-

	Provisions for other charges 2020 £m	Provisions for other charges 2019 £m
At 1 January	10.4	-
Created in the year	-	10.4
Released during the year	(10.4)	-
At 31 December	-	10.4

In the year ended 31 December 2019, after careful consideration of the open matters with the FCA (namely 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) the Board 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 recorded a provision at 31 December 2019. The spectrum of possible outcomes, including restitution of customer detriment, additional costs associated with the regulated activities and potential sanctions, was considered broad and the considered outcome based on that range was considered to be £10.4m.

On 2 March 2021 the Group announced that the FCA had advised the Board of its decision to close the investigation against Lookers Motor Group Limited, the Group's FCA regulated entity, for the possible mis-selling of regulated products, and associated issues relating to potential customer detriment. In closing the case, the FCA further advised the Board that it did not intend to use its statutory powers to apply any sanctions against the Group in relation to the matters under investigation. As the investigation specifically covers the period from January 2016 to June 2019, the Group is satisfied that the FCA confirmation represents an adjusting event after the balance sheet date as this provides evidence that there was not an obligating event and have therefore released the £10.4m provision into non-underlying items in the year ended 31 December 2020.

Notes to the Financial Statements

For the year ended 31 December 2020

22. Financial instruments

Carrying amount of financial assets

The carrying amounts of financial assets by category were:

	Group 2020 £m	2019 (restated) £m	2018 (restated) £m
Financial assets measured at amortised cost:			
Cash at bank and in hand	243.0	150.3	152.8
Trade receivables	74.5	111.6	119.8
Other receivables	35.7	36.1	39.1
	353.2	298.0	311.7

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 2020 £m	2019 £m
Current (not past due)	61.6	86.9
Past due up to three months	12.9	23.9
Past due from three months up to six months	2.0	2.4
Past due over six months	1.6	2.4
Total gross amount at 31 December	78.1	115.6
Less: General loss allowance at 31 December	(2.0)	(2.4)
Less: Specific credit provision	(1.6)	(1.6)
Trade receivables	74.5	111.6

The loss allowance based on the simplified approach for lifetime expected credit losses is as follows:

	2020 weighted average loss rate	2019 weighted average loss rate	Group 2020 £m	2019 £m
Current (not past due)	2.4%	1.0%	1.5	1.4
Past due up to three months	3.0%	2.0%	0.4	0.8
Past due from three months up to six months	5.0%	4.0%	0.1	0.1
Past due over six months	8.0%	8.0%	-	0.1
Total loss allowance at 31 December			2.0	2.4

With the exception of one (2019: none) specific provision 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 OEM Brand Partners with similar risk profiles. At 31 December 2020 a specific provision of £1.6m has been allocated against aged debts.

A reconciliation of the changes in the loss allowance is set out below:

	Group 2020 £m	2019 £m
As at 1 January	2.4	2.1
Derecognition including write-off's	(0.1)	(0.1)
(Credit)/charge for the year	(0.3)	0.4
As at 31 December	2.0	2.4

Notes to the Financial Statements

For the year ended 31 December 2020

22. Financial instruments (continued)

Carrying amount of financial liabilities

The carrying amounts of financial liabilities by category were:

	Group 2020 £m	2019 £m
Financial liabilities measured at amortised cost:		
Bank overdrafts	115.8	118.9
Secured bank loans (current and non-current)	167.9	90.9
Trade and other payables	819.8	1,192.1
Vehicle rental finance liabilities	87.9	97.2
Total lease liabilities	144.4	146.9
	1,335.8	1,646.0

Current

Bank overdraft	115.8	118.9
Secured bank loans	1.1	0.5
	116.9	119.4

Non-current

Secured bank loans	166.8	90.4
Total borrowings	283.7	209.8

	Group 2020 £m	2019 £m
Bank loans and overdraft repayable:		
Less than one year	116.9	119.4
More than one year and not more than two years	159.5	1.1
More than two years and not more than five years	3.3	84.7
More than five years	4.0	4.6
	283.7	209.8

	Group 2020 £m	2019 £m	2018 £m
Total lease liabilities			
Current	19.1	20.1	19.8
Non-current	125.3	126.8	117.0
	144.4	146.9	136.8

	Group 2020 £m	2019 £m	2018 £m
Lease liabilities repayable:			
Less than one year	19.1	20.1	19.8
More than one year and not more than two years	18.8	18.5	17.7
More than two years and not more than five years	46.8	47.5	46.8
More than five years	121.9	126.4	111.2
Less: finance charges allocated to future years	(62.2)	(65.6)	(58.7)
	144.4	146.9	136.8

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 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 ended 31 December 2020 the Group successfully completed a sale and leaseback transaction from its property portfolio. This transaction resulted in a nominal gain 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 effect of this transaction gave rise to an inflow in the consolidated cash flow statement.

