

Lookers plc

2021 Annual Report & Accounts The year of transformation



Click & Sell

The simple way to **sell your car**

Easy as...

- 1 FREE Valuation
- 2 Book an Appointment
- 3 Receive Payment


Click & Drive

The simple, contactless way to buy a car

Find Order Drive



SCAN FOR DETAILS



Sell your vehicle like a pro.

Start here, it's simple.

Enter your registration

VALUE MY CAR

How it works



Audi Glasgow

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Mercedes-Benz Gatwick

Strategic Review

Chair's statement

A year of transformation

This is my first annual report as Chair of Lookers, having joined the Group in October 2021. In these initial months I've been able to get out into the business, visiting dealerships and meeting colleagues. What I have been pleased to find are strong Original Equipment Manufacturer (OEM) Brand Partner relationships, supportive shareholders, and above all a fantastic, talented team working in a very strong underlying business, and one which is also undergoing an important transformation.

The Group has had to contend with an unprecedented year. There have been the global challenges of the continuing COVID-19 pandemic and supply chain issues driven by the shortage of semiconductor chips, as well as our own challenges of bringing our external financial reporting up-to-date, regaining the Group's listed status, the closure of the FCA investigation, and integrating the refreshed Board and Executive. It has been an immense yet worthwhile job to have pulled through all of these challenges.

Having navigated a difficult year I believe that Lookers is now at an exciting inflection point, able to look to the future having tackled many of the issues of the past and emerging as a stronger and more agile business. We are now well placed to prosper in an industry which is undergoing fundamental and exciting changes in the face of evolving consumer trends.

2021 was a year which brought a record underlying profit performance for Lookers despite operating in an environment which presented a series of challenges, not least COVID-19 completely closing showrooms at the start of the year. The whole Lookers team deserves credit and the Board's wholehearted thanks for delivering these results and adapting to tough conditions. This adaptability, resilience and ability to deliver demonstrates how the Group has moved on as a business and is now in a position to capitalise on future opportunities.

Lookers is a strong brand and we will be extending our capabilities in other automotive solutions and services to drive value for our shareholders over the medium to long-term. The Board remains committed to further improvements in the Group's internal controls framework to ensure that the past failures and weaknesses are not repeated, and that the Group can focus on delivering its strategy for the benefit of all stakeholders.

Strong performance

Considering the headwinds we faced during the year, the outcome is an impressive one.

We have delivered financial results which were significantly ahead of the Board's expectations at the beginning of the year, with substantial increases in all financial metrics – turnover up to £4.05 billion (2020: £3.70 billion), profit before tax to £90.0m (2020 restated: £1.5m), and net funds of £3.0m (2020: net debt £40.7m)* at the end of the year.

In May 2021 we agreed with our banking club a new credit facility providing an initial £150m expiring in September 2023. Further details are given in the Financial Review on page 28.

As a result of strong trading and cash generation during 2021 the Board took the decision to repay the £4.1m of Coronavirus Job Retention Scheme claims received in respect of the first half of the year, with repayment being made in September. In addition it committed not to make any further claims from July onwards. The Group has undertaken to repay £1.9m of non-essential retail sector COVID-19 grants received during 2021 in 2022.

The strong 2021 performance is partly a result of Lookers' outperformance of the new car market. Importantly, it was further enhanced by actions over recent years to restructure the business with a focus on cost and working capital controls. There have been other favourable dynamics including the fierce demand for used vehicles in light of constrained new vehicle supply and an aversion to public transport as a consequence of COVID-19, which has contributed to a strong margin performance.

The team has been creative and adaptable in introducing several important operational improvements, particularly to enhance our omni-channel customer offering. For example, we have launched 'Click & Drive', a contactless service allowing cars to be purchased online. Aligned to this, we now have Lookers branded delivery vans on the road, dropping cars to customers' doors across the country.

This financial and operational performance gives us a robust platform from which to refresh our strategy. We head down this road with a strong balance sheet, allowing us to pursue and invest in new opportunities from a firm base.

Refreshed strategy

The fast pace of change across the automotive industry – be it electrification, shifting consumer buying habits or evolving OEM Brand Partner business models, to name a few – means it has been important to reflect on our strategic direction. We intend to best position Lookers to adapt to the evolving landscape, allowing the business to capture the multiple opportunities and create a sustainable model which delivers long-term value to all stakeholders.

More detail is provided in the Business model and strategy section on page 16, demonstrating we are confident we have developed the right framework to focus our efforts to drive value as the UK's leading integrated automotive retail and services group.

First, we are developing a roadmap to maximise the returns from our core operations in the retail market, one that caters to both franchise and agency models. We see scope to expand our presence amongst some leading brands, further establish our presence in electric vehicles (EV) and boost our footprint in the used market through multi-brand locations. Secondly, we will consolidate and grow our fleet vehicle solutions, building our offer and capacity for corporate customers. Finally, we see scope for improving and growing our

*Alternative performance measure - see Note 29 to the Financial Statements



Ian Bull

“What I have been pleased to find are strong OEM Brand Partner relationships, supportive shareholders, and above all a fantastic, talented team working in a very strong underlying business, and one which is also undergoing an important transformation.”



automotive services proposition. We see these strategic developments as a logical expansion of our current operations, capitalising on our market position and expertise to provide a more cohesive and integrated offering to drive value for both customers and shareholders.

Our strategic priorities will be underpinned by developing our people and culture, continuing to invest in technology to strengthen our current and future data and analytics capability, further development of our omni-channel proposition, and ensuring that sustainability is built into the core of the business.

Lookers takes its environmental, social and governance (ESG) responsibilities seriously and, despite the challenges of 2021, further progress has been made, particularly in energy efficiency, involving more and better sustainability plans, and governance. This will remain a focus for the Board in 2022. As noted on page 82 we have announced our ambition to be net zero carbon by 2050 or sooner.

Dividends

The Board is delighted to confirm that 2022 will see a return to the

Company paying dividends, and is proposing a final dividend of 2.5 pence per share in respect of 2021 to be paid in June 2022. Thereafter the Board intends to adopt a progressive dividend policy, underpinned by a capital structure aimed at providing long-term sustainable returns to shareholders.

Board composition

As a year of transformation for the business, 2021 has seen further steps to reconstitute the Board to ensure that Lookers has the right mix of skills and experience for the future.

At an executive management level, Duncan McPhee was appointed as Chief Operating Officer in January 2021, having been in the industry for more than 25 years, 13 of which have been with Lookers. More recently, Oliver Laird joined as Chief Financial Officer (CFO) with effect from November 2021. Oliver is a seasoned CFO, with experience across a range of public and private businesses.

On 13 April 2021 Heather Jackson advised the Board of her decision to step down to focus on her increasing non-executive directorships and business interests. Paul Van der Burgh was appointed as Non-Executive Director in April 2021 and then as

Senior Independent Director from May 2021. And I joined in October, taking over from Phil White following his 15 year tenure with the business. I and the rest of the Board would like to record our sincere thanks to Phil for his leadership and resilience in steering the Group through an extremely challenging two years, and ensuring that it has emerged as a stronger and fitter business.

With effect from 6 April 2022, a further Non-Executive Director appointment has been made. Deborah Sherry, who is highly experienced in the technology and digital environment having held senior executive positions at leading technology companies around the world for over 20 years, will join the Board to provide additional Board skills that are crucial to the next phase of our strategy.

Outlook

In January the Board was delighted to welcome Constellation Automotive Group as a significant shareholder in the Group. Their investment endorses the Board's view that the Group has excellent prospects and is significantly undervalued. The 19.9% holding was purchased from Tony Bramall and family, who remain shareholders in the Group, and the Board would like to thank Tony for his years of service as a Director and for his support for Lookers.

We are mindful of the continuing COVID-19 pandemic, the deeply concerning current crisis in Ukraine, and significant cost of living increases putting pressure on disposable incomes, all of which mean some uncertainty for the business and our customers over the coming months. New car supply challenges also remain an issue and one that has continued into the current financial year.

However, we feel relatively well placed given our strong relationships with manufacturers and the operational improvements we have made and are making to the business. The Group's good cash flows and strengthened balance sheet backed by some £290m of property assets means that we can fund our expansion and strategic initiatives. Our order bank remains strong, and current trading is encouraging.

In conclusion, the Group is looking forward to the future with confidence. It has emerged from the challenges of the past couple of years stronger and with a clear strategy to navigate future challenges and drive value for all our stakeholders.

Ian Bull

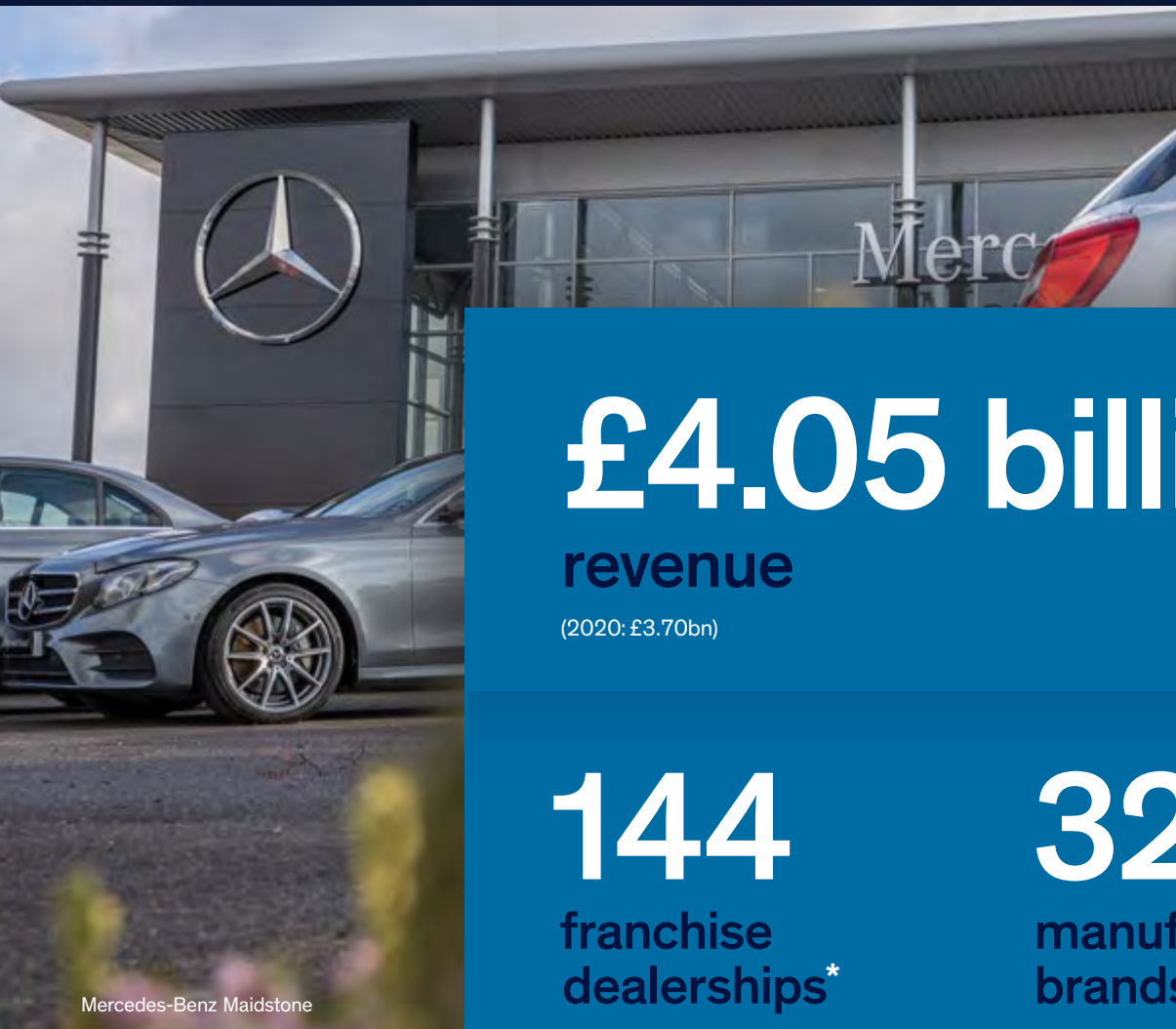
Chair

5 April 2022



Kia Newcastle

2021 at a glance



Mercedes-Benz Maidstone

£4.05 billion

revenue

(2020: £3.70bn)

144

franchise
dealerships*

(2020: 150)

32

manufacturer
brands*

(2020: 32)

Sold more than 173,000

new & used cars and light
commercial vehicles

(2020: more than 164,000)

*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 185.





BMW Stoke-on-Trent



Land Rover Bishop's Stortford

12.8%

gross profit margin (2020: 11.1%)

£90.1m

underlying profit before tax (2020 restated: £13.7m)

£61.2m

profit after tax (2020 restated: loss £4.6m)

15.65p

basic earnings per share (2020 restated: 1.18p loss per share)

£3.0m**

net funds (2020: £40.7m 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.

THE KEY FOCUS FOR **2021** HAS BEEN **THE JOURNEY** BACK TO NORMALITY FOLLOWING A DIFFICULT FEW YEARS IN THE GROUP'S HISTORY

JANUARY



- Premium listing restored



- **Duncan McPhee** promoted from within the business to the role of Chief Operating Officer
- COVID-19 closes all our dealership showrooms
- Aftersales open, web and phone orders possible and unaccompanied test drives taking place whilst dealerships closed

MARCH

- FCA closes its investigation with no sanction
- Digital, contactless and aftersales customer experience improvements launched
- Mental health initiative with Mind launched to support staff

APRIL



- **Paul Van der Burgh** joins as Non-Executive Director
- 44,000 cars sold during closure in Q1



- Dealership showrooms re-open following lifting of COVID-19 restrictions
- Launch of new retail website
- Stock supply issues related to the availability of semiconductors first identified

MAY



- RCF renewal with banking club finalised
- Fleet business secures new corporate fleet customers

JUNE

- Staff return from Furlough

JULY

- Virtual staff conference held

SEPTEMBER

- H1 results highlight strong trading despite COVID-19 related disruption



- All government CJRS grants received in 2021 repaid (£4.1m)
- Transactional banking consolidation project implemented
- Supply issues persist and engagement with OEMs to assess likely impact continued
- Significant improvement in used stock levels seen
- Future order bank at record levels

OCTOBER



- **Ian Bull** appointed as new Non-Executive Chair
- Head office refurbishment commences ahead of the launch of new flexible working policies
- Radio campaign launched to attract technicians



NOVEMBER



- **Oliver Laird** joins as the new permanent Chief Financial Officer
- Click & Sell launched



- Lookers expands home delivery with new fleet of specialist vans
- Developed carbon literacy automotive toolkit in conjunction with AutoTrader

DECEMBER

- Board agrees to repay £1.9m of non-essential retail sector COVID-19 grants received
- Almost 190 apprentices recruited during the year

































“We have achieved an incredible amount on this journey over the year which sets us in good stead to continue to grow and achieve our ambitions.”



BMW Stoke-on-Trent

Our business...

Car & commercial vehicles

 1 ASTON MARTIN	 13 AUDI	 1 BENTLEY	 3 BMW	 1 CITROËN
 1 CUPRA	 7 DACIA	 1 DS AUTOMOBILES	 1 FERRARI	 16 FORD
 1 HONDA	 1 HYUNDAI	 4 JAGUAR	 1 JEEP	 5 KIA
 10 LAND ROVER	 1 LEXUS	 1 MASERATI	 14 MERCEDES-BENZ	 3 MINI
 8 NISSAN	 1 PEUGEOT	 1 POLESTAR	 7 RENAULT	 2 SEAT
 4 ŠKODA	 3 SMART	 3 TOYOTA	 10 VAUXHALL	 12 VOLKSWAGEN
 4 VW COMMERCIALS	 3 VOLVO			

Motorcycles

 1 BMW	 1 HONDA	 1 YAMAHA
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Mercedes-Benz Gatwick



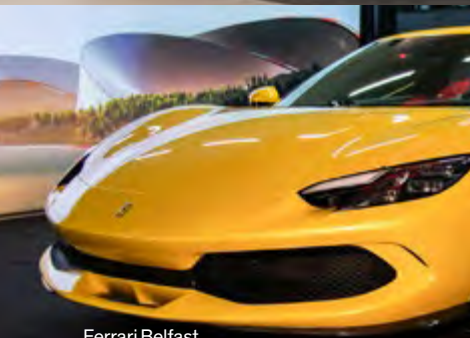
Audi Glasgow



Ford Middlesbrough

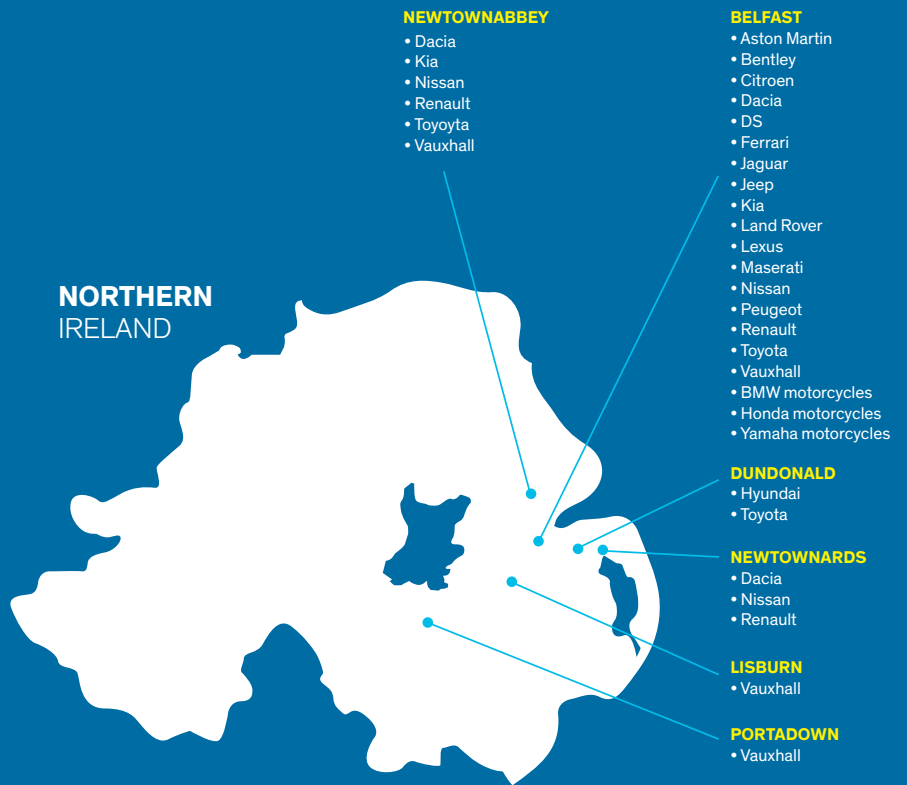


VW Battersea



Ferrari Belfast

Our locations...

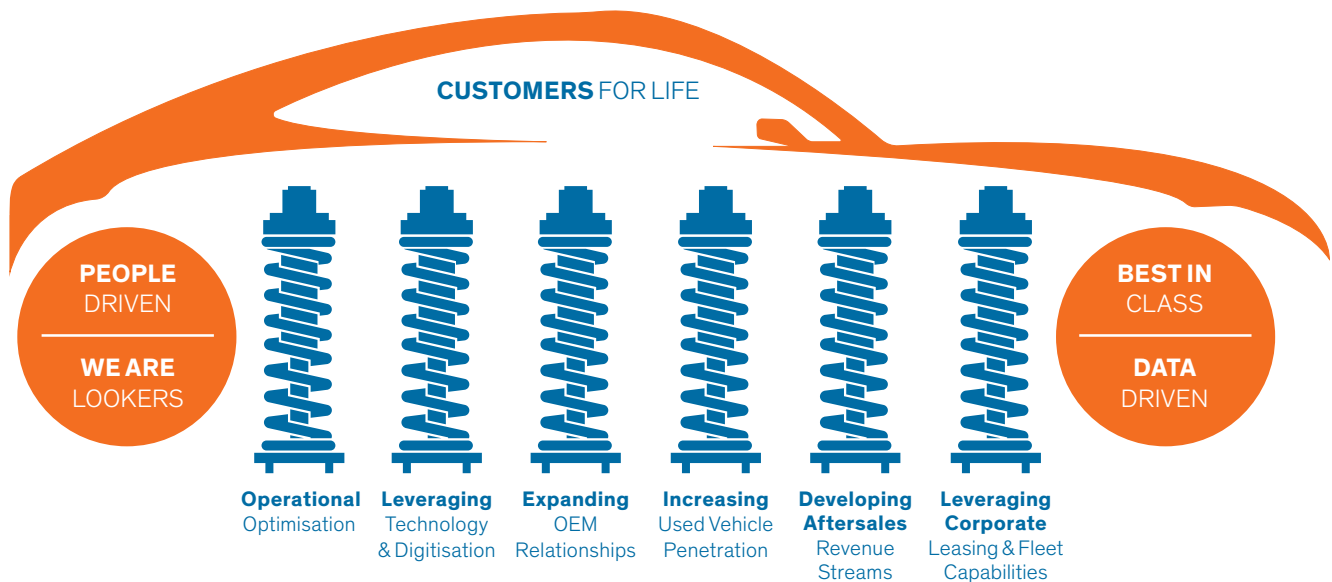




Business model and strategy

OUR VISION

“To become the UK’s **leading** integrated automotive retail and services group”



What we are about

Lookers proudly represents 32 manufacturer brands (OEM Brand Partners) selling new and used vehicles and providing aftersales services including maintenance and repair at 144 franchise locations and via online services, across the UK and Ireland. We operate three leasing businesses, a fleet business, and 11 multi-franchise standalone used car centres, 3 accident repair centres, and mobile service and cosmetic repair vehicles.

The market

The sales of new and used vehicles is expected to remain strong over the next decade with UK forecasts in excess of 8m units per year (source: www.smm.co.uk). Market data highlights a significant shift towards Electric Vehicles (EV) for new vehicle sales over this period, with sales of new ICE (internal combustion engine) vehicles being banned from 2030. This presents opportunity to continue to build upon the scale and capabilities of our business and provide additional services to support the changing requirements of EVs, in both their provision and support, with over 40% of the used car market expected to be EVs by 2032.

Strategic Board review

In October 2021 the Board commenced a comprehensive review of external market dynamics with an objective of refreshing the Group's strategic direction. The review considered a wide range of factors including changing consumer behaviour, the impact of EVs, the competitive landscape, developing relationships with OEM Brand Partners, changing technology, the regulatory landscape, and economic and political factors. This review resulted in a set of key conclusions:

1. Dealers and agents will continue to play a key and long-term role

supporting OEM Brand Partners in the sustainable distribution of new vehicles to both retail and fleet customers. Over the coming years, some OEM Brand Partners will pursue an agency-based distribution model which is likely to materially change operating disciplines and processes and may encourage further UK network consolidation and optimisation.

2. Efficiency, productivity and cost control will become increasingly important to delivering sustainable returns as OEM Brand Partners and their franchise/agency partners seek to reduce distribution costs. They have had a sustained period of investment in technology targeted at reducing emissions and this has placed additional pressure on their margins. UK economic conditions over the next few years are likely to be characterised by increasing cost pressures, rising interest rates and competition for skilled labour.

3. Analysis and research shows that consumer behaviours have changed significantly and permanently during the COVID-19 pandemic. Whilst some customers seek a pure online experience, the majority expect a hybrid omni-channel model which puts them in control and requires supporting physical infrastructure.

4. The adoption of EVs will accelerate more quickly than anticipated providing opportunities in both the retail and corporate markets. The traditional aftersales content of an EV is lower than its combustion engine counterpart but there are many new opportunities which may offset this, such as those relating to supporting new technology and connected vehicles, and battery and charging related.

5. New entrants are seeking to disrupt the scaled used car market which remains highly attractive and presents significant opportunity for both new and existing players.

Strategic priorities

We defined six strategic priorities which target business growth opportunities whilst ensuring that we continue to operate efficiently:

1. Operational optimisation
2. Leveraging technology and digitisation
3. Expanding OEM Brand Partner relationships
4. Increasing used vehicle penetration
5. Developing aftersales revenue streams
6. Leveraging corporate leasing and fleet capabilities

Each priority is owned by an accountable business lead to ensure that associated activities are appropriately managed, integrated and delivered.

1. Operational optimisation

The need for continued simplification and harmonisation of systems, procedures and organisational structures. This includes reward and incentives, performance measures, management reporting and customer relationship management. There are opportunities to continue to optimise and deliver sustained benefit and enhanced returns across the core business. There are five key areas of operational optimisation focus:

- Enquiry management and lead conversion across both new and used cars
- Improved aftersales penetration of older vehicles
- Improved penetration and renewal of finance products
- Greater working capital and used inventory control
- Leveraging of scale benefits in all procurement areas across the Group to reduce cost

2. Leveraging technology and digitisation

In the second half of 2021, the Board made the decision to standardise the Group's approach to its Dealer Management System (DMS) with the aim of having the entire portfolio on a single and standardised platform. This development is fundamental to achieving the Board's operational optimisation aspiration. At the end of 2021 approximately two thirds of the Group's portfolio was completed with the remainder on track for completion by mid 2023, therefore representing significant progress to date in digitising our sales and aftersales processes.

The Board is delighted to announce that it has recently entered an agreement for the complete replacement of its current customer facing showroom system. The new system will accelerate a sector leading customer experience in support of the Group's omni-channel aspirations as well as driving enhanced productivity, strong regulatory compliance and improved customer relationship

management (CRM) and analytical capability. Rollout is expected to be complete in the first half of 2023. Both these developments are critical to fully support the Group's transition to a digital based retailer.

3. Expanding OEM relationships

The Group enjoys strong relationships with all its OEM Brand Partners and will continue to expand through both the franchise and agency models, selecting and implementing the appropriate model whether an existing or a new partner. The Group is delighted to have recently reached agreement with Mercedes-Benz UK to act as agent from January 2023. This is a unique opportunity to redefine the operating model with a view to enhancing the customer experience and generating long-term sustainable returns. In 2021 the Group also entered into a new agency agreement with Polestar and we see this as a growing relationship which has provided a unique opportunity to experience pure EV retailing. We are in active discussions with a number of other pure EV brands with a view to providing representation in the UK.

The Group continues to be presented with a range of acquisition opportunities and has identified a number of brands it wishes to grow with. Any acquisitions are likely to be infill in nature, subject to strict capital allocation hurdles and contiguous with the Group's current geographic representation points.

4. Increasing used vehicle penetration

The UK used car market at approximately 7.5m units each year represents a scaled and significant opportunity. In 2021 the Group sold just over 83,000 used units representing a market share of less than 2%. The Group has a core franchise position in used car retailing, but the market is being challenged by well-funded new entrants. We believe that all the major used car platforms are converging towards a core omni-channel proposition which will initially co-exist and then consolidate over future years. The Group already operates 11 multi-franchise standalone used car centres which trade under Lookers Direct and Premium Direct brands.

In order to protect and grow its position in this key market and build on its existing foundations, the Group intends to expand its independent multi-franchise used vehicle credentials. A search is underway for two used vehicle supercentres which would be supported by smaller adjacent satellite operations, click and collect locations, existing franchised locations, and various centralised preparation and logistics infrastructure. The business would be highly integrated with existing operations with commonality of vehicle supply sources.

5. Developing aftersales revenue streams

The current UK car parc consists of approximately 34m vehicles which is forecast to remain static over the next decade (Source: www.smm.co.uk). By 2030 EVs are expected to make up approximately 40% of the UK car parc. As EV penetration rises the Board believes that this will present a number of new challenges and opportunities for aftersales revenues. We believe that, working with OEM Brand Partners, this risk can be more than mitigated through increased penetration into the older vehicle segment, increasing use of prepaid maintenance programs and new connected car services. Following a detailed review of the vehicle repair market and an extensive trial, we

Business model and strategy

have identified an incremental opportunity in the growing cosmetic repair market which is an area not impacted by the electrification agenda. The Group currently uses a number of external cosmetic repair providers in the preparation of its own used inventory. We have recently recruited a new management team to drive this initiative and the Group intends to roll out new static and mobile cosmetic repair infrastructure and equipment to approximately 50 of the Group's existing sites, which will be complete by the middle of 2023. Initial capacity exists and in 2022 will be focussed on the Group's own used vehicle preparation requirements but will be expanded later through other business-to-business (B2B) and business-to-consumer (B2C) channels.

6. Leveraging corporate leasing and fleet capabilities

The Group operates three leasing businesses: Lookers Leasing, Fleet Financial and Vehicle Rental Services (VRS). In aggregate these entities have a combined fleet size of approximately 12,000 units and contributed approximately £11m of profit before tax to the Group's full year 2021 results.

We consider the corporate leasing sector to be an important and complimentary market for the Group to operate within, providing stable, predictable revenue streams as well as new subscription-based product opportunities. Following the appointment of dedicated management resource, the Board has commenced the process of integrating and combining the leasing operations with a view to creating a single, multi-product offering to the Group's corporate customers under a single umbrella brand of Lookers Vehicle Solutions.

In addition, it is anticipated that a number of realistic synergistic benefits are possible in the combined operation as well as providing a valuable integrated supply of used car de-fleets in the Group's used vehicle operations. The conservative management of residual value risk and a ready supply of economic vehicle funding facilities, are seen as fundamental disciplines in this marketplace, and in this regard the Board is exploring joint opportunities with third party funding providers.

How we create value:

- **For our customers:**

We aim to have customers for life, and strive for the best customer experience and highest customer satisfaction scores.

- **For our shareholders:**

We generate revenue through the sale, support, and provision of new and used vehicles and in doing so, contribute shareholder value. We have a keen focus on margin and manage our cost base ensuring efficiency and optimisation. Over the medium to long-term we aim to create value for our shareholders via capital growth and dividends.

- **For our people:**

We employ over 6,500 people and our feedback tells us that our people are engaged with the business.

People driven

Our people are our most important asset. We aim to build an empowering and safe environment with a culture based on always doing the right thing.



Best in class

Committed to best in class performance and delivering long-term sustainability for our brand partners. Relationship based on mutual respect and trust.

We are Lookers

We aim to keep things simple with consistent processes and systems, so our people are equipped with the right tools to do the right thing for our customers.

Data driven

Technology is a key business enabler. We aim to deploy technology creatively in all areas of the business to drive real competitive advantage and benefit our customers, our people and our brand partners.

Customers for life

Continuous focus on putting customers at the heart of everything we do, ensuring right first time, safe outcomes, building loyalty and a long lasting relationship.

Lookers Business Model

The business model is designed to ensure a full service provision in providing the right brands at the right location, selling and supporting new and used vehicles through retail, mobility, fleet and leasing channels. With operational excellence, people, technology and data driving our business, we put our customers at the heart of everything that we do, building loyalty and gaining **'Customers for Life'**.



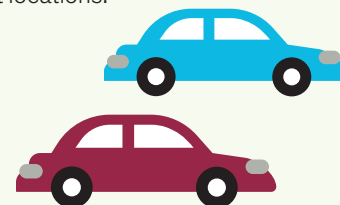
Product & portfolio planning

We continuously monitor the market to generate accurate and valuable insight, ensuring that we can plan and prepare for emerging trends and structure our business model and value chain to support this. Data and intelligence is key in adapting and evolving our business to operate effectively and efficiently within our changing environment. This ensures that we are able to profile and optimise our stock and services provisions.



Vehicle inventory Management

With 32 brands we continue to build upon our valued partnerships with OEM Brand Partners and other suppliers. Strengthening our overall provision capabilities whilst ensuring quality, consistency and transparency. Stock control is a priority in ensuring that we have the right vehicles at the right locations.



Leveraging Technology & Digitisation

1



Operational Optimisation

OPTIMISED & INTEGRATED



2

Marketing

We adapt our marketing approach to support changing customer preferences through the ongoing digital evolution, capitalising in the growth of online and mobile applications, whilst maintaining more traditional approaches. We seek to promote our products in the right place, at the right price, and to the right people, offering new and existing products in new and existing markets. Our approach focuses on meeting the current needs whilst laying foundations for emerging trends and remaining versatile in our approach.



Portfolio management

With a 144 franchise locations and 32 brands across the UK and Ireland, we continually review our product and service capabilities. We drive a customer, people and performance culture, providing an adaptable service to continually optimise facilities, locations and processes, in operating with efficiency and with a customer and brand focus. We ensure that our people are trained to the highest standards and are fully engaged and committed to deliver for our customers.

RIGHT BRANDS
at the
RIGHT LOCATIONS

5

Expanding
OEM
Relationships

Brands available
32

Leveraging
Corporate
Leasing & Fleet
Capabilities



New & used vehicle sales

We are expanding and continually enhancing our sales capabilities, striving to ensure that our customers have choice in how they interact and engage with us. We aspire to ensure that our customers are delighted with our overall service, building loyalty and a long lasting relationship - becoming **'Customers for Life'**. We maintain one of the largest retail footprints in the sector, with direct access to one of the largest stocks of quality new and used vehicles.

6

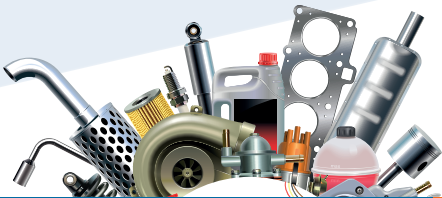


**CUSTOMER
CENTRIC**

Increasing
Used Vehicle
Penetration



4



Parts distribution

With 144 franchise locations and as a trusted OEM parts supplier for both in-house repair of vehicles and the provision of parts to our customers, it is essential that we manage our inventory effectively. We seek to ensure that the complex supply process is optimised, with efficient processes and robust planning, ensuring that we have parts where and when we need them and to the quality we expect.





Finance & insurance

We provide our customers extended services with our partnerships with a trusted network of companies. We aim to make the buying process for our customers easier, with ownership options to suit individual needs.

10



Electric vehicles & charging

The new and used vehicle market is expected to remain very strong, although there is a continued shift away from Internal Combustion Engines (ICE) to Electric Vehicles (EV) and we are continuing to target further traction towards EVs and the associated charging and battery revenue opportunities. The UK is investing heavily in battery provision in downstream supply, and we plan to work closely to this area.

7



Major, minor & cosmetic repairs

We provide repairs of all types from major damage insurance work to cosmetic repairs including alloy wheel refurbishment. There is a growing opportunity in cosmetic upkeep, and we have enhanced our capabilities and continue to grow them in this area.

9



Developing Aftersales Revenue Streams

8

Servicing & maintenance

With 144 franchise locations supported with dedicated fixed and mobile units with advanced equipment, our highly trained staff provide market leading servicing capabilities, whether scheduled maintenance, vehicle diagnostics or repair. Including tyres, batteries, exhausts wheel alignment and maintenance plans.

FULL SERVICE PROVISION



In conversation:

Mark Raban | Chief Executive Officer



Mark Raban

“As a result of the hard work, determination and flexibility of my outstanding colleagues we have delivered record underlying profitability and further strengthened our balance sheet. The Group is looking forward to the future with confidence.”

What were the key highlights of 2021?

I'm delighted with our overall performance during the year in the face of a number of challenges including the continued COVID-19 pandemic, tight supply of both new and used vehicles, and the ongoing recovery of Lookers itself from several difficult years. As a result of the hard work, determination and flexibility of my outstanding colleagues we have delivered record profitability, further strengthened our balance sheet with a net cash position, and established firm foundations for a strong and sustainable Lookers for the future.

This was against the backdrop of ongoing COVID-19 related disruptions, not least our dealerships being closed during the first quarter. As we emerged from lockdown and customers returned to showrooms, it became apparent that supplies of new vehicles would be severely limited because of the global shortage of semi-conductors. This had an unprecedented impact on the used vehicle market with stock shortages and materially higher pricing. It was a situation not seen before and one that still continues.

The resilience shown by the business in the face of this was nothing short of remarkable. In particular, 2021 once again proved the strength of our OEM Brand Partner franchised relationships, and

we worked closer than ever to successfully navigate testing trading conditions.

Our Board was further strengthened in 2021 and I am delighted to be working very closely with our new Chair, Ian Bull, and Chief Financial Officer, Oliver Laird.

What are the key trends in the sector at present?

There is no doubt in my mind that automotive retail is at an exciting point in time with many significant opportunities ahead.

The transition from internal combustion engines (ICE) to electric vehicles (EV) is the biggest change ever to face the sector. Non hybrid, full electric vehicles represented 17.7% of the UK new car market in February 2022 and under current UK government policy, from 2030 the sale of new cars powered solely by traditional petrol or diesel engines will be banned. Barriers to making the switch to electric - such as range limitation, battery costs and infrastructure rollout - are all reducing. I personally believe the take up of EVs will accelerate faster than most expect. At Lookers we aim to be at the forefront of the EV revolution, which is a really exciting prospect.

We are also seeing significant changes in consumer behaviour. Customers are rapidly becoming less reliant on in-person visits or calls to showrooms, and increasingly turning to new technology as they interact with the business. We strongly believe it is up to the customer how they do business with us, so have strengthened our omni-channel offering, something which is proving very successful. We will continue investing in this winning formula, a good example being the new Lookers-branded delivery vans which are now out on the road, delivering cars to customers' doors.

Relationships with OEM Brand Partners remain strong. Mutual commitments to these partnerships are the foundation for an enduring and successful future. Together we are exploring new ways of working based around the principles of great customer experience delivered as efficiently and cost effectively as possible. We currently act as both franchisee and agent for our OEM Brand Partners and expect the trend towards agency-based partnerships to gather momentum over the next few years. We will work with OEM Brand Partners to maximise the opportunities presented by this new landscape.

What challenges is the market facing?

Vehicle supply remains very tight, with some customers facing long waits on new car orders. We expect the situation to begin easing towards the end of 2022. We are mindful of the volatility in the used car market this is causing, and the potential impact the normalisation of supply may have, so continue to manage our inventory cautiously. I would like to thank all our customers for their patience and flexibility as we move through this unprecedented situation.

UK inflationary pressures have also been well documented. We are seeing significantly increased demand for skilled labour. At Lookers we believe our colleagues are our most important asset, so have recently refreshed reward and incentive schemes to ensure we continue to recruit and retain the best people. In addition, we are facing cost pressures in several other areas of the business which we are seeking to offset as much as possible through driving further productivity and efficiency improvements. However, the very concerning situation in Ukraine has added both significant global uncertainty and increased inflationary pressures.

Experience built up over the past 18 months and a more stable and substantially improved business means we are relatively well placed to deal with a changing COVID-19 landscape, but we remain vigilant despite the complete relaxation of restrictions in the UK.

How is Lookers adapting for the future?

The industry is evolving at pace, but one imperative remains which is to put the customer at the centre of everything we do, ensuring that the Lookers proposition and service is top drawer. Underpinning this strategy is our focus on people, culture, technology and sustainability considerations.

As we look to the future, we see a need to build on our core strategy to adapt to a rapidly changing environment.

First and foremost, we will continue our strong focus on operational optimisation and organic growth. Lookers has expanded significantly via acquisition over recent years and there is much potential to improve as we achieve greater levels of simplification and standardisation. Using both our existing and new technology is key to achieving this, as well as maximising the opportunities that EVs present.

As the franchised sector continues to consolidate and new entrants gather momentum in the used car arena, we believe the time is right to look at selectively expanding our representation with both existing and new brands. In addition, the Group currently operates 11 standalone multi-franchise used car centres and we intend to increase our footprint and credentials in this important and scaled market.

We consider the corporate market to be a very important growth area. The Group already operates three leasing companies and a number of fleet centres. Our objective is to bring our corporate businesses closer together, giving our corporate customers a better range of product and service choices.

Lastly, as electrification gathers momentum, we believe it is important to diversify our automotive services and aftersales offering to protect and build revenues. We have recently launched our new cosmetic repair business which we intend to roll out nationally throughout 2022 and 2023. In addition, we are working with all our OEM Brand Partners and other external parties to determine how best to obtain a deeper penetration into the important older vehicle servicing market.

Overall Lookers is very well positioned to fulfil its new vision of becoming 'The UK's leading integrated automotive retail and services Group'.