Notes to the Financial Statements

For the year ended 31 December 2020

22. Financial instruments (continued)

	Group 2020 £m	2019 £m
Trade and other payables		
Current	875.2	1,254.3
Non-current	32.5	35.0
	907.7	1,289.3

	At Jan 2020 £m	Net RCF movement £m	Loan repayment £m	Lease incentives £m	Lease repayment £m	Loan receipt £m	Non-cash movement £m	At 31 Dec 2020 £m
Movement in financial liabilities								
Other loans	10.1	-	(0.6)	-	-	-	-	9.5
RCF	80.8	78.0	-	-	-	-	(0.4)	158.4
Lease liabilities	146.9	-	-	-	(15.3)	-	12.8	144.4
Vehicle rental finance liabilities	97.2	-	(84.1)	-	-	74.8	-	87.9
	335.0	78.0	(84.7)	-	(15.3)	74.8	12.4	400.2

Cash and cash equivalents	(150.3)	(243.0)
Bank overdraft	118.9	115.8

Net debt excluding lease and vehicle rental liabilities	59.5	40.7
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Net debt including lease and vehicle rental liabilities	303.6	273.0
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	At Jan 2019 (restated) £m	Net RCF movement £m	Loan repayment £m	Lease incentives £m	Lease repayment £m	Loan receipt £m	Non-cash movement £m	At 31 Dec 2019 (restated) £m
Movement in financial liabilities								
Other loans	11.5	-	(1.4)	-	-	-	-	10.1
RCF	118.7	(37.3)	-	-	-	-	(0.6)	80.8
Lease liabilities	136.8	-	-	1.2	(16.2)	-	25.1	146.9
Vehicle rental finance liabilities	89.7	-	(69.0)	-	-	76.5	-	97.2
	356.7	(37.3)	(70.4)	1.2	(16.2)	76.5	24.5	335.0

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
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Net debt including lease and vehicle rental liabilities	312.4	303.6
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Non-cash movements in relation to lease liabilities relate to the recognition and de-recognition of lease liabilities and accrued and repaid interest and amortisation of the Group's debt issue costs in relation to movements on the Group's RCF.

Movements in relation to vehicle rental finance liabilities relate to specific funding sourced or repaid during the financial year in relation to vehicles leased out by the Group in its capacity as a lessor.

At 31 December 2020 the Group had a revolving credit facility of £238.0m with a further of £50.0m available for future acquisitions. This facility had been renegotiated on 21 December 2018 with the Banking Club who had provided the previous term loan and previous revolving facility. As noted in the Accounting Policy around Going Concern, during 2020 the financial covenants were renegotiated, including a suspension of the interest cover ratio and replacement with EBITDA and liquidity covenants. The Group satisfied each of those covenants. The 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.

In May 2021 the Group renegotiated its revolving credit facilities with its existing Banking Club for an initial amount of £150m with an extension to September 2023. The amended facilities include core leverage, interest cover and EBITDA covenants which are tested on a quarterly basis commencing 30 June 2021.

Notes to the Financial Statements

For the year ended 31 December 2020

22. Financial instruments (continued)

An analysis of the Group's fixed and floating rate borrowings and lease liabilities is as follows:

	Floating rate		Fixed rate		Total interest bearing	On which no interest is paid	2020 Total
	Weighted average effective interest rate	Weighted average effective interest rate	Weighted average effective interest rate	Weighted average effective interest rate			
2020	£m	%	£m	%	£m	£m	£m
Other loans	9.5	1.6	-	-	9.5	-	9.5
RCF	158.4	2.0	-	-	158.4	-	158.4
Lease liabilities	-	-	144.4	4.5	144.4	-	144.4
Total borrowings	167.9	2.0	144.4	4.5	312.3	-	312.3

	Floating rate		Fixed rate		Total interest bearing	On which no interest is paid	2019 Total
	Weighted average effective interest rate	Weighted average effective interest rate	Weighted average effective interest rate	Weighted average effective interest rate			
2019	£m	%	£m	%	£m	£m	£m
Other loans	10.1	2.2	-	-	10.1	-	10.1
RCF	80.8	2.1	-	-	80.8	-	80.8
Lease liabilities	-	-	146.9	4.5	146.9	-	146.9
Total borrowings	90.9	2.1	146.9	4.5	237.8	-	237.8

A maturity analysis of the Group's undiscounted inflows from operating lease receivables is as follows:

Year ended	Within 1 year	Within 1-2 years	Within 2-3 years	Within 3-4 years	Within 4-5 years	After 5 years	Total £m
	£m	£m	£m	£m	£m	£m	
31 December 2020	18.6	9.6	4.4	0.6	-	-	33.2
31 December 2019	19.5	11.0	4.5	0.9	-	-	35.9

Finance lease receivables of £1.1m (2019: £1.4m) are due within one year.

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.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk on its financial assets which consist of cash balances with banks, and trade and other receivables to the extent that settlement is cash-related.

Market risk

The Group has exposures to the following risks inherent in its financial instruments.

Notes to the Financial Statements

For the year ended 31 December 2020

22. Financial instruments (continued)

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.

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 2020	2019	Group 2020	2019
	£m	£m	£m	£m
Euro	1.1	2.2	6.2	8.8

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.

	2020	2020	2019	2019
	£m	£m	£m	£m
	+10% change	-10% change	+10% change	-10% change
Financial assets	(0.1)	0.1	(0.2)	0.2
Financial liabilities	(0.6)	0.7	(0.8)	1.0

Interest price risk

This risk results from financial instruments bearing fixed interest rates; changes in floating interest rates therefore affect the fair value of these fixed rate financial instruments. The Group has no debt subject to fixed interest rates and is, therefore, not exposed to interest price risk.

Interest cash flow risk

This risk results from financial instruments bearing floating interest rates. Changes in floating interest rates affect cash flows on interest receivable or payable. The Group is exposed to interest rate risk on its floating rate debt, namely all loans and borrowings. The interest rate exposure of the Group is managed within the constraints of the Group's business plan and the financial covenants under its revolving credit facilities.

Interest rate risk management

The sensitivity analysis 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 risk that a change in interest rates adversely affects the Group's performance or ability to settle financial obligations and comprises two elements.

	Group 2020	2019
	£m	£m
Profit or loss and equity	0.5	0.7

A decrease of 50 basis points has an equal and opposite effect to that disclosed above.

Credit risk 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 2020

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 assets position of £19.2m (2019: net current liabilities of £74.1m) and 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
2020			
Bank overdraft and loans	116.9	166.8	283.7
Total lease liabilities	19.1	187.5	206.6
Vehicle rental finance liabilities	55.4	32.5	87.9
Trade and other payables	819.8	-	819.8
	1,011.2	386.8	1,398.0
2019			
Bank overdraft and loans	119.4	90.4	209.8
Total lease liabilities	20.1	192.4	212.5
Vehicle rental finance liabilities	62.2	35.0	97.2
Trade and other payables	1,192.1	-	1,192.1
	1,393.8	317.8	1,711.6

Included within the analysis above are balances relating to consignment stock where the liability is contractually due for payment when the related vehicle is adopted by the Group. Adoption usually occurs for the purpose of selling the vehicle to the end customer at which point the cash outflow in respect of the liability matches the cash inflow from the sale.

An analysis of the Company's borrowings is as follows:

	Company 2020 £m	2019 £m
Current		
Bank overdrafts	36.5	40.6
Non-current		
Secured bank loans	158.4	81.4
	194.9	122.0
	Company 2020 £m	2019 £m
Bank loans and overdrafts repayable		
Less than one year	36.5	40.6
More than one year and not more than two years	158.4	-
More than two years and not more than five years	-	81.4
More than five years	-	-
	194.9	122.0

Details of the Company's RCF borrowings are as per the analysis for the Group position.

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For the year ended 31 December 2020

22. Financial instruments (continued)

Details of the Company's lease liabilities are as follows:

	Company 2020 £m	2019 £m
Total lease liabilities		
Current	0.5	0.7
Non-current	0.4	0.4
	0.9	1.1
	Company 2020 £m	2019 £m
Lease liabilities repayable:		
Less than one year	0.5	0.7
More than one year and not more than two years	0.4	0.4
More than two years and not more than five years	0.1	0.1
(Less): interest allocated to future years	(0.1)	(0.1)
	0.9	1.1

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 2020 £m	2019 £m
Total borrowings excluding lease and leasing liabilities	283.7	209.8
Cash at bank and in hand	(243.0)	(150.3)
Net debt	40.7	59.5
Total equity	282.4	310.6
Net debt to equity ratio	14.4%	19.2%

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 and other payables. Equity includes all capital and reserves of the Group that are managed as capital.

The gearing ratio inclusive of lease and leasing liabilities is as follows:

	Group 2020 £m	2019 (restated) £m
Net debt (including lease and vehicle rental liabilities)	273.0	303.6
Total equity	282.4	310.6
Net debt (including lease and vehicle rental liabilities) to equity ratio	96.7%	97.7%

Notes to the Financial Statements

For the year ended 31 December 2020

23. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2019: 17%) and movements in the year are as follows:

	Group 2020 £m	2019 £m	Company 2020 £m	2019 £m
As at 1 January	34.0	33.0	(9.5)	(12.2)
Charged/(credited) to the Income Statement	6.5	(0.2)	1.9	1.5
(Credited)/charged to Other Comprehensive Income	(7.3)	1.2	(6.6)	1.2
As at 31 December	33.2	34.0	(14.2)	(9.5)

Group	Intangible assets £m	Accelerated tax depreciation £m	Capital gains £m	Total £m
Deferred tax liabilities:				
As at 1 January 2020	18.0	27.3	4.1	49.4
Movement in year via income statement	2.0	2.0	(0.6)	3.4
As at 31 December 2020	20.0	29.3	3.5	52.8

Deferred tax assets:	Leases £m	Share options £m	Employee benefits £m	Provisions £m	Total £m
As at 1 January 2020	(4.3)	(0.2)	(9.7)	(1.2)	(15.4)
Movement in year via income statement	0.1	0.2	1.9	0.9	3.1
Movement in year via statement of other comprehensive income	-	-	(7.3)	-	(7.3)
As at 31 December 2020	(4.2)	-	(15.1)	(0.3)	(19.6)

Net deferred tax liability:					
As at 1 January 2020					34.0
As at 31 December 2020					33.2