What does the car dealership of the future look like?

It's a challenging question. We are working with all our OEM Brand Partners to develop a joint view of what the future holds. I don't see 'a one size fits all' solution as each brand has its own aspirations and view of the future. That said, there are some common themes which will dominate thinking over the next few years.

It is clear the trend towards omni-channel retailing is set to continue at pace. This, combined with the EV rollout, will have far-reaching implications on the way we do business in the future. I see a growing focus on customer service and advice as customers start to embrace and understand electrification and broader home energy management issues. We are heavily investing in training, development and infrastructure to make sure we are ready for these new challenges.

It is also clear the aftersales arena is going to look different in the future. EVs present some challenges to traditional aftersales revenue streams such as lubricants but there are also new opportunities such as complementary software and connected car technology.

How are you feeling about the future?

Very excited. Lookers' experienced team and strong balance sheet underpinned by a flexible and largely freehold property portfolio and strong OEM Brand Partnerships means we are well placed to adapt the business, embrace future change in the market and maximise the opportunities ahead.

I remain incredibly proud of all my Lookers colleagues and believe we look to the future a stronger and better business.

Mark Raban

Chief Executive Officer
5 April 2022

Operating review

Market overview

New vehicle sales

In 2021 the new vehicle market (cars and vans) grew by 4% to 2,002,561 registrations but was still significantly behind 2019 levels. In H1 2021 the market grew by 44% but declined by 22% in H2 as the supply of new vehicles was severely impacted by semiconductor supply shortages. The Group's performance largely mirrored the market with growth in H1 of 45%, followed by a decline of 24% in H2. Across the year the Group's new vehicle sales grew by 4%.

New retail registrations in 2021 grew by 10% compared to 7% growth in the market, whilst new fleet and business registrations remained relatively static, compared to a market which grew by 2%.

Across the market registrations of pure diesel and petrol engines continued to decline. New car diesel registrations declined by 48% and petrol car registrations declined by 16%. Battery electric vehicles (BEV) registrations increased by 76%, representing 12% of the UK new car registrations. The Group increased registrations of BEV by 63%. Lookers' electric vehicles market share remained comparatively static demonstrating the opportunity available for the Group to represent more electric brands in the future. It is very encouraging to note that growth of electric vehicle sales was equally strong in both the fleet and retail channels. Previously the fleet channel had been dominant, driven by the tax treatment of electric vehicles. Retail customers are becoming increasingly aware of electric vehicles and the clear benefits of ownership.

Throughout 2021 the Group kept pace with the new car market and currently enjoys a 5% share of the overall UK retail vehicle market. In addition, the Group had a forward order bank at 31 December 2021 of almost 20,000 new passenger cars, the highest level ever recorded. Combined with improved margins and robust cost control this is a strong indicator of a positive start to 2022.

Nationally, light commercial vehicle (LCV) registrations increased by 21% compared to 2020. The Group's market share declined slightly by 1%, a result of a more selective approach to certain fleet business.

Used vehicle sales

In 2021 the used vehicle market grew by 12% to 7,530,956 units (SMMT data reporting on change of ownership). The Group recorded an increase in sales of 8% (on a LFL basis).

The imbalance between supply and demand in the used vehicle market in 2021 has resulted in unprecedented appreciation of used vehicle values and therefore margins. The Group's margin per unit increased by 54% in H1 and 45% in H2, with an overall increase across the year of 44%. The increased margin includes the impact of the used car market but also several self-help actions and robust inventory control.



Approved Used Car Centre Middlesbrough

Unprecedented unit margins alongside increased volumes resulted in a 53% increase in used vehicle gross profit compared to 2020.

Aftersales

Aftersales operations have faced challenges due to the continued global pandemic with a reduction in new vehicle registrations, labour shortages, re-seasonalisation of the market and restricted parts distribution and availability. Despite these challenges our aftersales gross profit grew by 13% year on year (LFL).

People focus

The Group has retained a tight control of expenses despite rolling out a market leading pay plan to all sales and aftersales colleagues including management to protect long-term staff retention and making Lookers an employer of choice. The industry has also seen challenges in employment with high demand for skilled labour. The Group has been able to mitigate much of this through various initiatives, including standardising pay plans, driving up basic salaries and continued engagement with apprentice programmes to ensure stability.

Operations summary

Total revenue for the year was £4,050.7m (2020: £3,699.9m), which was 9.5% higher than 2020. All revenue streams apart from leasing and other increased, mainly due to an easing of COVID-19 restrictions when compared to 2020.

Analysis of revenue

Revenue	2021 £m	2020 £m	Variance	2021 LFL £m	2020 LFL £m	LFL Variance
New vehicles	1,866.2	1,709.3	9.2%	1,860.1	1,687.0	10.3%
Used vehicles	2,038.7	1,779.1	14.6%	2,031.0	1,754.9	15.7%
Aftersales	429.2	383.8	11.8%	424.8	371.0	14.5%
Leasing and other	136.9	148.4	(7.7%)	136.8	136.0	0.6%
Less: intercompany	(420.3)	(320.7)		(418.4)	(373.5)	
Total	4,050.7	3,699.9	9.5%	4,034.3	3,575.4	12.8%

Analysis of gross profit

Gross profit	2021 £m	2020 £m	Variance	2021 LFL £m	2020 LFL £m	LFL Variance
New vehicles	131.3	109.2	20.2%	128.3	106.2	20.8%
Used vehicles	180.3	117.9	52.9%	179.8	116.9	53.8%
Aftersales	182.2	164.6	10.7%	180.4	160.0	12.8%
Leasing and other	22.8	19.3	18.1%	22.8	18.0	26.7%
Total	516.6	411.0	25.7%	511.3	401.1	27.5%
Gross margin %	12.8%	11.1%		12.7%	11.2%	

Gross profit was £516.6m (2020: £411.0m) an increase of £105.6m on prior year. Gross margin at 12.8%, was 1.7 percentage points ahead of 2020. This increase in gross profit was driven by the imbalance of supply versus demand due to semiconductor shortages, and a strong used vehicle market that saw vehicle values appreciate in 8 out of the 12 months during 2021, which resulted in significantly improved margins on both new and used vehicles.

New vehicles

	2021	2020	Variance	2021 LFL	2020 LFL	LFL Variance
Retail unit sales	38,657	35,226	9.7%	36,851	34,750	6.0%
Fleet unit sales	51,310	51,329	0.0%	51,243	50,865	0.7%
Total unit sales	89,967	86,555	3.9%	88,094	85,615	2.9%
Gross margin %	7.0%	6.4%		6.9%	6.3%	

Note: Retail/fleet unit split for 2020 has been restated to bring the Group into line with the definition used by industry body the SMMT.

The sale of new vehicles represented 25.4% (2020: 26.6%) of total gross profit.

The COVID-19 pandemic and global semiconductor shortage had a material impact on UK new car registrations in 2021 with a market total of 1.647m registrations which was marginally up against 2020.

The overall H1 new car market was up 39% on a year-on-year basis despite showrooms remaining closed in Q1 due to COVID-19

Operating review



VW Battersea

restrictions. H2 by comparison reduced by 25% with the most significant drop off in September where registrations dropped by 34% versus 2020 where vehicle supply was heavily impacted by semiconductor shortages. The combination of new vehicle supply constraints and huge consumer demand across the full year 2021 led to extraordinary market conditions which resulted in improved new vehicle margins. Overall retail market registrations were up 7% in 2021 vs prior year. Lookers retail unit sales were up 10% therefore outperforming the retail car market for the full year 2021. This was driven by advancements made in our digital capability and enhancements made in our omni-channel offering.

Gross margin was 7.0% (2020: 6.4%), 0.6 percentage points ahead of 2020. The full year increase includes a notable movement from 6.5% in H1 to 7.7% in H2 as new vehicle supply started to come under pressure.

Used vehicles

	2021	2020	Variance	2021 LFL	2020 LFL	LFL Variance
Retail unit sales	83,141	78,341	6.1%	82,873	76,976	7.7%
Gross margin %	8.8%	6.6%		8.9%	6.7%	

The sale of used vehicles represented 34.9% (2020: 28.7%) of the total gross profit. Like-for-like unit sales improved by 7.7%.

Gross margin was 8.8% (2020: 6.6%) 2.2 percentage points ahead of 2020. This was driven by improved disciplines with regards to used inventory management and a strong market that saw used vehicle values appreciate during several months of the year.

The Group has continued to focus on robust stock management through various actions, specifically:

- Driving down time taken to prepare used vehicles to retail standards (mechanical and cosmetic)
- Enhanced online imagery through use of new technology and inclusion of video content
- Improved speed to web
- Repatriation initiative to improve retention of used vehicles through retail, fleet, leasing and rental channels

Further initiatives and enhancements to the above activities will be introduced in 2022 as part of the Group's operational optimisation strategic priority.

Aftersales

	2021	2020	Variance	2021 LFL	2020 LFL	LFL Variance
Revenue £m	429.2	383.8	11.8%	424.8	371.0	14.5%
Gross margin %	42.5%	42.9%		42.5%	43.1%	

Aftersales represented 35.3% (2020: 40.0%) of total gross profit. On a like-for-like basis aftersales revenues increased by 14.5% versus 2020.

Labour sales in 2021 were up 10% on the prior year, with overall parts sales up 17% against 2020, resulting in a small dilution of total aftersales margin percentage, but still leading to a 10.7% increase in gross profit.

Workshops remained fully operational throughout 2021 despite periods of increased pressure due to COVID-19 infection rates and self-isolation.

The Group continued its focus on aftersales customer retention through the sale of service plans and extended warranty. Active service plan agreements reduced in 2021, as expiring policies have not been fully replaced by new service plans, a consequence of lower new car sales over 2020 and 2021 compared to previous years. The decline has been partly offset by increased sales of extended used vehicle warranty policies, achieved through a rationalisation of our warranty product offering together with simplified pricing. This improves our customer proposition as well as contributing to the Group's overall aftersales retention strategy. Retention of the older vehicle parc will be a key focus area under the Group's operational optimisation strategic priority.

The Group has also focussed on enhancing the customer experience by digitalising the aftersales journey with the introduction of integrated online service bookings, self-check in from home, workshop vehicle tracker updates, video health checks, and integrated online payment options.

Financial review

Financial review

The Group's income statement is set out in the table below. Profit before tax in the year is reported as £90.0m (2020 restated: £1.5m). The key elements of this strong financial performance are contained within the Operating Review of the report.

	2021 £m	2020 (restated) £m
Revenue	4,050.7	3,699.9
Cost of sales	(3,534.1)	(3,288.9)
Gross profit	516.6	411.0
Net operating expenses	(402.5)	(380.4)
Operating profit	114.1	30.6
Underlying operating profit*	114.2	42.8
Non-underlying items*	(0.1)	(12.2)
Finance costs	(24.1)	(29.1)
Profit before taxation	90.0	1.5

Operating expenses

Net operating expenses include central administrative and operating costs such as IT, sales support centre, insurance, costs in relation to the Group's head office and professional fees. Pre-non underlying items and pre-Coronavirus Job Retention Scheme (CJRS) net operating costs increased by £6.7m. These costs reflect further investment during 2021 in people in key risk management functions. It also reflects additional professional fees associated with relisting the Company's shares and the successful completion of the FCA investigation.

Across 2021 and 2020 the Group has received Government assistance in relation to the COVID-19 pandemic. In H1 2021 £4.1m was received under CJRS (2020: £34.9m (£27.5m within net operating expenses)) and subsequently repaid in H2. Further support of £1.9m (2020: £nil) of non-essential retail sector COVID-19 grants and £9.8m (2020: £10.2m) of rates reductions under the business rates holiday scheme were received during the

	2021 £m	2020 (restated) £m
Salary costs	227.8	227.6
Vehicle and valeting costs	43.4	46.9
IT	19.3	14.0
Insurance, legal and professional	13.3	11.9
Utilities and maintenance	30.4	26.1
Depreciation and amortisation	34.9	34.5
Other	33.3	34.7
Net operating expenses before CJRS receipts and non-underlying items	402.4	395.7
CJRS receipts	-	(27.5)
Non-underlying items	0.1	12.2
Net operating expenses	402.5	380.4

*Alternative performance measures – see Note 29 to the Financial Statements

year. At the balance sheet date the Group had committed to repay the £1.9m of non-essential retail sector grants.

Taxation

The Group's taxation charge for the year is £28.8m (2020: £6.1m), which is a composite of a current year corporation tax charge of £12.2m (2020: corporation tax credit of £0.4m) and a deferred tax charge of £16.6m (2020: £6.5m). The increase in the tax charge for the year reflects the material increase in profits chargeable to taxation and an increase in the Group's deferred tax liability due to a rise in the substantially enacted future UK corporation tax rate from 19% to 25%.

Cash flow

	2021 £m	2020 (restated) £m
Profit for the year before tax	90.0	1.5
Depreciation and amortisation	53.9	56.2
Other non-cash items	2.8	6.3
Contribution to defined benefit pension scheme	(13.2)	(11.6)
Rental fleet and leasing purchases	(58.9)	(51.5)
Working capital changes	6.3	29.5
Tax (paid)/refunded	(16.3)	7.8
Cash inflow from operating activities	64.6	38.2
Capital expenditure	(17.4)	(16.8)
Finance lease rentals collected	2.9	4.0
Business and property disposals	11.8	18.0
Net investing activities	(2.7)	5.2
Funding movements for vehicle leasing	(3.8)	(9.3)
Repayment of lease liabilities	(16.4)	(15.7)
Net financing activities	(20.2)	(25.0)
Non-cash movement in prepaid finance costs	2.0	0.4
Total movement in net debt	43.7	18.8
Net debt at 1 January	(40.7)	(59.5)
Net funds/(debt) at 31 December	3.0	(40.7)

The Group remained highly cash generative during the financial year. Net funds (excluding lease liabilities, vehicle rental liabilities and stocking loans) at 31 December 2021 were £3.0m (2020: net debt £40.7m). The Group continues to focus on working capital, with inventories and debtors reducing year on year. At the balance sheet date stocking loans totalled £248.1m (2020: £210.0m), equivalent to 80% of goods for resale (2020: 82%).

Total capital expenditure during the year amounted to £52.3m, of which £34.9m relates to vehicles purchased for long-term leasing, £14.1m relates to refurbishment and maintenance expenditure, and £3.3m investment in IT development. Capital expenditure increased as initiatives that were delayed during the earlier stages of the COVID-19 pandemic, were reintroduced in 2021. Capital expenditure will likely remain at this level in the near term as the Group continues to deliver on its strategic priorities and further development of our EV infrastructure capabilities.



Oliver Laird

“Capital allocation is a central pillar to the Board’s decision making process, and the Group’s objective is to maximise long-term shareholder returns through a disciplined deployment of cash generated.”

Financial review



Bank funding

Throughout the year the Board was focused on protecting the Group's liquidity position and reducing the Revolving Credit Facility (RCF). As at 31 December 2021 the Group moved into a net funds position of £3.0m (2020: net debt of £40.7m). This reduction has been delivered through the exceptional trading performance, increased cost control and a robust approach to capital allocation.

In May 2021 we agreed with our banking club (The Bank of Ireland, Barclays, HSBC, Lloyds, NatWest) a new RCF providing an initial £150.0m expiring in September 2023. The facility limit stepped down by the value of net disposal proceeds from surplus property disposals. The net impact reduced the RCF limit to £142.8m as at 31 December 2021. Under the facility, interest is charged at between 3.25% and 3.75% (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 months.

Given the strong cash generation of the Group, the Board elected to voluntarily reduce the RCF down to £95.0m in January 2022. We would like to take this opportunity to thank our banking club for all their support throughout 2021.

Pension schemes

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

The Lookers Pension Plan receives additional pension contributions of £12.0m per annum plus expenses and PPF Levy, all subject to increases linked to CPI. The next triennial valuation of the scheme takes place as at 31 March 2022, following which the Group will enter into negotiations of future contributions.

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 2021, the aggregate IAS19 pension deficit is £43.2m (2020: £79.3m). The significant year on year decrease arises as the result of an increase in the deficit contributions from the Group and higher returns on the assets invested. This is further enhanced by a reduction in the plan liabilities due to an increase in the discount rate driven by rising corporate yield bonds, albeit slightly offset by a rise in inflation.

Relatively small changes in the basis 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.

Capital allocation policy

Capital allocation is a central pillar to the Board's decision making process. Management believe that the Group needs to continue to invest in the business in order to grow revenues and profit. This investment is expected to include capital expenditure within existing operations and strategic priorities that are value enhancing to the Group's strategy and are returns accretive. The Group should maintain a strong balance sheet with low levels of gearing, where long-term debt is used to ensure the business remains robust in a retail sector that is cyclical by nature. The Group's objective is to maximise long-term shareholder returns through a disciplined deployment of cash generated, and it has adopted the following capital allocation policy:

Capital expenditure

The Board will invest in capital assets to support demand in our chosen markets. Capital expenditure will include maintenance capital expenditure in the range of £10.0m to £15.0m per annum. The Group will also invest capital expenditure to deliver our strategic priorities and IT systems to provide an omni-channel service to all of our customers. The Board has appetite to expand representation with existing and new brand partners which are entering the UK EV market.



Dividends

The Board intends to pay a regular dividend to shareholders, with a policy of progressively growing dividends through the business cycle. The target dividend cover will be 3.5x to 4.5x for FY22 onwards, following an initial dividend paid in respect of FY21.

Leverage

The Board is committed to maintaining an efficient balance sheet. To support this, the Group will target net debt in the range of +/- 0.5 times EBITDA depending on working capital requirements throughout the year (although it is prepared to operate outside this if circumstances warrant). To support this range of leverage, the Group will continue to prioritise stocking funding to finance inventory and target a stocking funding ratio of eligible vehicles in the range of 85% - 95%.

Shareholder returns

The Board will continue to review the Group's balance sheet in light of the capital allocation policy, and medium-term investment requirements, and will return excess capital to shareholders if and when appropriate. Methods of return for excess capital will be evaluated at the time.

Dividends

The Board intends to adopt a progressive Dividend Policy. The Board is pleased to be proposing a final dividend of 2.5 pence per share. This dividend will be paid on 24 June 2022 to shareholders on the register at close of business on 20 May 2022. The Board intends to maintain a capital structure that is conservative, yet efficient in terms of providing long-term sustainable returns to shareholders.

Non-underlying items

Non-underlying income and expenses are items that are not incurred in the normal course of business and are sufficiently significant and/or irregular to impact the underlying trends in the business. During the year the Group has recognised a net charge of £0.1m of pre-tax non-underlying items against a charge of £12.2m in 2020. The Group recorded net gains of £2.4m (2020:

£3.1m) on the sale of a number of freehold properties during the current year. In addition, the current year charge includes non-cash impairments (principally property, plant & equipment and right of use assets) amounting to £1.9m, as well as restructuring costs totalling £0.6m.

Prior year adjustments

During the year the Group identified a number of leases where our IFRS 16 lease calculations contained errors. We have included the impact of these errors as a prior year adjustment. Full details of this adjustment are set out in Note 1.

*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 29 to the Financial Statements.

Oliver Laird

Chief Financial Officer
5 April 2022

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.	2021: £4,050.7m 2020: £3,699.9m	1,3,4
Gross profit	Gross profit generated across the Group. This is a key metric as it shows growth from our core trading activities. This metric is linked to our long-term strategy.	2021: £516.6m 2020: £411.0m	1,3,4
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. This metric is linked to our long-term strategy.	2021: £90.1m 2020 (restated): £13.7m	1,3,4
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. This metric is linked to our long-term strategy.	2021: 20.07p 2020 (restated): 2.97p	1,3,4
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.	2021 Net funds: £3.0m 2020 Net debt: £40.7m	1

* Alternative performance measures defined in Note 29 of the Financial Statements.



Volvo Stockport

Non-financial KPIs			
KPI Objective	Definition	Performance	Link to risk factor
New retail car performance v SMMT	This metric shows the annual performance over the year of the Group's new retail car registrations (in % terms) relative to the market, by comparing to data provided by the Society of Motor Manufacturers and Traders (SMMT). This KPI supports our long-term strategy.	2021: +2.4 percentage points 2020: +5.4 percentage points	1
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 Partner relationships and business models change.	2021: 89,967 2020: 86,555	1,3
Group used car sales	Number of used vehicles sold in units. This KPI supports our operational and medium term objectives.	2021: 83,141 2020: 78,341	1,3
Employee satisfaction	In 2020 we introduced a pulse survey to measure engagement across a number of topics. The survey was internally developed, but the Group intends to adopt a third party standard survey in future. The Group measures response rates to gauge the overall employee engagement with the survey.	2021: 68% 2020: 53%	2, 4
Customer satisfaction	This metric shows customer reviews from Reputation.com, and supports our focus on putting customers at the heart of everything we do.	2021: Average rating 4.5/5 2020: Average rating 4.2/5	1,4

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 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 part of the normal course of business the Group is exposed to a wide range of risks, both internal and external. The identification and management of those risks is integral to the achievement of our strategic 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. Management identify risks and assess the effectiveness of our control environment on an ongoing basis through robust risk management processes and reporting. 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. The design of this framework is laid out in our Risk Management Framework Policy that is subject to Board review and approval on an annual basis. The Board then expects the management team to own the risk management process, identify emerging risk, maintain ongoing dialogue with the business and our other stakeholders, providing management information to the Executive and the Board and keeping up to date with developments in the automotive sector and wider economy.

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 first line of business functions, 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** (line management and the wider business) own the risks and are responsible for the identification, assessment, management and reporting of those risks
- **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 on the controls

In addition to these three internal lines of defence, our external auditors play an important role through their consideration of the governance and control structure where this is relevant to financial reporting.

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. Aligned to our strategic planning, 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. The Board keeps the Group's risk appetite under periodic review in light of changing market conditions and the Group's performance and strategic focus.

Financial 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. We also produce, and the Board reviews and approves, a three year plan and updates to the annual corporate plan. 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 (ARC) reviews the appropriateness of the Group's accounting policies each reporting period, the application of IFRS and the reliability of the Group's system of control over financial reporting. The ARC considers reports from Executive Management, Internal Audit, the Risk and Compliance teams and the Group's external auditor.

The drive to improve the Group's financial reporting controls has continued through 2021 with oversight from ARC. Work will continue to further enhance those controls and ensure that the Group's financial reporting presents a true and fair reflection of the Group's financial position.

Overview of principal risks and uncertainties

Whilst demand and performance remained strong over the reporting period, we are mindful of potential headwinds as we pursue our strategic objectives in FY22. The upward inflationary pressure, and in particular a significant rise in energy costs, has the potential to impact consumer confidence and the Group's operating costs. In addition, the strain on supply chains continues with a particular impact on new car and parts supply as a result of the semiconductor shortage. These disruptions to supply have also seen an impact on used car valuations which will have to be closely managed across the year.

At the time of writing the geopolitical position in Europe is fast changing as a result of the conflict in Ukraine, and this is likely to place further pressure on supply chains, inflation, and potentially consumer confidence.

The following tables give an overview of the Group's 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 as we pursue our strategic objectives we anticipate that the profile will need to be kept under close review.

At a glance principal risks & uncertainties FY 21

Risk	Impact compared to FY20	Risk	Impact compared to FY20
Strategic & market risk	↑	Regulatory & conduct risk	↓
Operational risk	↔	Financial risk	↔

Principal risks and uncertainties key

↑	Increasing
↔	No change
↓	Decreasing

Strategic and business risk

No.	Principal risk and description	Impact	Mitigating activity
1	<p>Strategic & market risk Whilst demand currently remains strong, there is a risk that macro economic factors or insufficient strategic planning and/or poor execution result in a failure to deliver our strategy and create shareholder value. Factors include:</p> <ul style="list-style-type: none"> A need to monitor and react to macroeconomic changes that impact consumer confidence or business costs. General inflationary pressure, and in particular on energy costs, together with supply chain interruption (notably the semiconductor shortage) are key drivers in our belief that the profile of this risk is increasing. Inflation led interest rate rises in the period. Relationships with the manufacturers. Ability to adapt to changing market demands including autonomous driving, EVs and shared mobility demands. The potential impact of new entrants, including online competitors and/or significant consolidation activity. Any potential new COVID-19 variants that lead to additional restrictions and/or interruption to the supply chain. 	<ul style="list-style-type: none"> Inflationary pressure on the cost of living could impact consumer confidence and subsequently their propensity to buy. Inflationary pressure could also increase our own costs and impact our profitability. Any further rise in interest rates will impact the cost of borrowing for the business and the ability of consumers to buy. The evolving needs of the manufacturers as they explore alternate routes to market, including a switch from franchise to agency could impact revenue and operating models. Product mix that fails to reflect consumer demand for greener vehicles and lower demand for diesel vehicles could impact revenue and profits. Strains on the supply of new vehicles and vehicle parts, could impact the ability to convert orders taken and maximise aftersales opportunities. Failure to create or protect shareholder value. The pursuit of an ambitious strategic change agenda could place strain on delivery capability and capacity which if not carefully managed could cause strain on core activities. 	<ul style="list-style-type: none"> We closely track performance against strategic objectives allowing dynamic adjustments to be made to inventories, pricing and procurement processes in order to respond to market forces. We maintain manufacturer/brand diversity in order to reduce risk of a shift in consumer demand from one product offering to another. 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. This includes proactively working with them on the opportunities that a switch to an agency model represents. 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 pandemic is carefully managed so that the firm is best placed to react to government restrictions or operational issues. We are working closely with our OEM Brand Partners who manage the global automotive supply chain 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
2	<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 security and cyber risk There is an increasing risk that our systems could be subject to a successful cyber-attack rendering our data and systems as inaccessible and/or the group subject to ransom demands.</p> <p>Information technology risk The risk that Lookers fails to develop, deploy and maintain technology solutions that are stable, reliable and deliver to business need.</p> <p>Data privacy risk The risk that Lookers information, including that of colleagues and customers, is not captured, retained, used, protected and disposed of in accordance with its value and our legal and regulated obligations.</p> <p>Business continuity risk The risk that Lookers cannot operate and deliver expected business outcomes when under unexpected stress from business disruption, system failure, crisis or multiple unforeseen factors acting concurrently.</p>	<ul style="list-style-type: none"> Operational risk has the potential to materially impact the operational resilience of the Group. Given the varied nature of those impacts we have outlined some of those considered key below. The Group could be subject to cyber-attack resulting in business interruption, theft of data or ransom. Such an attack could also result in significant reputational damage and a reduction in consumer and stakeholder confidence. Technology is key to the successful execution of the group's strategy. A failure to identify, manage and report on our IT risk could result in being unable to meet our current and future business objectives, or keep pace with technological change. It could also result in a logistical crisis or an inability to recover from a significant failure. The Group fails to adequately control personal information and meet GDPR requirements. 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. 	<ul style="list-style-type: none"> We have operational risk policies which are regularly reviewed. We have an incident management process that ensures major incidents are dealt with appropriately and actively progressed to resolution. We undertake risk and control assessments to monitor compliance. Following the successful programme of work across 2020 and 2021, we were able to put in place a package of cyber insurance and third-party support and continue a wide-ranging programme of work to enhance our cyber and information security controls. We continually consider the future landscape and invest in our IT infrastructure to maximise our opportunities. We have set minimum standards for the identification, assessment, management and reporting of IT risk and adopt continuous improvement methodology for our existing technology as well as prioritising the work according to our assessments of security and resilience exposure. We have invested significantly in the period in IT disaster recovery approaches and frameworks to further improve our operational resilience. We have continued to tighten our control of personal data in accordance with the GDPR requirements, investing significantly in our capability and capacity, both in people and systems. We operate a business continuity framework with business continuity plans and a crisis management approach.

Operational risk (continued)			
No.	Principal risk and description	Impact	Mitigating activity
2	<p>Health, safety and wellbeing risk The risk to the health, safety or wellbeing of any person, or non-compliance with health & safety legislative requirements, caused by a lack of governance, risk management and application of appropriately defined safe working processes and procedures.</p>	<ul style="list-style-type: none"> The Group fails to meet Health and Safety Executive (HSE) legislation leading to the risk of personal injury and/or fines and legal action. 	<ul style="list-style-type: none"> 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 in line with COVID-19 requirements. 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.



Kia Newcastle

Risk overview and management

Financial risks			
No.	Principal risk and description	Impact	Mitigating activity
3	<p>Financial risk Our primary financial risk focus is on the risk that Lookers does not hold enough liquid assets to meet our financial obligations. This is further subdivided into:</p> <ul style="list-style-type: none"> • Funding risk - the risk that Lookers is unable to meet its strategic and business objectives due to lack of funding availability; • Liquidity risk - 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, and • Pension risk - the risk that Lookers does not adequately manage pension liabilities or fails to manage funding of its pension schemes. 	<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 and vehicle financing arrangements leading to a reduction in profitability which may adversely change the lending decision by banks. • Failure of the Group to secure bank funding and vehicle financing arrangements leading to lack of cash to meet short-term funding needs owing to banking covenants being breached. • Failure to manage the pension deficits leading to an increase in those deficits which impacts on the level of additional contributions 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 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 management accounts are monitored. • We ensure that the relationships with our banking club and vehicle finance providers is kept under continual review including compliance with undertakings and covenants. • The management of this risk has been under close review throughout the period of the COVID-19 pandemic with immediate management action taken to ensure an appropriate level of liquidity and funding at all times. • The Group received support in 2021 from the Government's emergency measures for businesses, notably the Coronavirus Job Retention Scheme, which has been subsequently repaid in 2021. • We strive to achieve optimal working capital efficiency and debt repayment forecasting. • We continually maintain open dialogue with the banking club and we concluded a re-finance of the Group's RCF (Revolving Credit Facility) in May 2021 for an initial amount of £150.0m. • Furthermore, we have continued open dialogue with our vehicle financing providers to ensure sufficient facilities are available to support the working capital needs of the Group. • We maintain a good relationship with the pension trustees and keep both the trustees and regulator informed as we have managed the business. • 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.

Regulatory risk			
No.	Principal risk and description	Impact	Mitigating activity
4	<p>Regulatory and conduct risk</p> <ul style="list-style-type: none"> The Group is subject to a number of regulatory regimes and as such there is risk of failure to comply with applicable laws, regulations, and codes. Poor behaviours, attitudes, motivations and actions could lead to unfair customer outcomes, a failure to meet the minimum standards expected of a premium listed entity of the London Stock Exchange or poor standards of conduct in our trading activities. Lookers is also exposed to the risk that we could be 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"> Potential failure to manage regulatory relationships effectively resulting in regulatory sanction, financial loss or restriction of the Group's regulatory permissions. A culture that does not put the customer at the heart of everything we do. Ineffective governance and monitoring arrangements leading to unfair customer outcomes. 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. 	<ul style="list-style-type: none"> The risk and compliance function has continued to embed, ensuring constructive, open and transparent relationship with our regulators and other stakeholders. We have invested significantly in strengthening our Company Secretariate in the period to support with the commitments of a premium listed entity. We have reviewed and refreshed our regulatory rule mapping to ensure applicable regulations remain covered and that we have an appropriate compliance framework. Where required, we have engaged appropriate external advisors to support the Board and senior management in assessing compliance with our legal and regulatory obligations. We have ensured that fair customer outcomes are embedded within our strategic planning process and as we look to execute our strategic aims we will be doing so with the interests of our customers and other stakeholders central to our planning. Our remuneration incentives, commissions and performance management practices are being designed to drive the right behaviours helping to deliver fair customer outcomes. Our financial crime framework continues to embed with further work over the period on our risk assessment and the financial crime policies and procedures that are informed by it.



Charles Hurst Auto Complex Belfast

Going concern and viability statement

Going concern and viability statement

At the time of approving the financial statements, the Board of Directors is required to formally assess that the business has adequate resources to continue in operational existence for a period of at least 12 months from the date of the approval of the 2021 financial statements and as such can adopt the 'Going Concern' basis of accounting. The Board is also required to state that it 'has a reasonable expectation that the Group will continue in operation and meet its longer-term liabilities as they fall due' (the Viability Statement). To support this statement, the Board is required to consider the Group's current financial position, its strategy, the market outlook, and its principal risks. The Board have assessed the viability and prospects of the Group over the three-year period to 31 December 2024. This is aligned to the Group's 'Base Case' approved by the Board in January 2022. The Base Case has been subjected to sensitivity analysis, in which a number of the main underlying assumptions have been adjusted and tested to consider several 'severe but plausible' downside scenarios which are described below.

Following this review, the Board have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and continues to adopt the going concern basis of accounting in preparing the annual financial statements. The Board have reached this conclusion based on the following considerations.

Key judgements and mitigating actions

In assessing whether the Group is a going concern the Board have considered the potential impact on future revenues, profits and cashflows as a direct result of the ongoing pandemic, the on-going shortage of semiconductors, and a potential steep decline in new and used gross profit margins.

Over the longer-term viability period, the Board have considered the impact of the scenarios noted above as well as the potential impacts of automotive technological changes, digital disruption and changing customer behaviours, potential business model changes of our key suppliers, and macroeconomic factors which may cause unplanned increases in the Group's cost base.

In forming their conclusions, the Board have also considered the potential mitigating actions that the Group could take to preserve liquidity and ensure compliance with the Group's financial covenants. In doing so, judgement has been applied in determining whether such actions would be reasonably possible to execute as well as the financial impact of taking such actions. In terms of mitigating actions, the Board would take immediate decisive actions should the need arise.

Modelling potential downside scenarios

In their consideration of going concern and future viability of the Group, the Board have reviewed future profit forecasts and cash projections, 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.

As detailed in Risk Overview and Management on page 34, the Group identifies risks on an ongoing basis through a robust risk management process. We have stress tested our detailed plan, considering severe but plausible scenarios which are aligned to the Group's risk appetite and principal risks as documented on pages 35 to 39. 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 have used their experience to model three different downside scenarios, to ascertain the Group's ability to continue as a going concern. Firstly, a 'sales volume reduction' scenario where potential stock restrictions caused by the impact from semiconductor shortages reduce Base Case new and fleet volumes by 40% between March 2022 and September 2022, gradually building back to Base Case volumes by January 2023. Secondly, a 'pandemic' scenario, where lockdown measures occur between December 2022 and March 2023, volumes have been reduced to those achieved during the December 2020 to March 2021 lockdown, or Base Case if lower. We did not assume any reduction in costs or government support, e.g. Coronavirus Job Retention Scheme, due to the fact we continued to trade during previous lockdowns. Finally, a 'margin reduction' scenario whereby there is an accelerated decline in new and used margins from Q2 FY22. Under all scenarios the Group would not breach any of its financial covenants and would not require any additional sources of financing.

The Board's assessment of the Group's viability over the period to 31 December 2024 has modelled several additional downside scenarios:

- A medium-term impact of automotive technological change, modelling a potentially material impact on aftersales revenues of moving from traditional combustion engines to battery powered vehicles.
- A potential scenario in which the Group does not react to future changes in consumer behaviours, including the increasing use of technology in both buying and selling journeys.
- A scenario in which the Group does not successfully adopt potential business model changes of one or more of our key suppliers, resulting in reduced profitability for the Group.
- A scenario in which macroeconomic factors cause unplanned increases in the Group's cost base. Increases to both overheads and borrowing costs were modelled with no mitigating actions.

The Group's current banking facility expires in September 2023. In modelling the scenarios noted above we have assumed that any new facility would have covenants consistent with the existing facility. Under all the scenarios modelled the Group would not breach any financial covenants.

Reverse stress testing

To provide additional assurance around the Group's going concern and viability, reverse stress tests have been modelled. These reverse stress tests are designed to breach financial covenants or exceed liquidity. We have looked at what point we would breach each financial covenant and subsequently assessed the likelihood of this occurring. The following scenarios have been run:

- Rise in interest rates required to breach interest cover;
- Reduction in EBITDA to breach interest cover, both from a volume and margin perspective;
- Reduction in EBITDA to breach EBITDA covenant, both from a volume and margin perspective.

In each stress test scenario, we have reduced aftersales income by 10% from January 2022 and increased interest rates by 0.75% across the year.

In testing interest cover three individual tests have been performed. In the first reverse stress test, an average increase in interest rates of 3.89% from Q2 FY22 is needed to breach the interest cover covenant at June 2023. In the second reverse stress test, a volume reduction in new, used and fleet of 16% from FY22 is required to breach interest cover in March 2023. However, if volumes were to drop to this level the Group would breach its EBITDA covenant in September 2022. In the third scenario, gross profit per unit needs to fall by 16% to breach interest cover in December 2022.

In testing the EBITDA covenant a further two stress tests have been performed. With no changes to margins, volumes would need to reduce by 6% in all new, used and fleet, for the EBITDA covenant to breach in March 2023. Whilst a margin reduction of c5.5 percentage points, with no changes to volumes, would breach the EBITDA covenant at March 2023.

In each of the reverse stress test scenarios, the Board believes that the events that would lead to a covenant breach are remote and believes there is appropriate headroom in the covenants and material headroom in liquidity to assess both going concern and viability of the Group, before any material and demonstrable mitigating actions would be required.

Ukraine

The Directors are mindful of the potential impacts to macro-economic conditions and further risk of disruption to supply chains that the conflict presents. A potential scenario has been modelled which includes supply disruption alongside increased overheads and borrowing costs, but this does not indicate a material risk to going concern.

Financing

The Group's banking agreements and associated covenants are set out in the Financial Review and include a £95.0m RCF (maturing in September 2023). We have commenced discussions with the banks to refinance this facility and are confident that this will be achieved before the interim results in September 2022. The Group ended the financial year with net funds of £3.0m (2020: net debt £40.7m). The financial covenants are tested quarterly in line with December year-end reporting. These covenants are normally met with headroom. In the majority of downside scenarios discussed above, the Group continues to forecast compliance with all financial covenants for the next 12 months. In addition to the RCF, the Group has stocking funding lines which were utilised at £248.1m as at 31 December 2021.

Going concern

In all scenarios the Group has sufficient liquidity to continue trading, including reinstatement of the payment of dividends. The reverse stress test modelling demonstrated that a prolonged sales reduction of 10% in aftersales and a large and unrealistic 16% reduction in new, used and fleet volumes is required to breach covenants starting in September 2022, however, we would maintain a material headroom in liquidity. In such an event, management would take mitigating actions, which include but are not limited to:

- Dealership closures and headcount reduction;
- A reduction in capital investment and pause new strategic initiatives;
- Reduction in stock levels to meet demand; and
- Suspension of dividends.

Taking into account the various sensitivities and additional stress testing, the Board has concluded that preparing the accounts on the Going Concern basis is appropriate.

Viability statement

Having assessed the current position of the Group, its prospects and principal risks and considering 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 2022.

Section 172 statement

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

- (i) 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. The business model and strategy, as set out on pages 16 and 21, describes how the Group operates with the customer and safe customer outcomes at the centre of everything we do and how we seek to create value for our customers, our shareholders and our people.

Stakeholders

The ability to engage effectively with our stakeholders and understand their expectations and the impact of the Group's operations and decisions on these groups is critical to the success of the Group. The table on pages 44 to 52 of this report provide details on the engagement processes and outcomes during 2021.



our
customers



our
shareholders



our
people

Lookers



OEM brand
partners



suppliers



financing
partners



wider
community



The table below provides some detail on the key decisions made by the Board and/or management during 2021 and the considerations given to the impact on stakeholders in accordance with section 172.

Our Strategic Report and Sustainability Report provide more narrative on these key decisions and other matters relevant to our stakeholder considerations and should be read in conjunction with this statement.