Company	Accelerated tax depreciation £m	Share options £m	Employee benefits £m	Provisions £m	Total £m
Deferred tax assets:					
As at 1 January 2020	0.5	(0.3)	(9.6)	(0.1)	(9.5)
Movement in year via income statement	-	0.3	1.6	-	1.9
Movement in year via statement of other comprehensive income	-	-	(6.6)	-	(6.6)
As at 31 December 2020	0.5	-	(14.6)	(0.1)	(14.2)

The Board 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 2020

24. Share capital

Group and Company	2020 Shares	£m	2019 Shares	£m
Authorised:				
Ordinary shares of 5p each	480,000,000	24.0	480,000,000	24.0
Allotted, called up and fully paid:				
As at 1 January	390,138,374	19.5	389,038,358	19.4
Allotted under share option schemes	-	-	1,100,016	0.1
As at 31 December	390,138,374	19.5	390,138,374	19.5

All ordinary shares rank equally and have the same rights attached.

25. Share-based compensation

The Company has a share option scheme for all employees of the Group and an Executive share option scheme (ESOS).

Employee ShareSave Scheme

The Employee ShareSave scheme is available to all eligible employees and is 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:

	2020 Number of share options	Weighted average exercise price (in £)	2019 Number of share options	Weighted average exercise price (in £)
Outstanding at the beginning of the year	2,667,221	0.90	11,265,412	0.91
Granted during the year	7,944,257	0.40	-	-
Exercised during the year	-	-	(2,080)	0.86
Cancelled during the year	(604,103)	1.04	(8,024,206)	0.89
Forfeited during the year	(2,185,036)	0.55	(154,161)	0.89
Lapsed during the year	(211,956)	0.48	(417,744)	1.32
Outstanding at the end of the year	7,610,383	0.48	2,667,221	0.90

Options granted in the year ended 31 December 2020 have a weighted average exercise price of 40 pence and have been issued with a fair value calculated as 10p (2019: no issue). No options were granted in 2019. The options outstanding at 31 December 2020 have an exercise price in the range of 40 pence to 87 pence and a weighted average contractual life of 20 months (2019: range of 84 pence to £1.07 and a weighted average contractual life of 24 months). All share options are settled via equity.

Notes to the Financial Statements

For the year ended 31 December 2020

25. Share-based compensation (continued)

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:

	2020 Number of share options	Weighted average exercise price (in £)	2019 Number of share options	Weighted average exercise price (in £)
Outstanding at the beginning of the year	3,872,442	0.00	6,376,480	0.00
Granted during the year	-	0.00	2,216,058	0.00
Exercised during the year	-	0.00	(1,012,419)	0.00
Cancelled during the year	-	0.00	-	0.00
Forfeited during the year	(411,786)	0.00	(3,707,677)	0.00
Lapsed during the year	-	0.00	-	0.00
Outstanding at the end of the year	3,460,656	0.00	3,872,442	0.00

The weighted average option price at the date of exercise for share options exercised during the period was £nil (2019: £nil). The options granted in the year ended 31 December 2019 were issued with a fair value calculated as 82p. The options outstanding at 31 December 2020 and 31 December 2019 had a weighted average exercise price of £nil and a weighted average contractual life of 8 months (2019: 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:

	2020	2019
Expected volatility	36% - 50%	36%
Expected life	3 years	3 years
Risk-free rate	0.02%	0.02%
Expected dividend yields	1.00% - 4.00%	4.00%

Volatility was measured by reference to the changes in the Company's share price between 1 January 2015 and 1 March 2020.

The total share based payment charge recorded in the year ended 31 December 2020 was £0.8m (2019: £1.4m).

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For the year ended 31 December 2020

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 31 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 2020 £m	The Dutton Forshaw Group Pension Plan 2020 £m	The Benfield Pension Plan 2020 £m	Total 2020 £m
Defined benefit obligation	(322.0)	-	(15.8)	(337.8)
Scheme assets	245.0	-	13.5	258.5
(Deficit)	(77.0)	-	(2.3)	(79.3)
Amounts recognised in the income statement	2.6	0.1	-	2.7
Actuarial (losses)/gains recognised in the statement of comprehensive income	(30.9)	0.3	(1.9)	(32.5)
Cumulative fair value losses on actuarial movements	(41.4)	0.3	(2.9)	(44.0)

	The Lookers Pension Plan 2019 £m	The Dutton Forshaw Group Pension Plan 2019 £m	The Benfield 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 recognised in the statement of comprehensive income	6.8	0.1	0.2	7.1
Cumulative fair value losses on actuarial movements	(10.5)	-	(1.0)	(11.5)

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 2020 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. The assets of the scheme are held separately from those of the Employer. The value of the insured pensions (£3.4m) is omitted from both assets and liabilities below for clarity.

Fair value and major categories of assets:

	Market value 2020 £m	Plan % 2020	Market value 2019 £m	Plan % 2019
Equities	27.9	11.4	36.7	16.2
Target return funds	108.0	44.1	84.4	37.3
Corporate bonds	105.4	43.0	56.6	25.0
Cash	3.7	1.5	48.7	21.5
Total fair value of assets	245.0	100.0	226.4	100.0

None of the equity assets of the scheme are held in quoted investments. For those assets that are not quoted, excluding cash, the investments are valued on a daily basis by the investment managers.

Notes to the Financial Statements

For the year ended 31 December 2020

26. Pensions (continued)

Amounts recognised in the income statement:

	2020 £m	2019 £m
Non investment expenses	1.3	0.9
Finance costs on obligation	5.8	7.7
Finance income	(4.7)	(5.8)
Past service cost	0.2	-
Total defined benefit expense	2.6	2.8

Changes in the present value of the defined benefit obligation:

	2020 £m	2019 £m
Opening defined benefit obligation	283.1	271.2
Finance costs	5.8	7.7
Actuarial losses	44.8	15.0
Past service cost	0.2	-
Bulk transfer from the Dutton Forshaw Group Pension Plan	2.9	-
Benefits paid	(14.8)	(10.8)
Total defined benefit obligation	322.0	283.1

Demographic changes was a gain of £nil (2019: £3.1m), other actuarial experience from financial assumptions was a loss of £44.8m (2019: £29.0m) with an experience gain of £nil (2019: £10.9m).

Changes in the fair value of scheme assets:

	2020 £m	2019 £m
Opening fair value of scheme assets	226.4	201.8
Finance income	4.7	5.8
Actuarial gains	13.9	21.8
Contributions	11.3	8.7
Bulk transfer from the Dutton Forshaw Group Pension Plan	4.8	-
Benefits paid	(14.8)	(10.8)
Non investment expenses	(1.3)	(0.9)
Closing fair value of scheme assets	245.0	226.4

None of the scheme's assets were invested in Lookers plc or property occupied by Lookers plc. The Group made contributions of £11.3m in 2020 (2019: £8.7m) 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.

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.

Notes to the Financial Statements

For the year ended 31 December 2020

26. Pensions (continued)

The most recent triennial valuation of the Lookers Pension Plan was carried out as at 31 March 2019. This was agreed between the trustees and the Group in December 2020 and includes annual contributions of £12.0m, subject to annual inflation increases and continuing over the recovery period of 7 years and 10 months. 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 schemes' assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the schemes' liabilities;
- The level of price inflation may be higher than that assumed, resulting in higher payments from the schemes;
- 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 schemes' liabilities, for example through early retirement or commutation of pension for cash, and;
- Legislative changes could also lead to an increase in the schemes' liabilities.

The trustees 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 trustees 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 schemes' liabilities. The average duration of the defined benefit obligation at 31 December 2020 is 17 years (2019: 17 years).

Actuarial assumptions	2020	2019
Discount rate	1.30%	2.10%
Price inflation	2.30%-2.90%	1.90%-2.90%
Future pension increases	2.20%-2.85%	1.80%-2.85%
Life expectancy at age 65 for:		
current pensioners - males	87.0	86.7
current pensioners - females	88.7	88.7
future pensioners - males	87.4	87.2
future pensioners - females	89.5	89.5

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.	+5.4m	(2019 +£4.8m)
Increase inflation assumptions by 0.1% p.a.	+£4.2m	(2019 +£3.7m)
Change mortality assumptions to SAPS SINA (-1 year) CMI 2011 (1%)	+£14.5m	(2019 +£11.3m)

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 2020

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 2020 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 2020 £m	Plan % 2020	Market value 2019 £m	Plan % 2019
Corporate bonds	-	-	2.5	57.1
Cash	-	-	1.9	42.9
Total fair value of assets	-	-	4.4	100.0

All assets excluding cash are unquoted investments.

Amounts recognised in the Income Statement:

	2020 £m	2019 £m
Non investment expenses	0.1	0.1
Finance costs	-	0.1
Finance income	-	(0.1)
Total defined benefit expenses	0.1	0.1

Changes in the present value of the defined benefit obligation:

	2020 £m	2019 £m
Opening defined benefit obligation	2.7	2.8
Finance costs	-	0.1
Actuarial losses	0.2	0.1
Bulk transfer to the Lookers Pension Plan	(2.9)	-
Benefits paid	-	(0.3)
Closing defined benefit obligation	-	2.7

Financial changes was a loss of £0.2m (2019: £0.1m).

Changes in the fair value of scheme assets:

	2020 £m	2019 £
Opening fair value of scheme assets	4.4	4.5
Finance income	-	0.1
Actuarial gains	0.5	0.2
Bulk transfer to the Lookers Pension Plan	(4.8)	-
Benefits paid	-	(0.3)
Non investment expenses	(0.1)	(0.1)
Closing fair value of scheme assets	-	4.4

The Group contributed an additional £nil in 2020 (2019: £nil) to fund accruing pensions and expects to make no pension contributions in 2021 following the transfer of the remaining assets and liabilities to the Lookers Pension Plan in 2020.

Notes to the Financial Statements

For the year ended 31 December 2020

26. Pensions (continued)

Actuarial assumptions

	2020	2019
Discount rate	N/A	2.10%
Price inflation	N/A	1.90%-2.90%
Future pension increases	N/A	2.85%
Life expectancy at age 65 for:		
current pensioners - males	N/A	86.7
current pensioners - females	N/A	88.7
future pensioners - males	N/A	87.3
future pensioners - females	N/A	89.4

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.	N/A	(2019 + £negligible)
Increase inflation assumptions by 0.1% p.a.	N/A	(2019 + £negligible)
Change mortality assumptions to SAPS SINA (-1 year) CMI 2011 (1%)	N/A	(2019 + £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 surplus of the scheme.