Trading through COVID-19 restrictions	<p>How to operate during the COVID-19 pandemic continued to be a focus during 2021 and led to initiatives to provide alternative ways of interacting with customers. These included changes to the sales process, such as Click & Drive, Click & Sell and digital aftersales offerings, including online service bookings, self check-in and vehicle progress tracker. The ability to pay for all services on-line was also introduced, together with the launch of a new retail website. Ongoing staff furlough was a key part of these considerations. Video interviewing via Teams was also offered to ensure recruitment activity could continue.</p>	<p>our customers OEM brand partners our shareholders our people</p>
Application for restoration of listing	<p>Consideration was given to the ability to continue to meet our obligations as a premium listed company in order that the listing could be restored which the Board believed to be in the best interests of all of its stakeholders.</p>	<p>our shareholders our people financing partners</p>
Capital allocation	<p>The balance of interests between stakeholders was given careful consideration in relation to the appropriateness of a number of cash management initiatives, including the suspension of dividends. The Board has committed to invest the appropriate level of capital to support the achievement of its strategic objectives and reflect the changing market, for example a move to electric vehicles. Given the financial position of the Group, the Board has recommended dividend distributions, as detailed on page 31.</p>	<p>our shareholders wider community</p>
Repayment of Coronavirus Job Retention Scheme support and local authority grants	<p>Considering strong performance the repayment of this support was a key decision for the Board.</p>	<p>our shareholders our people wider community</p>
Pay and incentive plans reviews	<p>Work continued to ensure consistency and simplification of our pay and incentive plans and working hours to drive the correct behaviours and culture across the business to the benefit of all stakeholders. Reward and recognition schemes have also been designed with proportionate basic salaries versus overall earning levels. Pay plans now reflect a market-leading reward scheme to support employee retention and ensure we are competitive in the market in order to attract new talent.</p>	<p>our people</p>
Capital expenditure initiatives approved within some dealerships and for head office	<p>The Board took the decision to recommence certain capital expenditure during the year. Consideration for any such expenditure takes into account the experience of customers, the requirements of our brands and the working environments of our people.</p>	<p>our customers our people OEM brand partners</p>

Section 172 statement



our customers

Engagement method	2021 outcomes
Conversations at dealerships	<p>Customers told us how much they enjoyed unaccompanied test drives during COVID-19 restrictions and these are now standard offerings.</p> <p>GREAT customer experience, a simple framework designed with feedback by outperforming sales colleagues, was rolled out in 2021 through training workshops designed to ensure a consistent customer experience. The main driver for this training was to improve all behavioural elements such as helpfulness, attentiveness, improved product knowledge and a caring culture. The focus is to create relationships built on trust that keeps our customers at the heart of everything we do.</p>
Manufacturer feedback, customer satisfaction measures and manufacturer balanced scorecard metrics	<p>We monitor manufacturer feedback, customer satisfaction measures and manufacturer balanced scorecards as a way of rating performance for many key business metrics, including customer satisfaction, sales and aftersales performance and profitability. We regularly had representation in the top quartile performance of manufacturer balanced scorecards in every division that has this measure, particularly in relation to the OEM Brand Partner customer satisfaction ratings component of the scorecard.</p>
Reputation.com performance scoring	<p>Through our partner, Reputation.com, we have received more than 82,000 responses from customers on their views of our service, with an average survey rating across all interactions of 3.4 out of 5 stars for recommendation. We have also seen an increase on our Google customer review volume and star rating, with 17,000 reviews in 2021 with an average star rating of 4.5 out of 5, up from 9,000 and average 4.2 rating in 2020. We now have over 32,500 5-star Google reviews.</p>
On-line surveys	<p>As well as providing us a score, the Reputation.com platform allows customers to provide feedback on their experiences with us, which if they select the option to publish on Google is available to other potential customers. We use this feedback as a way of understanding our strengths and weaknesses, mainly at location level in order to understand the specific concerns of our customers. At a Group level, our strengths have been highlighted as customer service, staff and competence; not all of these are ahead of industry average yet so will continue to be a focus area in 2022. Pricing, service and test drive were some of the weaker areas. This is in line with the industry generally, but offers an opportunity to set new standards in these areas.</p> <p>Staff exit surveys and candidate and manager recruitment surveys help us identify ongoing improvements to processes, service and our customer offering. In 2021 these included a review of service level agreements, better use of reporting from systems to understand issues and training to ensure staff fully understand the availability and benefits of such technology.</p>
Mystery shopping exercises and quality assurance scores	<p>We undertake mystery shopping exercises and review quality assurance scores to gain insights into the sales process and ensure that we are obtaining good customer outcomes. We introduced sales process guides to ensure consistency in the process and a good customer outcome.</p>
Retail website	<p>Our new retail website launched in 2021 www.lookers.co.uk</p>
Awards and recognition	<p>We were awarded Car Industry Dealer Group of the Year by Reputation.com reflecting our levels of customer service.</p>



our customers

Board and management priorities

- The importance of a culture of treating customers fairly and behaving ethically is of paramount importance to the Board.
- A reputation for excellent customer service, trust in us and a fantastic customer experience are crucial to our business. Our ethos of “Customers for Life” embodies this.
- Training and development of staff is a key element to deliver this experience. All staff are provided with training on the customer experience.

Board oversight

- The Board receives internal and external data on customer satisfaction and complaints metrics and discusses issues with the Executives to seek to improve customer outcomes and ensure corrective action is taken promptly when things do go wrong.
- A cultural change programme overseen by the Board was successfully completed in 2021, which included a review of the remuneration frameworks to ensure they promoted the right behaviours.



Section 172 statement



Engagement method	2021 outcomes
Announcements to the market	The Company has provided regular updates on the trading performance of the Group and key appointments during the year.
Annual General Meeting	The Board was pleased to hold an open shareholder meeting in 2021, albeit it is recognised that ongoing COVID-19 restrictions and concerns will have impacted attendance by shareholders. Shareholders were given the ability to submit questions in advance of the AGM, with answers published on our website.
Analyst meetings	<p>We presented both our interim and full year results via a webcast platform to analysts, providing a review of the period and an update on strategic plans.</p> <p>Briefings were also held with house analysts in relation to other trading announcements throughout the year.</p> <p>Feedback from these presentations is reported to the Executive Committee (ExCo) and Board.</p>
Feedback from our PR advisers	Our PR advisers, MHP, have been involved in guiding the Board and management through the many updates to the market in a period of substantial change in 2021 to ensure appropriate information is available to our stakeholders.
Feedback from our corporate brokers.	Numis and Peel Hunt, our corporate brokers, are also consulted for advice and feedback relating to significant RNS announcements, elements of strategy and results statements.
Meetings with significant shareholders	On joining the Board, the new Chair met with our significant shareholders and these meetings were extremely useful in providing an understanding of their views, which were discussed with the wider Board.
Communication with the Chair and Company Secretary via CoSec@Lookers.co.uk	The ability to feedback questions and receive feedback via this channel and the corporate website www.lookersplc.com was key during the COVID-19 pandemic, with a number of minor queries dealt with via this channel.
Board and management priorities	
<ul style="list-style-type: none"> • The Company's relationship with shareholders is of critical importance and significant shareholders and investors are consulted on matters of policy. • The Board encourages shareholders to attend the AGM and ask questions. 	
Board oversight	
<ul style="list-style-type: none"> • Information relating to significant issues raised by our shareholders, either directly or through other sources, is provided to the Board and where appropriate this is used to help inform the decision making process. • The Company's brokers lead interactions with our institutional shareholders and provide feedback and updates to the Board in relation to such matters. • MHP provide written reports following any market announcements made by the Company, with details of the perceptions of analysts and press commentary. They also engage with the financial media and provide updates to the Board on such interactions. 	



Land Rover Bishop's Stortford

Section 172 statement



our people

Engagement method	2021 outcomes
Cultural leadership	We encourage and nurture a culture that is open and supportive and are committed to high levels of engagement with our people. The senior management team are visible in their encouragement and praise when things go well via various channels. Employees are also encouraged to raise issues where they have concerns without recrimination. Our cultural values are designed to be simple, engaging and transparent and management worked hard through 2021 to communicate and continue to embed this across the Group.
Executive team updates and briefings and our staff seminar	Regular business updates were initiated during 2021. This provided a forum to keep our people up to date on important information, provide thanks for their contribution, receive feedback and answer any questions to support and foster an inclusive environment.
Staff surveys and consultations	Staff surveys were undertaken during 2021 with many new initiatives introduced in response to feedback. These included: <ul style="list-style-type: none"> - a “meet the ExCo” video campaign; - regular Chief Executive Officer updates via our internal communication channel Workplace on Facebook; - an improved in-dealership communication framework; and - a review and enhancement of current and new employee benefits.
Quarterly Non-Executive Director hosted workforce listening sessions	Our quarterly listening sessions were implemented in 2021. The Board has found these extremely informative and it is currently the intention that they continue throughout 2022, with one Non-Executive Director attending each. The processes used for workforce engagement are kept under review and alternative or additional engagement methods will be used if felt appropriate.
Communication with the HR Team	<p>We appointed our Chief People Officer with an objective to focus on communication with our people, diversity and inclusion and initiatives to ensure Lookers is an employer of choice. This includes a review of our diversity policies during 2021 and initiatives around graduate recruitment and training to encourage the progression of women into more senior roles over the course of their careers, with one in four vacancies filled internally and 65% of management appointments being internal promotions/moves in 2021.</p> <p>Other key new appointments made into the HR leadership team, a Head of Internal Communications and a Head of Learning and Development, will help lead the learning agenda.</p>
Whistleblowing	Concerns can be raised via various channels, including a confidential whistleblowing framework which allows concerns to be raised confidentially to our Chief Risk Officer, through our Head of Compliance, or by escalation to a Non-Executive Director. Whistleblowing notifications during 2021 mainly related to concerns over COVID-19 protocols which allowed management to follow up to ensure compliance for the safety of our people and customers.



Engagement method	2021 outcomes
Social media	<p>We monitor social media channels such as LinkedIn, Glassdoor and Indeed for feedback relating to recruitment and our employer brand. Any negative feedback is provided to our HR teams to help us in improving our processes and systems. In 2021 our overall rating on Glassdoor (which collates ratings of our culture and values, work/life balance, senior management, compensation and benefits, career opportunities, diversity and inclusion) increased from 3.3 to 3.5 and on Indeed from 2.8 to 3.1.</p> <p>We review press reports and commentary on social media about Lookers and have strategies in relation to our profiles on Facebook, Instagram and Twitter, which are developed using social listening tools and help provide us insight on how we can develop. We are looking into new social platforms as well as building on the current capabilities by improving internal skillsets in this area and our attitude to paid social and organic campaigns.</p> <p>We also monitor the social media profiles of our competitors to help us ensure experiences with us are in line, or better, than others. As a result of this we have put a bigger focus on creating video content on our social media.</p>
Keeping abreast of good employment practices more generally for the benefit of our people	<p>We have given all our people access to Smart Health, which provides access to GP and mental health support. We also undertook a mental health initiative in conjunction with Mind.</p> <p>We introduced enhanced paternity pay to ensure we support colleagues.</p> <p>A culture of transparency has been embedded internally for job opportunities available across divisions.</p>
Board and management priorities	
<ul style="list-style-type: none"> • An open and nurturing culture is encouraged to support an approach to speaking up when people become aware of or suspect wrong doing, with our Whistleblowing Policy encouraging prompt engagement in a confidential manner. • Our people are central to our business and a culture of diversity and inclusion, with attractive benefits and opportunities for career progression, are seen as key. More information on initiatives around our people and workforce engagement matters are included in our Sustainability Report on pages 92 to 95. 	
Board oversight	
<ul style="list-style-type: none"> • The Board is notified of any incidences of whistleblowing. • Feedback from staff surveys is communicated to the Board and management. • The Board receives regular reports from our Chief People Officer which includes data on headcount, trends in the number of new starters and leavers and any significant employee issues, both negative and positive. 	

Section 172 statement



OEM brand partners

Engagement method	2021 outcomes
Regular meetings between executives and representatives of our brands	<p>The Chief Executive Officer and Chief Operating Officer have good relationships with our OEM brand partners and have regular meetings with them.</p> <p>Some of the key topics of engagement in 2021 have included the move to electric vehicles, agency-based distribution models versus franchise models and supply issues.</p> <p>It was important to monitor the impact of these issues on not just our relationship with our brands but also on our customers and people and respond as appropriate.</p> <p>Supply issues and the move to electric vehicles are both covered at some length in other parts of our Annual Report. We are engaging with our OEM Brand Partners to optimise the opportunities and understand the implications of the potential for some OEM Brand Partners to pursue an agency-based distribution model.</p>
Feedback from the Franchise Directors	Our Chief Operating Officer uses various communication channels to engage with the Franchise Directors who have more day-to-day operational contact with our OEM Brand Partners and provide useful insight to guide strategy.
OEM performance metrics	Performance of the dealerships is measured via balanced scorecard metrics. We receive balanced scorecard performance information from a number of our OEM Brand Partners. We regularly had representation in the top quartile performance from those OEM Brand Partners who feedback in this way during 2021.
Dealership audits	Health and safety audits in 2021 included a review of compliance with COVID-19 protocols to seek to reduce the risk of transmission.
Potential OEM Brand Partners	Our OEM Brand Partnerships are very important to the Group, and as such we continued to look for new opportunities in 2021 and into 2022, with both existing partners and potential new partners, including new entrants to the UK market.
Board and management priorities	
<ul style="list-style-type: none"> • 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. • Appropriate maintenance of our dealership premises are important to our OEM Brand Partners. They are also important to us to ensure that they are safe for our people and our customers. 	
Board oversight	
<ul style="list-style-type: none"> • Board reports include details on performance metrics and balanced scorecard ratings and management uses this data to improve processes and dealership KPIs. • Dealership health and safety review concerns are reported to the Board, which monitors the progress of resolving any issues of concern. 	



suppliers

Engagement method	2021 outcomes
Meetings with suppliers	<p>We have taken steps during 2021 to address a gap in relation to our supplier management and engagement processes. We appointed a new Head of Procurement tasked with implementing and developing the procurement function, which will provide more structure around supplier selection and relationship management. This will involve the implementation of appropriate systems and governance oversight policies.</p> <p>Over the course of 2022 we will categorise our suppliers and ensure engagement processes put in place are aligned to the impact of the relationships to the business.</p>
Board and management priorities	
<ul style="list-style-type: none"> • Management recognises the importance of the development of a fit-for-purpose strategic Group procurement function to drive value, control costs and minimise risk within our third party supply base. • Our key supplier relationships are critical to support the business in achieving its strategy and to allow us to operate efficiently. 	
Board oversight	
<ul style="list-style-type: none"> • The Chief Executive Officer is overall responsible for the management of the relationships within our most critical suppliers, supported by the Head of Procurement. The Board are kept abreast of any significant issues. • All material new supplier contracts are considered by ExCo following a detailed RFP process, with any significant appointments considered by the Board in line with the matters reserved for its consideration. 	



financing partners

Engagement method	2021 outcomes
Engagement with the Director of Finance - Corporate and his team	A renewal of the corporate revolving credit facility and various stocking funding lines was achieved in 2021.
Board and management priorities	
<ul style="list-style-type: none"> • Our funding relationships are also important to the achievement of our strategic aims and it is important that we maintain a regular, open and constructive dialogue with our financing partners along with our OEM Brand Partners and third party stocking funders. 	
Board oversight	
<ul style="list-style-type: none"> • Updates on the use of the Group's funding facilities are provided by the Director of Finance - Corporate to ExCo as part of the monthly management accounts, and these are shared with the Board at its meetings. Specific updates on other key matters, for example changes to funding providers or available credit facilities, are provided to the Board as required. 	

Section 172 statement



Engagement method	2021 outcomes
<p>Various sources of information providing views on both Lookers and trends more generally, including press, social media etc.</p>	<p>We review press reports and commentary on social media about Lookers and have strategies in relation to our profiles on Facebook, Instagram and Twitter, which are developed using social listening tools and helps provide us insight on how we can develop. We are looking into new social platforms as well as building on the current capabilities by improving internal skillsets in this area and our attitude to paid social and organic campaigns.</p> <p>We also monitor the social media profiles of our competitors to help us ensure experiences with us are in line, or better, than others. As a result of this we have put a bigger focus on creating video content on our social media.</p>
<p>Keeping abreast of developments on ESG matters</p>	<p>We created a Business Development Manager, with a focus on electrification, and a Group Energy Manager was appointed to support us in our environment goals.</p> <p>We also engaged an external partner to support us in identifying the views of our stakeholders on ESG matters and define our strategy. This work will be undertaken through the course of 2022.</p> <p>In terms of social matters, our Sustainability Report on page 95 provides details of some of the charitable events within which we have participated during the course of 2022 to evidence how we support our local communities.</p>
<p>Communication with pensions trustees and our pensions advisers</p>	<p>We worked with the corporate pension trustee and advisers to conclude the triennial review that had commenced in 2020 and agreed deficit contributions for the Benfield Pension Plan in February 2021. We have an open and transparent relationship with the pension trustee and their advisers and are preparing for the changes which are under consultation arising from the Pension Schemes Act 2021. Management is working with its advisers ahead of the next triennial review date which is 30 March 2022 for the Lookers Pension Plan and 31 December 2022 for the Benfield Pension Plan.</p>
<p>Board and management priorities</p>	
<ul style="list-style-type: none"> • Management recognises the importance of supporting its communities via charitable, social, employment and environmental initiatives, as set out in more detail in our Sustainability Report on pages 82 to 95. 	
<p>Board oversight</p>	
<ul style="list-style-type: none"> • The Board receives regular reports from the Chief Executive Officer and Chief People Officer on social and environmental matters. • ESG matters are an important part of the Group's strategy. The Chief Executive Officer is responsible for such matters, with work overseen by the Executive Committee. • The Board periodically receives presentations from the Group's pension adviser. 	

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.

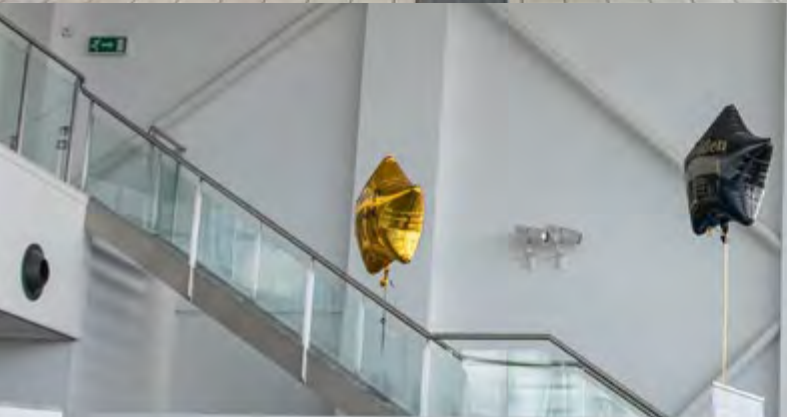
Reporting requirement	Policies and standards which govern our approach	Page(s) in the Annual Report & Accounts
Environmental matters and greenhouse gases	Environmental policy*	Sustainability Report, including mandatory carbon reporting – Pages 83 to 91
Employees	Employee Gender Pay Reporting** Health and Safety Policy* Ethical Policy Statement* Code of Conduct Policy* Diversity Policy*	Section 172 Statement – Page 48 Sustainability Report, including ethical employment and diversity, human rights, recruiting, retaining and developing our people, communicating with our people, – Pages 92 to 95
Social matters and Community Engagement	Volunteering Standards* Tax Strategy**	Section 172 Statement – Page 48 Sustainability Report – Pages 92 to 95
Respect for human rights	Modern Slavery Act Statement** Data Privacy Policy* Information and Cyber-Security Policy*	Sustainability Report, human rights – Page 94
Anti-corruption and anti-bribery	Anti-Bribery and Anti-Corruption Policy Fraud Risk Management Policy* Anti-Money Laundering Policy*	Operational and other risks – Page 39 Modern Slavery - Page 94
Description of the business model		Business model and strategy – Pages 16 to 21
Description of principal risks and impact of business activity		Risk overview and management - Pages 34 to 39
Non-financial key performance indicators		Non-financial key performance indicators - Page 33

*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
5 April 2022



Audi Glasgow

Governance

Board of Directors

The Board is committed to delivering the Group's strategy and sustainable value to shareholders. To ensure the Board is appropriately equipped, several key appointments were made to the Board throughout the year; full details of the changes made during 2021 and up to the date of this report are described within the Nomination Committee Report on page 74.

The biographies of the directors in place at the date of this report are set out on the following pages, together with details of the Executive Committee, which forms an important part of the governance structure, set out thereafter.

Key:

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

Ian Bull

Independent Non-Executive Chair



Appointed: October 2021

Tenure: 6 months

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

Skills and experience:

- Wealth of board governance experience, at both non-executive and executive level
- Experienced finance and strategy specialist
- Fellow of the Chartered Institute of Management Accountants

Ian has over 30 years' business and financial experience with leading consumer facing businesses. He has long-standing plc experience and a deep understanding of shareholders and capital markets gained from a variety of roles throughout his career, including CFO at Parkdean Holidays Ltd and, prior to that, CFO at Ladbroke's plc and Greene King plc. Earlier in his career, he held a variety of financial and operational roles with BT Group plc, Walt Disney Co and Whitbread plc.

His listed company experience and understanding of the impacts and opportunities to the Group are key to how we move forwards to ensure the long-term sustainability of the Group.

External appointments:

- Senior independent director and non-executive director at Domino's Pizza Group Plc
- Non-executive director and chair of the audit and risk committee at Dunelm Group plc

Mark Raban

Chief Executive Officer



Appointed: CFO in July 2019 and assumed role of CEO from February 2020

Tenure: 3 years

Membership: PLC, LMGL, 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 Holdings and its subsequent growth in his role as chief financial officer.

Mark has 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. Mark's deep sector knowledge, alongside his strong finance and transformation background, makes him a strong and invaluable Group Chief Executive Officer and key to the long-term sustainability of the Group.

External appointments:

- Director of Precise Finance Limited

Oliver Laird

Chief Financial Officer



Appointed: November 2021

Tenure: 5 months

Membership: PLC, LMGL, ExCo

Skills and experience:

- Fellow of the Chartered Institute of Management Accountants
- Substantial plc experience

Oliver is a seasoned chief financial officer, with strong experience across a range of public and private businesses.

Prior to his appointment with Lookers, he held the role of CFO at CPP Group plc, a listed multinational financial services business. Previously, he was finance director of the firstdirect division of HSBC, Cooperative Insurance and UK General Insurance Limited.

Oliver has gained an extensive level of knowledge about the Group in a very short space of time and is already making a significant contribution to how the Group, including the evolution of its financial management, which is key to the long-term sustainability of the Group.

External appointments:

- Non-executive director of Leeds University Union
- Non-executive director of Beverley Building Society
- Trustee of St Anne's Community Services

Board of Directors

Duncan McPhee

Chief Operating Officer



Appointed: January 2021

Tenure: 1 year

Membership: PLC, LMGL, ExCo, OpsCo

Skills and experience:

- 27 years' retail operations experience

Duncan has extensive experience in the motor retail industry including spending the last 13 years at Lookers in a number of senior management roles, 9 years of which were at Franchise Director level, then Chief Retail Operations Officer with responsibility for the dealership portfolio and OEM Brand Partners' relationships before being promoted to his current role in January 2021. Before joining Lookers, he spent 10 years with Arnold Clark in Scotland, including 5 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

Victoria Mitchell

Independent Non-Executive Director,
Chair of LMGL and Interim Chair of RemCo



Appointed: December 2019

Tenure: 2 years

Membership: PLC, LMGL (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.

She 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 broad 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

Independent Non-Executive Director
and Chair of ARC



Appointed: December 2020

Tenure: 1 year

Membership: PLC, LMGL, 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 thereafter 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 and chair of the audit committee at Belmont Green Finance Limited
- Senior independent director, non-executive director, and chair of the risk and remuneration committees at Bank North Limited

Paul Van der Burgh

Non-Executive Director and
Senior Independent Director



Appointed: April 2021

Tenure: 1 year

Membership: PLC, LMGL, 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 in Europe and the U.S. He spent 15 years at Toyota and Lexus, with roles including European marketing director, vice president of Toyota Motor Poland, and head of the Lexus brand in Europe. Most recently, Paul was president and managing director of Toyota (GB) plc, and director of Toyota Financial Services (UK) plc. Prior to this, he held a variety of senior roles at Ford, in Europe, the UK and Americas. Paul was also an executive director and chairman of the Car Section Committee of the Society of Motor Manufacturers and Traders (SMMT).

As a founding member of the Automotive 30% Club, he is well known and respected throughout the motor industry for all he has achieved in his career. His in-depth knowledge and understanding of the industry and changing dynamics in the market are invaluable to the long-term sustainability of the Group.

External appointments:

- None

Board of Directors

Philip Kenny

General Counsel and Company Secretary



Appointed: December 2019

Membership: PLC*, LMGL*, ExCo, OpsCo
*as Company Secretary

Skills and experience:

- Qualified Solicitor (2007)
- Significant experience in corporate finance, commercial law and capital markets
- Specialising in aerospace, IT and the retail sectors

Philip graduated from the University of Central Lancashire in 2004 with a Bachelor of Laws. He has 15 years' legal experience as a qualified solicitor including as counsel for the military air and information business of 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 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





VW Battersea

Group executive team

Mark Raban

Chief Executive Officer



See page 57 for full profile

Oliver Laird

Chief Financial Officer



See page 57 for full profile

Marcus Kenny

Chief Risk Officer



Appointed: Joined in May 2019 as interim CRO, became permanent CRO and a Director of LMGL in October 2019

Membership: LMGL, 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 and 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 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.

External appointments:

- None

Duncan McPhee

Chief Operating Officer



See page 58 for full profile

Philip Kenny

General Counsel and Company Secretary



See page 60 for full profile

Chris Whitaker

Chief People Officer



Appointed: Joined in December 2020 as interim CPO and became permanent CPO in March 2021

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 Corporate Governance Code on remuneration matters and mergers and acquisitions
- Significant experience of attending and advising PLC boards and both remuneration and nomination committees on all people related issues

Chris brings extensive HR and leadership experience gained across all HR disciplines and carries expertise in reward and change management. Chris is leading the Group's ongoing review of equality, diversity and inclusion in 2022.

External appointments:

- None

Corporate governance statement



Ford Middlesbrough

Introduction from the Chair

2021 has continued to be a year of transformative change across the business. Ensuring effective governance continues to be a key area of focus due to the essential role this will play in successful delivery of our strategy and purpose, and sustainability of the Group. In addition to the ongoing work to improve controls (set out in the 2020 Annual Report & Accounts, the Risk Overview and Management section of the Strategic Report on page 34 and in the Report from the Chair of the Audit and Risk Committee on pages 78 to 81), we have refreshed the Board, implemented a new governance framework and strengthened the team supporting the Board in governance matters. Additionally, an external partner has been engaged to assist us in setting ESG strategy and the governance around this; more information on this can be found in our Sustainability Report on page 82.

Having joined the Group as Chair in the final quarter of 2021, the amount of work that has been achieved in this area is clearly evident. However, it is important that momentum continues and to ensure our controls and governance processes are subject to ongoing review and improvement. The Board and management are fully committed to this important underpin of our strategy.

Corporate governance statement

The role of the Board is to provide entrepreneurial leadership of the Company within a framework of effective internal controls which enables risks to be assessed and managed. The Board is collectively responsible for the culture and values of the Group, ensuring the long-term success of the Company and delivering sustainable value to its shareholders. The Board has taken action during 2021 to deliver improvements in its governance, systems and controls and financial reporting. The Board is confident that there are processes and practices in place within the Group to promote the long-term sustainable success of the business and protect the interests of all 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. In 2021, 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 66.
- 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 67.
- iii) Provision 19 concerning the tenure of the outgoing Chair. An explanation of the reasons for this are provided on page 72. The position on non-compliance was resolved in October 2021.
- iv) Provisions 21 and 23 regarding a formal, annual evaluation of the Board, its committees, the Chair and individual directors. The rationale for this and information on how other processes have helped the Board understand how it is performing is explained on page 70.

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 in the importance of leading by example and that tone is set from the top.

We recognise that governance and culture is central to achieving fair treatment of our customers and returns for our shareholders, in addition to making Lookers a great place for our people to work. As reported in 2020, we had fallen short of where we expected to be in terms of culture and this contributed to the difficulties the Company faced over the last few years. We have worked hard to embed and build trust with our colleagues and stakeholders, acting with integrity, identifying our mistakes, entering into dialogue with regulators as appropriate, putting things right and improving our processes and controls to prevent issues from occurring again in the future. The Board is pleased with the progress made and is confident that business culture is now one 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 is key to our purpose and values.

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

Our Business model and strategy on pages 16 to 21, our Section 172 statement on pages 42 to 52 and the Sustainability report on pages 82 to 95 provide more information on how we have operated within these values during the year.

Stakeholder engagement

In its decision-making, the Board considers the interests of its investors, key stakeholders, and the wider communities in which it operates and serves. Further information on stakeholder engagement activities can be found in the Section 172 statement on pages 42 to 52 and the Sustainability Report on pages 92 to 95.

Corporate governance statement



Shareholders

The Company places considerable importance on communications with shareholders and other stakeholders, and responds to them on various issues. There is 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 Chair makes himself available to meet any major shareholder, as required, and as part of his induction to the Board undertook a series of meetings with our principal shareholders during the latter part of the year.

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 and share price data.

The principal communication with private investors is through our full year and interim results announcements, ad-hoc trading announcements and updates, the Annual Report & Accounts (ARA) and the Annual General Meeting (AGM). A presentation is made at the AGM to facilitate greater awareness of the Group's activities and shareholders are given the opportunity to ask questions of the Board and 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 information regarding the votes is published on the Company's website. The Notice is posted to shareholders at least 21 days before the date of the AGM.

Should a significant proportion of the votes cast be against any resolution, the Company would explain, when announcing the result, what action it intends to take to understand the reasons behind the result. In accordance with the Companies Act 2006, members representing at least 5% of the voting rights of the Company can require the directors to call a general meeting of the Company. Members representing at least 5% of the voting rights, or at least 100 members having a right to vote, can requisition the Board to circulate a resolution or statement in relation to the AGM to members. We do not have any policies that limit share ownership or the issue of new capital that would be seen as "anti-takeover devices".

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. 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 commenced in 2021 whereby, via rotation, a Non-Executive Director met with different groups of employees to gather views. The Board believes that, as well as providing the ability to receive a wider range of feedback from a large and geographically diverse range of employees, this also aids visibility of the Board across the workforce. The Board has valued these sessions during the course of the year and it is currently intended that this method of engagement will continue, with four sessions scheduled to take place in 2022. Feedback from these sessions is relayed to the full Board and executives on an anonymised basis. The processes used for workforce engagement will be kept under review and adapted if felt appropriate. More information on this and the employment initiatives undertaken during 2021 are explained within the Business Model and Strategy and Section 172 Statement.

The Group has whistleblowing arrangements in place whereby the



Lookers Leasing Harrogate

workforce can raise concerns in confidence. The Audit and Risk Committee routinely reviews the whistleblowing policy and reports arising from its operation, as explained in the Report of the Chair of the Audit and Risk Committee.

Division of responsibilities

The Board

The Board currently comprises the Independent Non-Executive Chair, Senior Independent Director, two independent Non-Executive Directors, Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. The biographies of the Directors on pages 56 to 59 provide details of their roles and their external appointments.

Paul Van der Burgh fulfils the role of Senior Independent Director, Robin Churchouse is Chair of the Audit and Risk Committee, Ian Bull is Chair of the Nomination Committee and Victoria Mitchell is acting as Interim Chair of the Remuneration Committee. The Report of the Chair of the Nomination Committee provides more information on the process for permanently filling this role.

Chair and Chief Executive Officer

The Chair leads the Board and the Chief Executive Officer manages the Group and, supported by the Executive Committee, implements the strategy and ensures adoption of policies approved by the Board. The division of responsibilities between the role of Chair and Chief Executive Officer is clear and set out in writing. The Chair and the Chief Executive Officer work together to set the Board's agenda, supported by the Company Secretary. The Chair ensures a culture of openness and debate and facilitates constructive discussions between the Executive and Non-Executive Directors and between the Board and Senior Management.

Senior Independent Director

It is the primary responsibility of the Senior Independent Director to

act as a sounding board for the Chair and to provide a communication channel between the Chair 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 Chair. Due to the current chair not being appointed until the fourth quarter of 2021, it was agreed that it was too early to formally assess his performance and so this requirement was not met in the year. However, the Senior Independent Director and the Chair did conduct an informal review in January 2022, having sought views from Board members on performance thus far. A formal review will be carried out in 2022. The Senior Independent Director would also usually chair the Nomination Committee in respect of the Chair's succession. However, due to the search for a Chair's successor coinciding with the change in the Non-Executive Director fulfilling the role of Senior Independent Director, the search for a new Chair during 2021 was led by Victoria Mitchell and she chaired the relevant meetings of the Nomination Committee.

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 2021 to enhance the balance between Executives and Non-Executives, strengthen the overall Board and address the length of tenure of the Chair. The Report from the Chair of the Nomination Committee on pages 74 to 76 provides more details on the changes to the Board and process for appointment of new Directors. The Non-Executive Directors are encouraged by the Chair to provide constructive challenge and scrutiny of management performance.



JAGUAR



SPECIALIST CENTRE



The table below sets out the Directors in place during 2021. The numbers in the table indicate the balance of Directors (Executive versus Non-Executive) excluding the Chair to evidence the Company's compliance with the Code. As at 31 December 2021, 50% of the Board, excluding the Chair, were independent non-executive directors.

Period	Executive Directors	Independent Non-Executive Directors	Chair
1 January – 4 January	Mark Raban ¹	Robin Churchouse ³ Heather Jackson Victoria Mitchell	Phil White ¹
5 January – 28 January	Anna Bielby ² Mark Raban	Robin Churchouse ³ Heather Jackson Victoria Mitchell	Phil White ¹
29 January – 31 March	Anna Bielby ³ Duncan McPhee Mark Raban	Robin Churchouse ³ Heather Jackson Victoria Mitchell	Phil White ²
1 April – 30 April	Anna Bielby ³ Duncan McPhee Mark Raban	Robin Churchouse ⁴ Heather Jackson Victoria Mitchell Paul Van der Burgh	Phil White ²
1 May – 30 June	Anna Bielby ³ Duncan McPhee Mark Raban	Robin Churchouse ³ Victoria Mitchell Paul Van der Burgh	Phil White ²
1 July – 30 September	Duncan McPhee ² Mark Raban	Robin Churchouse ³ Victoria Mitchell Paul Van der Burgh	Phil White ²
1 October – 14 November	Duncan McPhee ² Mark Raban	Robin Churchouse ³ Victoria Mitchell Paul Van der Burgh	Ian Bull ³
15 November – 31 December	Oliver Laird ³ Duncan McPhee Mark Raban	Robin Churchouse ³ Victoria Mitchell Paul Van der Burgh	Ian Bull ³

¹Executive Chair ²Non-Executive Chair ³Independent Non-Executive Chair. Further details of changes made to the Board in the year under review are included in the Report of the Chair of the Nomination Committee on page 74.

Corporate governance statement

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 56 to 59. 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 and is responsible 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 those 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 Company Secretary works with the Chair to oversee an appropriate director induction and ongoing Board training programme. On appointment, new Board members are provided with tailored, comprehensive induction programmes to fit with their individual experiences and needs. The process includes introductory sessions and formal briefings with the Chair of the Board and Board Committee Chairs, the Company Secretary, senior management and other key individuals from around the business and visits to a range of dealerships. The induction enables directors to acquire a detailed understanding of the Group's business, strategy and the key risks and issues, allowing them to contribute meaningfully from appointment.

Throughout the year, updates on developments in legal, regulatory and governance matters are provided to all Directors and they are required to complete e-learning modules, which mirror training undertaken by all employees and senior management. The topics covered include management of risk under the enterprise risk management framework, data privacy and the protection of our customers' and colleagues' data, combating financial crime, and our values and conduct, including workplace harassment and speaking up. The Board also receives specific training on the obligations, responsibilities and liabilities of directors of a premium listed company.

Board evaluation

The Board believes that a formal and rigorous annual evaluation of its performance and that of its Committees, the Chair and individual Directors is a key part of the governance process which would normally be undertaken in the fourth quarter of each year. However, recognising the number of Board changes made in the year, the short tenure of the majority of Board members and having a desire to look forwards rather than backwards after a difficult period, it was agreed that a formal evaluation process in 2021 would not provide meaningful results. A formal process has therefore not been

conducted in 2021, with the intention being that an external process will be commissioned in 2022.

The Board did, however, have the benefit of receiving independent feedback on its operation as part of a skilled person review of the Group's regulated entity Lookers Motor Group Limited (LMGL) undertaken by Grant Thornton UK LLP (Grant Thornton). Also, as explained in the report from the Chair of the Nomination Committee, we undertook an internal review of the skills on the Board in the final quarter of 2021 via a structured skills matrix exercise.

Based on the work it performed in the second quarter of 2021, Grant Thornton commented positively on the strengthening of the Board from the appointment of Robin Churchouse at the end of 2020 and Paul Van der Burgh in 2021, bringing experience in financial services and the automotive industry respectively. Other feedback included a considerable amount of improvement in governance arrangements, the effective chairing of meetings and the good level of challenge and debate by the Non-Executive Directors.

The key areas being addressed by the Board following the Grant Thornton findings and the internal review of the skills matrix include:

- The search for a Non-Executive Director with experience in the areas of data analytics, cyber and IT. See the Report of the Chair of the Nomination Committee for more information.
- Board and Committee meetings are now conducted over the course of two days, with timed agendas, to help ensure that sufficient time is available for key areas of discussion.
- Work has been done to provide more clarity on the responsibilities delegated by the Board to the Audit and Risk Committee and those that fall under the remit of the Board of LMGL to ensure that governance is both effective and efficient.
- Improvements in the quality of papers presented by management which provides the Non-Executive Directors with greater confidence and comfort.
- Succession planning and skills assessments are properly embedded in the governance framework.

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 Board and Committee 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. Regular financial, operational and risk management information is provided to the Directors.

All Board and Committee papers are issued in advance of meetings by the Company Secretary and are made available to Directors via a Board portal. A range of governance documents to assist the Board in their duties are also included on the Board portal. The Board meets regularly and is given adequate time to probe and debate issues. The Chair meets with the Non-Executive Directors, without management present, at the conclusion of each Board meeting. In addition to formal Board meetings, the Chair also maintains regular contact with the Chief Executive Officer and other Directors to discuss specific matters.

Board Committees

The Board has established a Nomination Committee, Remuneration Committee and Audit and Risk Committee to assist it in discharging its responsibilities. The Board Committees derive their authority from the Board and are accountable to it. The Chair of each Board Committee reports at each Board meeting on their activities.

Each Board Committee has Terms of Reference which set out the scope of the delegation and responsibilities, the prescribed membership of the Committee and the reporting requirements

to the Board. Further details are given in the individual reports of those Committees which appear on pages 74 to 76, 96 to 97 and 78 to 81 respectively.

The Terms of Reference, together with documents setting out the responsibilities of the Board, the Chair, Chief Executive and Senior Independent Director, can be found on the website www.lookersplc.com/investors/corporate-governance.

The requirement of the Code in relation to the recent and relevant financial experience of the Chair of the Audit and Risk Committee were met throughout 2021. The requirement for the Chair of the Remuneration Committee to have served on a remuneration committee for over 12 months was also met during 2021.

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 2021.

Director	Board		ARC		Remuneration		Nomination	
Meetings held	31¹		16		17		8²	
Director	Meetings attended ³							
	No.	% ³	No.	% ³	No.	% ³	No.	% ³
Ian Bull ⁴	4	100	N/A	N/A	4	100	1	100
Anna Bielby ⁵	23	100	N/A	N/A	N/A	N/A	N/A	N/A
Robin Churchouse	31	100	16	100	15	88	7	88
Heather Jackson ⁶	15	100	5	100	6	100	3	75
Oliver Laird ⁷	3	100	N/A	N/A	N/A	N/A	N/A	N/A
Duncan McPhee ⁸	20	91	N/A	N/A	N/A	N/A	N/A	N/A
Victoria Mitchell	31	100	16	100	17	100	8	100
Mark Raban	30	97	N/A	N/A	N/A	N/A	N/A	N/A
Paul Van der Burgh ⁹	16	100	12	100	11	100	7	100
Phil White ¹⁰	25	96	N/A	N/A	12	92	5	71

¹ Includes 11 scheduled and 20 ad-hoc meetings held during the period

² Two additional sub-committees of the Nomination Committee were also held during the year to consider Chair succession

³ Percentages calculated using total number of meetings held during each directors' tenure

⁴ Ian Bull was appointed to the Board on 1 October 2021

⁵ Anna Bielby stepped down from the Board on 30 June 2021

⁶ Heather Jackson stepped down from the Board on 30 April 2021

⁷ Oliver Laird was appointed to the Board on 15 November 2021

⁸ Duncan McPhee was appointed to the Board on 29 January 2021

⁹ Paul Van der Burgh was appointed to the Board on 1 April 2021

¹⁰ Phil White stepped down from the Board on 1 October 2021

In addition to the schedule of regular attendance at meetings detailed above, the Board also met on several occasions during 2021 to formulate strategy and informally throughout the course of the year.