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 2020 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 2020 £m	Plan % 2020	Market value 2019 £m	Plan % 2019
Equities	6.2	46.2	9.1	67.6
Corporate bonds	7.2	53.3	4.2	31.2
Cash	0.1	0.5	0.2	1.2
Total fair value of assets	13.5	100.0	13.5	100.0

All assets excluding cash are unquoted investments.

Amounts recognised in the Income Statement:

	2020 £m	2019 £m
Non investment expenses	-	-
Finance costs	0.3	0.3
Finance income	(0.3)	(0.3)
Total defined benefit expenses	-	-

Changes in the present value of the defined benefit obligation:

	2020 £m	2019 £m
Opening defined benefit obligation	14.2	12.6
Finance costs	0.3	0.3
Actuarial losses	1.8	2.0
Benefits paid	(0.5)	(0.7)
Closing defined benefit obligation	15.8	14.2

Demographic changes was a gain of £nil (2019: £0.2m), other actuarial experience from financial assumptions was a loss of £1.8m (2019: £1.5m) with an experience loss of £nil (2019: £0.7m).

Notes to the Financial Statements

For the year ended 31 December 2020

26. Pensions (continued)

Changes in the fair value of scheme assets:

	2020 £m	2019 £m
Opening fair value of scheme assets	13.5	11.4
Finance income	0.3	0.3
Actuarial (losses)/gains	(0.1)	2.2
Contributions by employer	0.3	0.3
Benefits paid	(0.5)	(0.7)
Closing fair value of scheme assets	13.5	13.5

The Group made contributions of £0.3m (2019: £0.3m) during the year and expect to make a similar level of contributions in the future to fund current service costs and deficit repayments.

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 2019. This was agreed between the trustees and the Group. Contributions of £0.3m were made to the plan in 2020. 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 schemes' liabilities;
- The level of price inflation may be higher than that assumed, resulting in higher payments from the schemes;
- 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 schemes' 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 trustees 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 trustees 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 schemes' liabilities. The average duration of the defined benefit obligation at 31 December 2020 is 15 years (2019: 15 years).

Notes to the Financial Statements

For the year ended 31 December 2020

26. Pensions (continued)

Actuarial assumptions

	2020	2019
Discount rate	1.30%	2.10%
Price inflation	2.30%-2.90%	1.90%-2.90%
Future pension increases	2.85%	2.85%
Life expectancy at age 65 for:		
current pensioners - males	87.0	86.7
current pensioners - females	88.7	88.7
future pensioners - males	87.9	87.9
future pensioners - females	89.9	89.9

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	(2019 + £0.2m)
Increase inflation assumptions by 0.1% p.a.	+£0.1m	(2019 + £0.1m)
Change mortality assumptions to SAPS SINA (-1 year) CMI 2011 (1%)	+£0.7m	(2019 + £0.6m)

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 £5.6m (2019: £4.8m).

27. Subsequent events

COVID-19

On 4 January 2021 a third national lockdown was implemented. The business has been able to continue to operate with pre-booked aftersales service being provided supplemented by new and used car sales activity being carried out via Click & Drive. This activity has continued in earnest up to 12 April 2021 when all of the Group's dealerships fully re-opened and began trading normally. The Board continues to consider the effects of COVID-19 as being within its underlying activities.

FCA regulatory matters

On 2 March 2021 the Group announced that the FCA had advised the Board of its decision to close the investigation against Lookers Motor Group Limited, the Group's FCA regulated entity, for the possible mis-selling of regulated products, and associated issues relating to potential customer detriment. In closing the case, the FCA further advised the Board that it did not intend to use its statutory powers to apply any sanctions against the Group in relation to the matters under investigation. As the investigation specifically covers the period from January 2016 to June 2019, the Group is satisfied that the FCA confirmation represents an adjusting event after the balance sheet date as this provides evidence that there was not an obligating event and have therefore released the £10.4m provision into non-underlying items in the year ended 31 December 2020.

Banking facilities

In May 2021 the Group successfully renegotiated its revolving credit facilities with its existing Banking Club for an initial amount of £150m with an extension to September 2023. The amended facilities include core leverage, interest cover and EBITDA covenants which are tested on a quarterly basis commencing 30 June 2021.

Notes to the Financial Statements

For the year ended 31 December 2020

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 Director interests:	2020	-	0.1	-	-
	2019	0.9	0.4	-	-

During both the years ended 31 December 2020 and 31 December 2019, Group companies made purchases at market prices from Bramall Properties Limited. During the year ended 31 December 2019, Group companies made sales at market prices to Winterquay Limited, Bramall Properties Limited and Vantage Motor Group Limited. These are considered to be related parties due to them having directors common to those of Lookers plc.

Details of key management remuneration are shown in Note 5.

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 2020

30. Reconciliation of Alternative Performance Measures

The Group uses a number of Alternative Performance Measures (APM) 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 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 APM which reflect the underlying performance on the basis that this provides users of the Financial Statements with additional useful information to better assess the core business performance of the Group. Details of the definitions of APM are made within the Glossary on pages 181 to 182. A reconciliation of the statutory measures to the APM is set out below:

	2020	2019 (restated)
Like-for-like revenue		
Revenue (£m)	3,699.9	4,806.5
Less: Non like-for-like revenue	(52.1)	(225.6)
Like-for-like revenue (£m)	3,647.8	4,580.9
Gross profit margin		
Revenue (£m)	3,699.9	4,806.5
Gross profit (£m)	411.0	513.1
Gross profit margin (%)	11.1%	10.7%
EBITDA and underlying EBITDA		
Operating profit/(loss) (£m)	30.9	(12.8)
Add: Depreciation (£m) - Note 3	51.2	52.3
Add: Amortisation (£m) - Note 3	4.8	6.1
EBITDA (£m)	86.9	45.6
Add: Non-underlying items (£m) - Note 4	12.1	49.7
Underlying EBITDA (£m)	99.0	95.3
Underlying operating profit (£m)		
Operating profit/(loss) (£m)	30.9	(12.8)
Add: Non-underlying items (£m) - Note 4	12.1	49.7
Underlying operating profit (£m)	43.0	36.9
Underlying profit before tax and underlying basic EPS		
Profit/(loss) before tax (£m)	2.0	(45.7)
Add: Non-underlying items (£m) - Note 4	12.1	49.7
Underlying profit before tax (£m)	14.1	4.0
Tax rate (%)	19.0%	19.0%
Underlying tax (£m) - Note 9	(2.7)	(0.8)
Underlying profit after tax (£m)	11.4	3.2
Weighted average number of shares in issue - Note 9	390,138,374	389,182,654
Underlying basic EPS (p)	2.93	0.83
Property portfolio and property portfolio by share		
Property, plant and equipment (£m)	399.9	429.2
Less: Other property, plant and equipment (£m) - Note 12	(31.2)	(38.5)
Less: Motor vehicles (£m) - Note 12	(68.0)	(69.2)
Property portfolio (£m)	300.7	321.5
Share capital at 31 December - Note 24	390,138,374	390,138,374
Property portfolio per share (p)	77.1	82.4
Net debt excluding lease liabilities and rental vehicle finance liabilities		
Bank loans and overdrafts (£m)	283.7	209.8
Less: Cash and cash equivalents (£m)	(243.0)	(150.3)
Net debt (£m)	40.7	59.5

Franchise & Distribution Outlets

Aston Martin Belfast	Ford Transit Centre Chelmsford Colchester Gateshead Leeds Middlesbrough Sheffield	Mercedes-Benz Ashford Brighton Canterbury Eastbourne Gatwick Maidstone Shrewsbury Stafford Stoke-on-Trent Stourbridge Tonbridge Walsall Wolverhampton Worcester	Smart Ashford Brighton Eastbourne Gatwick Maidstone Shrewsbury Stoke-on-Trent Tonbridge Wolverhampton Worcester
Audi Ayr Basingstoke Dublin Farnborough Edinburgh Glasgow Guildford Hamilton Newcastle Stirling Teesside Tyneside Wearside	Honda Orpington	MINI Crewe Stafford Stoke-on-Trent	Toyota Belfast Dundonald Newtownabbey
Bentley Belfast	Hyundai Dundonald	Nissan Belfast Carlisle Chester Gateshead Leeds Newcastle Newtownabbey Newtownards	Vauxhall Belfast Birmingham Chester Ellesmere Port Lisburn Liverpool Newtownabbey Portadown Selly Oak St Helens
BMW Crewe Stafford Stoke-on-Trent	Jaguar Aston Clinton Belfast Glasgow West London	Polestar Manchester	Volkswagen Blackburn Blackpool Carlisle Darlington Guildford Battersea Newcastle Northallerton Preston Silverlink Teesside Walton-on-Thames
Citroen Belfast	Jeep Belfast	Peugeot Belfast	Volkswagen - CV Glasgow Guildford Newcastle Teesside
Cupra Stockport	Kia Belfast Chester Newcastle Stockport	Renault Belfast Carlisle Chester Newcastle Newtownabbey Newtownards Stockport	Volvo Colchester Glasgow Stockport
Dacia Belfast Carlisle Chester Newcastle Newtownabbey Newtownards Stockport	Land Rover Aston Clinton Battersea Belfast Bishop's Stortford Chelmsford Colchester Glasgow North Glasgow South Lanarkshire West London	Seat Manchester Stockport	
DS Belfast	Land Rover Aston Clinton Battersea Belfast Bishop's Stortford Chelmsford Colchester Glasgow North Glasgow South Lanarkshire West London	Skoda Guildford Manchester Newcastle Stockport	
Ferrari Belfast	Lexus Belfast		
Ford Braintree Chelmsford Colchester Gateshead Leeds Middlesbrough Sheffield South Shields South Woodham Ferrers Sudbury	Maserati Belfast		

Accident Repair Centres

Belfast (+ CarsmeticNI)
Carlisle
Chelmsford
Glasgow
Maidstone
Middlesbrough
Newcastle