Corporate governance statement



Succession planning, election, and diversity

The Code recommends that the Chair of the Board does not remain in post in excess of nine years from the date of their first appointment to the Board. As at the date of this report, the Company is compliant with this provision following the appointment of a new Chair on 1 October 2021. However, for the majority of the reporting period the Company was not compliant as the previous Chair had been in post for over 15 years. The Board were supportive of the extension to Phil White's tenure while the challenges facing the Group were resolved in order to benefit from his corporate knowledge and experience and allow for an orderly transition and handover to Ian Bull in October 2021.

The Board recognises the importance of effective Chair succession and the policy for the tenure of the Chair is 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. This will be an area of continued focus during 2022. Further information about the succession planning process, including its consideration of diversity in its succession plans and gender diversity metrics is detailed in the Report of the Nomination Committee Chair on page 76.

We are keen to do more to look at diversity in its widest sense and our Chief People Officer was tasked with setting policy as part of his objectives for 2022. As part of this review, 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. More information on workforce diversity is included in Sustainability Report on page 92.

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 establishing procedures to manage risk and oversees the work of management to establish the appropriate internal control framework to enable the Group to fulfil its long-term strategic objectives. A system of control has been established 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. The Board expects the management team to own the risk management process, implement appropriate policies for its approval and provide relevant information on the risk environment to the Board to enable it to fulfil its duties.

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 34 to 39. We operate a three lines of defence model, which provides a framework of responsibilities and accountabilities across the organisation. This is detailed more fully on page 34. 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.

Review of risk management during the year

In 2021, 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 to embed the enterprise risk management framework to strengthen controls over the business operations. More information is provided in the Report of the Chair of the Audit and Risk Committee on page 80.

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 34. 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.

There is an increasing focus on climate change and the risks to the business associated with external events and regulation in this area. Work to review the risks and opportunities to the business has been completed, as detailed in our Sustainability Report on pages 88 to 91. Our understanding of this area will continue to evolve and develop and is a key priority for us.

Internal control

The Board is responsible for overseeing the Group's system of internal control, 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), which is further supported by regular assessments conducted by internal audit.

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 the information consolidated into the Group's Financial Statements is compliant 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 Teams and the Group's external auditor on 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 control. 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 previously 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 and ensuring embedding will continue during 2022.

Assessment of position

The Financial Statements 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.

Ian Bull

Chair

5 April 2022

Report from the Chair of the Nomination Committee

Dear Shareholder,

Having been appointed in the final quarter of 2021, I am pleased to present my first report as Chair of the Nomination Committee (the Committee) which summarises the work undertaken in 2021 in relation to the ongoing refreshment of the Board and leadership team. As alluded to in our last Annual Report & Accounts, which were published part way through the year, 2021 was a year of considerable change which sought to enhance our governance and oversight to guide the business through its ongoing journey; the changes to the Board, as recommended by the Committee and described below, have been key to this.

Composition and attendance

The Nomination Committee is composed solely of Non-Executive Directors and met eight times during 2021 to consider a number of changes to the Board and senior management, and a sub-committee met twice to consider Chair succession. Any Non-Independent Director, the Chief Executive Officer, Chief People Officer and General Counsel and Company Secretary are invited to join meetings of the Committee as appropriate.

The attendance at meetings by each member of the Committee is set out on page 71.

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 considering the skills, knowledge, independence, diversity and experience requirements for the Board, ensuring its size, structure and composition is regularly reviewed and refreshed and makes recommendations to the Board when it believes changes are necessary. In addition, the Nomination Committee oversees the development of a diverse pipeline for succession to 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. In the final quarter of the year, the Board also refreshed its Board skills matrix in recognition of the changing context in which the Group is now operating and the refreshed strategic priorities. The main outcomes of the reviews of the succession plan and skills matrix included:

- i) setting out the succession plan to fill any sudden and unforeseen departures;
- ii) medium-term planning for the orderly replacement and progressive refreshing of Directors as they reach the end of their tenure period;
- iii) long-term planning to ensure that the alignment of skills now and in the future will 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; and
- iv) the revised skills matrix places greater emphasis on the need for competencies in areas such as data analytics, cyber/digital and transformation. The skills matrix is a key tool in ensuring that the Board has the necessary range of skills and experience to discharge its responsibilities, oversee management and respond to emerging trends.

Following this exercise, the succession plan has become an integral tool which supports the Chief People Officer and Nomination Committee in recommending appointments which will help drive the business forwards. To reflect the considerations of the Nomination Committee, the Board resolved to appoint an additional Non-Executive Director with experience in the areas of data analytics, cyber and IT which will be key to the guiding the Group through its evolution. Following a recruitment exercise undertaken by an

5 January 2021	- Anna Bielby appointed as Interim Chief Financial Officer and as an Executive Director
29 January 2021	- Duncan McPhee promoted to Chief Operating Officer and appointed as an Executive Director
1 April 2021	- Paul Van der Burgh appointed as a Non-Executive Director
30 April 2021	- Heather Jackson stepped down from the Board
5 May 2021	- Paul Van der Burgh appointed as Senior Independent Director - Victoria Mitchell appointed as Interim Remuneration Committee Chair
30 June 2021	- Anna Bielby stepped down as an Executive Director, but remained as Interim Chief Financial Officer until 31 July 2021
1 October 2021	- Phil White resigned as Chair of the Board - Ian Bull appointed as Chair of the Board
15 November 2021	- Oliver Laird appointed as Chief Financial Officer and Executive Director



Volvo Stockport

independent search consultant (Hedley May), the Nomination Committee agreed to recommend to the Board that Deborah Sherry, who is highly experienced in the technology and digital environment, be appointed as an independent non-executive director. Deborah's appointment was subsequently approved by the Board and is effective from 6 April 2022. The Board believes that her experience and knowledge on technology, digital and commercial issues will be crucial to the next phase of our strategy and the long-term sustainability of the Group, particularly in relation to how we use technology to enhance and strengthen our relationship with customers and partners. On the recommendation of the Committee, Deborah will be appointed to the Audit and Risk Committee, Remuneration Committee and Nomination Committee.

As part of succession planning, the length of service of the Board as a whole is considered.

Appointment of Directors

The Nomination Committee leads the process, as set out below, for appointments to Board and senior management positions. Board appointments are subject to approval by the Board and the Nomination Committee will make recommendations to support the Board in its considerations.

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 to 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.

During 2021 appointments to the Board were facilitated in a variety of ways. As previously reported, Anna Bielby was appointed on an interim basis following a personal recommendation; Duncan McPhee was promoted internally and Paul Van der Burgh was appointed following an approach made by the Board on his retirement as president of Toyota GB. Ian Bull and Oliver Laird were both recruited via two separate search agencies (Hedley May and Redgrave respectively), neither of which have any connection with the Company or individual Directors. All external appointments were subject to interviews by the Non-Executive Directors.

Shareholders are asked to vote annually on resolutions proposing each Director for re-election at the Annual General Meeting (AGM) (or election if they have joined the Board since the last AGM). Details of the Directors standing for election/re-election at the 2022 AGM, with supporting information on their contribution to the Group, will be included in the Notice of AGM. The Committee has recommended to the Board that each director should stand for election or re-election by the Company's shareholders at the AGM.

Report from the Chair of the Nomination Committee

Diversity

Lookers recognises the benefits of having a diverse Board and sees 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 Company's diversity policy 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. Whilst we did not meet this target going into 2022, following the appointment of Deborah Sherry, as detailed on page 74, the proportion of women on our Board is 25%.

More information on the considerations in relation to diversity of the workforce is given in the Sustainability Report on page 92.

The gender balance as at 31 December was:

	2021				2020			
	Male		Female		Male		Female	
	Number	%	Number	%	Number	%	Number	%
Board members	6	85.7	1	14.3	5	71.4	2	28.6
Senior management*	22	95.7	1	4.3	19	95.0	1	5.0
All staff**	4,948	75.6	1,595	24.4	4,991	75.7	1,603	24.3

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

** Excludes Non-Executive Directors.

In addition to gender diversity, a diverse range of experience and backgrounds is also important. Further, the Committee has noted the Parker Review in relation to Ethnic Diversity of UK Boards and confirms that it is compliant with its recommendations in relation to Board membership.

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 56 to 59.



Objectives for 2022

As the new Board continues to embed during 2022, the Nomination Committee will continue to review our Board and senior management succession plans for the short, medium and long-term. The Nomination Committee will also consider and finalise the options for a permanent Remuneration Committee Chair in 2022, with discussions having begun with a recruitment consultant to start this process. In developing internal talent, the Committee will monitor the training and resources available to support internal progression to senior management and Board positions. As our strategy develops, we know that the skills and capabilities we require will evolve and the Committee has a key role to play in keeping the skills matrix up to date and ensuring director learning and development is targeted to areas of strategic importance. The Nomination Committee will also continue to keep the options for workforce engagement (see page 66) under review.

Ian Bull

Chair of the Nomination Committee

5 April 2022



Mercedes-Benz & Smart Maidstone

Report from the Chair of the Audit and Risk Committee



Dear Shareholder,

I am pleased to present my report as Chair of the Audit and Risk Committee (the Committee) detailing our responsibilities and activities during 2021, including how we have looked to manage developments in the business and the wider environment.

2021 remained challenging for the Group as it resolved the knock-on impacts of issues identified in 2020, as well as managing existing and new external issues including COVID-19 and the impact of semi-conductor supply. Against this background the Group and the Committee has made strong progress in resolving historic issues against the backdrop of an external environment that remains volatile.

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 control.

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

The Committee's terms of reference are regularly reviewed and updated by the Committee, and were last approved by the Board in January 2022.

Composition and attendance

The Committee's membership is composed solely of independent Non-Executive Directors. During 2021 membership consisted of:

Robin Churchouse (Chair)

Heather Jackson (resigned 30 April 2021)

Paul Van der Burgh (appointed 1 April 2021)

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 56 to 59.

The Committee met 16 times during the year. Attendance of individual members is shown on page 71.

Through the year a broad range of management representatives attended Committee meetings including the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Information Officer, Chief Risk Officer, Head of Internal Audit, General Counsel and Company Secretary and Group Chair.

Key matters impacting the Committee

During 2021 a number of areas dominated the Committee's agenda, namely:

- Managing the knock-on impacts of the late finalisation of the 2019 Accounts;
- The continued embedding and development of the Group's enhanced risk management and financial controls across the business

Financial reporting delays

As explained in our 2019 and 2020 Group Accounts, the Group's Report and Accounts for the year ended December 2019 were not published until 30 November 2020. This delay had an immediate cascade impact on our 2020 Group interim results, 2020 Group Accounts and 2019 and 2020 subsidiary accounts.

Report from the Chair of the Audit and Risk Committee

This impact was driven by two factors:

- Work on all of these sets of accounts started later than we would have liked because of the previous delays, not least because most need to happen sequentially rather than in parallel. Throughout 2021 our internal team and our external auditor worked diligently to catch up on this time lag, with the result that during 2022 we anticipate reporting on more normalised timings. We will continue to work to bring our reporting forward to earlier dates that are within market expectations. I would like to take the opportunity to thank both our internal and external teams for the hard work in 2021 and 2022 to clear this backlog, and our external stakeholders for their patience and continued support; and
- We needed to ensure that the issues identified in 2019 and 2020 were accurately reflected within those accounts and did not recur in later accounts. Given the scale and nature of some of those issues this was not a simple or quick issue to ensure, and our focus was strongly on “getting it right”. We were satisfied that this was achieved within those accounts.

Our 2020 Group Accounts were the first to be audited by BDO LLP (BDO), our new external auditor. The process of onboarding of and familiarisation with BDO went well, but as a first year audit the process was inevitably more time consuming than we would expect in future years. Most importantly, the Committee is satisfied with the

diligence and challenge provided by BDO in their work. Our priority throughout 2021 was to ensure accounts that were robust, comprehensive and presented a true and fair reflection of the Group and its subsidiaries’ performances.

As already noted, during 2022 we will continue to work to bring our reporting back to market norms without compromising on quality.

Risk management and financial controls

Again as explained in detail in our 2019 and 2020 Group Accounts, during 2019 and 2020 a number of risk management, accounting and financial control issues were identified across the Group. Early in 2021 the Committee was involved in the process whereby we attested that our systems of control were fit for purpose to allow us to apply for the restoration of our share listing. Fit for purpose controls allow the Group to operate safely, however it does not necessarily mean that those controls are as efficient or effective as we would ultimately like. Therefore, through the remainder of the year we have focussed on embedding and enhancing those controls to enhance their efficiency and effectiveness. This process will continue into 2022 until we are satisfied that we have achieved the right balance of control and risk management with operational efficiency.

Committee activities

Looking more broadly at the Committee’s activities during 2021, they covered the following issues:

1. Financial reporting

Alongside monitoring and managing the progress on our financial reporting and accounts publication, the Committee undertook detailed consideration of our key accounting judgements or areas of complexity including:

- **Leasing** – ensuring that the approach implemented was correct, consistent and that the judgements were valid. This work included identifying and resolving a number of adjustments to previously published 2020 numbers (see Note 1 in Financial Statements);
- **Goodwill and intangibles** – challenging the judgements and assessments used including long-term growth rates, forecast cashflows, forecast timeframes and discount rates, as well as consideration of reasonable “downside” sensitivity;
- **Inventories** – with a particular focus on used car valuations which have been much more volatile through COVID-19 than normal;
- **Pensions** – reviewing the assumptions used by management and the Group’s external actuaries in valuing our schemes;
- **Alternative performance measures** – reviewing the treatment of certain items as non-underlying;
- **Customer remediation** – reviewing the adequacy of provisions required for known customer detriment and redress;
- **Going concern and viability statements** – the Committee’s considerations were again significantly complicated by the impact of COVID-19 and by broader economic and global factors such as the impact on new car supply of the shortage of semiconductors. The Committee reviewed the Group’s management of impacts, its forecasts and funding arrangements and 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 and challenges from our external auditors, were



BMW Stoke-on-Trent

satisfied that it is appropriate to adopt the going concern basis; and

- **Impact of 2019 adjustments** – reviewing the impact of these adjustments, in particular on interim results and subsidiary accounts.

An over-arching 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 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; and
- That alternative performance measures were clearly explained and appropriate to explaining the underlying performance of the business.

In October 2021 the Financial Reporting Council (FRC) notified the Company that it had undertaken a thematic review of the alternative performance measures (APMs) disclosed in the Company's 2020 ARA. In their letter the FRC noted a small number of areas in which users would benefit from improvements to APM disclosures. The Company has fully enacted these recommendations in this ARA.

2. Internal audit

Throughout 2021 our Internal Audit function continued to develop under our new Head of Internal Audit with further experienced resources being added to the team. This included progress on enhancing our audit approach and on the approach to reporting and concluding on audit actions. The Committee reviewed and approved the forward looking audit plan, as well as a broad range of internal audit reports and their associated actions. As well as our ongoing programme of franchise audits covering key controls and processes across the Group, areas covered included regulated sales and regulated complaints processes, privileged systems access management processes and controls and groupwide payroll and expenses processes.

All of the issues and actions identified during these audits are reviewed by the Committee and their resolution by management and to the satisfaction of Internal Audit monitored.

3. External audit arrangements

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

These matters were considered on an ongoing basis, and in more detail in November 2021. The Committee concluded that whilst we had seen some inevitable inefficiencies within the first year audit we were, critically, satisfied with the strength and diligence of BDO's approach and conclusions. In particular, they brought a fresh perspective to a number of key judgement areas that ensured a robust debate and conclusion.

During late 2021 the Financial Reporting Council (FRC) undertook a review of BDO's audit of our 2020 Accounts as a part of their normal cyclical review of FTSE company audits. The focus of such reviews is on the audit and on BDO's processes rather than on the underlying company or accounts. The results of this review were received in March 2022, and highlighted a few areas for improvement in BDO's work programme, whilst also noting a number of areas of good practice. Overall the report raised no key concerns for the Committee, and the Committee is satisfied with the actions taken by BDO to address the issues noted.

In considering BDO's independence and objectivity in the context of the 2020 and 2021 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; and
- 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 £130,000 non audit fees for the year ended 31 December 2021 (2020: £nil). These fees were in respect of the Group's 2021 Interim Review.

Looking forward

Recent years have seen major challenges for the Group and 2021 was no different as the Group looked to clear the inevitable backlog of issues resulting, whilst embedding its improvements to systems of governance, financial management, risk and compliance management, internal audit and broader control.

Moving forward into 2022 and remaining cognisant of the anticipated BEIS update this year, the focus will remain on fully normalising financial reporting timetables and continuously embedding and building on the improvements to systems and controls. This will all sit alongside ensuring effective day-to-day monitoring and management of the Group's financial, risk and compliance matters. The Committee will look to contribute to successfully managing the Group safely through uncertain times in a way that protects the interests of all of our stakeholders including our customers, people, shareholders and banking club.

Robin Churchouse

Chair of the Audit and Risk Committee

5 April 2022

Sustainability report

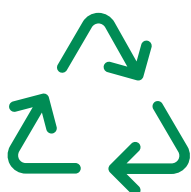
Introduction

We recognise that sustainability is important to our stakeholders and is fundamental to the long-term viability of the business. As one of the UK's largest automotive retailers, we are committed to the transition to battery electric vehicles and to acting in a responsible way toward all of our people, customers and other stakeholders. With this in mind, we have announced our ambition to become Net Zero carbon by 2050, or sooner, and will be focused on finding ways to reduce our impact across the whole value chain to achieve this.

This includes ensuring that our operations support sustainability and consider both how our actions impact the environment around us and how environmental changes and requirements in this area impact how we run our business. The areas considered are highlighted below, with more detailed information on each following within this Sustainability Report.

The alignment of Environmental, Social and Governance (ESG) issues with our business strategy is key. The Board recognises that the Group's policies in some ESG related areas are still being developed; it has appointed an external ESG consultant, CEN-ESG, who is helping us understand our stakeholders' views on ESG matters and how our strategy in this area should develop. This review is in early stages and the Board looks forward to reporting more on this next year. The following report, alongside the Corporate Governance Statement (set out on pages 65 to 73) provides more information on ESG related matters.

It should be noted that the Group's operations were substantially reduced in 2020 because of the impact of the COVID-19 pandemic. The data for 2020 contained in this Sustainability Report is therefore not reflective of normal circumstances and this should be considered when comparing this data with that of 2021.



SUSTAINABILITY GOVERNANCE

- ExCo and Board oversight
- Appropriate policies
- Good working practices

ENVIRONMENTAL MATTERS

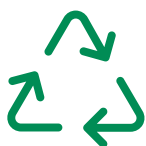
- Waste reduction & recycling
- Water and fuel efficiency
- Reduction of carbon emissions
- Energy saving initiatives
- Electric vehicles and EV charging
- Mandatory carbon reporting

TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE (TCFD)

- Mandatory disclosures
- CEO and CRO responsibility
- Board and ExCo oversight
- Climate change risks and opportunities
- Strategic implications
- Greenhouse gas emissions

SOCIAL MATTERS

- Ethical employment
- Equality
- Diversity and inclusion
- Working practices
- Developing & communicating with our people
- Human rights
- Whistleblowing
- Health & safety
- Supporting our communities



SUSTAINABILITY GOVERNANCE

The Board is responsible for ensuring that the strategy, policies and processes within the Group promote the long-term sustainable success of the business and protect the interests of all of its stakeholders.

Management of the Group's sustainability business goals has been delegated to the Executive Committee (ExCo), which reports to the Board regularly. The role and responsibilities of ExCo and the oversight of the Board in relation to climate related risk and opportunities, which also extend to all sustainability issues, are set out on page 88.



ENVIRONMENTAL MATTERS

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 environmental risk policy which is approved by the ExCo and reviewed annually.

We monitor the areas of our business that may negatively impact on the environment including contamination, asbestos, waste oil and waste recycling, together with energy, water and fuel efficiency. Environmental auditing of our sites has been implemented during 2021 and will act as a key driver for compliance and increasing our environmental performance. No environmental fines or penalties have been issued against the Group in 2021 or in the previous 3 years.

Energy and Emissions

The reduction of carbon emissions and energy consumption is a high priority for the Group. In the lead-up to COP26 in 2021, we partnered with Autotrader and the Carbon Literacy Project to develop and launch a new Automotive Carbon Literacy Toolkit. This is the first of its kind for the automotive industry and has been carefully designed in close collaboration with a number of leading automotive retailers and manufacturers. The toolkit is available for any organisation, of any size, within the automotive industry and is designed to support businesses and individuals in their journey towards reducing their carbon footprint by making the adoption of carbon literacy faster and easier to achieve. We will be launching carbon literacy training across the Group to increase colleagues' awareness on how they can make better decisions to decrease their carbon footprint, both in the workplace and also in their daily lives. We have committed to put over 400 colleagues through this programme in 2022.

Since April 2021, 25 dealerships have been surveyed and energy improvement solutions identified. A trial of four sites with building management systems is being implemented; the results are expected to show a 25% reduction in energy and carbon usage.

We continue to implement and develop an energy and carbon management programme that includes:

- regular energy surveys of our dealership estate;
- regular monitoring of energy consumption;
- deployment of energy-saving technologies including, biomass heating and cooling, solar photovoltaic system (PV) installations and the increasing use of smart controls; and
- deployment of energy monitoring and metering solutions to further improve data capture and reporting.

We continue with our reporting responsibilities in respect of energy consumption and management in the following three areas:

1. We have completed the Energy Saving and Opportunities Scheme reporting and the Streamlined Energy and Carbon Reporting (SECR) for 2021. During 2020 our total carbon emissions fell by 28% in the context of a reduction in operations due to COVID-19. In 2021, a rise in energy consumption was seen, attributable to a significant increase in business compared to 2020 and the further deployment and sales of electric vehicles (EV), which now account for almost 10,000 kWh per week of electric consumption across the Group. It is estimated that EV will increase consumption by 15% per annum for the next five years. We are looking at solutions to reduce electric consumption in all areas of Group operations to mitigate this impact.
2. Greenhouse Gas reporting (GHG). This is our ninth year of reporting and the results are shown on page 87.
3. Energy Savings Opportunity Scheme (ESOS). This reporting requirement was introduced by the European Union and we have been compliant since 2015.

It should be noted that while Scope 2 emissions are expected to rise as a result of EV expansion, this is not expected to lead to an increase in overall emissions, as a result of three offsetting activities:

- focus on reducing electricity consumption from all areas of the business;
- transferring internal fleet to EVs will reduce transport emissions significantly; and
- dependent upon favourable market conditions, the Group plans to procure 100% green electricity.

From 2021 all new buildings have, as a minimum, a building management system installed and we will ensure that the design considers technologies such as passive ventilation, air source heat pumps and onsite renewable generation.

Sustainability report

We are planning to reduce the environmental impact of the vehicles we sell and continuing to expand our offerings of hybrid and electric vehicles. The current breakdown of sales of passenger cars for the years to 31 December is set out below:

Passenger cars	2021	2020
Total units sold	70,887	68,504
Number of electric vehicles	11,426	6,995
Percentage of electric vehicles	16.1%	10.2%
Number of hybrid vehicles	5,170	3,252
Percentage of hybrid vehicles	7.3%	4.7%

Delivery of Electric Vehicle Charging (EVC) is increasing year on year and is a key focus for the Group. The majority of our estate now has EVC installed. This includes our head office which has 12 chargers and a 50kW solar array installed. We continue to support and deliver EVC for both internal and external customers.

Various initiatives to help reduce energy usage in our properties include:

- the upgrade of all non-LED lighting, with all new builds to be fitted with LED;
- all pumps and motors will be surveyed during 2022 to ascertain the scope for upgrade to inverter driven systems; and
- a carbon literacy staff training campaign will be delivered during 2022.

Waste

During 2021 we undertook waste auditing on several sites. Our findings have been used to strengthen our waste management delivery during 2022, including:

- ensuring 100% hazardous waste compliance;
- increasing onsite dry mixed recycling to reduce the requirements on material recovery facilities;
- a Group wide campaign to increase recycling and reduce black bin volumes; and
- ensuring Group wide compliance via delivery of all waste management through an external contractor.

We continue to achieve extremely high recycling rates for both hazardous and non-hazardous materials and have ensured that none of our waste in 2020 or 2021 has gone to landfill.

The tables below summarise waste streams and volumes for the years to 31 December. Data is sourced from Enva (the Group's external waste management company) and covers 100% of mainland UK operations.

	2021	2020
	tonnes	tonnes
General waste	3,238	3,009
Hazardous waste	1,819	1,810
Total waste	5,057	4,819

	2021	2020
	tonnes	tonnes
Dry mixed recycling	2,109	2,015
Material recovery facility	564	498
Hazardous recycled	1,780	1,780
Recycling total	4,453	4,293

	2021	2020
	tonnes	tonnes
General waste incineration	565	497
Hazardous incineration	39	29
Total waste to energy	604	526

	2021	2020
	%	%
Total recycled	88	89
Total hazardous recycled	98	98

We believe that we are making progress in reducing waste albeit factors not related to our waste management initiatives, including COVID-19 related site closures, disposals and acquisitions in the estate, the number of trading days and site refurbishments, have impacted the data reported above.



Land Rover Bishop's Stortford

Sustainability report

Water

Water is a key to our operations; the main uses for water are valeting cars, toilets, hand washing, showers and drinks. As per the requirements of our environmental risk policy, processes are in place to ensure that all legislative requirements in relation to water use and consumption are met, including water risk assessments, Legionnaires Disease risk assessments, discharge licenses and interceptor cleaning and compliance.

We recognise that some of our operations are in high water stress areas, namely the South East of England. We seek to use water in the most environmentally friendly and socially responsible way across all of our operations, particularly in these areas, and seek to reduce water consumption year on year.

Our water consumption in 2021 was 336,960 m³, with an intensity of 83 cubic meters per million of revenue. Information is not available for prior years but will be built upon for comparison purposes in future reports.

Mandatory carbon 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.

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 SECR reporting. This data is 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 CO₂e per million pounds of turnover.



VW Battersea

Our mandatory carbon reporting data for the years ended 31 December is set out below.

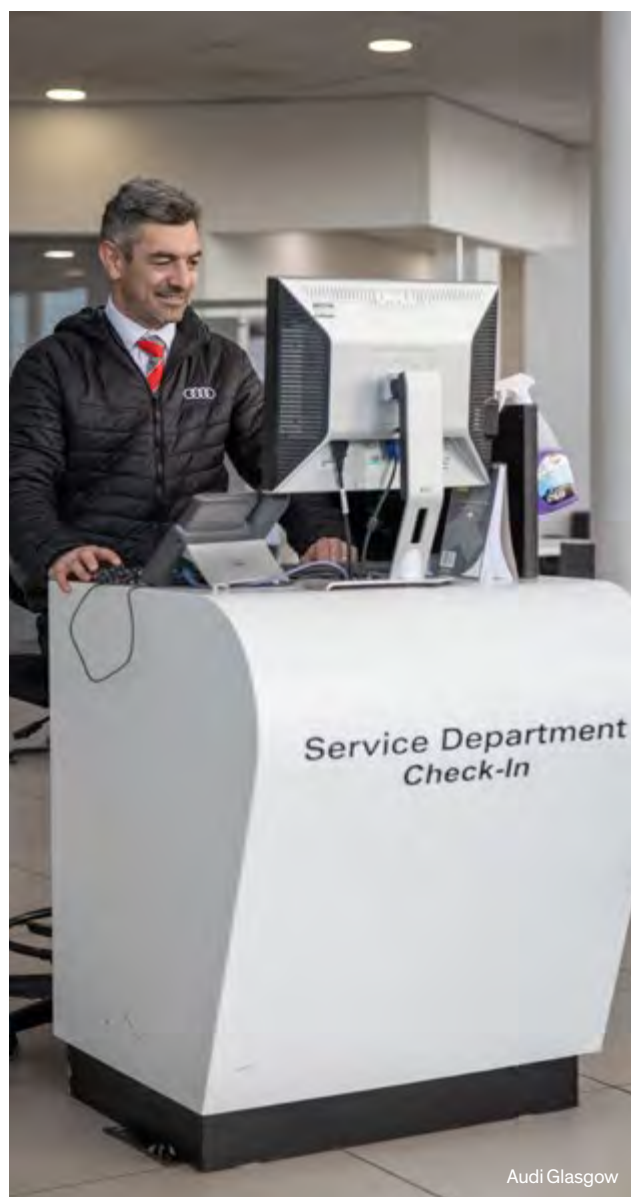
	2021 tCO ₂ e	2021 tCO ₂ e / £m turnover	2020 tCO ₂ e	2020 (restated) tCO ₂ e / £m turnover
Scope 1				
Gas	5,987	1.48	5,252	1.42
Vehicle fuels	13,153	3.25	13,345	3.61
Total	19,140	4.73	18,597	5.03
Scope 2				
Electricity	7,062	1.74	7,050	1.91
Statutory total	26,202	6.47	25,647	6.94

From this year we are able to increase the scope of our carbon reporting to cover our Scope 3 emissions from flights, waste and water. No comparatives for prior years are currently available but will be added in future reports, together with further data as we seek to increase our coverage of Scope 3 carbon measurement.

	Consumption	Carbon tCO ₂ e	Intensity tCO ₂ e/£m turnover
Water potable m ³	172,800	26	0.006
Water non-potable m ³	164,160	45	0.011
Flights (miles)	13,592	5	0.001
Waste recycled (tonnes)	4,453	95	0.023
Waste incinerated (tonnes)	604	13	0.003

We are also required to disclose the annual quantity of energy consumed by the Group resulting from the purchase of electricity, heat, steam or cooling in kilowatt hours (kWh). The data for the years ended 31 December is below:

	2021 kWh	2020 kWh
Gas	31,992,604	28,289,432
Vehicle fuels	56,362,784	56,407,456
Electricity	33,115,708	30,097,246
Total	121,471,096	114,794,134



Audi Glasgow

Sustainability report



**TASK FORCE ON
CLIMATE RELATED
FINANCIAL DISCLOSURES
(TCFD)**

The Board has noted recommendations in relation to voluntary disclosures of climate related financial risk and opportunities and the mandatory requirements for reporting on compliance arising from Listing Rule 9.8.6(8). Our statement to meet these requirements, providing information on the governance of sustainability matters, risk management and our strategy in managing climate related risks and opportunities, is set out below.

Governance

The Board is responsible for the oversight of climate-related risks and opportunities, as with all matters which impact the strategy and risk management of the Group. Climate-related issues are considered in the review of our strategy and business plans and are integrated into the Group's risk management process. The Audit and Risk Committee (ARC) supports the Board in this function and is responsible for reviewing the climate-related risk and opportunities as part of its semi-annual risk control reviews.

The Executive Committee (ExCo) provides the executive management level oversight of the Group's sustainability framework, including assessing and managing climate-related issues. The ExCo considers sustainability and climate change quarterly and is responsible for determining the sustainability goals and objectives, setting best practice for the Group, assigning responsibility for delivery and monitoring progress against the action plan. Progress is regularly reviewed by the Board. Specifically, the Chief Executive Officer has overall responsibility for climate change and environmental matters, the Chief Risk Officer is responsible for assessing and monitoring climate-related risks and the Chief Financial Officer is responsible for incorporating any implications related to climate change into the Group forecasts and budget. The ExCo is in turn informed by various operational functions in the business who have responsibility for implementing the underlying sustainability framework, including the day-to-day management of climate-related issues, and reporting any relevant data, progress or issues to ExCo.

Risk management

Current and emerging climate-related risks and opportunities are considered across all risk categories, whether they arise within our own operations (we consider 100% of our operations) or are external. These are viewed as short-term (0 to 3 years), medium-term (3 to 10 years) or long-term (over 10 years). In 2021/22, risks and opportunities relevant to the Group were reviewed with the help of external consultants, CEN-ESG, and refined through consultation with the Chief Risk Officer and senior management, including the Group Energy Manager and operational teams. Risks and opportunities were assessed using the existing impact and probability matrix (Rare, Unlikely, Possible, Likely, Highly Likely) and magnitude scalar (Minor, Moderate, Major, Severe, Critical).

The completed climate-related risk and opportunity register was approved by the ARC during the financial year. The relative significance of climate-related risks is considered alongside the risks identified in the wider risk management process. This ensures the management of climate-related risks is integrated into our overall enterprise risk management framework. The climate-related risk register is reviewed every six months to refine the assessment and quantification of risks and to ensure the register reflects any material changes in the operating environment and business strategy.

Once we have identified each climate rated risk and opportunity, we seek to quantify the financial impact, the appropriate strategic response, the cost of response and the variance of key risks. This in turn helps to determine the materiality which allows the Group to prioritise resources to manage its most significant climate-related impacts, determine the best management response or highlight areas requiring further investigation. The results of the analysis undertaken in 2021 are set out on pages 89 to 91. All our climate change risks and opportunities are covered by mitigation or adaptation strategies.

Strategy

The key climate-related risks and opportunities which could have a material financial impact on the organisation have been identified and any resulting influence on the business and strategy outlined on pages 89 to 91. Our analysis of climate-change impacts incorporates a timeline to 2050. In 2021 we began to develop our climate-related scenario analysis to improve our understanding of the behaviour of certain risks to different climate outcomes. We utilised three public climate-related scenarios to help us better understand the resilience of the business to climate change:

- Sustainable development (SDS)* outlining a global low carbon transition which limits the global temperatures rise to 1.65 °C by 2100, with 50% probability;
- Stated policies (STEPS)* outlining a combination of physical and transitions risk impacts as temperatures rise by 2.6°C by 2100, with 50% probability; and
- RCP 8.5** an extreme physical risk scenario, as global temperatures rise between 4.1 -4.8°C by 2100.

These scenarios have been supplemented with additional sources that are specific to each risk to inform any assumptions included in projections. Much of our scenario analysis is qualitative, but against certain risks, we have considered quantified impacts internally where the underlying data is available and where the current understanding of the risks is robust. There will be opportunities in future years to increase the sophistication of modelling as new data is made available both internally and externally to support a meaningful quantitative assessment.

* IEA (2021), World Energy Model, IEA, Paris <https://www.iea.org/reports/world-energy-model>. ** IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change.

We define low carbon products as zero emissions vehicles (Og CO₂ per passenger km) in line with the definition of "environmentally sustainable" vehicles in the EU Taxonomy for Sustainable Investments from 2026.

Key climate related risks

Risk	Shift to Battery Electric Vehicles (BEVs)	Managing the BEV transition	Supply chain disruption
Type	Transition (technology)	Transition (technology, market & reputation)	Physical
Area	Own operations	Downstream	Upstream
Primary potential financial impact	Lost aftersales revenue	Reduced revenue	Lost revenue
Time horizon short (0 to 3 years), medium (3 to 10 years) or long-term (over 10 years)	Medium-term	Medium-term	Medium-term
Likelihood	Highly likely	Possible	Possible
Magnitude of impact	Severe	Severe	Major

	Shift to BEVs
Impact on the business and strategy	<p>The transition to BEVs has the potential to impact aftersales revenue. BEVs have fewer parts, use less fluids, suffer no degradation in filters and exhausts and can exhibit lower wear from use (e.g. regenerative braking decreasing wear on brake pads). Whilst BEVs will potentially require more higher-margin diagnostics work, net-net the after sales opportunity is expected to decrease. In contrast, faster growth in BEVs is a positive for the Group's primary sales (see Opportunities). The capital expenditure cost of electrifying our estate is estimated at £10-20m, including the installation of charging points, substations, transformers and more complex service equipment. In addition, electrification conversion courses for technicians are required. We are investigating measures to offset the after sales loss through improved customer propositions which would increase post-sale retention.</p>
	<p>Managing the BEV transition</p> <p>The transition to BEVs presents risks (and opportunities) in managing and timing our response to the various forces in play. The rapid development of EV technology could result in write-offs or stranded assets if we move too quickly into this market. We would also risk losing out on the revenues from continuing to service of the residual ICE fleet, which will be around for a number of years. However, moving too slowly risks loss of revenue and market share, issues with employee retention and potential reputational damage from not embracing the BEV transition. In addition, we risk having a costly ICE sales/post sales framework still in place as ICE volumes run down. We are investing responsibly and with awareness in the BEV transition, which is core to our strategy as we seek to position ourselves as the supplier of choice (see Opportunities).</p>
	<p>Supply chain disruption</p> <p>Disruption to supply as a result of climate-related physical risks will require close monitoring. Major vehicle manufacturers have some capacity flexibility to cope with natural disasters and recent supply chain disruptions have led manufacturers to increase the resilience of their supply chain. However, there are risks if manufacturers are dependent on key components that are subject to climate-related supply issues. We have not encountered climate-related supply chain risks to date.</p> <p>At the manufacturer level, the impact of flooding or storms is likely to be isolated, impacting certain sites and certain brands.</p> <p>Further work is required to determine the likelihood and impact of these risks for our key suppliers.</p>

Sustainability report

Risk	Carbon pricing in the value chain	Adverse vehicle or energy regulation	Cost of capital linked to sustainability criteria	Economic disruption
Type	Transition (emerging regulation)	Transition (current and emerging regulation)	Transition (market)	Physical
Area	Upstream	Downstream	Own operations	Downstream
Primary potential financial impact	Increased cost of purchases of goods and inbound transportation	Lost revenue	Higher cost of capital	Lost revenue
Time horizon short (0 to 3 years), medium (3 to 10 years) or long-term (over 10 years)	Medium-term	Medium-term	Medium-term	Long-term
Likelihood	Highly likely	Likely	Likely	Unlikely
Magnitude of impact	Moderate	Moderate	Major	Severe

	Carbon pricing in the value chain
Impact on the business and strategy	The cost of carbon, applied either via emissions trading prices, offsets or direct carbon taxes, is expected to rise in the drive to make businesses more responsible for their emissions. This will lead to an increase in the cost of vehicle manufacture and on the cost of their inbound transport to our sites, both of which could result in higher prices for vehicles. How these impacts might be reflected in the cost of vehicles is yet to be established. Understanding our Scope 3 exposure will provide further details around the quantity of embedded carbon in our supply chain and subsequent engagement with our suppliers will be required to identify levers for decarbonisation.
	Adverse vehicle or energy regulation
	Greater regulation of energy markets, vehicle emissions, extension of low emissions zones in the UK or increased taxation of Internal Combustion Engine (ICE) vehicles present moderate downstream risks. Higher electricity prices related to the introduction of a carbon tax should not result in material impacts to BEV car ownership given the meaningfully lower cost of recharging currently. Taxes in ICE vehicle fuels have been a constant feature and so the introduction of carbon taxes would be unwelcomed but is not expected to disrupt our business model. In addition, this plays into the growth in BEVs, where primary sales are an opportunity for us. Regulation may drive sales to smaller, lower-margin vehicles but the industry has shown an ability to develop technologies to decrease emissions per vehicle and to date the impact on consumer behaviour from price increases has proved to be short-lived.
	Cost of capital linked to sustainability criteria
	Providers of capital (investors and banks) have been steadily incorporating sustainability into their assessments, which represents a risk to the availability and cost of capital if the Group loses its competitive position in ESG performance and disclosure. We have commenced a comprehensive sustainability change management programme designed to improve our ESG performance and disclosure to ensure we are taking a best practice pathway to business sustainability.
	Economic disruption
	Natural disasters and long-term climate impacts could have a lasting negative impact on the global economy and international capital markets. A squeeze on consumer discretionary spend because of worsening economic conditions may impact vehicle sales given the close link to GDP, inflation, interest rates, employment and purchasing power. Quantifying this risk is difficult and the impact is likely to be felt only in the long-term. Typically, the negative consumer impact from adverse economic effects has proved to be short-lived over time.

Key climate related opportunities

Opportunity	Battery Electric Vehicle (BEV) transition	Renewable energy	Energy efficiency in operations
Type	Products and services/markets	Energy source	Resource efficiency
Area	Own operations	Own operations	Own operations
Primary potential financial impact	Higher revenue	Reduced costs	Reduced costs
Time horizon short (0 to 3 years), medium (3 to 10 years) or long-term (over 10 years)	Medium-term	Medium-term	Medium-term
Likelihood	Highly likely	Likely	Likely
Magnitude of impact	Major	Medium	Medium

	BEV transition																
Impact on the business and strategy	<p>The BEV transition is a major opportunity for primary sales as it provides a force for renewal of the global vehicle fleet. Building a competitive position in the BEV market and successfully responding to technology risks will drive revenue and is our key focus. Beyond primary sales, we also foresee potential in adjacent opportunities in the BEV transition, such as in installation of public access charging stations at sites and providing home energy solutions. The base case estimate for the penetration of BEVs is 16% of the 35m passenger vehicle UK fleet by 2030 (5.5m vehicles), which represents growth of c35% Compound Annual Growth Rate (CAGR) 2021-2030 based off c400k BEVs registered in the UK at the end of 2021. A high road scenario, in line with the BEV growth forecasts in SDS for Europe including the UK, outlines the potential for the UK BEV fleet to reach 9-10m vehicles in 2030 c29% of fleet and c40% CAGR 2021-2030. This would be predicated on additional fiscal incentives, improved charging infrastructure and improved vehicle features partly dictated by brand partners, like affordability and range.</p>																
	<p>Renewable energy</p> <p>We can mitigate the impact of potential carbon pricing through renewables whilst also reducing operational cost and cost exposure to energy price fluctuations. We plan to increase the roll-out of solar PVs at our sites. Emissions can be further reduced through the procurement of renewable electricity under contract in the form of Power Purchase Agreements (PPAs). We have been investigating the impact of carbon prices on the business, based on our Scope 1 and 2 emissions. The carbon price (US\$/tCO₂e) under the SDS and STEPS scenarios is projected to increase as below:</p> <p>UK carbon price estimates (US\$/t)</p> <table border="1"> <thead> <tr> <th>Scenario</th> <th>2030</th> <th>2040</th> <th>2050</th> </tr> </thead> <tbody> <tr> <td>STEPS</td> <td>65</td> <td>75</td> <td>90</td> </tr> <tr> <td>SDS</td> <td>120</td> <td>170</td> <td>200</td> </tr> <tr> <td>Difference</td> <td>85%</td> <td>127%</td> <td>122%</td> </tr> </tbody> </table> <p>With a focus on reducing our Scope 1 and 2 emissions we can reduce, or eliminate, the potential additional operational costs resulting from the above carbon price scenarios.</p>	Scenario	2030	2040	2050	STEPS	65	75	90	SDS	120	170	200	Difference	85%	127%	122%
	Scenario	2030	2040	2050													
	STEPS	65	75	90													
SDS	120	170	200														
Difference	85%	127%	122%														
<p>Energy efficiency in operations</p> <p>Investment in resource efficiency, reducing energy, water and waste across the Group will decrease energy intensity and should result in lower and more stable operating costs, increasing operating efficiency. The primary energy uses on sites are power required for our workshops, Heating Ventilation and Air Conditioning (HVAC) and lighting. Installation of a building management system (estimated costs of £1.2m) will help us control and manage energy demand at our sites efficiently. Further LED rollout and installation of lighting controls are planned and we will investigate opportunities with the HVAC and the monitoring and operation of the air compressors.</p>																	

Metrics and targets

We monitor Scope 1, 2 and certain Scope 3 greenhouse gas (GHG) emissions, calculated in-line with the GHG Protocol as reported on page 87. Through our sustainability programme we are also improving the disclosure and management of our energy, waste and water, as reported on page 84. We recognise the need to outline targets for emissions, energy use, water and waste and to undertake a more comprehensive Scope 3 assessment to improve our understanding of our impacts and to begin a more structured response to the management of our climate-related risks and opportunities.

Sustainability report



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, but are not limited to, geography, background, education, disability, gender, ethnicity, social background, sensitive medical conditions, family responsibilities, trade union membership, political opinion, sexual orientation, religion, belief, age, culture, personality, workstyle and cognitive or personal strengths.

Our policy on diversity, which is the responsibility of the Chief People Officer, 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.

All staff are required to undertake equality and diversity training via an online module.

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 committed to gender equality and 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. To further drive our ambition to have a more inclusive and gender balanced workforce, we are a full member and proactive supporter of the Automotive 30% Club (Automotive 30), powered by social

enterprise leader Gaia Innovation, which champions better gender balance and more female participation and leadership.

Metrics in relation to the gender split of the Board, senior managers and the wider workforce as defined by the UK Corporate Governance Code (UK Code) is set out in the Report of the Chair of the Nomination Committee on page 76. The management level below the UK Code definition of senior management is made up of 25 women (16%) and 131 men (84%). This highlights the importance of us continuing to look at initiatives to improve our gender split.

We recognise that we are behind the curve when it comes to the consideration of wider diversity issues. The Chief People Officer has the remit of leading this forward over the course of 2022 and has undertaken significant development of practices and processes during 2021 in relation to diversity & inclusion (D&I). Our next step is to partner with an inclusion expert to path the way for D&I best practice and provide directional support and expert guidance and compassionately offer tailored, realistic and effective initiatives that directs and drives authentic change and support with significant advances in diversifying our workforce.

We will be carefully looking at priorities and direction, followed by a suite of leadership solutions to align the new management and Board to Lookers D&I strategy, action plan and ambitions.

Flexible working practices

We offer part-time working and job-sharing where appropriate and use temporary staff when necessary. We also have a flexible working policy in place which encourages our employees to request flexible working, assessed on an individual basis to enable our people to align their work-life balance. Employment metrics are shown in the table below.

		2021	2020	2019	2018
Full time staff	Number	6,030	6,019	7,591	7,847
	Percentage	92.2	90.9	88.6	89.6
Part time staff	Number	513	604	974	907
	Percentage	7.8	9.1	11.4	10.4
Permanent staff	Number	6,438	6,479	8,250	8,478
	Percentage	98.4	97.8	96.3	96.8
Temporary staff	Number	105	144	315	276
	Percentage	1.6	2.2	3.7	3.2

Data as at 31 December each year.

Freedom of association and collective bargaining

We recognise the right of all our people to join trade unions and employee representation bodies and to engage in collective bargaining regarding working conditions. The Group is not aware of any collective agreements that currently cover its employees. We are committed to not discriminate against any employee for their decision to join, or not join, a trade union or representative body.

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. Our people policies provide guidance on key issues including equal opportunities, disciplinary and grievances, recruitment and selection, discrimination, harassment, wellbeing and engaging for success. All managers are given the chance to participate in an HR essentials course, which is offered in both face-to-face and virtual formats, which cover all of these topics.

The Chief People Officer reports directly into the Chief Executive Officer and is responsible for developing the HR function alongside a senior team, supported by divisional HR Managers, who regularly engage with our managers providing management development to support our people as well as providing regular MI to the Board tracking key people data. All sales executives receive performance evaluations at least annually and formal performance development plans with stated objectives are in place for head office staff.

We have a fantastic apprenticeship scheme and since 2017 we have steered the careers of almost 1,000 apprentices across the UK. In 2021 we recruited and invested in almost 190 apprenticeships across the Group and have made a commitment to recruit over 200 for 2022. All apprentices have access to Smart Health to ensure they are properly supported. Recruitment in this area supports our people driven agenda to develop a new generation of skills, talent and diversity and we are pleased to see a number of female apprentices joining the business.

We are committed to ensuring that our employees receive training to enable them to fulfil their roles and also grow and develop. We have appointed a Learning and Development Manager in 2021 who will develop this area and is in the process creating an academy to promote and nurture talent across the business. We provide both Group related and brand-led training in conjunction with our OEM partners.

We consider staff turnover as a metric of employee satisfaction and are pleased to see that our turnover has decreased over time:

	2021	2020	2019	2018
Turnover (%)	25.96	34.93	29.74	30.65

We seek to offer competitive pay packages and have introduced fair and market leading pay plans across key roles within the business. We have committed to continue developing our pay plans across the remaining workforce.

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 these sessions is shared with the Board and action points agreed with executives.

Regular surveys are undertaken, with actions monitored by HR teams, the Operations Committee, the ExCo and the Board as applicable. All results are communicated across the business. Initiatives agreed as result included the following in 2021:

- six weekly business update sessions hosted by ExCo to all managers;
- introduction of consistent and benchmarked pay and reward packages;
- mental health training for over 250 management level employees, with plans for more over the course of 2022;
- 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;
- introduction of an employee assistance programme (EAP) provided by Smart Health, offering 24/7 consultations with medical professionals and private prescriptions at discount prices; and
- the introduction of an employee EV car scheme, to be launched in 2022, supported by home charging installation options.

COVID-19 impact

The impact of COVID-19 in 2021 was much lower than that seen in 2020 at the height of the pandemic, with newly adopted working arrangements and enhancements in technology along with vigilant COVID-19 measures implemented to protect our colleagues and customers. Some colleagues were furloughed in the first half of the year; however this was limited as much as possible and focused on our most vulnerable colleagues and roles where working from home wasn't feasible.

The government CJRS scheme was utilised when necessary because of the uncertainty of the ever-evolving COVID-19 situation. However, all CJRS grants relating to 2021 have now been repaid following a review by the Board. We recognise that COVID-19 is still an issue and are committed to remaining vigilant and adapting our approach if necessary.

All employees have been updated and provided with the details of the EAP to support with any financial or wellbeing concerns. The HR team work closely with managers to ensure employees continue to work in COVID-19 safe environments, with assistance from the Health and Safety team to keep the operational focus on ensuring the safety of employees and customers.

Sustainability report



Mini Stoke-on-Trent

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.

We are committed to communicating the human rights policy to all of our people and relevant external stakeholders, and to providing remedy to those who are found to have had their rights infringed by the Group's activities.

In particular the Group commits to the following principles:

- **Forced labour:** We comply with all relevant UK laws regarding voluntary employment and minimum ages for employment. We do not tolerate slavery, servitude and forced or compulsory labour and human trafficking in our operations or supply chain. Bonded, indentured or involuntary prison labour is also not accepted. Further details can be found in our Modern Slavery Statement (www.lookersplc.com/modern-slavery-statement).
- **Working time and wages:** We comply with all working hours laws and commit to offer employees competitive compensation, at least in accordance with applicable national wage and overtime laws.
- **Health and safety:** Lookers commits to the occupational health, safety and wellbeing of its employees and monitors the number of on-site accidents and near misses.
- **Children's rights:** We commit to avoid any sort of child labour in our business operations consistent with the International

Labour Organisation's (ILO) Conventions on child labour and expect the same standards from our suppliers.

- **Grievance mechanisms:** Employees and workers who suspect any violation of human rights in the Group's operations, supply chain, or relevant third parties' operations, are encouraged to raise any concerns via our whistleblowing procedures. We will investigate, address and give remedy in response to any human rights violations that it has been found we have caused or contributed towards.

Whistleblowing

Our whistleblowing policy encourages all of our people and other stakeholders to raise any concerns of wrong doing as soon as possible in the knowledge that their concerns will be taken seriously and investigated appropriately whilst protecting anonymity and confidentiality. We have legal protection and non-retaliation policies in place for whistleblowers, unless the process is abused by issues being raised that are proved to be malicious, vexatious, raised for personal gain or without reasonable grounds. To ensure objectivity and independence our Head of Compliance, reporting into our Chief Risk Officer, is the nominated point of contact with oversight being given by a Non-Executive Director, to whom concerns can also be escalated. Employees can also use an anonymous whistleblowing hotline to raise concerns.

Stay safe and healthy

Lookers is committed to providing a safe and healthy environment for all of our colleagues and our customers. We continuously promote high standards of health and safety provision, which will minimise risks and avoid accidents and ill health.

We are committed to promoting awareness of health and safety issues in the workplace to seek to reduce the number of accidents

and their severity, prevent occupational disease, promote wellbeing, prevent exposure to hazardous materials and continually improve the Group's health and safety performance. The Group operates a robust health and safety management system. The health and safety team are an independent function within the Group's second line of defence. All our colleagues receive health and safety training annually, which is tailored to the risks relevant to their roles.

The Board has 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 a dedicated Health and Safety team. The team form part of our wider risk management function reporting to our Chief Risk Officer. They undertake site audits, accident investigations and promote awareness of best practice through Health and Safety training which is mandatory for all employees. The activity of this team has been crucial in defining and maintaining our COVID-19 secure protocols, designed to ensure that both our colleagues and customers can be confident that they are safe when in our business.

Health and Safety and the management of environmental risk form an integral part of our Enterprise Risk Management Framework. The Group keeps its systems and controls for the identification, management and reporting on these risks under constant review. We also support all of our colleagues with a range of measures and tools designed to safeguard not just their physical but also their mental health. The Group has continued to invest in improved monitoring, oversight and awareness of Health & Safety across the whole estate. This saw an increase in the number of reported accidents in 2021. All accidents are subject to full investigation with lessons learnt applied to all sites.

The statistics for the Group, under UK Health and Safety regulations for the years ended 31 December are:

	2021	2020	2019
Number of fatalities	nil	nil	nil
Injuries resulting in absence over three days	18	14	23
Major injuries reported under RIDDOR*	22	12**	17
Dangerous occurrences reported under RIDDOR*	nil	nil	nil
Number of enforcement notices issued by HSE	nil	nil	nil
Number of prohibition notices issued by HSE	nil	nil	nil

* Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995. The increase in reported accidents in 2021 is believed to result from improved monitoring, oversight and awareness.

** 11 injuries / 1 illness reported to HSE. Statistics include data for employees and contractors.

Data/information security

The Board is responsible for the oversight of the policies in relation to data privacy and security, with support from the ARC in terms of the associated risks. The Group has experienced no data breaches in the current year (2020 and 2019: none). All of our people, including any temporary staff, are required to undertake training on data security and privacy related policies and procedures.

Supporting our communities

We support our communities through a number of different initiatives including supporting colleagues to volunteer in our communities, creating an award-winning apprenticeship programme and charitable giving.

We encourage our teams to support initiatives such as the Macmillan Coffee Morning and Red Nose Day and all employees are offered paid volunteering days. Lookers also supports charitable and community initiatives, both on a Group wide basis and also within individual dealerships. Our spend on charitable donations in 2021 is detailed in our Directors' Report on page 117. Some examples include:

- Support by Charles Hurst Toyota of the Children's Cancer Unit Charity with their Riobotics Programme through the Toyota Fund for a Better Tomorrow.
- Audi Glasgow support of the Ayrshire Hospice Starlight Walk for the seventh year.
- Nissan Newcastle raising money through tombolas and tuck shops to buy Christmas presents and purchasing easter eggs for local children. They have also donated to a local cat and dog shelter and sponsored local sports teams among other programmes to support local causes.
- Volkswagen Ballieston dress down days funding oxygen sensors for a local GP surgery and donations to Alzheimer's Association and the India Relief Fund.
- Mercedes-Benz donating meals from a cancelled Christmas party to a local homeless charity.
- In January 2022 the Group donated £50k to Ben, an automotive charity supporting on issues including mental and physical health, poverty, domestic abuse and homelessness.



Directors' remuneration report

Dear Shareholder,

I'm pleased to introduce the Directors' remuneration report for the year ended 31 December 2021. This letter sets out the performance for the year and the resulting pay outcomes, the work undertaken by the Remuneration Committee (the Committee) during 2021 and the implementation of the policy for 2022.

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

Context for executive pay in 2021

Our approach to pay during the year was determined by the existing Directors' Remuneration Policy that was approved at a 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 2022 AGM, the Committee determined that the current policy remains fit for purpose and is best updated next year in the usual three year cycle once the business strategy review has been completed.

Changes to Board

During 2021 there were several changes across the Executive and Non-Executive Director roles. Full details are included in the Report of the Chair of the Nomination Committee on page 74.

We previously reported the appointment of Duncan McPhee as Chief Operating Officer and Anna Bielby as Interim Chief Financial Officer at the beginning of 2021.

In relation to the new Directors appointed to the Board during the remainder of the year:

1. Paul Van der Burgh was appointed on 1 April 2021 as a Non-Executive Director with an annual fee of £65,000, in-line with the base fee for other Non-Executive Directors, plus a £10,000 additional fee for undertaking the role of Senior Independent Director.
2. Ian Bull was appointed as Chair on 1 October 2021 with an annual fee of £160,000.
3. Oliver Laird was appointed as Chief Financial Officer on 15 November 2021 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 2020 Directors' Remuneration Report, following a review of the increased role and responsibilities of the Non-Executive Chair, 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 Chair of Lookers Motor Group and £10,000 for the role of Senior Independent Director would be introduced with effect from this date.

Following a review in late 2021, it was also decided that an additional £10,000 fee for chairing the Audit and Risk Committee would be introduced with effect from 1 December 2021, payable on top of the Non-Executive base fee.

No changes to Executive Director remuneration occurred during the year.

Performance and incentive outcomes during 2021

In line with the approved Directors' Remuneration Policy, Executive Directors were 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. Financial outcomes were strong during the year, with the business achieving a profit before tax of £90.0m and net funds of £3.0m resulting in full payouts under the financial objectives. In tandem, the business continued to make far-reaching progress on many of the key strategic and operational objectives set at the beginning of the year; namely, further embedding culture, values and governance, standardising the Dealer Management System (DMS) environment, enhancing digital customer offerings and executing a post acquisition strategy.

In calculating annual bonus payouts the Committee took account of the stakeholder experience during the year including an increase in the share price of 217% and the repayment of all government CJRS funds received in 2021, as well as the financial, strategic and individual metrics laid out on pages 103-105.

Duncan McPhee was granted LTIP awards on 30 April 2019 with a three-year performance period commencing on 1 January 2019 and ending on 31 December 2021. Based on an Adjusted EPS of 16.34p and average Net debt: EBITDA ratio of 0.39, the award is, subject to formal approval, due to vest in full on 30 April 2022.

Incentive awards for 2021

As detailed in the 2020 Directors' Remuneration Report, following a thorough review during the first half of 2021, the Committee determined it was appropriate to grant LTIP awards to Executive Directors. In accordance with the approved Directors' Remuneration Policy, awards worth 150% of salary were granted to Mark Raban and awards worth 100% of salary were granted to Duncan McPhee in August 2021. The awards are subject to Absolute Total Shareholder Return and Underlying Earnings Per Share targets over a three year period as set out on page 107. Following the recruitment of Oliver Laird into the Executive role of Chief Financial Officer, a subsequent award was made in January 2022 with the same performance conditions as the awards to Mark and Duncan, but with a pro-rata reduction in quantum to give an award of 66% of salary, to reflect Oliver's joining one year into the three year performance period.

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 102	Remuneration summary
Pages 98 to 115	Annual report on remuneration This sets out payments and awards made to the Directors and details the link between Company performance and remuneration for 2021 and, together with this statement, is subject to an advisory shareholder vote at the 2022 Annual General Meeting.

In conclusion

2021 has been a very successful year for the Group in terms of the actions taken by management to put the business on a strong footing for the future, further embedding a positive culture, and outstanding financial outcomes. The Committee believes that the pay outturns fully reflect this success and that the Directors' Remuneration Policy has been applied appropriately and as intended.

The Board is in the process of reviewing the business strategy and therefore the Committee is expected to be in a position to review the appropriateness of the Directors' Remuneration Policy to support the forward-looking strategy during 2022. We intend to table the Policy for shareholder approval at the 2023 AGM, and will consult with shareholders in advance to the extent that we are proposing significant change.

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 the Remuneration Committee
5 April 2022



Polestar Manchester

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	
To become the UK's leading integrated automotive retail and services group.	Provide great service and expertise to customers through our people, technology and brands.

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.

Directors' remuneration report

Elements of reward				
	Base salary and pension benefits	Annual bonus	Long-term incentive plan (LTIP)	In-employment and post-employment shareholding requirement
Purpose	Attract and retain Executives of high calibre and provide cash for Executives to fund a 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 2022	<p>Base salaries:</p> <p>M. Raban: £450,000</p> <p>O. Laird: £280,000</p> <p>D. McPhee: £280,000</p> <p>Pension allowance:</p> <p>Up to 5% of salary.</p> <p>Benefits include participation in the Company's car schemes, health insurance, life assurance and the opportunity to join the SAYE.</p>	<p>Maximum bonus:</p> <p>150% of salary.</p> <p>The performance targets for the 2022 bonus will be based on Profit Before Tax, strategic team objectives and individual objectives.</p> <p>Up to 50% of bonus earned is deferred into shares. For 2022, 35% of the bonus will be deferred.</p> <p>Subject to regulatory, customer and performance underpin and bonus is subject to malus and clawback.</p>	<p>Normal LTIP opportunity:</p> <p>CEO: 150% of salary.</p> <p>Other Executives: 100% of salary.</p> <p>The 2022 LTIP is based 70% on cumulative underlying EPS and 30% on absolute Total Shareholder Return (TSR).</p> <p>Subject to regulatory, customer and performance underpin.</p> <p>3-year performance period and 2 year holding period.</p> <p>LTIP is subject to malus and clawback.</p>	<p>Shareholding at 31 December 2021:</p> <p>M. Raban: 15% vs requirement of 200% of salary.</p> <p>O. Laird: 4% vs requirement of 200% of salary.</p> <p>D. McPhee: 15% vs requirement of 200% of salary.</p> <p>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.</p>





Jaguar Glasgow

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 current 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 discretion during 2021 but the Committee has applied malus to the LTIP awards held by Robin Gregson (see page 107 for further details).
Predictability	<ul style="list-style-type: none"> The policy table and the illustrations of remuneration provide an indication of the possible levels of remuneration that may result from the application of the policy under different performance scenarios. The Committee believes that the range of potential total remuneration scenarios is appropriate for the roles and responsibilities of the Executive Directors and in the context of the performance required for incentive awards to pay out.
Proportionality	<ul style="list-style-type: none"> The policy has been designed to give overall flexibility in operation, particularly in relation to incentive plan metrics. This allows the Committee to implement the policy from year to year using the metrics that most closely align with the Group's strategy. The policy contains discretion to allow the Committee to adjust remuneration outcomes to ensure that they are reflective of overall performance in the short and long-term. This discretion has not been used for 2021.
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 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 2021. The incentive plans were operated as prescribed in the Directors' Remuneration Policy, and in particular LTIP awards were granted at a slightly later time than usual to allow the Committee time to assess the appropriate metrics and targets. 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.



Ford Transit Centre Middlesbrough



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 2021 financial year. Comparative figures for the 2020 financial year have also been provided.

£'000	Salary / Fees ⁽¹⁰⁾		Benefits ⁽¹¹⁾		Annual bonus		LTIP ⁽¹²⁾		Pension		Total ⁽¹³⁾		Total fixed pay		Total variable pay	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Executive Directors																
Anna Bielby ⁽¹⁾	173	-	0	-	30	-	-	-	0	-	203	-	173	-	30	-
Oliver Laird ⁽²⁾	36	-	0	-	100	-	-	-	2	-	138	-	38	-	100	-
Duncan McPhee ⁽³⁾	258	-	2	-	399	-	31	-	13	-	703	-	273	-	430	-
Mark Raban ⁽⁴⁾	450	381	2	1	641	-	-	-	22	22	1,116	404	474	404	641	-
Non-Executive Directors																
Ian Bull ⁽⁵⁾	40	-	-	-	-	-	-	-	-	-	40	-	40	-	-	-
Robin Churchouse ⁽⁶⁾	66	5	-	-	-	-	-	-	-	-	66	5	66	5	-	-
Heather Jackson ⁽⁷⁾	28	69	-	-	-	-	-	-	-	-	28	69	28	69	-	-
Victoria Mitchell	85	69	-	-	-	-	-	-	-	-	85	69	85	69	-	-
Paul Van der Burgh ⁽⁸⁾	55	-	-	-	-	-	-	-	-	-	55	-	55	-	-	-
Phil White ⁽⁹⁾	136	269	-	-	-	-	-	-	-	-	136	269	136	269	-	-

- 1 Anna Bielby was appointed to the Board and to role of Interim Chief Financial Officer on 5 January 2021. She subsequently stepped down from the Board on 30 June 2021, continuing to work for the Company for one further month in a capacity other than as a Director at the same level of remuneration.
- 2 Oliver Laird was appointed to the Board and to the role of Chief Financial Officer on 15 November 2021. He was awarded a bonus of £99,750 with 35% deferred into shares for 2021 to recognise the exceptional contribution to the Group, particularly his impact on the discussions of strategic objectives and accelerating the reporting timetable.
- 3 Duncan McPhee was appointed to the Board and to the role of Chief Operating Officer on 29 January 2021.
- 4 Mark Raban joined the Group as Chief Financial Officer on 15 July 2019. He was appointed to the role of Chief Executive Officer on 5 February 2020.
- 5 Ian Bull was appointed to the Board and to the role of Non-Executive Chair on 1 October 2021.
- 6 Robin Churchouse was appointed to the Board as a Non-Executive Director on 8 December 2020.
- 7 Heather Jackson stepped down from the Board and her role as Non-Executive Director on 30 April 2021.
- 8 Paul Van der Burgh was appointed to the Board as a Non-Executive Director on 1 April 2021.
- 9 Phil White became interim Executive Chair effective between 1 November 2019 and 31 March 2020, and between 1 July 2020 and 31 January 2021. Between 1 April 2020 and 30 June 2020, and from 1 February 2021, Phil was the Non-Executive Chair. Phil stepped down from the Board on 1 October 2021.
- 10 Salaries and fees were reduced for a period during 2020 to support the business during the COVID-19 pandemic.
- 11 Benefits are participation in the Company's car schemes, health insurance and life assurance premiums.
- 12 The value of the LTIP for 2021 relates to the award granted in 2019, which had a three-year performance period ending 31 December 2021. Based on performance over this period, the Remuneration Committee provisionally determined that 100% of the maximum award will vest on 30 April 2022. This performance outcome corresponds to a total of 49,450 nil-cost options for Duncan McPhee. The value included in the table is therefore £31,025, based on the three month average share price of £0.627 to 31 December 2021, none of which relates to share price appreciation. Further details on the LTIP outcomes for the 2019 awards are set out on page 106.
- 13 The aggregate Directors' emoluments excluding pension and LTIP awards in 2021 was £2,502,000 (2020: £1,073,000).

Salary and fees (audited)

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

Director	Salary from 1 January 2021, or later date of appointment
Anna Bielby ⁽¹⁾	£300,000
Oliver Laird	£280,000
Duncan McPhee	£280,000
Mark Raban	£450,000

1. Anna Bielby was appointed on an interim basis.



There was no change in the Non-Executive Director base fee of £65,000 for 2021. As disclosed in the 2020 Directors' Remuneration Report, Heather Jackson and Victoria Mitchell received increased fees of £85,000 for a transition period between 1 August 2020 and 31 January 2021 in light of the additional workload and responsibilities of the roles. Heather Jackson's transition period was subsequently extended until 30 April 2021 (date of stepping down) to reflect the continued increased workload. As disclosed in the 2020 Directors' Remuneration Report, an additional £20,000 fee for Lookers Motor Group Chair and an additional £10,000 fee for the role of Senior Independent Director were introduced effective from 1 February 2021. An additional fee of £10,000 was also introduced for the role of chairing the Audit and Risk Committee with effect from 1 December 2021.

Ian Bull was appointed to the role of Non-Executive Chair on 1 October 2021, with an annual fee of £160,000.

Annual bonus (audited)

Executive Directors were able to earn up to 150% of salary in respect of performance against financial and non-financial objectives during 2021. The targets were set at the start of 2021, with reference to internal business plans and external forecasts, at which point there was considerable uncertainty as to the ongoing impact of the COVID-19 pandemic on the business.

The following tables provide a summary of performance against the targets and the resulting level of bonuses payable.

Financial metrics (60% of bonus)

Metric and weighting	Purpose of metric / how it supports business strategy	Threshold (40% of maximum earned)	Target (67% of maximum earned)	Maximum (100% of maximum earned)	Outcomes	Proportion awarded
Underlying Profit Before Tax (40%)	PBT is a key indicator of the Group's performance and ability to grow shareholder value.	£24m	£30m	£36m	£90.1m	40% out of 40%
Net Debt (20%)	Generation of cash and management of working capital is important to remain within our banking covenants.	£38m (hit or miss target)			Net funds £3.0m	20% out of 20%
Total						60% out of 60%

Directors' remuneration report

Strategic team metrics (25% of bonus)

Metric and weighting	Details of target	Outcomes	Proportion awarded
Culture programme (12.5%)	<ul style="list-style-type: none"> Develop Strategy, Purpose and Values. Develop and roll out communication and training plan. Approval of measurement solution for culture. 	<ul style="list-style-type: none"> Strategy, Purpose and Values were launched during the year in a virtual conference. Some progress has been made on the introduction of new pay plans that are linked to quality assurance requirements, and embedding of training and competence programme. 	7.5% out of 12.5%
Dealer Management System (DMS) harmonisation (4.25%)	<ul style="list-style-type: none"> Standardise 60% of our DMS environments across the Group. Consolidate and simplify the Group's financial accounting systems (DMS) onto a single system/ environment across each division. 	<ul style="list-style-type: none"> DMS harmonisation has been rolled out across six divisions and is 60% complete, with the remaining 40% to be completed during 2022. 	4.25% out of 4.25%
Digital Transformation (4.25%)	<ul style="list-style-type: none"> Deliver new updated page designs and complete full end-to-end sales discovery program. Deliver end-to-end fully transactional website, including continued compliance with FCA regulation. 	<ul style="list-style-type: none"> Several digital improvements have been made during the year, including Click & Drive, website improvements, Click & Sell (we buy your car) – which resulted in over 300 cars purchased through this route and roll out of full card payment online. 	4.25% out of 4.25%
Acquisition strategy (4%)	<ul style="list-style-type: none"> Details of metric and performance are judged by the Committee to be commercially sensitive. 		4% out of 4%
Total			20% out of 25%

Mark Raban Individual metrics (15% of bonus)

Metric	Details of target	Outcomes
S166 Project Closed	<ul style="list-style-type: none"> Independent Governance and Culture Review completed. 	<ul style="list-style-type: none"> The S166 review was concluded. In its skilled persons S166 closure review, Grant Thornton concluded that there had been considerable progress made in a short period of time.
Business transformation	<ul style="list-style-type: none"> Continue to sponsor and support delivery of business transformation programme. 	<ul style="list-style-type: none"> Significant progress on the completion of financial controls and non-financial controls projects. HR transformation and culture projects remain on track. Business transformation programme was successfully concluded in December 2021 and any residual actions were transferred to business as usual under individual management accountabilities.
Develop Strategic Plan and Target Operating Model for 2022 and beyond	<ul style="list-style-type: none"> Clear organisation and leadership structure with appropriate governance. Clarity on key responsibilities and strategic direction. Internal communications plan in place to share direction of travel. 	<ul style="list-style-type: none"> Strategic Plan was developed and signed off the Board in 2021. It was subsequently externally published in April 2022.
Total		15% out of 15%

Duncan McPhee Individual metrics (15% of bonus)

Metric	Details of target	Outcomes
Define Corporate Fleet / Lease (F&L) Strategy	<ul style="list-style-type: none"> To fully integrate fleet and leasing business. Define and implement a robust group structure. Scope out strategic approach for growth. 	<ul style="list-style-type: none"> Reviewed current business processes and organisational structure, ensuring the correct resource in place to maintain current levels, whilst being well positioned for future growth. Full review of all roles and responsibilities, increasing employee engagement and assisting with succession planning. Commenced operating system change, to ensure more consistent management information and processes. Established credit lines with all major funders to enable businesses to operate with required facilities and head room. Delivered strong employee engagement results within all areas of F&L.
Prepare and implement the Lookers sustainability strategy	<ul style="list-style-type: none"> Scope out proposal for the strategy and agree with ExCo. Recruit Business Development and Energy Specialist. Begin implementation during 2021. 	<ul style="list-style-type: none"> Selected an ESG partner. TCFD disclosures on climate-related risks and the sustainability report are incorporated in the ARA review process. Commissioned CEN-ESG (ESG partner) to engage with stakeholders for their view of Lookers from an ESG perspective with findings used to define ESG strategy.
Operational Excellence – OEM scorecard achievement	<ul style="list-style-type: none"> Scorecard takes into account sales and aftersales performance vs objective, customer satisfaction measures, retention measures. 	<ul style="list-style-type: none"> Most businesses achieved an OEM scorecard positioned in the top half which illustrated strong performance particularly in the context of supply constraints limiting the ability to improve scores further.
Reputation.com score of 700	<ul style="list-style-type: none"> Increase in Lookers score from 600 to 700. 	<ul style="list-style-type: none"> Achieved a score of 708 in December 2021 and every division achieved a score that exceeded the national average.
Total		15% out of 15%



Directors' remuneration report

The table below sets out the bonuses earned in 2021 and the split between cash and deferred elements.

Director	Total bonus outcome (as % of maximum)	Total bonus outcome (£000)	Proportion paid in cash (65% of bonus earned, £000)	Proportion deferred into shares (35% of bonus earned, £000)
Oliver Laird ⁽¹⁾	95%	100	65	35
Duncan McPhee	95%	399	259	140
Mark Raban	95%	641	417	224

1. Oliver Laird received a bonus for 2021 to recognise the exceptional contribution to the Group, particularly his impact on the discussion of strategic objectives and accelerating the reporting timetable. Given the short period of service during 2021, no separate objectives were set for Oliver and his outcome is aligned with the outcome for other Executive Directors.

No bonus was payable if any of the following conditions were met:

- the percentage of the Underlying PBT Element which is payable is 0%; and/or
- there is an outstanding risk, regulatory or compliance issue; and/or
- there is one or more red audit point.

None of the above conditions were met, and therefore the underpin was satisfied in order for a bonus for the Executive Directors to be considered.

The Committee assessed the formulaic outcomes against the targets in the context of the performance of the Group and the Executives. In summary, the financial outcomes were considerably in excess of the target range set in-line with plans at the start of 2021 and the Executive team made significant progress on a number of strategic initiatives beyond expectation. Therefore, it was judged that the outcomes were reasonable and fair and no discretion was applied.

The deferred shares will be held in a trust for the benefit of the Executive Directors for a period of two years. Bonus awards are subject to malus and clawback as detailed in the Directors' Remuneration Policy.

Arrangements for Anna Bielby

Anna Bielby did not participate in the normal annual bonus plan available to other Executive Directors given she was appointed on an interim basis. As reported in last year's Directors' Remuneration Report, an allowance of 10% of salary was payable, contingent on completion of the 2020 Annual Report & Accounts. The conditions were met for payment of this allowance and therefore £30,000 was accordingly paid to Anna.

LTIP awards vesting during the year (audited)

Duncan McPhee was granted LTIP awards on 30 April 2019 with a three-year performance period commencing on 1 January 2019 and ending on 31 December 2021. The awards will vest on 30 April 2022 subject to formal approval by the Remuneration Committee. Performance under the awards was based on Adjusted EPS (75% weighting) and Net Debt: EBITDA (25% weighting), as set out below:

Measure	Weighting	Threshold (20% of max)	Maximum (100% of max)	Actual	Outcome (% of max)
Adjusted EPS ¹	75%	14.20p	15.50p	16.34p	100%

1. The 2019 LTIP award uses an adjusted EPS definition consistent with the definition used in the 2018 Annual Report & Accounts, prior to adoption of the existing Underlying EPS measure.

Measure	Weighting	Threshold (50% of max)	Threshold (75% of max)	Maximum (100% of max)	Actual	Outcome (% of max)
Average Net Debt: EBITDA	25%	Less than 2.0 but more than 1.5	Less than 1.5 but more than 1.0	Equal to or less than 1.0	0.34	100%

The overall vesting outcome, which is subject to final approval by the Remuneration Committee, is therefore 100% of maximum. No discretion was exercised by the Remuneration Committee in determining the provisional LTIP outcome.

Awards for Duncan McPhee are therefore due to vest on 30 April 2022, subject to final Remuneration Committee approval, as follows.

Director	Original number of awards granted	Number of awards vesting	Total ⁽¹⁾
Duncan McPhee	49,450	49,450	£31,025

1. Based on the three month average share price to 31 December 2021 (£0.627). The value at vesting was less than the face value of awards on grant and therefore none of the value was due to share price appreciation.

Pension entitlements and cash allowances (audited)

The Executive Directors received cash in-lieu of pension payments equivalent to 5% of salary during the year, with the exception of Anna Bielby who requested not to be paid a pension.

Payments for loss of office (audited)

No payments for loss of office were made during 2021.

Payments to past Directors (audited)

Robin Gregson stepped down from the board as Chief Financial Officer in July 2019, and his employment terminated on 30 September 2019.

As previously reported, during the 2020 financial year, the Committee considered whether, in light of the restatements to Lookers' Financial Statements following the completion of investigations, it would be appropriate to (i) clawback all or a percentage of Robin Gregson's FY2018 bonus and/or the LTIP awards made to him in each of 2015 and 2016, and (ii) seek to apply malus to his LTIP awards for the years 2017, 2018 and 2019.

Having taken legal advice on the extent of its powers to apply malus and clawback and following exchanges of correspondence with Mr Gregson, during the 2021 financial year, the Committee decided to apply malus to Robin Gregson's LTIP awards for the years 2017, 2018 and 2019 prior to vesting, thus reducing them to nil. These awards were over 43,949 shares, 37,047 shares and 43,155 shares respectively (following the application of performance conditions and time pro-rata). Based on a share price of 62.8p at the time malus was applied (21 July 2021), the gross total value to which malus was therefore applied was £77,967 (£27,600, £23,266 and £27,101 respectively).

In the course of the year, the Company has continued to correspond with Robin Gregson with a view to the possibility of clawing back the value of his FY2018 bonus (with a post-tax value of £76,916) and Mr Gregson's 2015 and 2016 LTIP awards (under which 111,238 and 79,731 shares were delivered to Robin Gregson, after the sale of shares to satisfy tax liabilities on vesting). Valued at the date of exercise (27 December 2019), the post-tax values of the 2015 and 2016 LTIP awards were £66,520 and £47,679 (based on a share price of 59.8p).

In considering how best to resolve matters between Mr Gregson and the Company, the Committee has taken into account:

- (i) legal advice on the extent of its powers to apply malus and clawback;
- (ii) the approach that was taken to resolving matters with Andy Bruce and Nigel McMinn (who were permitted to exercise their 2015 LTIP awards which were granted some time before the discovery of financial misstatements in the Company's accounts);
- (iii) the value of the malus decision already applied to Mr Gregson in respect of his 2017, 2018 and 2019 LTIP awards; and
- (iv) the likely protracted nature of any litigation with Mr Gregson and the cost to the Company of such proceedings.

Mr Gregson has now agreed to repay the Company £25,000 under the terms of a settlement agreement. This sum, when added to the total value of the malus adjustment applied to Mr Gregson's 2017, 2018 and 2019 LTIP awards – which Mr Gregson has accepted – gives a total value that the Company has recovered from Mr Gregson of £102,967.

When set against the total amount which (excluding the value of the 2015 LTIP so as to be consistent with the treatment applied to Andy Bruce and Nigel McMinn) the Company could have possibly sought to recover from Mr Gregson through legal proceedings (£202,562), this represents a recovery of over 50%.

The Committee determined that this settlement was in the best interests of the Company and shareholders, in particular taking account of the benefit to the Company of avoiding protracted and expensive legal proceedings.