Fleet Financial

Belfast

Lookers Leasing

Harrogate

Motorcycles

BMW - Belfast
Honda - Belfast
Yamaha - Belfast

Parts Centres

Belfast (+ PSA Parts Distribution)
Birmingham
Chelmsford
Gateshead
Ipswich
Middlesbrough
Preston
Sheffield

Service Centres

Jaguar Chelmsford
VW - Wimbledon

TPS

Edinburgh
Glasgow North
Glasgow South
Newcastle
Teesside

Tyres

Belfast - Boucher Road
Belfast - Sydenham Road

Used Car Supermarkets

Belfast
Budget Direct
Dublin
Dundonald
Lisburn
Newtownabbey
Newtownards
Portadown
Van Centre

Vehicle Rental Services

Beaconsfield

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 irregularity 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 where 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.
Earnings before interest, depreciation and amortisation (EBITDA)	Operating profit before deducting depreciation and amortisation	A key metric of the Group's underlying business performance
Underlying earnings before interest, depreciation and amortisation (underlying EBITDA)	EBITDA before the impact of non-underlying items as defined above	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.
Underlying profit before tax	Profit before tax 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, vehicle rental 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

Glossary of terms (continued)

Performance measure	Definition	Why we measure it
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 in Note 30 to the Financial Statements. 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

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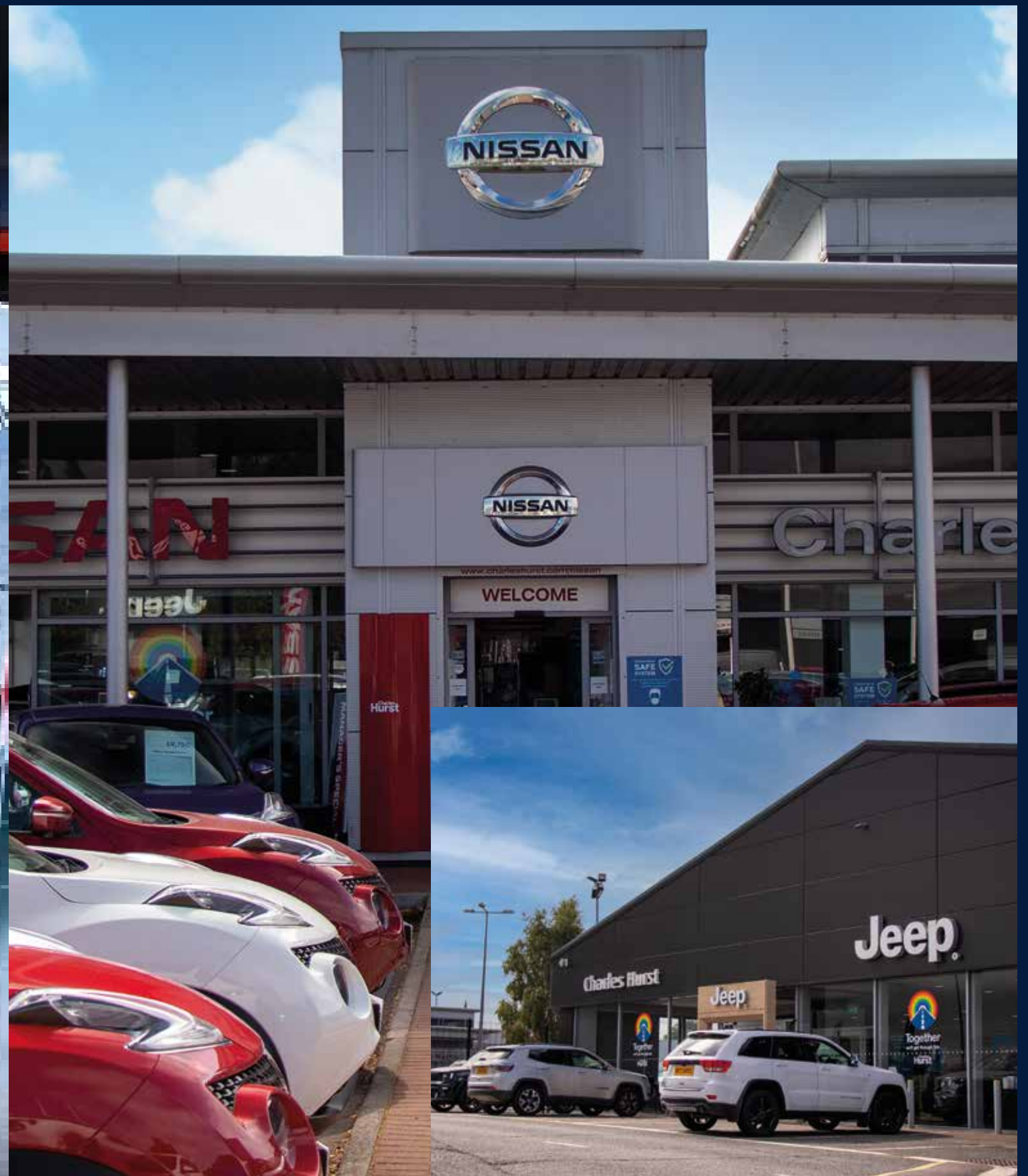
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