Directors' remuneration report

LTIP awards granted during the year (audited)

LTIP awards were granted to Mark Raban and Duncan McPhee on 4 August 2021 under the terms of the Directors' Remuneration Policy. Awards were granted in the form of nil-cost options and are subject to performance conditions based on Absolute Total Shareholder Return (50% weighting) and Underlying Earnings Per Share (50% weighting) measured over a three year period from 1 January 2021 to 31 December 2023 as follows:

Metric and weighting	Purpose of metric / how it supports business strategy	Threshold (25% of maximum earned)	Maximum (100% of maximum earned)
Absolute Total Shareholder Return (50%)	Aligns Executive Directors directly with shareholder value created.	90p	120p
Underlying Earnings Per Share for 2023 (50%)	Key indicator of Group performance in growing the business.	8.5p	13p

Straight line vesting occurs for both conditions for performance between the threshold and maximum targets.

The awards granted are set out in the following table:

Director	Basis of award	Number of awards	Face value (based on closing share price of £0.664 on 3 August 2021)
Duncan McPhee	100% of salary	421,686	£280,000
Mark Raban	150% of salary	1,016,566	£675,000

Statement of Directors' shareholdings (audited)

The table below summarises the Directors' shareholdings as at 31 December 2021, 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 2021 of £0.665 and effective salary as at that date.

	Shareholding requirement ⁽¹⁾ (% 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	
Executive Directors							
Anna Bielby ⁽²⁾	N/A	-	-	-	-	N/A	-
Oliver Laird	200%	14,800	-	-	14,800	4%	-
Duncan McPhee	200%	61,970	-	-	61,970	15%	471,136
Mark Raban	200%	100,000	-	-	100,000	15%	1,016,566
Non-Executive Directors							
Ian Bull	N/A	230,000	-	-	230,000	N/A	-
Robin Churchouse	N/A	-	-	-	-	N/A	-
Heather Jackson	N/A	-	-	-	-	N/A	-
Victoria Mitchell	N/A	14,446	-	-	14,446	N/A	-
Paul Van der Burgh	N/A	-	-	-	-	N/A	-
Phil White	N/A	53,716	-	-	53,716	N/A	-

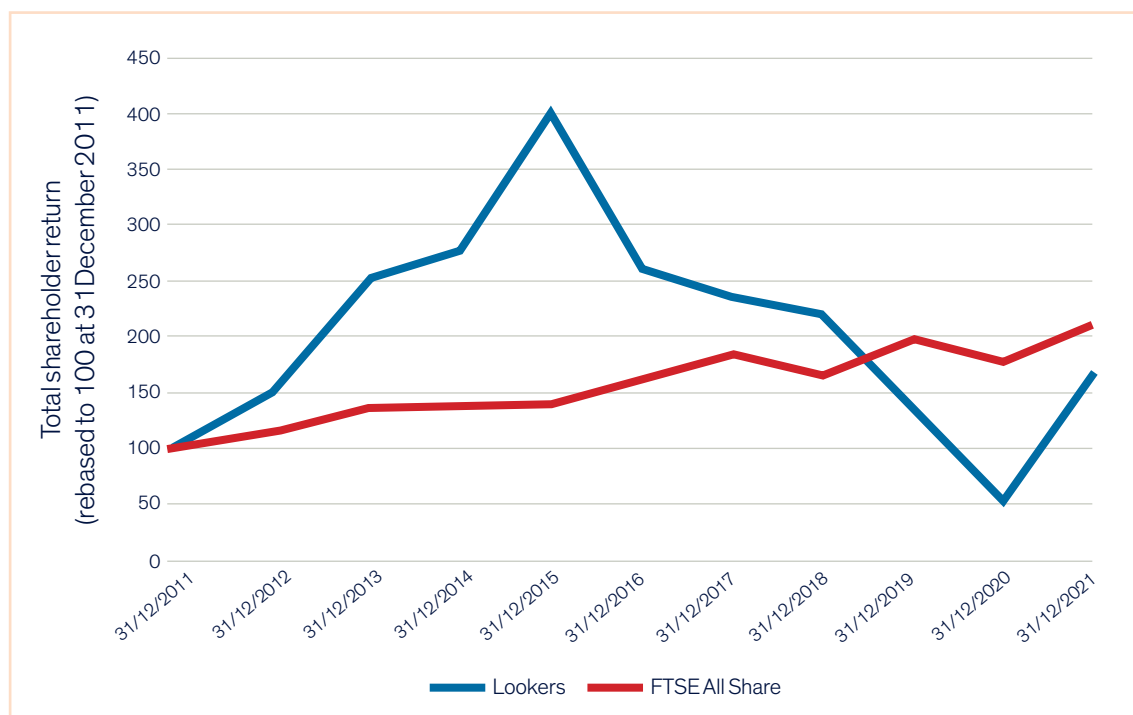
1. 200% of salary for all Executive Directors, to be reached over a five-year period from appointment to the Board. Executive Directors must retain 50% of any deferred shares and shares they acquire under the LTIP, after allowing for the sale of shares to pay tax and other deductions, until such time as they have built up the required holding level.

2. Anna Bielby was not subject to a shareholding requirement as an interim Executive Director.

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

Performance graph and table

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



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

	2012	2013	2014	2015	2016	2017	2018	2019		2020		2021
Chief Executive Officer	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⁾	Mark Raban
Total single figure (£'000)	739	1,436	806	894	1,628	553	633	463	75	43	373	1,116
Annual bonus (% of max)	100%	100%	100%	87%	67%	20%	34%	-	-	-	-	95%
LTIP vesting (% of max)	-	100%	-	-	100%	-	-	-	-	-	-	-

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

Directors' remuneration report

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 the period from 2019 to 2021, compared to that of the average change for employees in the Group as a whole. Directors took voluntary pay reductions during periods of 2020 to support the business during the COVID-19 pandemic.

	Salary and fees % increase		Benefits % increase		Annual bonus % increase	
	2019 to 2020	2020 to 2021	2019 to 2020	2020 to 2021	2019 to 2020	2020 to 2021
Executive Directors						
Anna Bielby ⁽¹⁾	-	-	-	-	-	-
Oliver Laird ⁽¹⁾	-	-	-	-	-	-
Duncan McPhee ⁽¹⁾	-	-	-	-	-	-
Mark Raban ⁽²⁾	27%	18%	0%	50%	0%	N/A
Non-Executive Directors						
Ian Bull ⁽¹⁾	-	-	-	-	-	-
Robin Churchouse ⁽³⁾	-	1%	-	-	-	-
Heather Jackson ⁽⁴⁾	6%	23%	-	-	-	-
Victoria Mitchell ⁽⁵⁾	6%	23%	-	-	-	-
Paul Van der Burgh ⁽¹⁾	-	-	-	-	-	-
Phil White ⁽⁶⁾	61%	-41%	-	-	-	-
Employee average						
All employees	1%	14%	10%	-2%	-22%	68%

- Served as a Director during 2021 only.
- 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 between 2019 and 2020 is based on the difference between his annual rate of pay as Chief Financial Officer and the total pay received during 2020.
- Robin Churchouse was appointed to the Board as a Non-Executive Director on 8 December 2020. The percentage increase is based on the difference between his annualised rate of pay for 2020 and his actual pay for 2021.
- Heather Jackson was appointed to the Board as a Non-Executive Director on 25 November 2019 and subsequently stepped down from the Board on 30 April 2021. The percentage increase between 2019 and 2020 is based on the difference between her annualised rate of pay for 2019 and her actual pay for 2020. The percentage increase between 2020 and 2021 is based on the difference between her 2020 pay and her annualised rate of pay for 2021.
- 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.
- Phil White fulfilled a part-time Executive role and a Non-Executive role during 2019 and 2020. He fulfilled a Non-Executive role with effect from 1 February 2021 until he stepped down from the Board on 1 October 2021. The percentage increase between 2020 and 2021 is based on the difference between his 2020 pay and his annualised rate of pay for 2021.

Chief Executive Officer pay ratio

The table below compares the 2019-2021 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
2021	Option B	58:1	34:1	13:1
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 2021 pay ratios is based on the total single figure of remuneration for Mark Raban which is £1,115,963.

The remuneration figures for the employee at each quartile were determined with reference to the financial year ended 31 December 2021.

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 2021) 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 2021 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	£18,244	£30,267	£36,529
Total pay and benefits	£19,255	£32,816	£36,529

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.

There has been an increase in the ratios for 2021, which is driven primarily by the particularly strong performance during 2021 and the high level of payouts under the annual bonus for 2021, whereas there was no bonus earned for 2020. It is to be expected that the ratio will vary from year to year, primarily as the CEO's package consists of a much higher level of variable pay that is dependent on performance, whereas the colleagues' remuneration is predominantly fixed in nature, which is normal practice for these roles.

Directors' remuneration report

Relative importance of spend on pay

The table below sets out the total spend on pay in 2020 and 2021 compared with distributions to shareholders:

	2021	2020	% increase
Spend on staff pay (including Directors) ⁽¹⁾	£239.8m	£242.6m	(1.2)%
Profit distributed by way of dividend and share buy-back ⁽²⁾	£0m	£0m	0%

1. Excluding employer's social security costs, employer pension contributions and share based compensation – see Note 5 to the Financial Statements. 2020 excludes £34.9m of Coronavirus Job Retention Scheme receipts.

2. No dividends were paid and no share buy-backs occurred in the years ended 31 December 2021 or 31 December 2020.

Statement of implementation of Directors' remuneration policy in 2022

Salaries and fees

The Non-Executive Director fees were reviewed in November with reference to market data, and no changes were made other than the introduction of an additional £10,000 fee for the role of Chair of Audit and Risk Committee with effect from 1 December 2021.

Executive Director salaries were not subject to review during the year.

The resulting salaries and fees to be paid to Directors in 2022 are set out in the table below:

	2022 Salary/fees per annum
Executive Directors	
Oliver Laird	£280,000
Duncan McPhee	£280,000
Mark Raban	£450,000
Non-Executive Directors	
Non-Executive Chair	£160,000
Non-Executive Director base fee	£65,000
Chair of Audit and Risk Committee additional fee	£10,000
Lookers Motor Group Chair additional fee	£20,000
Senior Independent Director additional fee	£10,000

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 currently receive a pension contribution of 5% of salary, which is aligned with the current pension for the wider workforce.

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





Seat & Cupra Stockport

Incentives for 2022

Bonus awards of up to 150% of salary may be earned by Executive Directors in respect of performance during 2022. The following metrics and weightings will apply:

Metric	Weighting
Profit before tax	60%
Team strategic objectives	25%
Individual objectives	15%

No bonuses will be paid if a minimum level of profit before tax is not earned.

Details of the targets are commercially sensitive and will be disclosed in the 2022 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 two years.

LTIP awards were granted on 25 January 2022 worth 150% of salary for the Chief Executive Officer and 100% of salary for other Executive Directors, subject to the following performance conditions, measured over three years from 1 January 2022 to 31 December 2024:

Metric and weighting	Purpose of metric / how it supports business strategy	Threshold (25% of maximum earned)	Maximum (100% of maximum earned)
Absolute Total Shareholder Return (30%)	Aligns Executive Directors directly with shareholder value created.	12.5% p.a.	25% p.a.
Cumulative Underlying Earnings Per Share over the three financial years to 2024 (70%)	Key indicator of Company performance in growing the business.	38p	57p

Straight line vesting occurs for both conditions for performance between the threshold and maximum targets.

The targets have been set by the Committee in conjunction with the Board, and have been calibrated taking into account forward-looking business plans and external market conditions.

An LTIP award in respect of 2021 was also granted to Oliver Laird on 25 January 2022 following his appointment as Chief Financial Officer on 15 November 2021, which is exercisable three years from the date of grant, subject to meeting stretching Absolute Total Shareholder Return and Underlying Earnings Per Share performance targets over a three financial year period to 31 December 2023. This option has the same performance conditions as the awards granted to Mark Raban and Duncan McPhee in August 2021. The award size is 66% of salary to reflect Oliver's service as a proportion of the total performance period.

All of the LTIP awards are subject to malus and clawback in line with the Company's Directors' Remuneration Policy. A two year holding period is applicable following vesting.

Directors' remuneration report

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 are:

- Victoria Mitchell, (Interim Chair of the Remuneration Committee);
- Ian Bull;
- Robin Churchouse; and
- Paul Van der Burgh.

The Committee met 17 times during 2021. The attendance at meetings by each member of the Committee is set out in the Corporate Governance Statement on page 71.

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 2021

The Committee carried out the following during 2021:

- Review of bonus and other incentivisation arrangements in relation to the Executive Directors and members of senior management;
- Review of workforce engagement arrangements;
- Finalise metrics for 2021 annual bonus plan;
- Review of market benchmarking;
- Approval of amendments to Director base salaries / fees;
- Approval of LTIP metrics and granting of LTIP awards to Executive Directors and members of senior management;
- Determination of remuneration package of incoming Chief Financial Officer;
- Determination of remuneration package of incoming Chair;
- Approval of 2017 and 2018 LTIP vesting outcome;
- Review treatment of ex-Directors' remuneration;
- Consideration of emerging developments in executive pay, including ESG, and Corporate Governance best practice;
- Review of the 2020 Remuneration Report;
- Review of the 2020 Gender Pay Gap Report.

The Committee previously appointed PwC LLP and received advice over the year on all aspects of remuneration, including the review of the Directors' Remuneration Policy and its operation. PwC is a member of the Remuneration Consultants' Group and complies with its Code of Conduct which includes guidelines to ensure that advice is independent and free of undue influence. During the year, PwC were paid fees of £112,050 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 Chair (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 previously 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. While we have not undertaken any formal consultation with shareholders during 2021 as we have not made any changes to remuneration and we are not proposing changes for 2022, 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 Chair 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.



Directors' service contracts and notice periods

The service contracts for the Executive Directors are terminable by the Company on 12 months' notice and on six months' notice by the Executive Director. All contracts are rolling contracts with no fixed termination date. Non-Executive Directors have letters of appointment with three year terms. All Directors are subject to annual re-election by the shareholders.

Statement of voting

The latest votes in respect of remuneration matters were cast at a General Meeting on 28 December 2020 and 12 August 2021 for the Directors' Remuneration Policy and the 2020 Annual Report on Remuneration respectively were 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 2020 Annual Report on Remuneration	276,128,435	99.9%	366,683	0.1%	1,500

By Order of the Board

Victoria Mitchell

Interim Chair of the Remuneration Committee
5 April 2022

Directors' report

Content of the report

Lookers plc is a public limited company incorporated in England and Wales under the Companies Act 2006 with registered number 111876. The Directors present their report for the year ended 31 December 2021. Our Strategic Review on pages 4 to 53 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 which is required to be reported under the Companies Act 2006 and the UK Corporate Governance Code (this includes our Section 172 Statement and information on stakeholder and employee involvement/engagement) and provides an indication of the likely future developments in the Group's business. The Board approved the Strategic Review set out on pages 4 to 53, including the Going Concern and Viability Statement set out on page 40. 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
- Corporate Governance Statement
- Report from the Chair of the Nomination Committee
- Report from the Chair of the Audit and Risk Committee
- Sustainability Report (including energy consumption and efficiency reporting, greenhouse gas emissions disclosures, our report on compliance with the Task Force on Climate Related Financial Disclosures' recommendations and disclosures in relation to the employment of disabled persons)
- Directors' Remuneration Report (including details on compensation for loss of office and employee share schemes)
- Directors' Responsibility Statement

Dividends

The Board is recommending the payment of a dividend of 2.5 pence per ordinary share for the year ended 31 December 2021. Subject to approval by shareholders, the dividend will be paid on 24 June 2022 to holders on the register on the record date of 20 May 2022. The shares will go ex-dividend on 19 May 2022.

Directors who served during the year

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

Name	
Anna Bielby ¹	Duncan McPhee ⁵
Ian Bull ²	Victoria Mitchell
Robin Churchouse	Mark Raban
Heather Jackson ³	Paul Van der Burgh ⁶
Oliver Laird ⁴	Phil White ⁷

Directors' interests and conflicts

The Directors have a statutory duty to avoid conflicts of interest. The Board has established a procedure to deal with any potential or actual conflicts of interest and to ensure that all such interests are disclosed and where appropriate, authorised by the Board in line with the Companies Act 2006. Details of all Directors' conflicts of interest are recorded in a register of conflicts, which is maintained by the Company Secretary. Upon appointment, new Directors are advised of the procedure for managing conflicts. Directors are required to notify the Board of any actual or potential conflicts of interest and to update the Board with any changes to the facts and circumstances surrounding such conflicts. The Board has considered and authorised (with or without conditions where appropriate) potential conflicts as they have arisen during the year in accordance with the procedure.

Details of the Directors' interests in the Company's shares and securities are disclosed in the Directors' Remuneration Report on page 108.

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 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 23 to the Financial Statements.

Details of employees' share schemes is given 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.

- 1 Anna Bielby was appointed as a Director of the Company with effect from 5 January 2021 and subsequently resigned from this position with effect from 30 June 2021
- 2 Ian Bull was appointed as a Director of the Company with effect from 1 October 2021
- 3 Heather Jackson resigned with effect from 30 April 2021
- 4 Oliver Laird was appointed as a Director of the Company with effect from 15 November 2021
- 5 Duncan McPhee was appointed as a Director of the Company with effect from 29 January 2021
- 6 Paul Van der Burgh was appointed as a Director of the Company with effect from 1 April 2021
- 7 Phil White resigned with effect from 1 October 2021



Lookers expands home delivery with new fleet of specialist vans - (left to right) Oliver Laird, Mark Raban & Duncan McPhee.

At the Annual General Meeting (AGM) in June 2021, pursuant to section 551 of the Companies Act 2006, shareholders approved the authority for the Company to allot shares equal to up to one third of the existing issued share capital and for the Company to disapply pre-emption rights. This authority shall expire at the conclusion of the 2022 AGM and a resolution to renew the authority will be put to the AGM on 31 May 2022.

At the AGM in June 2021, pursuant to section 570 of the Companies Act 2006, shareholders approved the Company to allot securities for cash and to sell ordinary shares held by the Company as treasury shares for cash up to a nominal amount of £976,188 (only to be used in connection with an acquisition or specified capital investment), in each case without the application of pre-emption rights. This authority shall expire at the conclusion of the 2022 AGM and a resolution to renew the authority will be put to the AGM on 31 May 2022.

At the AGM in June 2021, 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 shall expire at the conclusion of the 2022 AGM and a resolution to renew the authority will be put to the AGM on 31 May 2022.

The Company operates a number of share option schemes available to staff and/or executives. More information is included in Note 24 to the Financial Statements.

Financial instruments

Details of the Group's use of financial instruments is included in Note 21 to the Financial Statements. This 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 £21k paid in the year (2020: £2k). 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 Business Model and Strategy on pages 16 to 21.

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 section 418 of the Companies Act 2006.

Substantial shareholdings

As at 31 December 2021, 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
D. C. A. Bramall ¹	78,598,051	20.14
Artemis Investment Management LLP	43,139,183	11.00
Pendal Group Limited	22,129,189	5.62
Aberforth Partners LLP	19,727,002	5.07
JPMorgan Asset Management Holdings Inc	19,528,035	5.02
Tweedy Browne	Not stated in TR1 disclosure	5.01
Aggregate of Standard Life Aberdeen plc affiliated investment management entities	12,378,153	3.14
Norges Bank	11,716,384	3.01

¹ The holding disclosed by D.C.A Bramall of 78,598,051 shares includes a holding of 44,69,087 shares disclosed by Guernsey Investments Limited and beneficially owned by D.C.A Bramall.

Interests disclosed to the Company that have occurred between 31 December 2021 and 31 March 2022 are as follows:

	Number of Shares	% Voting Rights
Constellation Automotive Holdings Limited	78,000,000	19.90
Pendal Group Limited	38,221,771	9.75

Subsequent to the year-end, D.C.A. Bramall and Guernsey Investments Limited ceased to have notifiable shareholding.

Articles of association

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

Subsequent events

Details of events occurring subsequent to the year-end are made within Note 26 to the Financial Statements.

Information to be disclosed under LR 9.8.4R

Listing Rule	Detail	Page reference
9.8.4R(1) and (5) to (14)	Not applicable	Not applicable
9.8.4R(4)	Long-term incentive schemes	107 and 108

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

Philip Kenny
Company Secretary
5 April 2022



BMW Stoke-on-Trent



Mercedes-Benz Maidstone

Directors' responsibilities statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with UK adopted international accounting standards 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 statements and have elected to prepare the Company financial statements in accordance with UK adopted international accounting standards. 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.

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 UK adopted international accounting standards, 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.

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 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
5 April 2022



Ford Middlesbrough

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 2021 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of Lookers plc (the Parent Company) and its subsidiaries (the Group) for the year ended 31 December 2021 which comprise of the statement of total consolidated comprehensive income, the consolidated and Company statement of financial position, the consolidated and Company statement of changes in equity and 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 the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including 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 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 retenders and reappointment is 2 years, covering the years ended 31 December 2020 to 31 December 2021. 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. 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 included:

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 challenged management's assumptions in relation to downside scenarios linked to the ongoing shortage of semiconductors and the impact of the war in Ukraine and Russia, including the availability of supply and the potential improvement in gross margin based on latest industry data and historic experience;
- 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 reperformed 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 the 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.

Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

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

Overview

Coverage	85% (2020: 94%) of Group profit before tax		
	88% (2020: 84%) of Group revenue		
	75% (2020: 75%) of Group net assets		
Key audit matters		2021	2020
	Valuation of Goodwill and Other Intangibles	✓	✓
	Inventory Valuation and Provisioning for Used Vehicles	✓	✓
	Commercial Income Recognition	✓	✓
	Management Override of Controls	✗	✓
	Classification of Non-underlying Items	✗	✓
	Going Concern and Viability	✗	✓
<p><i>Management override of controls is no longer considered to be a key audit matter because the accounting irregularities from the year ended 31 December 2019 were addressed 2020.</i></p> <p><i>Classification of Non-underlying items is no longer considered to be a key audit matter due to the reduction in the value of non-underlying items £0.1 million (2020: £12.2 million) in the current year.</i></p> <p><i>Going Concern and Viability is no longer considered to be a key audit matter because of improved profitability year on year and lower levels of debt.</i></p>			
Materiality	Group Financial Statements as a whole		
	£4.50 million (2020: £1.84 million) based on 5% of Profit before tax (2020: 0.05% of revenue)		

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.

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 Get Motoring UK Limited.
- At the parent entity we also tested the consolidation process

- Two leasing entities including Lookers Leasing Limited and Fleet Financial Limited were subject to risk based procedures.

Audit work was performed by the Group engagement team and a component team in the UK, with the use of external experts where necessary.

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.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group Financial Statements as a whole. Our involvement with component auditors included the following:

The Group engagement team directed and supervised the work of the component team, attended planning calls with the component

Independent auditor's report to the members of Lookers plc

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 during and following completion of the work.

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>Valuation of goodwill and other intangible assets</p> <p>The Group's accounting policies are disclosed on pages 132 to 140.</p> <p>See critical accounting judgements and key sources of estimation uncertainty on pages 133 to 134, disclosure on pages 154 to 155 (Note 10).</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 £nil (2020: £2.6 million) and to intangible assets amounting to £nil (2020: £1.0 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. 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 based on knowledge of the business including internal reporting and the forecast period over which the impairment calculations have been performed 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; and • assessment of the accuracy and the mechanics behind management's impairment model. <p>Key observations</p> <p>Based on the work performed, we consider 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 132 to 140.</p> <p>See critical accounting judgements and key sources of estimation uncertainty on pages 133 to 134, disclosure on page 163 (Note 16).</p>	<p>The inventory balance at the year-end was £5 11.9 million (2020: £655.2 million) and the total inventory provision represents 0.8% of the gross inventory balance (2020: 0.6%).</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.</p> <p>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 inventory counts to assess the identification of obsolete inventory as well as the condition of the inventory to check any impact on the provision was considered; verification of the ageing of inventory by agreement back to third party invoices 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 consider that the judgements made by management in the Inventory valuation and provisioning for used vehicles at year-end are appropriate.</p>

Key Audit Matter		How the scope of our audit addressed the key audit matter
<p>Commercial Income Recognition</p> <p>The Group's accounting policies are disclosed on pages 132 to 140.</p> <p>See critical accounting judgements and key sources of estimation uncertainty on pages 133 to 134.</p>	<p>Commercial income receivable at the year-end was £25.9 million (2020: £34.1 million).</p> <p>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

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.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole and performance materiality as follows:

	Group Financial Statements		Parent company Financial Statements	
	2021 £m	2020 £m	2021 £m	2020 £m
Materiality	4.50	1.84	1.90	1.50
Basis for determining materiality	Profit before tax (5%)	Revenue (0.05%)	Net Assets (1%)	Net Assets (1%)
Rationale for the benchmark applied	We consider profit before tax as the key metric for investors and the most appropriate benchmark on which to base materiality now that the Group has returned to profitability.	Revenue was used due to the loss making position of the Group in 2020.	An asset based materiality was considered appropriate for the Parent Company as this is a holding company with few transactions.	An asset based materiality was considered appropriate for the Parent Company as this is a holding company with few transactions.
Performance materiality	2.70	1.10	1.18	0.84
Basis for determining performance materiality	60% of Materiality based on our knowledge of the aggregation risk and the control environment.	60% of Materiality based on our knowledge of the aggregation risk and the control environment.	60% of Materiality based on our knowledge of the aggregation risk and the control environment.	60% of Materiality based on our knowledge of the aggregation risk and the control environment.

Component materiality

We set materiality for each component of the Group based on a percentage of between 17.5% and 45% (2020: 15% and 50%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £787,500 to £2,025,000 (2020: £50,000 to £1,656,000). In the audit of each 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 individual audit differences in excess of £135,000 (2020: £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 Code 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.

<p>Going concern and longer-term viability</p>	<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 40; and • The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 40.
<p>Other Code provisions</p>	<ul style="list-style-type: none"> • Directors' statement on fair, balanced and understandable set out on page 121; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 73; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 73; and • The section describing the work of the Audit and Risk Committee set out on page 78-81.

Independent auditor's report to the members of Lookers plc

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.

<p>Strategic report and Directors' report</p>	<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>
<p>Directors' remuneration</p>	<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>
<p>Corporate governance statement</p>	<p>In our opinion, based on the work undertaken in the course of the audit the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.</p> <p>In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in this information.</p> <p>In our opinion, based on the work undertaken in the course of the audit information about the Parent Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.</p> <p>We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Parent Company.</p>
<p>Matters on which we are required to report by exception</p>	<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.

Responsibilities of Directors

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

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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) 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 assist with the risk assessment at the planning stage and to help design suitable audit procedures;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- 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;
- Detailed testing of a sample of revenue transactions around the year end for all significant components to check they were accounted for in the correct period;
- 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);
- Testing of revenue either side of the year end to supporting documentation to check recognition in the correct period;

- Consideration of post year end credit notes to verify the year end commercial income;
- Challenge of the underlying accounting within the leasing businesses and checking this is in line with the accounting standards;
- Detailed testing of the consolidation and agreeing manual or late journals posted at consolidated level to supporting documentation;
- Identification and testing of journal entries to supporting documentation, in particular any journal entries posted with unusual account combinations or including specific keywords identified using data analytics; and
- Agreement of the Financial Statement disclosures to underlying supporting documentation;

The engagement team was deemed to collectively have the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations. We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and component auditors and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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
Manchester UK
5 April 2022

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 UK adopted international accounting standards.

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 profit for the Company for the year was £13.2m (2020: loss £33.9m).

The Company has applied FRS 101 'Reduced Disclosure Framework' in the year ended 31 December 2021.

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 2021, the following standards became effective in the Group's consolidated financial statements:

- 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;
- IFRS 16 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.

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 2022:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8)
- IFRS 17 – Insurance Contracts; and
- Amendments to IFRS 3 (May 2020) – Reference to the Conceptual Framework;
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract;
- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use.

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

At 31 December 2021 the Group is in a net current liabilities position of £71.5m (2020: net current assets of £13.1m; 2019: net current liabilities position of £79.1m). The Group has considerable financial resources together with long-standing relationships with OEMs and a good reputation within the motor-trade industry. In their consideration of going concern, the Board have reviewed future profit forecasts and cash projections. In these uncertain times, the Group has grown its income and profit as it has navigated the various lockdowns and has used the experience gained during this period to model three different downside scenarios. The 'pandemic' scenario assumes a further lockdown occurs for the four months starting 1 December 2022 and our sales volumes revert to those seen during the third lockdown. The 'stock supply scenario' where potential stock restrictions caused by the impact from semiconductor shortages reduces new and fleet retail volumes by 40% for a six-month period starting 1 March 2022, building back to normal trade levels by

January 2023. The 'margin reduction' scenario, whereby there is an accelerated decline in new and used margins from Q2 FY22. In all these scenarios, the Group would not breach any of its financial covenants and would not require any additional sources of financing during the forecast period, being at least until September 2023 (the RCF maturity date).

In addition, reverse stress testing has been conducted which shows there would have to be a prolonged reduction in aftersales of 10% and reduction in new, used, and fleet volumes and / or reduction in gross profit per margin or sharp rise in interest rates for our covenants to be breached, over the assessment period. This is considered to be highly unlikely. If there was a sharp decline in sales volumes and / or margin or a sharp rise in interest rates, the Board would take immediate action, including but not limited to:

- Dealership closures and headcount reduction;
- A reduction in capital investment and pause new strategic initiatives;
- Reduction in stock levels to meet demand; and
- Suspension of dividends.

The Directors are mindful of the potential impacts to macro-economic conditions and further risk of disruption to supply chains that the current conflict in Ukraine presents. A potential scenario has been modelled which includes supply disruption alongside increased overheads and borrowing costs, but this does not indicate a material risk to going concern.

As a result, the Board believes that the group is well placed to

manage its financing and other significant risks satisfactorily and that the Group will be able to operate within the level of its facilities for the foreseeable future, being at least to 30 September 2023 (the RCF maturity date). For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

Banking facilities and funding position

As at 31 December 2021 the Group had £142.8m of committed revolving credit facilities due to expire on 30 September 2023. The facility is subject to quarterly covenant tests on leverage, interest cover, and minimum EBITDA on a rolling 12 month basis. The Group has satisfied all its financial covenants during the year. The profitability and cash generation of the Group during FY21 has rebased the size of the facility required to support the ongoing working capital needs of the Group and was subsequently reduced to £95m in January 2022.

In addition to the revolving credit facility, the Group has stocking funding lines which were utilised at £248.1m as at 31 December 2021 (2020: £210.0m).

3. Judgements and estimates

Accounting judgements

The Group applies judgement in how it applies its accounting policies, which do not involve estimation, but could materially affect the numbers disclosed in these financial statements. The key accounting judgements, without estimation, that have been applied in these financial statements are as follows:

Judgement	Effect on Financial Statements	Alternative accounting judgement that could have been applied	Effect of that alternative accounting judgement
Classification of non-underlying items	<p>Judgement is required as to whether transactions relate to costs or incomes which, due to their size, nature or irregularity, are not included in the assessment of financial performance and are therefore excluded from management's view of the core-trading performance of the Group.</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.
Classification of stocking loans	<p>Judgement is required over the classification of stocking loans.</p> <p>Stocking loans are classified within Trade and other payables in line with the details provided on page 139.</p>	Stocking loans could be classified within Bank loans.	<p>Reduction in trade and other payables with a corresponding increase in bank loans and overdrafts.</p> <p>Inclusion of stocking loans within bank loans and overdrafts would also impact the value of net debt (see Note 29 for reconciliation of alternative performance measures).</p>

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. The key area for estimation uncertainty surrounds the growth rates applied to revenue. Numerical disclosure regarding key assumptions 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 25. Due to the relative sizes of the pension schemes it is only considered to be the Lookers Pension Plan that could be materially affected by key estimates. The key area for estimation uncertainty surrounds the discount rate applied of 1.85% (2020: 1.3%).	Yes	Yes
Recognition of commercial income	The Group is party to a number of commercial arrangements with its OEM Brand Partners that results in manufacturer bonus credits being earned. The key area for estimation uncertainty in relation to these arrangements surrounds the interpretation of whether the commercial income bonus targets have been met and are therefore appropriate to be recognised as income and accruals at the balance sheet date. The total amount accrued at the balance sheet date amounts to £25.9m (2020: £34.1m).	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 2021 represents 0.8% of the gross inventory balance (2020: 0.6%).	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:

	2021	2020
GBP:EUR at the end of the year	1.19	1.11
GBP:EUR average for the year	1.16	1.13

6. Revenue

Revenue is measured based on the consideration specified in a contract with a customer. Amounts collected on behalf of third parties are excluded. Revenue is recognised by the Group when it transfers control over a product or service to a customer.

Revenue is measured at invoice price, excluding value added taxes, and principally comprises external vehicle sales, parts, servicing and bodyshop sales. Vehicle and parts sales are recognised when control over the vehicles or parts have been transferred to the customer. This is generally at the time of delivery to the customer. Service and bodyshop sales are recognised 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 (e.g. assigning finance), the commission earned is also recorded at an agreed rate when the transaction has occurred. The income received in respect of service plans sold and administered by the Group is recognised over the period of the policy on a straight-line basis.

In the majority of its leasing operations the Group maintains the ability to direct the use of and obtain substantially all of the remaining benefits from the vehicle assets it leases to customers. As a result, the accounting for the arrangement reflects the Group's retention of the asset to generate future rentals and, in accordance with IFRS 16 Leases, the Group is considered to be acting as an operating lease lessor for all arrangements in place.

The initial amounts received in consideration from the leasing operations are held as deferred income and taken to the income statement on a straight-line basis over the related lease term.

In leasing operations where the Group enters into an agreement to sell rental fleet vehicles back to the supplier a finance lease is recognised with the end customer. Revenue associated with the recognition of the finance lease receivable is recognised on entering the agreement.

All Company income is from recharges within the Group.

7. Commercial income

Commercial income, including manufacturer bonuses, is credited to cost of sales. Volume related and vehicle specific rebates from suppliers are credited to the carrying value of inventory to which they relate. Once the inventory is sold, the rebate amount is then recognised in the income statement.

8. Non-underlying items

The Group makes certain adjustments to the statutory profit

Principal accounting policies

measures in order to derive certain alternative performance measures. Certain pre-tax items which are material are presented as non-underlying items on the face of the consolidated income statement. Non-underlying items are those items that, in the judgement of the Group, need to be disclosed separately by virtue of their nature, size or irregularity. The separate reporting of non-underlying items helps provide additional useful information regarding the Group's business performance and is used by management to facilitate internal performance analysis. Items that may be considered non-underlying in nature include gains or losses on property disposals, restructuring of businesses, or asset impairments. Any reversal of an amount previously recognised as a non-underlying item would also be recognised as a non-underlying item in a subsequent period.

9. Finance costs and interest income

Finance costs comprises interest payable on borrowings, consignment, repurchase liabilities, stocking loans, lease liabilities, interest on pension scheme obligations and debt issue costs, and are recognised using the effective interest method. Interest income is recognised in the Consolidated Statement of Total Comprehensive Income as it accrues.

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

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. Leasehold improvements 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.

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 4.5% (2020: 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.

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

Principal accounting policies

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, any initial direct costs and an estimate of the dismantling, removal and reinstatement costs required in the terms of the lease. 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.

The majority of the vehicle leases entered into by the Group are for periods in excess of one year. At the inception of a new lease the Group recognises the vehicle on its balance sheet as a non-current asset with a corresponding amount in financial liabilities, split between current and non-current. The vehicles are depreciated to their residual values over the course of the leases. At the end of a lease the Group acquires the vehicle from the third-party funder at the pre-agreed amount, extinguishing the outstanding financial liability. The vehicle is then transferred into inventory at its carrying amount and becomes available for sale as part of the Group's ordinary course of business.

Income from such leases is recognised on a straight-line basis over the period of the rental agreement.

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 rental agreements less than one year are included within current assets and are depreciated on a straight-line basis over the course of the rental agreement to their estimated residual value on termination of that agreement. Motor vehicles hired to customers over longer-term rental agreements are capitalised within other property, plant and equipment.

Where the Group has entered into an agreement to sell motor vehicles back to the original supplier, an amount equal to the amortised sale proceeds is recognised as a repurchase debtor.

21. Vehicle financing

Stocking loans are financing arrangements provided by various lenders including OEM Brand Partners and third party asset finance funders which are used to fund the purchase of new and used vehicles prior to re-sale.

Each agreement entered into has its own terms and conditions and determining whether a new or renewed arrangement should be classified within trade and other payables, rather than as an additional component of the Group's net debt within borrowings, requires significant management judgement.

However these financing arrangements are generally: uncommitted facilities; for specific, separately identifiable vehicles held as inventory; which have a maturity of 180 days or less; and the Group is normally required to repay amounts outstanding on the earlier of the sale of the vehicles that have been funded under the facilities or the stated maturity date. Based on these factors management deem it appropriate that such arrangements are recognised as financial liabilities within trade and other payables.

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 of 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" 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 2021 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 2021 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.

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 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. 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.

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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 asset 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 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"). Group receivables are considered under the two stage expected credit loss model.

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 vehicle rental finance liabilities, 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.

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.

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 2021 and 31 December 2020

	Note	2021 £m	2020 (restated)* £m
Revenue	2	4,050.7	3,699.9
Cost of sales		(3,534.1)	(3,288.9)
Gross profit		516.6	411.0
Net operating expenses		(402.5)	(380.4)
Operating profit		114.1	30.6
Underlying operating profit		114.2	42.8
Non-underlying items	4	(0.1)	(12.2)
Finance costs	6	(24.1)	(29.1)
Profit before taxation	3	90.0	1.5
Underlying profit before taxation		90.1	13.7
Non-underlying items	4	(0.1)	(12.2)
Tax charge	7	(28.8)	(6.1)
Profit/(loss) for the year (attributable to shareholders of the Company)		61.2	(4.6)
Exchange differences on translation of foreign operation (may be recycled to profit and loss)		(0.5)	0.3
Actuarial gains/(losses) on pension scheme obligations (not recycled to profit and loss)	25	24.9	(32.5)
Deferred tax on pension scheme obligations (not recycled to profit and loss)	7	0.4	7.3
Total other comprehensive income/(expense) for the year		24.8	(24.9)
Total comprehensive income/(expense) for the year (attributable to shareholders of the Company)		86.0	(29.5)
Earnings/(loss) per share:			
Basic earnings/(loss) per share (p)	9	15.65	(1.18)
Diluted earnings/(loss) per share (p)**	9	15.55	(1.18)

*See Note 1 for details.

**In the year ended 31 December 2020 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 2021 and 31 December 2020

	Note	Group 2021 £m	2020 (restated)* £m	2019 (restated)* £m	Company 2021 £m	2020 £m
Non-current assets						
Goodwill	10	79.3	79.3	81.9	-	-
Intangible assets	11	107.9	110.8	114.2	8.3	11.1
Property, plant and equipment	12	399.3	399.9	429.2	1.3	0.7
Right of use assets	13	115.7	124.4	126.4	1.2	0.8
Investment in subsidiaries	15	-	-	-	126.8	126.8
Deferred tax assets	22	-	-	-	10.6	14.2
		702.2	714.4	751.7	148.2	153.6
Current assets						
Inventories	16	511.9	655.2	956.5	-	-
Trade and other receivables	17	108.5	120.6	164.3	247.7	327.4
Current tax receivable		5.6	1.1	9.8	8.0	3.4
Rental fleet vehicles	18	27.5	30.1	32.0	-	-
Cash and cash equivalents	19	103.9	243.0	150.3	0.2	0.1
Assets held for sale	14	5.0	13.0	10.0	-	-
		762.4	1,063.0	1,322.9	255.9	330.9
Total assets		1,464.6	1,777.4	2,074.6	404.1	484.5
Current liabilities						
Bank loans and overdrafts	21	83.6	116.9	119.4	17.9	36.5
Trade and other payables	20	729.6	913.0	1,261.5	143.5	61.1
Lease liabilities	21	20.7	20.0	21.1	0.7	0.5
		833.9	1,049.9	1,402.0	162.1	98.1
Net current (liabilities)/assets		(71.5)	13.1	(79.1)	93.8	232.8
Non-current liabilities						
Bank loans	21	17.3	166.8	90.4	10.0	158.4
Trade and other payables	20	35.1	39.8	42.3	-	-
Lease liabilities	21	116.1	125.5	128.2	0.6	0.4
Provisions		-	-	10.4	-	-
Pension scheme obligations	25	43.2	79.3	55.7	43.1	77.0
Deferred tax liabilities	22	49.4	33.2	34.0	-	-
		261.1	444.6	361.0	53.7	235.8
Total liabilities		1,095.0	1,494.5	1,763.0	215.8	333.9
Net assets		369.6	282.9	311.6	188.3	150.6
Shareholders' equity						
Ordinary share capital	23	19.6	19.5	19.5	19.6	19.5
Share premium		78.4	78.4	78.4	78.4	78.4
Capital redemption reserve		15.1	15.1	15.1	15.1	15.1
Retained earnings		256.5	169.9	198.6	75.2	37.6
Total equity		369.6	282.9	311.6	188.3	150.6

*See Note 1 for details.

The profit after tax for the Company was £13.2m (2020: loss of £33.9m). The Financial Statements of Lookers plc, registered no. 111876 were approved by the Directors on 5 April 2022.

Signed on behalf of the Board of Directors

Mark Raban
Director

Consolidated Statement of Changes in Equity

As at 1 January 2020, 31 December 2020 and 31 December 2021

		Share capital	Share premium	Capital redemption reserve	Retained earnings	Total equity
	Note	£m	£m	£m	£m	£m
Year ended 31 December 2020						
As at 1 January 2020		19.5	78.4	15.1	197.6	310.6
Correction of errors*		-	-	-	1.0	1.0
As at 1 January 2020 (restated)		19.5	78.4	15.1	198.6	311.6
Loss for the year (restated)*		-	-	-	(4.6)	(4.6)
Total other comprehensive expense for the year		-	-	-	(24.9)	(24.9)
Total comprehensive expense for the year		-	-	-	(29.5)	(29.5)
Share based compensation	24	-	-	-	0.8	0.8
As at 31 December 2020 (restated)		19.5	78.4	15.1	169.9	282.9
Year ended 31 December 2021						
As at 1 January 2021		19.5	78.4	15.1	169.9	282.9
Profit for the year		-	-	-	61.2	61.2
Total other comprehensive income for the year		-	-	-	24.8	24.8
Total comprehensive income for the year		-	-	-	86.0	86.0
New shares issued	23	0.1	-	-	-	0.1
Share based compensation	24	-	-	-	0.6	0.6
As at 31 December 2021		19.6	78.4	15.1	256.5	369.6

*Opening reserves at 1 January 2020 have been restated by £1.0m and the loss for the year ended 31 December 2020 has been restated by £0.5m following further adjustments in relation to the initial adoption of IFRS 16.

Retained earnings includes £16.5m (2020: £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 2020, 31 December 2020 and 31 December 2021

		Share capital	Share premium	Capital redemption reserve	Retained earnings	Total equity
	Note	£m	£m	£m	£m	£m
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	24	-	-	-	0.8	0.8
As at 31 December 2020		19.5	78.4	15.1	37.6	150.6
Year ended 31 December 2021						
As at 1 January 2021		19.5	78.4	15.1	37.6	150.6
Profit for the year		-	-	-	13.2	13.2
Total other comprehensive income for the year		-	-	-	23.8	23.8
Total comprehensive income for the year		-	-	-	37.0	37.0
New shares issued	23	0.1	-	-	-	0.1
Share based compensation	24	-	-	-	0.6	0.6
As at 31 December 2021		19.6	78.4	15.1	75.2	188.3

Consolidated Statement of Cash Flows

For the year ended 31 December 2021 and 31 December 2020

	Note	2021 £m	2020 (restated)* £m
Cash flows from operating activities			
Profit/(loss) for the year		61.2	(4.6)
Tax charge		28.8	6.1
Depreciation of property, plant and equipment, rental fleet and right of use assets	3	48.9	51.4
Gain on disposal of property, plant and equipment	4	(2.4)	(3.1)
Gain on lease surrenders	4	-	(1.5)
Gain on disposal of right of use asset associated with rental fleet vehicles	3	(0.4)	(1.9)
Amortisation of intangible assets	3	5.0	4.8
Share based compensation	24	0.6	0.8
Impairment of property, plant and equipment	12, 14	0.7	5.0
Impairment of right of use assets	4	1.2	0.2
Impairment of goodwill and intangible assets (non-underlying)	4	-	3.6
Finance costs excluding pension related finance costs and debt issue costs	6	22.1	27.5
Debt issue costs	6	1.1	0.5
Difference between pension charge and cash contributions	25	(11.2)	(8.9)
Purchase of rental fleet vehicles		(23.6)	(21.8)
Purchase of right of use assets associated with rental fleet assets		(0.4)	(1.9)
Purchase of vehicles for long-term leasing		(34.9)	(27.8)
Changes in provisions		-	(10.4)
Changes in inventories	16	183.5	355.1
Changes in receivables	17	11.7	43.4
Changes in payables	20	(188.9)	(358.6)
Cash generated from operations		103.0	57.9
Finance costs paid		(16.1)	(21.2)
Finance costs paid - lease liabilities		(6.0)	(6.3)
Tax (paid)/refunded		(16.3)	7.8
Net cash inflow from operating activities		64.6	38.2
Cash flows from investing activities			
Purchase of property, plant and equipment and own use vehicles		(14.1)	(13.8)
Purchase of intangibles		(3.3)	(3.0)
Finance lease rentals collected		2.9	4.0
Proceeds from disposal of property, plant and equipment		11.8	18.0
Net cash (outflow)/inflow from investing activities		(2.7)	5.2
Cash flows from financing activities			
Receipt of funding advanced for vehicle leasing arrangements		58.5	74.8
Repayment of funding advanced for vehicle leasing arrangements		(62.3)	(84.1)
Repayment of loans	21	(1.2)	(0.6)
Drawdown on RCF	21	35.1	150.0
Repayment on RCF	21	(181.5)	(72.0)
Repayment of lease liabilities	21	(16.4)	(15.7)
Net cash (outflow)/inflow from financing activities		(167.8)	52.4
(Decrease)/increase in cash and cash equivalents		(105.9)	95.8
Cash and cash equivalents at 1 January		127.2	31.4
Cash and cash equivalents at 31 December		21.3	127.2
Analysis of cash and cash equivalents			
Cash and cash equivalents		103.9	243.0
Bank overdraft		(82.6)	(115.8)
Cash and cash equivalents at 31 December	19	21.3	127.2

*See Note 1 for details

Notes to the Financial Statements

For the year ended 31 December 2021

1a. Statement of Total Consolidated Comprehensive Income (restated)

Group	As previously reported 31 December 2020 £m	Correction of errors	31 December 2020 (restated) £m
Revenue	3,699.9	-	3,699.9
Cost of sales	(3,288.9)	-	(3,288.9)
Gross profit	411.0	-	411.0
Net operating expenses	(380.1)	(0.3)	(380.4)
Operating profit	30.9	(0.3)	30.6
Underlying operating profit	43.0	(0.2)	42.8
Non-underlying items	(12.1)	(0.1)	(12.2)
Finance costs	(28.9)	(0.2)	(29.1)
Profit before taxation	2.0	(0.5)	1.5
Underlying profit before taxation	14.1	(0.4)	13.7
Non-underlying items	(12.1)	(0.1)	(12.2)
Tax charge	(6.1)	-	(6.1)
Loss for the year (attributable to shareholders of the Company)	(4.1)	(0.5)	(4.6)
Exchange differences on translation of foreign operation (may be recycled to profit and loss)	0.3	-	0.3
Actuarial losses on pension scheme obligations (not recycled to profit and loss)	(32.5)	-	(32.5)
Deferred tax on pension scheme obligations (not recycled to profit and loss)	7.3	-	7.3
Total other comprehensive expense for the year	(24.9)	-	(24.9)
Total comprehensive expense for the year (attributable to shareholders of the Company)	(29.0)	(0.5)	(29.5)
Loss per share:			
Basic loss per share (p)	(1.05)	(0.13)	(1.18)
Diluted loss per share (p)	(1.05)	(0.13)	(1.18)

The loss for the year ended 31 December 2020 has been restated by £0.5m following further adjustments in relation to the initial adoption of IFRS 16. Net operating expenses have increased by £0.3m and finance costs have increased by £0.2m.

Notes to the Financial Statements

For the year ended 31 December 2021

1b. Statement of Financial Position (restated)

Group	As previously reported 31 December 2020 £m	Correction of errors £m	At 31 December 2020 (restated) £m	As previously reported 1 January 2020 £m	Correction of errors £m	At 1 January 2020 (restated) £m
Non-current assets						
Goodwill	79.3	-	79.3	81.9	-	81.9
Intangible assets	110.8	-	110.8	114.2	-	114.2
Property, plant and equipment	399.9	-	399.9	429.2	-	429.2
Right of use assets	117.6	6.8	124.4	119.0	7.4	126.4
	707.6	6.8	714.4	744.3	7.4	751.7
Current assets						
Inventories	655.2	-	655.2	956.5	-	956.5
Trade and other receivables	124.6	(4.0)	120.6	168.3	(4.0)	164.3
Current tax receivable	1.1	-	1.1	9.8	-	9.8
Rental fleet vehicles	30.1	-	30.1	32.0	-	32.0
Cash and cash equivalents	243.0	-	243.0	150.3	-	150.3
Assets held for sale	13.0	-	13.0	10.0	-	10.0
	1,067.0	(4.0)	1,063.0	1,326.9	(4.0)	1,322.9
Total assets	1,774.6	2.8	1,777.4	2,071.2	3.4	2,074.6
Current liabilities						
Bank loans and overdrafts	116.9	-	116.9	119.4	-	119.4
Trade and other payables	911.8	1.2	913.0	1,261.5	-	1,261.5
Lease liabilities	19.1	0.9	20.0	20.1	1.0	21.1
	1,047.8	2.1	1,049.9	1,401.0	1.0	1,402.0
Net current assets/(liabilities)	19.2	(6.1)	13.1	(74.1)	(5.0)	(79.1)
Non-current liabilities						
Bank loans	166.8	-	166.8	90.4	-	90.4
Trade and other payables	39.8	-	39.8	42.3	-	42.3
Lease liabilities	125.3	0.2	125.5	126.8	1.4	128.2
Provisions	-	-	-	10.4	-	10.4
Pension scheme obligations	79.3	-	79.3	55.7	-	55.7
Deferred tax liabilities	33.2	-	33.2	34.0	-	34.0
	444.4	0.2	444.6	359.6	1.4	361.0
Total liabilities	1,492.2	2.3	1,494.5	1,760.6	2.4	1,763.0
Net assets	282.4	0.5	282.9	310.6	1.0	311.6
Shareholders' equity						
Ordinary share capital	19.5	-	19.5	19.5	-	19.5
Share premium	78.4	-	78.4	78.4	-	78.4
Capital redemption reserve	15.1	-	15.1	15.1	-	15.1
Retained earnings	169.4	0.5	169.9	197.6	1.0	198.6
Total equity	282.4	0.5	282.9	310.6	1.0	311.6

Notes to the Financial Statements

For the year ended 31 December 2021

1b. Statement of Financial Position (restated) (continued)

During the year, an exercise has been undertaken to refine and improve the IFRS 16 calculation models. This exercise highlighted errors in the underlying calculations performed in the previous years which are summarised below:

- For property leases spanning both the transition to IFRS 16 and 31 December 2020, property lease rent reviews had been treated incorrectly. Instead of re-calculating the right of use asset and finance lease liability at the point at which the rent was increased, the right of use asset had been calculated as if the rent in place at the date of transition to IFRS 16 was payable from the beginning of the lease. As a consequence, at 31 December 2020, right of use assets were understated by £3.8m (2019: £3.6m) due to excess depreciation being recognised in previous periods. Correcting this error has increased right of use assets by £3.8m (2019: £3.6m), increased retained earnings as at 31 December 2019 by £3.6m and reduced loss for the year ended 31 December 2020 by £0.2m.
- Underlying lease calculations assumed that all lease payments were made quarterly in arrears. Correcting the calculations to reflect the contractual timing of payments has led to a decrease in the total lease liabilities of £2.4m as at 31 December 2020 (2019: £2.6m) and an increase in right of use assets of £0.2m (2019: £0.2m). Retained earnings as at 31 December 2019 increased by £2.8m and there was an increase to the loss for the year ended 31 December 2020 of £0.2m.
- Previous calculations omitted some rent reviews and lease extensions. Correcting this error gave rise to a £2.7m increase in right of use assets and a £2.9m increase in total lease liabilities as at 31 December 2020 (2019: £2.5m and £2.5m respectively). There was no impact on retained earnings as at 31 December 2019 and there was an increase to the loss for the year ended 31 December 2020 of £0.2m.
- Advanced rental payments that were included within prepayments were not derecognised, as required, on transition to IFRS 16. Therefore trade and other receivables have been reduced by £4.0m at 31 December 2020 (2019: £4.0m). Retained earnings as at 31 December 2019 reduced by £4.0m and there was no impact to loss for the year ended 31 December 2020.
- Some lease disposals were omitted and a small number of leases were not previously recognised. Correcting for these errors resulted in a net decrease in right of use assets of £1.0m and a net decrease in total lease liabilities of £0.5m as at 31 December 2020 (2019: increase in right of use assets of £0.3m and increase in total lease liabilities of £1.1m). Retained earnings as at 31 December 2019 decreased by £0.8m and there was a reduction in the loss for the year ended 31 December 2020 of £0.3m.
- As at 31 December 2020, correcting for a combination of other errors resulted in an increase in right of use assets of £1.1m (2019: £0.8m), an increase in total lease liabilities of £1.1m (2019: £1.4m) and an increase in trade and other payables of £1.2m (2019: £nil). Retained earnings as at 31 December 2019 decreased by £0.6m and there was an increase to the loss for the year ended 31 December 2020 of £0.6m.

The combined impact of correcting for the errors noted above on the Consolidated Statement of Financial Position at 31 December 2020 is to increase right of use assets (£6.8m), decrease trade and other receivables (£4.0m), increase trade and other payables (£1.2m), increase current lease liabilities (£0.9m), increase non-current lease liabilities (£0.2m), and increase retained earnings (£0.5m). Overall the adjustments increase previously reported loss for the year and total comprehensive expense for the year by £0.5m. Whilst there is no overall impact on the Consolidated Statement of Cash Flows the cash inflows from operating activities have increased by £0.4m, with an equal and opposite reduction in cash inflows from financing activities.

Restated earnings per share are disclosed in Note 9.

Notes to the Financial Statements

For the year ended 31 December 2021

1c. Statement of Cash Flows (restated)

	As previously reported 31 December 2020 £m	Correction of errors £m	At 31 December 2020 (restated) £m
Cash flows from operating activities			
Loss for the year	(4.1)	(0.5)	(4.6)
Tax charge	6.1	-	6.1
Depreciation of property, plant and equipment, rental fleet and right of use assets	51.2	0.2	51.4
Gain on disposal of property, plant and equipment	(3.1)	-	(3.1)
Gain on lease surrenders	(1.2)	(0.3)	(1.5)
Gain on disposal of right of use asset associated with rental fleet assets	(1.9)	-	(1.9)
Amortisation of intangible assets	4.8	-	4.8
Share based compensation	0.8	-	0.8
Impairment of property, plant and equipment	5.0	-	5.0
Impairment of right of use assets	0.4	(0.2)	0.2
Impairment of goodwill and intangible assets (non-underlying)	3.6	-	3.6
Finance costs excluding pension related finance costs and debt issue costs	27.3	0.2	27.5
Debt issue costs	0.5	-	0.5
Difference between pension charge and cash contributions	(8.9)	-	(8.9)
Purchase of rental fleet vehicles	(21.8)	-	(21.8)
Purchase of right of use assets associated with rental fleet assets	(1.9)	-	(1.9)
Purchase of vehicles for long-term leasing	(27.8)	-	(27.8)
Changes in provisions	(10.4)	-	(10.4)
Changes in inventories	355.1	-	355.1
Changes in receivables	43.4	-	43.4
Changes in payables	(359.8)	1.2	(358.6)
Cash generated from operations	57.3	0.6	57.9
Finance costs paid	(21.2)	-	(21.2)
Finance costs paid - lease liabilities	(6.1)	(0.2)	(6.3)
Tax refunded	7.8	-	7.8
Net cash inflow from operating activities	37.8	0.4	38.2
Cash flows from investing activities			
Purchase of property, plant and equipment and own use vehicles	(13.8)	-	(13.8)
Purchase of intangibles	(3.0)	-	(3.0)
Finance lease rentals collected	4.0	-	4.0
Proceeds from disposal of property, plant and equipment	18.0	-	18.0
Net cash inflow from investing activities	5.2	-	5.2
Cash flows from financing activities			
Receipt of funding advanced for vehicle leasing arrangements	74.8	-	74.8
Repayment of funding advanced for vehicle leasing arrangements	(84.1)	-	(84.1)
Repayment of loans	(0.6)	-	(0.6)
Drawdown on RCF	150.0	-	150.0
Repayment on RCF	(72.0)	-	(72.0)
Repayment of lease liabilities	(15.3)	(0.4)	(15.7)
Net cash inflow from financing activities	52.8	(0.4)	52.4
Increase in cash and cash equivalents	95.8	-	95.8
Cash and cash equivalents at 1 January	31.4	-	31.4
Cash and cash equivalents at 31 December	127.2	-	127.2
Analysis of cash and cash equivalents			
Cash and cash equivalents	243.0	-	243.0
Bank overdraft	(115.8)	-	(115.8)
Cash and cash equivalents at 31 December	127.2	-	127.2

Notes to the Financial Statements

For the year ended 31 December 2021

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.

	2021 £m	Mix*	2020 £m	Mix*
New cars	1,866.2	41.7%	1,709.3	42.5%
Used cars	2,038.7	45.6%	1,779.1	44.3%
Aftersales	429.2	9.6%	383.8	9.5%
Leasing and other	136.9	3.1%	148.4	3.7%
Less: intercompany	(420.3)	-	(320.7)	-
Revenue	4,050.7	100%	3,699.9	100%

*Mix calculation excludes the effect of intercompany revenues.

3. Profit before taxation

The following have been included before arriving at profit before taxation:

	Note	2021 £m	2020 (restated) £m
Staff costs	5	270.8	235.1
Depreciation of property, plant and equipment and right of use assets	12,13	45.9	47.4
Depreciation of rental fleet assets	18	3.0	4.0
Gain on disposal of right of use asset associated with rental fleet assets		(0.4)	(1.9)
Amortisation of intangible assets	11	5.0	4.8
Gain on disposal of rental fleet vehicles		-	(0.5)
Loss on disposal of leased and own use vehicles		-	0.2
Cost of inventories recognised as an expense		3,166.7	2,779.2
Non-underlying items	4	0.1	12.2
Low value leased assets		0.5	0.4
Utilities and rates		15.1	20.7
Other expenses		429.9	567.7
Total cost of sales and operating expenses		3,936.6	3,669.3

Services provided by the Group's auditor

The analysis of auditor's remuneration is as follows:

Group	2021 £000	2020 £000
Audit of the Company	20.0	20.0
Audit of the Group and Company's subsidiaries	1,580.0	1,130.0
Total audit fees	1,600.0	1,150.0
Other non-audit fees - review of interim financial information	130.0	-
Total non-audit fees	130.0	-
Total fees	1,730.0	1,150.0

Fees payable to BDO LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis and therefore included above.

Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Report from the Chair of the Audit and Risk Committee.

Included in the figure of £1,580k above is £400k in respect of additional fees incurred in relation to the 2020 audit.

Notes to the Financial Statements

For the year ended 31 December 2021

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	2021 £m	2020 (restated) £m
Non-underlying items			
1 - Gain on property disposals	12,14	(2.4)	(3.1)
2 - Impairment of property, plant and equipment	12,14	0.7	3.4
2 - Impairment of right of use assets	13	1.2	0.2
2 - Gain on lease surrenders		-	(1.5)
2 - Restructuring costs		0.6	10.5
3 - Impairment of goodwill and intangible assets	10,11	-	3.6
4 - FCA provision		-	(10.4)
5 - Professional fees		-	9.2
6 - Finance overpayments		-	0.3
Non-underlying items		0.1	12.2

- 1 – Property disposals relate to the net gains on the sale of a number of freehold properties during the current and prior year. These items have been deemed non-underlying by nature.
- 2 – During both the current and the prior 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 three sites in 2021 (2020: 12 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 (2020: also net of £1.6m insurance income). These items have been deemed non-underlying by irregularity.
- 3 – During the prior year the Directors concluded that impairment charges against the carrying value of certain elements of the Group's intangible asset base were required (Ford CGU goodwill impairment £2.6m - see Note 10; Lomond brand impairment £1.0m - see Note 11). These items have been deemed non-underlying by size.
- 4 – A provision of £10.4m in relation to the previously documented FCA matters was released in the year ended 31 December 2020. These items have been deemed non-underlying by irregularity and size.
- 5 – Professional fees incurred in the prior year in relation to dealing with the Group's share suspension and investigation into prior period accounting irregularities have been treated as non-underlying items. These items have been deemed non-underlying by irregularity and size.
- 6 – £0.3m of additional costs have been incurred during the prior year in respect of rectifying historic issues in relation to finance overpayments. These items have been deemed non-underlying by irregularity.

The net cash inflow from operating activities associated with non-underlying items is £11.0m (2020: outflow £2.0m).

Notes to the Financial Statements

For the year ended 31 December 2021

5. Information regarding employees

Group	2021	2020
	£m	£m
Employee costs:		
Wages and salaries	239.8	242.6
Social security costs	25.0	21.0
Other pension costs - defined contribution scheme	5.4	5.6
Share based compensation	0.6	0.8
	270.8	270.0
Less: Furlough scheme (CJRS) income	-	(34.9)
	270.8	235.1

During the year ended 31 December 2021 the Group received and repaid Government funds of £4.1m (2020: received £34.9m) in relation to assistance with the COVID-19 pandemic.

	2021	2020
Average number employed during the year:	No.	No.
Aftersales	1,716	1,891
Sales	1,535	1,832
Administration	3,273	3,766
	6,524	7,489

Company	2021	2020
	£m	£m
Employee costs:		
Wages and salaries	21.3	18.7
Social security costs	2.7	1.9
Other pension costs - defined contribution scheme	0.5	0.3
Share based compensation	0.6	0.8
	25.1	21.7
Less: Furlough scheme (CJRS) income	-	(1.2)
	25.1	20.5

During the year ended 31 December 2021 the Company received and repaid Government funds of £nil (2020: received £1.2m) in relation to assistance with the COVID-19 pandemic.

The average number employed by the Company during the year was 397 (2020: 319).

	2021	2020
Key management personnel compensation:	£m	£m
Short-term employee benefits	2.5	4.4
Post-employment benefits	-	0.1
Termination benefits	-	-
Share options	-	-
	2.5	4.5

For the year ended 31 December 2021 the scope of what the Group defined as key management was restricted to only the Directors of the Company. For the year ended 31 December 2020 the 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 (2020: £nil). Further details of Directors' remuneration is included in the Directors' Remuneration Report.

Notes to the Financial Statements

For the year ended 31 December 2021

6. Finance costs

	Note	2021 £m	2020 (restated) £m
Finance costs:			
On revolving credit facility		(2.9)	(3.9)
On other bank borrowings		(0.4)	(0.4)
On consignment, repurchase vehicle liabilities and stocking loans		(10.7)	(15.2)
On vehicle rental finance liabilities		(2.1)	(1.7)
On lease liabilities		(6.0)	(6.3)
Debt issue costs		(1.1)	(0.5)
		(23.2)	(28.0)
Net pension costs:			
On defined benefit pension obligation	25	(4.3)	(6.1)
On pension scheme assets	25	3.4	5.0
		(0.9)	(1.1)
Finance costs		(24.1)	(29.1)

Amounts disclosed for the year ended 31 December 2020 have been reanalysed between other bank borrowings and interest on consignment, repurchase vehicle liabilities and stocking loans, and adjusted for interest on lease liabilities. Details of the corrections of errors on lease liability finance costs are shown in Note 1.

7. Taxation

		2021 £m	2020 (restated) £m
Current tax charge/(credit):			
Current year		11.3	-
Adjustment in respect of prior years		0.9	(0.4)
		12.2	(0.4)
Deferred tax charge:			
Deferred tax - origination and reversal of temporary differences	22	4.8	3.5
Change in UK tax rate	22	16.9	5.0
Adjustment in respect of prior years	22	(5.1)	(2.0)
		16.6	6.5
Total tax charge		28.8	6.1
Tax on items credited to other comprehensive income:			
Tax on pension scheme obligations - excluding rate adjustment		4.7	(1.1)
Change in UK tax rate		(5.1)	(6.2)
		(0.4)	(7.3)

Notes to the Financial Statements

For the year ended 31 December 2021

7. Taxation (continued)

	2021			2020 (restated)		
	Underlying £m	Non-underlying £m	Reported £m	Underlying £m	Non-underlying £m	Reported £m
Reconciliation of total tax						
Profit before tax	90.1	(0.1)	90.0	13.7	(12.2)	1.5
Standard rate of corporation tax at 19% (2020: 19%)	17.1	-	17.1	2.6	(2.3)	0.3
(Non taxable income)/disallowable items	(0.9)	0.3	(0.6)	0.4	1.1	1.5
Capital gains	-	-	-	1.3	-	1.3
Share based compensation	(0.3)	-	(0.3)	0.5	-	0.5
Adjustment in respect of prior years	(4.2)	-	(4.2)	(2.6)	0.2	(2.4)
Change in UK tax rate	16.9	-	16.9	5.0	-	5.0
Difference on overseas tax rate	(0.1)	-	(0.1)	(0.1)	-	(0.1)
Total tax	28.5	0.3	28.8	7.1	(1.0)	6.1

A UK corporation tax rate of 25% was substantially enacted on 24 May 2021. The 25% rate will apply from 1 April 2023 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 comparative balance sheet date the Group's deferred tax liability would have increased by £10.4m as at 31 December 2020 and the current tax asset increased by £0.3m as at 31 December 2020. In the recognition of the Group tax charge £16.9m (2020: £5.0m) was recognised in relation to the increase in deferred tax rate.

8. Dividends

Group

	2021 £m	2020 £m
Interim dividend for the year ended 31 December 2021 nil p (2020: nil p)	-	-
Final dividend for the year ended 31 December 2020 nil p (2019: nil p)	-	-
	-	-

The Directors propose a final dividend of 2.5p per share in respect of the financial year ended 31 December 2021 (2020: nil p). The proposed final dividend is subject to shareholder approval at the Annual General Meeting and has therefore not been included as a liability in these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2021

9. Earnings/(loss) per share

	Note	2021	2020 (restated)
Profit/(loss) attributable to ordinary shareholders (£m)		61.2	(4.6)
Weighted average number of shares in issue		391,073,686	390,138,374
Basic earnings/(loss) per share (p)		15.65	(1.18)
Profit/(loss) attributable to ordinary shareholders (£m)		61.2	(4.6)
Dilutive effect of share based payment options and weighted average number of shares in issue		393,466,275	390,138,374
Diluted earnings/(loss) per share (p)		15.55	(1.18)
Profit before tax (£m)		90.0	1.5
Add: Non-underlying items (£m)	4	0.1	12.2
Underlying profit before tax (£m)		90.1	13.7
Underlying tax (£m)	7	(28.5)	(7.1)
Change in UK tax rate (£m)	7	16.9	5.0
Underlying earnings attributable to ordinary shareholders (£m)		78.5	11.6
Weighted average number of shares in issue		391,073,686	390,138,374
Underlying basic earnings per share (p)		20.07	2.97

In the year ended 31 December 2020 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 2021 was 393,466,275 (2020: 390,138,374).

The underlying tax figure for 2020 has been recalculated using the basis as seen in Note 7.

10. Goodwill

Group	2021	2020
Cost	£m	£m
At 1 January and 31 December	122.4	122.4
Aggregate impairment		
At 1 January	43.1	40.5
Charge for the year	-	2.6
At 31 December	43.1	43.1
Carrying amount at 31 December	79.3	79.3

Following the Group's annual impairment review, an impairment charge of £nil has been recognised during the year (2020: £2.6m).

Notes to the Financial Statements

For the year ended 31 December 2021

10. Goodwill (continued)

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

CGU	2021 Goodwill £m	2021 Licences & brands £m	2021 Total £m	2020 Goodwill £m	2020 Licences & brands £m	2020 Total £m
Jaguar Land Rover	9.0	-	9.0	9.0	-	9.0
Audi	22.1	27.9	50.0	22.1	27.9	50.0
Charles Hurst	9.4	-	9.4	9.4	-	9.4
Ford	4.8	2.9	7.7	4.8	2.9	7.7
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	79.3	99.5	178.8

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 managements 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 2022 to 31 December 2026. These projections are based on the Board approved strategic plan to 31 December 2024. 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 current macroeconomic context and outlook (including the effects of COVID-19 and the current unrest in Ukraine), past experience adjusted for expected changes, 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	2021	2020	2019
Three to five year revenue growth	0.0% to 1.4%	0.0% to 1.4%	0.0% to 1.0%
Three to five year operating expenses growth	0.0% to 2.0%	0.0% to 2.0%	0.0% to 2.0%
Post year five growth rate	0%	0%	0%
Discount rate	12.40%	9.87%	8.51%

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

Notes to the Financial Statements

For the year ended 31 December 2021

11. Intangible assets

Group	Licences and brands £m	IT development £m	Total £m
Cost			
At 1 January 2020	102.6	39.6	142.2
Additions	-	3.0	3.0
Transfers to property, plant and equipment	-	(0.6)	(0.6)
At 31 December 2020	102.6	42.0	144.6
At 1 January 2021	102.6	42.0	144.6
Additions	-	3.3	3.3
Disposals	-	(23.3)	(23.3)
Transfers to property, plant and equipment	-	(1.2)	(1.2)
At 31 December 2021	102.6	20.8	123.4
Accumulated amortisation and impairment			
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
At 1 January 2021	3.1	30.7	33.8
Charge for the year	-	5.0	5.0
Disposals	-	(23.3)	(23.3)
At 31 December 2021	3.1	12.4	15.5
Carrying amount			
As at 1 January 2020	100.5	13.7	114.2
As at 31 December 2020 and 1 January 2021	99.5	11.3	110.8
As at 31 December 2021	99.5	8.4	107.9

An impairment charge of £1.0m was made in the prior year relating to the Group's Lomond brand.

At 31 December 2021 there is an amount of £0.7m (2020: £nil) committed for future capital expenditure. Included within IT development are IT assets in the course of construction totalling £0.3m (2020: £2.8m).

Notes to the Financial Statements

For the year ended 31 December 2021

11. Intangible assets (continued)

Company

	IT development £m
Cost	
At 1 January 2020	38.6
Additions	3.0
Reclassifications to property, plant and equipment	(0.6)
At 31 December 2020	41.0
At 1 January 2021	41.0
Additions	3.3
Disposals	(23.3)
Reclassifications to property, plant and equipment	(1.2)
At 31 December 2021	19.8
Accumulated amortisation and impairment	
At 1 January 2020	25.1
Charge for the year	4.8
At 31 December 2020	29.9
At 1 January 2021	29.9
Charge for the year	4.9
Disposals	(23.3)
At 31 December 2021	11.5
Carrying amount	
As at 1 January 2020	13.5
As at 31 December 2020 and 1 January 2021	11.1
As at 31 December 2021	8.3

At 31 December 2021 there is an amount of £0.7m (2020: £nil) committed for future capital expenditure. Included within IT development are IT assets in the course of construction totalling £0.3m (2020: £2.8m).

Notes to the Financial Statements

For the year ended 31 December 2021

12. Property, plant and equipment

Group	Freehold property £m	Leasehold property £m	Motor vehicles £m	Other £m	Total £m
Cost					
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)	-
Transfers 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
At 1 January 2021	249.9	91.9	96.8	75.3	513.9
Movements in foreign exchange	(1.2)	-	-	(0.1)	(1.3)
Additions	1.9	2.8	35.2	9.1	49.0
Disposals	(0.7)	(0.9)	(0.4)	(10.7)	(12.7)
Transfers	0.9	3.6	-	(4.5)	-
Transfer from intangible assets	-	-	-	1.2	1.2
Transfers to inventories	-	-	(32.3)	-	(32.3)
Transfers from assets held for sale	1.4	-	-	-	1.4
At 31 December 2021	252.2	97.4	99.3	70.3	519.2
Accumulated depreciation and impairment					
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 charge	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
At 1 January 2021	22.5	18.6	28.8	44.1	114.0
Movements in foreign exchange	-	(0.1)	-	(0.1)	(0.2)
Charge for the year	2.4	2.9	16.9	8.4	30.6
Impairment charge	-	-	-	0.6	0.6
Disposals	-	(0.3)	(0.2)	(9.2)	(9.7)
Transfers	0.2	-	-	(0.2)	-
Transfers to inventories	-	-	(15.3)	-	(15.3)
Transfers to assets held for sale	(0.1)	-	-	-	(0.1)
At 31 December 2021	25.0	21.1	30.2	43.6	119.9
Carrying amount					
As at 1 January 2020	246.9	74.6	69.2	38.5	429.2
As at 31 December 2020 and 1 January 2021	227.4	73.3	68.0	31.2	399.9
As at 31 December 2021	227.2	76.3	69.1	26.7	399.3

Assets in the course of construction relate to build costs that have been incurred but the property is not yet in use and are included in Other. The total of these assets held at 31 December is £4.7m (2020: £4.3m). 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 £94.8m (2020: £96.3m) which is not depreciated. At 31 December 2021 there is an amount of £15.4m (2020: £7.3m) committed for future capital expenditure.

Notes to the Financial Statements

For the year ended 31 December 2021

12. Property, plant and equipment (continued)

Included within additions to motor vehicles of £35.2m (2020: £28.9m) are additions of £0.3m (2020: £1.1m) relating to own use vehicles. At 31 December 2021 there is a net book value amount of £1.1m (2020: £1.3m) of own use vehicles included within the total net book value for motor vehicles.

During the year ended 31 December 2021 the total net book value of disposals from property and other amounted to £2.8m (2020: £12.0m). Total proceeds received was £3.0m (2020: £14.5m) resulting in a gain on disposals of £0.2m (2020: £2.5m).

During the year ended 31 December 2021 the total net book value of disposals from motor vehicles amounted to £0.2m (2020: £0.9m). Total proceeds received were £0.2m (2020: £0.7m) resulting in a gain on disposal of £nil (2020: loss of £0.2m).

Following the Group's restructuring program, an impairment charge of £0.6m (2020: £1.5m) has been recorded representing an adjustment to the expected recoverable values of assets. At the balance sheet date £1.5m (2020: £9.4m) of properties have been transferred to assets held for sale and £3.0m (2020: £nil) of properties have been transferred from assets held for sale to property, plant and equipment. See Note 14 for further details.

For the year ended 31 December 2021 the net total book value transferred to Group inventories was £17.0m (2020: £16.6m)

Company

	Other £m
Cost	
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
At 1 January 2021	3.4
Additions	0.7
Disposals	(3.6)
Transfers from intangible assets	1.2
Transfers from fellow Group companies	-
At 31 December 2021	1.7
Accumulated depreciation and impairment	
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
At 1 January 2021	2.7
Charge for the year	0.3
Disposals	(2.6)
Transfers from fellow Group companies	-
At 31 December 2021	0.4
Carrying amount	
As at 1 January 2020	0.8
As at 31 December 2020 and 1 January 2021	0.7
As at 31 December 2021	1.3

At 31 December 2021 there is an amount of £nil (2020: £nil) committed for future capital expenditure.

Notes to the Financial Statements

For the year ended 31 December 2021

13. Right of use assets

Group	Property £m	Other £m	Total £m
At 1 January 2020	116.8	2.2	119.0
Correction of errors*	7.4	-	7.4
At 1 January 2020 (restated)	124.2	2.2	126.4
Additions	12.8	1.9	14.7
Modifications	0.6	-	0.6
Depreciation charge	(12.6)	(2.6)	(15.2)
Impairment	(0.2)	-	(0.2)
Disposals	(1.9)	-	(1.9)
At 31 December 2020	122.9	1.5	124.4
At 1 January 2021	122.9	1.5	124.4
Additions	4.7	3.7	8.4
Modifications	1.0	-	1.0
Depreciation charge	(12.7)	(2.6)	(15.3)
Impairment	(1.2)	-	(1.2)
Disposals	(1.6)	-	(1.6)
As at 31 December 2021	113.1	2.6	115.7

*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 £1.2m (2020: £0.2m) 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	21

Company

	Other £m
At 1 January 2020	1.1
Additions	0.5
Depreciation charge	(0.8)
At 31 December 2020	0.8
At 1 January 2021	0.8
Additions	1.0
Depreciation charge	(0.6)
As at 31 December 2021	1.2

Included within the Other category are leases for IT equipment.

Notes to the Financial Statements

For the year ended 31 December 2021

14. Assets held for sale

	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Lower of carrying amount and fair value less cost to sell				
At 1 January	13.0	10.0	-	-
Net transfers (to)/from property, plant and equipment	(1.5)	9.4	-	-
Impairment charge	(0.1)	(3.5)	-	-
Disposals	(6.4)	(2.9)	-	-
At 31 December	5.0	13.0	-	-

All items included at 31 December 2021 and 31 December 2020 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 £6.4m (2020: £2.9m). Total proceeds received amounted to £8.6m (2020: £3.5m) resulting in a gain on property disposals of £2.2m (2020: gain of £0.6m). As a result of the restructuring events during the years ended 31 December 2021 and 31 December 2020 certain properties have been transferred from property, plant and equipment into assets held for sale and certain properties have been transferred from assets held for sale into property, plant and equipment following operational decisions not to dispose of such properties. In 2021, an impairment charge of £0.1m (2020: £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 2021

15. Investments in subsidiary undertakings

Company

	2021	2020
Cost and Net Book Value	£m	£m
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

Addison Motors Limited (m)
 Addison TPS Limited (m)
 Aston Green Limited (d)
 Benfield Motor Group Limited (d)
 Benfield Pension Trustees Limited (d)
 Billingham Motors Limited (d)
 Bluebell (Crewe) Limited (d)
 Bolling Investments Limited (p)
 Bramall & Jones VW Limited (h)
 Bristol Trade Centre Limited (d)
 Burton Trade Centre Limited (d)
 Castle Bromwich Motors Limited (d)
 Chipperfield Garage Limited (d)
 Chipperfield Holdings Limited (d)
 Colborne (HGG) 2012 Limited (d)
 Colbornes Trade Parts Limited (m)
 Colebrook & Burgess (Teesside) Limited (d)
 Colebrook & Burgess Holdings Limited (h)
 Colebrook & Burgess Limited (m)
 Cox & Co (Lookers) Limited (d)
 Drayton Group Limited (m)
 Dutton-Forshaw Holdings Limited (h)
 Dutton-Forshaw Limited (d)
 *Get Motoring UK Limited (m)
 Harpers Carlisle Limited (p)
 Howdens of Harrogate Limited (d)
 Jackson & Edwards Limited (d)
 Kings Langley Land Rover Limited (d)
 Knights North West Limited (d)
 Look 4 Car Credit Limited (d)
 Lookers (J & S Leaver) Limited (d)
 Lookers (St. Helens) Limited (d)
 Lookers Bedale Garage Limited (d)
 Lookers Birmingham Limited (d)
 Lookers Colborne Limited (m)
 Lookers Directors Limited (d)
 Lookers GB & E Limited (d)
 Lookers JV Limited (d)
 Lookers Leasing Limited (m)
 *Lookers Motor Group Limited (m)
 *Lookers Motor Holdings Limited (h)
 Lookers Motors Limited (d)
 Lookers North West Limited (d)
 Lookers Norwich Limited (d)
 Lookers of Barnsley Limited (d)
 Lookers of Bradford Limited (d)
 Lookers of Burton Limited (d)
 Lookers of Colwyn Bay Limited (d)
 Lookers of Dewsbury Limited (d)
 Lookers of Macclesfield Limited (d)

Lookers of Manchester Limited (d)
 Lookers of Northwich Limited (d)
 Lookers of Rochdale Limited (d)
 *Lookers Pension Plan Trustee Limited (d)
 Lookers Secretaries Limited (d)
 Lookers South East Limited (d)
 Lookers Southern Limited (d)
 Lookers Thornton Engineering Limited (d)
 Martins (Middlesbrough) Limited (d)
 Martins (Stockton) Limited (d)
 Martins (Sunderland) Limited (d)
 Martins-Wellington Limited (d)
 MB South Limited (m)
 Meteor Group Limited (d)
 NNK Holdings Limited (h)
 Picking (Liverpool) Limited (d)
 Platts Harris Limited (d)
 PLP Motors Limited (d)
 Pollendine Motors (Frinton) Limited (d)
 Radford (Bavarian) Limited (d)
 Roadshow Limited (d)
 Rosedale Finance & Leasing Limited (d)
 S.Jennings Group Limited (h)
 S. Jennings Limited (m)
 The Dovercourt Motor Company Limited (d)
 The Dutton-Forshaw Group Limited (h)
 The Dutton-Forshaw Motor Company Limited (m)
 The Dutton-Forshaw Trustee Company Limited (d)
 Truc-Bodies Limited (d)
 Vehicle Rental Services Limited (d)
 Vikings Canterbury Limited (d)
 Warwick Holdings Limited (p)

Incorporated and registered in Northern Ireland. Registered Office: 62 Boucher Road, Antrim, Belfast, Northern Ireland, BT12 6LR

Adelaide Finance Limited (d)
 Bairds Cars Limited (d)
 Balmoral Motors Limited (d)
 Charles Hurst Holdings Limited (h)
 Charles Hurst JV Limited (d)
 Charles Hurst Limited (m)
 Charles Hurst Motors Limited (d)
 Fleet Financial Limited (m)
 Guthrie & Anderson Limited (d)
 Hurstco Limited (d)
 Savilles Auto Village Limited (d)
 *The Charles Hurst Corporation Limited (h)
 Thompson-Reid Tractors Limited (d)
 Town & Country Fuels Limited (d)
 Ulster Garages Limited (d)

Incorporated and registered in Scotland

**Arran Oils Limited (d)
 **Ballcop (No.3) Limited (d)
 **Ballcop (No.4) Limited (d)
 **Ballcop (No.5) Limited (d)
 **Ballcop (No.7) Limited (d)
 **Ballcop (No.8) Limited (d)
 **Ballcop (No.9) Limited (d)
 **Ballcop (No.10) Limited (d)
 **Ballcop (No.11) Limited (d)
 **Hurst Energy Services Limited (d)
 **Hurst Fuels (Caledonia) Limited (d)
 **Inverclyde Sales & Service Limited (d)
 ***J M Sloan & Company (Car Hire) Limited (d)
 ***J M Sloan & Company Limited (d)
 **JN Holdings Limited (d)
 ****Lomond Motors (East) Limited (m)
 ****Lomond Motors Limited (m)
 ****Lomond TPS Limited (m)
 ***Shields Automotive Limited (d)
 ***Taggarts Motor Group Limited (d)

Incorporated in Republic of Ireland

Charles Hurst Dublin Limited (m)
 All subsidiary companies are wholly owned through ownership of ordinary share capital.
 *These subsidiaries are directly owned by Lookers plc whilst the remaining are indirectly owned.
 **Registered Office: 528/540 Windmill Hill Street, Motherwell, ML1 2AQ
 ***Registered Office: 1 Brasswell Park, Annan Road, Dumfries, DG1 3JA
 ****Registered Office: 520 Hillington Road, Braehead, Glasgow, G52 4UB

Principal activities key:

(d) - Dormant
 (h) - Intermediate non-trading holding company
 (m) - Sale and maintenance of vehicles and distribution of spare parts
 (p) - Property management company

Notes to the Financial Statements

For the year ended 31 December 2021

16. Inventories

Group	2021 £m	2020 £m
Goods for resale	310.7	255.7
Vehicle spare parts for resale	18.7	17.2
Consignment vehicles	182.5	382.3
	511.9	655.2

Total write-offs of £nil (2020: £nil) have been incurred during the year and there have been no reversals of past write-downs (2020: 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 2021 these total £27.6m (2020: £23.6m).

At 31 December 2021 the Group had entered into a number of future purchase commitments amounting to £0.8m (2020: £4.8m) which are not recognised in the financial statements.

Reconciliation to statement of cash flows	Note	2021 £m	2020 £m
Movement above		143.3	318.8
Net book value transferred from property, plant and equipment	12	17.0	16.6
Net book value transferred from rental fleet vehicles	18	23.2	19.7
Change in inventories		183.5	355.1

17. Trade and other receivables

	Group 2021 £m	2020 (restated) £m	Company 2021 £m	2020 (restated) £m
Trade receivables	68.3	74.5	0.3	0.3
Group receivables	-	-	226.0	309.6
Other receivables	5.5	12.8	12.5	10.4
Repurchase debtor	19.1	21.8	-	-
Finance lease receivables	0.7	1.1	-	-
Prepayments	14.9	10.4	8.9	7.1
	108.5	120.6	247.7	327.4

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.

Reconciliation to statement of cash flows	Group 2021 £m	2020 £m
Movement above	12.1	43.7
Finance lease receivable movement	(0.4)	(0.3)
Change in receivables	11.7	43.4

18. Rental fleet vehicles

Cost	Group 2021 £m	2020 £m
At 1 January	32.7	33.7
Transfer from Group inventories	6.0	12.3
Additions	23.6	21.8
Transfer to Group inventories	(32.2)	(35.1)
At 31 December	30.1	32.7

Notes to the Financial Statements

For the year ended 31 December 2021

18. Rental fleet vehicles (continued)

	Group 2021	2020
	£m	£m
Accumulated depreciation		
At 1 January	2.6	1.7
Charge for the year	3.0	4.0
Transfer to Group inventories	(3.0)	(3.1)
At 31 December	2.6	2.6
Carrying amount at 1 January	30.1	32.0
Carrying amount at 31 December	27.5	30.1

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.

For the year ended 31 December 2021 the total net book value transferred to Group inventories was £23.2m (2020: £19.7m).

19. Cash and cash equivalents

	Group 2021	2020	Company 2021	2020
	£m	£m	£m	£m
Cash at bank and in hand	103.9	243.0	0.2	0.1
Bank overdraft	(82.6)	(115.8)	(17.9)	(36.5)
Cash and cash equivalents per statement of cash flows	21.3	127.2	(17.7)	(36.4)

Total restricted cash for the Group at 31 December 2021 is £0.2m (2020: £0.2m) and for the Company is £0.1m (2020: £0.1m).

20. Trade and other payables

	Group 2021	2020 (restated)	Company 2021	2020
	£m	£m	£m	£m
Current:				
Trade payables	124.0	138.1	7.1	7.9
Repurchase commitments	23.7	20.8	-	-
Stocking loans	248.1	210.0	-	-
Consignment vehicle creditors	182.5	382.3	-	-
Group payables	-	-	114.8	22.5
Other tax and social security payable	12.9	29.4	6.2	16.1
Other creditors	21.7	24.2	4.4	1.4
Deferred income	9.2	7.2	0.3	0.7
Vehicle rental finance liabilities	57.3	55.4	-	-
Accruals	50.2	45.6	10.7	12.5
	729.6	913.0	143.5	61.1
Non current:				
Deferred income	8.3	7.3	-	-
Vehicle rental finance liabilities	26.8	32.5	-	-
	35.1	39.8	-	-

	Group 2021	2020
	£m	£m
Reconciliation to statement of cash flows		
Movement above	(188.1)	(368.5)
Deferred income movement	(3.0)	(0.8)
Vehicle rental finance liabilities movement	3.8	9.3
Other non-cash movements	(1.6)	1.4
Change in payables	(188.9)	(358.6)

Notes to the Financial Statements

For the year ended 31 December 2021

21. Financial instruments

Carrying amount of financial assets

The carrying amounts of financial assets by category were:

	Group 2021 £m	2020 £m
Financial assets measured at amortised cost:		
Cash at bank and in hand	103.9	243.0
Trade receivables	68.3	74.5
Other receivables	25.3	35.7
	197.5	353.2

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 2021 £m	2020 £m
Current (not past due)	57.9	61.6
Past due up to three months	10.5	12.9
Past due from three months up to six months	0.9	2.0
Past due over six months	0.5	1.6
Total gross amount at 31 December	69.8	78.1
Less: General loss allowance at 31 December	(1.3)	(2.0)
Less: Specific credit provision	(0.2)	(1.6)
Trade receivables	68.3	74.5

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

	2021 weighted average loss rate	2020 weighted average loss rate	Group 2021 £m	2020 £m
Current (not past due)	1.6%	2.4%	0.9	1.5
Past due up to three months	2.6%	3.0%	0.3	0.4
Past due from three months up to six months	3.7%	5.0%	0.1	0.1
Past due over six months	9.5%	8.0%	-	-
Total loss allowance at 31 December			1.3	2.0

In the year ended 31 December 2020, with the exception of one specific provision the Group did not disaggregate out third party risk profiles to account for variation in credit risk. An enhanced approach was used in the determination of the general loss allowance for the current year in which the trade receivables balance was disaggregated based on the third party risk profiles. At 31 December 2021 a specific provision of £0.2m (2020: £1.6m) has been allocated against aged debts.

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

	Group 2021 £m	2020 £m
As at 1 January	2.0	2.4
Derecognition including write-offs	(0.3)	(0.1)
(Credit) for the year	(0.4)	(0.3)
As at 31 December	1.3	2.0

Notes to the Financial Statements

For the year ended 31 December 2021

21. Financial instruments (continued)

Carrying amount of financial liabilities

The carrying amounts of financial liabilities by category were:

	Group 2021	2020 (restated)
	£m	£m
Financial liabilities measured at amortised cost:		
Bank overdrafts	82.6	115.8
Secured bank loans (current and non-current)	18.3	167.9
Trade and other payables	650.2	821.0
Vehicle rental finance liabilities	84.1	87.9
Total lease liabilities	136.8	145.5
	972.0	1,338.1

Current

Bank overdraft	82.6	115.8
Secured bank loans	1.0	1.1
	83.6	116.9

Non-current

Secured bank loans	17.3	166.8
Total borrowings	100.9	283.7

	Group 2021	2020
	£m	£m
Bank loans and overdraft repayable:		
Less than one year	83.6	116.9
More than one year and not more than two years	11.1	159.5
More than two years and not more than five years	3.3	3.3
More than five years	2.9	4.0
	100.9	283.7

	Group 2021	2020 (restated)
	£m	£m
Total lease liabilities		
Current	20.7	20.0
Non-current	116.1	125.5
	136.8	145.5

	Group 2021	2020 (restated)
	£m	£m
Lease liabilities repayable:		
Less than one year	20.7	20.0
More than one year and not more than two years	18.1	19.0
More than two years and not more than five years	42.6	46.8
More than five years	114.3	121.9
Less: finance charges allocated to future years	(58.9)	(62.2)
	136.8	145.5

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.

Notes to the Financial Statements

For the year ended 31 December 2021

21. Financial instruments (continued)

	At Jan 2021	Net RCF movement	Loan repayment	Lease repayment	Loan receipt	Non-cash movement	At 31 Dec 2021
	£m	£m	£m	£m	£m	£m	£m
Movement in financial liabilities							
Other loans	9.5	-	(1.2)	-	-	-	8.3
RCF	158.4	(146.4)	-	-	-	(2.0)	10.0
Lease liabilities	145.5	-	-	(16.4)	-	7.7	136.8
Vehicle rental finance liabilities	87.9	-	(62.3)	-	58.5	-	84.1
	401.3	(146.4)	(63.5)	(16.4)	58.5	5.7	239.2
Cash and cash equivalents	(243.0)						(103.9)
Bank overdraft	115.8						82.6
Net debt/(cash) excluding lease and vehicle rental liabilities	40.7						(3.0)
Net debt including lease and vehicle rental liabilities	274.1						217.9

	At Jan 2020 (restated)	Net RCF movement	Loan repayment	Lease repayment	Loan receipt	Non-cash movement	At 31 Dec 2020 (restated)
	£m	£m	£m	£m	£m	£m	£m
Movement in financial liabilities							
Other loans	10.1	-	(0.6)	-	-	-	9.5
RCF	80.8	78.0	-	-	-	(0.4)	158.4
Lease liabilities	149.3	-	-	(15.7)	-	11.9	145.5
Vehicle rental finance liabilities	97.2	-	(84.1)	-	74.8	-	87.9
	337.4	78.0	(84.7)	(15.7)	74.8	11.5	401.3
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
Net debt including lease and vehicle rental liabilities	306.0						274.1

Non-cash movements in relation to lease liabilities relate to the recognition and de-recognition of lease liabilities and accrued and repaid interest. Non-cash movements in relation to the Group's RCF is the amortisation of the Group's debt issue costs.

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

In May 2021, the Group agreed an amendment and extension to its RCF, with its existing banks. The amended RCF is for an initial £150m (reduced to £142.8m as at 31 December 2021) and will expire on 30 September 2023. The facility is subject to quarterly covenant tests on leverage, interest cover, minimum EBITDA per rolling twelve month period, and minimum liquidity levels. The Group will continue to evaluate the Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39 and IFRS 7 (Sep 2019) as part of the Group's next refinancing arrangement. The facility is secured via a debenture over certain assets (predominantly property) of the Group.

Notes to the Financial Statements

For the year ended 31 December 2021

21. 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	2021 Total
	Weighted average effective interest rate		Weighted average effective interest rate				
2021	£m	%	£m	%	£m	£m	£m
Other loans	8.3	1.4	-	-	8.3	-	8.3
RCF	10.0	2.3	-	-	10.0	-	10.0
Lease liabilities	-	-	136.8	4.5	136.8	-	136.8
Total borrowings	18.3		136.8		155.1	-	155.1

	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				
2020 (restated)	£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	-	-	145.5	4.5	145.5	-	145.5
Total borrowings	167.9		145.5		313.4	-	313.4

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 2021	16.9	9.4	3.9	1.0	-	-	31.2
31 December 2020	18.6	9.6	4.4	0.6	-	-	33.2

Finance receivables of £0.7m (2020: £1.1m) 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 counterparty 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 2021

21. 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 2021 £m	2020 £m	Group 2021 £m	2020 £m
Euro	2.6	1.1	4.1	6.2

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.

	2021 £m +10% change	2021 £m -10% change	2020 £m +10% change	2020 £m -10% change
	Financial assets	(0.2)	0.3	(0.1)
Financial liabilities	(0.4)	0.5	(0.6)	0.7

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 analysis

The sensitivity analysis below has been determined based on the exposure to changes in interest rates at the reporting date and stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. Based on historical experience, a 50 basis point change is used when reporting interest risk internally to the Board and represents the Board's assessment of the possible change in interest rates. Interest rate risk is the financial impact by which the Group is exposed in respect of the financial liabilities attracting an interest charge. The Group manages interest rate risk by ensuring a mix of fixed and floating rate borrowings and ensuring an optimum level of draw-down on each facility.

	+ 50 Basis Points	
	Group 2021 £m	2020 £m
Profit or loss and equity	1.0	0.5

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 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 2021

21. Financial instruments (continued)

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At the year end the Group is in a net current liabilities position of £71.5m (2020: net current assets of £13.1m; 2019: net current liabilities £79.1m) 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
2021			
Bank overdraft and loans	83.6	17.3	100.9
Total lease liabilities	20.7	175.0	195.7
Vehicle rental finance liabilities	57.3	26.8	84.1
Trade and other payables	650.2	-	650.2
	811.8	219.1	1,030.9
2020 (restated)			
Bank overdraft and loans	116.9	166.8	283.7
Total lease liabilities	20.0	187.7	207.7
Vehicle rental finance liabilities	55.4	32.5	87.9
Trade and other payables	821.0	-	821.0
	1,013.3	387.0	1,400.3

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 2021 £m	2020 £m
Current		
Bank overdrafts	17.9	36.5
Non-current		
Secured bank loans	10.0	158.4
	27.9	194.9
	Company 2021 £m	2020 £m
Bank loans and overdrafts repayable		
Less than one year	17.9	36.5
More than one year and not more than two years	10.0	158.4
	27.9	194.9

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

Notes to the Financial Statements

For the year ended 31 December 2021

21. Financial instruments (continued)

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

	Company 2021	2020
	£m	£m
Total lease liabilities		
Current	0.7	0.5
Non-current	0.6	0.4
	1.3	0.9

	Company 2021	2020
	£m	£m
Lease liabilities repayable:		
Less than one year	0.7	0.5
More than one year and not more than two years	0.5	0.4
More than two years and not more than five years	0.2	0.1
(Less): finance costs allocated to future years	(0.1)	(0.1)
	1.3	0.9

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. One of the Group's subsidiaries is subject to an externally imposed capital requirement.

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 2021	2020 (restated)
	£m	£m
Total borrowings excluding lease and vehicle rental finance liabilities	100.9	283.7
Cash at bank and in hand	(103.9)	(243.0)
Net (cash)/debt	(3.0)	40.7
Total equity	369.6	282.9
Net (cash)/debt to equity ratio	(0.8)%	14.4%

Debt is defined as long-term and short-term borrowings as detailed above. In accordance with sector practice and the Group's accounting policy, stocking loans are included as trade creditors. Equity includes all capital and reserves of the Group that are managed as capital.

The gearing ratio inclusive of lease and vehicle rental finance liabilities is as follows:

	Group 2021	2020 (restated)
	£m	£m
Net debt (including lease and vehicle rental finance liabilities)	217.9	274.1
Total equity	369.6	282.9
Net debt (including lease and vehicle rental finance liabilities) to equity ratio	59.0%	96.9%

Notes to the Financial Statements

For the year ended 31 December 2021

22. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of up to 25% (2020: 19%) and movements in the year are as follows:

	Group 2021 £m	2020 £m	Company 2021 £m	2020 £m
As at 1 January	33.2	34.0	(14.2)	(9.5)
(Credited)/Charged to the Income Statement - excluding rate adjustment	(0.3)	1.5	1.8	1.9
Charged to the Income Statement - rate adjustment	16.9	5.0	2.7	-
Charged/(Credited) to Other Comprehensive Income - excluding rate adjustment	4.7	(6.2)	4.4	(5.5)
Credited to Other Comprehensive Income - rate adjustment	(5.1)	(1.1)	(5.3)	(1.1)
As at 31 December	49.4	33.2	(10.6)	(14.2)

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
As at 1 January 2021	20.0	29.3	3.5	52.8
Movement in year via Income Statement - excluding rate adjustment	0.1	(2.6)	(0.1)	(2.6)
Movement in year via Income Statement - rate adjustment	6.3	8.3	1.1	15.7
As at 31 December 2021	26.4	35.0	4.5	65.9

	Leases £m	Share options £m	Employee benefits £m	Provisions £m	Total £m
Deferred tax assets:					
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)
As at 1 January 2021	(4.2)	-	(15.1)	(0.3)	(19.6)
Movement in year via Income Statement - excluding rate adjustment	0.6	(0.3)	2.0	-	2.3
Movement in year via Income Statement - rate adjustment	(1.2)	(0.1)	2.6	(0.1)	1.2
Movement in year via Statement of other Comprehensive Income - excluding rate adjustment	-	-	4.7	-	4.7
Movement in year via Statement of other Comprehensive Income - rate adjustment	-	-	(5.1)	-	(5.1)
As at 31 December 2021	(4.8)	(0.4)	(10.9)	(0.4)	(16.5)

Net deferred tax liability:

As at 1 January 2021	33.2
As at 31 December 2021	49.4

Notes to the Financial Statements

For the year ended 31 December 2021

22. Deferred tax (continued)

Company

	Accelerated tax depreciation	Share options	Employee benefits	Provisions	Total
	£m	£m	£m	£m	£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	0.0	(14.6)	(0.1)	(14.2)
As at 1 January 2021	0.5	0.0	(14.6)	(0.1)	(14.2)
Movement in year via Income Statement					
- excluding rate adjustment	(0.1)	(0.3)	2.0	0.1	1.7
Movement in year via Income Statement - rate adjustment	0.1	(0.1)	2.6	0.1	2.7
Movement in year via Statement of other Comprehensive Income					
- excluding rate adjustment	-	-	4.4	-	4.4
Movement in year via Statement of other Comprehensive Income					
- rate adjustment	-	-	(5.2)	-	(5.2)
As at 31 December 2021	0.5	(0.4)	(10.8)	0.1	(10.6)

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.

23. Share capital

Group and Company	2021 Shares	£m	2020 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	390,138,374	19.5
Allotted under share option schemes	1,749,535	0.1	-	-
As at 31 December	391,887,909	19.6	390,138,374	19.5

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

Notes to the Financial Statements

For the year ended 31 December 2021

24. 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 Share Save 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:

	2021 Number of share options	Weighted average exercise price (in £)	2020 Number of share options	Weighted average exercise price (in £)
Outstanding at the beginning of the year	7,610,383	0.48	2,667,221	0.90
Granted during the year	-	-	7,944,257	0.40
Exercised during the year	(16,039)	0.40	-	-
Cancelled during the year	(782,787)	0.51	(604,103)	1.04
Forfeited during the year	(729,284)	0.45	(2,185,036)	0.55
Lapsed during the year	(588,461)	0.87	(211,956)	0.48
Outstanding at the end of the year	5,493,812	0.43	7,610,383	0.48
Exercisable at the end of the year	456,229		597,182	

No options were granted in 2021. 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 10 pence. The options outstanding at 31 December 2021 have an exercise price in the range of 40 pence to 84 pence and a weighted average contractual life of 19 months (2020: range of 40 pence to 87 pence and a weighted average contractual life of 20 months). All share options are settled via equity.

Executive Share Option Scheme (ESOS LTIPs)

The Executive Share Option Scheme was available to all eligible senior management of the Group. Options are exercisable at the nominal share value and the vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire.

Details of the Executive Share Option Scheme options outstanding during the year are as follows:

	2021 Number of share options	Weighted average exercise price (in £)	2020 Number of share options	Weighted average exercise price (in £)
Outstanding at the beginning of the year	3,460,656	0.00	3,872,442	0.00
Granted during the year	2,048,190	0.00	-	0.00
Exercised during the year	(775,296)	0.00	-	0.00
Cancelled during the year	-	0.00	-	0.00
Forfeited during the year	(1,971,335)	0.00	(411,786)	0.00
Lapsed during the year	-	0.00	-	0.00
Outstanding at the end of the year	2,762,215	0.00	3,460,656	0.00
Exercisable at the end of the year	124,863		1,071,127	

The weighted average option price at the date of exercise for share options exercised during the period was £nil (2020: £nil) and have been issued with a fair value calculated as 61 pence in the year ended 31 December 2021 (2020: no options granted). The options outstanding at 31 December 2021 and 31 December 2020 had a weighted average exercise price of £nil and a weighted average contractual life of 109 months (2020: 68 months).

Notes to the Financial Statements

For the year ended 31 December 2021

24. Share-based compensation (continued)

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:

	2021	2020
Expected volatility	36% - 50%	36% - 50%
Expected life	3 years	3 years
Risk-free rate	0.02%	0.02%
Expected dividend yields	1.00% - 4.00%	1.00% - 4.00%

Volatility was measured by reference to the changes in the Company's share price between 1 January 2015 and 4 August 2021.

The total share based payment charge recorded in the year ended 31 December 2021 was £0.6m (2020: £0.8m).

Following the end of the reporting period, on 25 January 2022 a grant of share options was awarded under the ESOS LTIP scheme. A total of 2,613,507 nil cost options were granted.

25. Pensions

The Group operates two (2020: three) defined benefit pension schemes, The Lookers Pension Plan (operated by Lookers plc company) and the Benfield Group Pension Plan. In the year ended 31 December 2020 the Group also operated The Dutton-Forshaw Group Pension Plan but the remaining assets and liabilities were transferred to the Lookers Pension Plan during 2020. 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 within the Strategic Review section.

	The Lookers Pension Plan 2021 £m	The Benfield Pension Plan 2021 £m	Total 2021 £m
Defined benefit obligation	(295.9)	(13.6)	(313.7)
Scheme assets	252.8	13.5	270.5
Deficit	(43.1)	(0.1)	(43.2)
Amounts recognised in the income statement	2.0	-	2.0
Actuarial gains recognised in the statement of comprehensive income	23.0	1.9	24.9
Cumulative actuarial movements	(86.2)	(1.0)	(87.2)

	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 actuarial movements	(74.6)	(34.6)	(2.9)	(112.1)

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 2021 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 in the year ending 31 December 2021 of £4.2m (2020: £3.4m) is omitted from both assets and liabilities below for clarity.

Notes to the Financial Statements

For the year ended 31 December 2021

25. Pensions (continued)

Fair value and major categories of assets:

	Market value 2021 £m	Plan % 2021	Market value 2020 £m	Plan % 2020
Equities	26.6	10.5	27.9	11.4
Target return funds	114.8	45.4	108.0	44.1
Corporate bonds	106.1	42.0	105.4	43.0
Cash	5.3	2.1	3.7	1.5
Total fair value of assets	252.8	100.0	245.0	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.

Amounts recognised in the income statement:

	2021 £m	2020 £m
Non-investment expenses	1.1	1.3
Finance costs on obligation	4.1	5.8
Finance income	(3.2)	(4.7)
Past service cost	-	0.2
Total defined benefit expense	2.0	2.6

Changes in the present value of the defined benefit obligation:

	2021 £m	2020 £m
Opening defined benefit obligation	322.0	283.1
Finance costs	4.1	5.8
Actuarial gains - demographic changes	(2.2)	-
Actuarial (gains)/losses - actuarial experience from financial assumptions	(17.2)	44.8
Past service cost	-	0.2
Bulk transfer from the Dutton-Forshaw Group Pension Plan	-	2.9
Benefits paid	(10.8)	(14.8)
Total defined benefit obligation	295.9	322.0

Changes in the fair value of scheme assets:

	2021 £m	2020 £m
Opening fair value of scheme assets	245.0	226.4
Finance income	3.2	4.7
Actuarial gains	3.6	13.9
Contributions	12.9	11.3
Bulk transfer from the Dutton-Forshaw Group Pension Plan	-	4.8
Benefits paid	(10.8)	(14.8)
Non-investment expenses	(1.1)	(1.3)
Closing fair value of scheme assets	252.8	245.0

None of the scheme's assets were invested in Lookers plc or property occupied by Lookers plc. The Group made contributions of £12.9m in 2021 (2020: £11.3m) 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 2021

25. 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 6 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 2021 is 17 years (2020: 17 years).

Actuarial assumptions	2021	2020
Discount rate	1.85%	1.30%
Price inflation	2.60%-3.20%	2.30%-2.90%
Future pension increases	2.60%-3.10%	2.20%-2.85%
Life expectancy at age 65 for:		
current pensioners - males	87.0	87.0
current pensioners - females	88.8	88.7
future pensioners - males	87.9	87.4
future pensioners - females	90.1	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.	+ £4.8m	(2020 +£5.4m)
Increase inflation assumptions by 0.1% p.a.	+ £3.4m	(2020 +£4.2m)
Change mortality assumptions to SAPS SINA (-1 year) CMI 2011 (1%)	+ £12.0m	(2020 +£14.5m)

A change in more than one of these assumptions in the same direction would clearly have a more significant and potentially materially adverse impact on the deficit of the scheme.

Notes to the Financial Statements

For the year ended 31 December 2021

25. Pensions (continued)

The Dutton-Forshaw Group Pension Plan - Group

Following the transfer of the remaining assets and liabilities to the Lookers Pension Plan in 2020, there has been no accounting entries made in the year ending 31 December 2021 in respect of this legacy scheme.

Amounts recognised in the Income Statement:

	2021 £m	2020 £m
Non-investment expenses	-	0.1
Total defined benefit expenses	-	0.1

Changes in the present value of the defined benefit obligation:

	2021 £m	2020 £m
Opening defined benefit obligation	-	2.7
Actuarial losses	-	0.2
Bulk transfer to the Lookers Pension Plan	-	(2.9)
Closing defined benefit obligation	-	-

Changes in the fair value of scheme assets:

	2021 £m	2020 £m
Opening fair value of scheme assets	-	4.4
Actuarial gains	-	0.5
Bulk transfer to the Lookers Pension Plan	-	(4.8)
Non-investment expenses	-	(0.1)
Closing fair value of scheme assets	-	-

Notes to the Financial Statements

For the year ended 31 December 2021

25. Pensions (continued)

The Benfield Group Pension Plan - Group

"The Benfield Motor Group Pension Plan" provides benefits based on final pensionable salary. The Plan, which is a funded scheme, is administered by Deloitte Total Reward and Benefits 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 Benfield Motor Group Pension Plan.

A valuation update was made as at 31 December 2021 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 2021 £m	Plan % 2021	Market value 2020 £m	Plan % 2020
Equities	7.2	53.3	6.2	46.2
Corporate bonds	4.4	32.6	7.2	53.3
Cash	-	-	0.1	0.5
Other	1.9	14.1	-	-
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:

	2021 £m	2020 £m
Finance costs	0.2	0.3
Finance income	(0.2)	(0.3)
Total defined benefit expenses	-	-

Changes in the present value of the defined benefit obligation:

	2021 £m	2020 £m
Opening defined benefit obligation	15.8	14.2
Finance costs	0.2	0.3
Actuarial gains - demographic changes	(0.2)	-
Actuarial gains - experience adjustments	(0.4)	-
Actuarial (gains)/losses - actuarial experience from financial assumptions	(1.0)	1.8
Benefits paid	(0.8)	(0.5)
Closing defined benefit obligation	13.6	15.8

Notes to the Financial Statements

For the year ended 31 December 2021

25. Pensions (continued)

Changes in the fair value of scheme assets:

	2021 £m	2020 £m
Opening fair value of scheme assets	13.5	13.5
Finance income	0.2	0.3
Actuarial gains/(losses)	0.3	(0.1)
Contributions by employer	0.3	0.3
Benefits paid	(0.8)	(0.5)
Closing fair value of scheme assets	13.5	13.5

None of the scheme's assets were invested in Lookers plc. The Group made contributions of £0.3m in 2021 (2020: £0.3m) 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.

The most recent actuarial valuation of the Benfield Group Pension Plan was carried out as at 31 December 2019. This was agreed between the trustees and the Group in February 2021. 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 2021 is 16 years (2020: 15 years).

Notes to the Financial Statements

For the year ended 31 December 2021

25. Pensions (continued)

Actuarial assumptions

	2021	2020
Discount rate	1.85%	1.30%
Price inflation	2.60%-3.20%	2.30%-2.90%
Future pension increases	2.60%-3.10%	2.85%
Life expectancy at age 65 for:		
current pensioners - males	87.0	87.0
current pensioners - females	88.8	88.7
future pensioners - males	87.9	87.9
future pensioners - females	90.1	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	(2020 + £0.2m)
Increase inflation assumptions by 0.1% p.a.	+ £0.1m	(2020 + £0.1m)
Change mortality assumptions to SAPS SINA (-1 year) CMI 2011 (1%)	+ £0.5m	(2020 + £0.7m)

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 £5.4m (2020: £5.6m).

26. Subsequent events

Subsequent to the year end the conflict in Ukraine commenced. The Directors are mindful of the potential impacts to macroeconomic conditions and further risks of disruption to supply chains.

On 25 March 2022 the Group completed a sale and leaseback of its property at York Road, Battersea. The sale generated cash proceeds of £28m before costs, resulting in a profit on disposal of c £6m. The Group has signed a 20 year lease on the property, which is occupied by its Volkswagen Battersea franchise.

In May 2021 the Group agreed a new revolving credit facility (RCF) providing an initial £150m, expiring in September 2023. The facility limit steps down by the value of the net disposal proceeds from surplus property disposals, and the net impact reduced the facility to £142.8m as at 31 December 2021. Given the strong cash generation of the Group, the Board elected to reduce the RCF down to £95m in January 2022.

Notes to the Financial Statements

For the year ended 31 December 2021

27. 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:	2021	-	-	-	-
	2020	-	0.1	-	-

During the year ended 31 December 2020, Group companies made purchases at market prices from Bramall Properties Limited. This was considered to be a related party due to it having directors common to those of Lookers plc in that financial period.

In addition, during the year ended 31 December 2021, the following related party transactions took place between Directors and the Group:

Related party	Nature of transaction	Transaction amount
V. Mitchell	Purchase of vehicle	£21,215
V. Mitchell	Sale of vehicle	£26,500
R. Churchouse	Purchase of vehicle	£17,676

There were no outstanding balances as at 31 December 2021.

Details of key management personnel remuneration are shown in Note 5.

28. 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 2021

29. 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's income statement identifies separately adjusted measures and non-underlying items. These adjusted measures reflect adjustments to IFRS measures. The Directors believe 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. Adjusted results are stated before exceptional items. Details of the definitions of APM are made within the Glossary on page 185. A reconciliation of the statutory measures to the APM is set out below:

	Note	2021	2020
Like-for-like revenue			
Revenue (£m)		4,050.7	3,699.9
Less: Non like-for-like revenue		(16.4)	(124.5)
Like-for-like revenue (£m)		4,034.3	3,575.4
Gross profit margin			
Revenue (£m)		4,050.7	3,699.9
Gross profit (£m)		516.6	411.0
Gross profit margin (%)		12.8%	11.1%
EBITDA and underlying EBITDA (£m)			
Operating profit (£m)		114.1	30.6
Add: Depreciation (£m)	3	48.9	51.4
Add: Amortisation (£m)	3	5.0	4.8
EBITDA (£m)		168.0	86.8
Add: Non-underlying items (£m)	4	0.1	12.2
Underlying EBITDA (£m)		168.1	99.0
Underlying operating profit (£m)			
Operating profit (£m)		114.1	30.6
Add: Non-underlying items (£m)	4	0.1	12.2
Underlying operating profit (£m)		114.2	42.8
Underlying profit before tax and underlying basic EPS			
Profit before tax (£m)		90.0	1.5
Add: Non-underlying items (£m)	4	0.1	12.2
Underlying profit before tax (£m)		90.1	13.7
Underlying tax (£m)	7	(28.5)	(7.1)
Change in UK tax rate (£m)	7	16.9	5.0
Underlying profit after tax (£m)		78.5	11.6
Weighted average number of shares in issue	9	391,073,686	390,138,374
Underlying basic EPS (p)		20.07	2.97
Property portfolio and property portfolio by share			
Property, plant and equipment (£m)		399.3	399.9
Less: Other property, plant and equipment (£m)	12	(26.7)	(31.2)
Less: Motor vehicles (£m)	12	(69.1)	(68.0)
Property portfolio (£m)		303.5	300.7
Share capital at 31 December	23	391,887,909	390,138,374
Property portfolio per share (p)		77.4	77.1
Net (funds)/debt excluding lease liabilities and rental vehicle finance liabilities			
Bank loans and overdrafts (£m)		100.9	283.7
Less: Cash and cash equivalents (£m)		(103.9)	(243.0)
Net (funds)/debt (£m)		(3.0)	40.7

Franchise and distribution outlets

Aston Martin

Belfast

Audi

Ayr
Basingstoke
Dublin
Farnborough
Edinburgh
Glasgow
Guildford
Hamilton
Newcastle
Stirling
Teesside
Tyneside
Wearside

Bentley

Belfast

BMW

Crewe
Stafford
Stoke-on-Trent

Citroen

Belfast

Cupra

Stockport

Dacia

Belfast
Carlisle
Chester
Newcastle
Newtownabbey
Newtownards
Stockport

DS

Belfast

Ferrari

Belfast

Ford

Braintree
Chelmsford
Colchester
Gateshead
Leeds
Middlesbrough
Sheffield
South Shields
S.W. Ferrers
Sudbury

Ford Transit Centre

Chelmsford
Colchester
Gateshead
Leeds
Middlesbrough
Sheffield

Honda

Orpington

Hyundai

Dundonald

Jaguar

Aston Clinton
Belfast
Glasgow
West London

Jeep

Belfast

Kia

Belfast
Chester
Newcastle
Newtownabbey
Stockport

Land Rover

Aston Clinton
Battersea
Belfast
Bishop's Stortford
Chelmsford
Colchester
Glasgow North
Glasgow South
Lanarkshire
West London

Lexus

Belfast

Maserati

Belfast

Mercedes-Benz

Ashford
Brighton
Canterbury
Eastbourne
Gatwick
Maidstone
Shrewsbury
Stafford
Stoke-on-Trent
Stourbridge
Tonbridge
Walsall
Wolverhampton
Worcester

MINI

Crewe
Stafford
Stoke-on-Trent

Nissan

Belfast
Carlisle
Chester
Gateshead
Leeds
Newcastle
Newtownabbey
Newtownards

Peugeot

Belfast

Polestar

Manchester

Renault

Belfast
Carlisle
Chester
Newcastle
Newtownabbey
Newtownards
Stockport

Seat

Manchester
Stockport

Skoda

Guildford
Manchester
Newcastle
Stockport

Smart

Brighton
Maidstone
Wolverhampton

Toyota

Belfast
Dundonald
Newtownabbey

Vauxhall

Belfast
Birmingham
Chester
Ellesmere Port
Lisburn
Liverpool
Newtownabbey
Portadown
Selly Oak
St Helens

Volkswagen

Battersea
Blackburn
Blackpool
Carlisle
Darlington
Guildford
Newcastle
Northallerton
Preston
Silverlink
Teesside
Walton-on-Thames

Volkswagen - CV

Glasgow
Guildford
Newcastle
Teesside

Volvo

Colchester
Glasgow
Stockport

Accident repair centres

Belfast (+ CarsmeticNI)
Chelmsford
Glasgow

Lookers Leasing

Harrogate

Lookers Personal Leasing

Newcastle

Group Fleet Car Leasing Hub

West London

Group Fleet

Gateshead
Harrogate

Group Fleet Rental

Sandtoft

Vehicle Rental Services

Beaconsfield

Tyres

Belfast - Boucher Road
Belfast - Sydenham Road

Motorcycles

BMW - Belfast
Honda - Belfast
Yamaha - Belfast

Parts centres

Belfast (Distrigo + Multi Brand Parts Distribution)
Birmingham (Distrigo Hub)
Chelmsford (Ford Plus)
Gateshead (Ford Plus)
Ipswich (Ford Plus)
Middlesbrough (Ford Plus)
Preston (Distrigo Hub)
Sheffield (Ford Plus)

Service centres

Ford Colchester
Jaguar Bishop's Stortford
Jaguar Chelmsford
Smart Ashford
Smart Eastbourne
Smart Gatwick
Smart Shrewsbury
Smart Stoke-on-Trent
Smart Tonbridge

Smart Worcester

Vauxhall Deeside

Volkswagen Wimbledon

TPS

Edinburgh
Glasgow North
Glasgow South
Newcastle
Teesside

Fleet Financial

Belfast

Used car centres

Belfast - 27 Boucher Road
Belfast - 62 Boucher Road
Budget Direct
Dublin
Dundonald
Lisburn
Newcastle
Newtownabbey
Newtownards
Portadown
Belfast - Van Centre

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 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
Underlying basic earnings per share (EPS)	Earnings per share before the impact of non-underlying items as defined above, and the impact of tax rate changes.	A key metric of the Group's underlying business performance
Net debt/funds	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 made on page 183.

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

Corporate information

Registered office

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 3 Etchells Road
 West Timperley
 Altrincham
 WA14 5XS
 Tel: 0161 291 0043
 Email: CoSec@lookers.co.uk
 Company No. 111876
 ISIN No. GB00B17MMZ46
 SEDOL No. B17MMZ4
 LEI No. 213800TSB8PJEACDAV33

Registrar

Link Group
 10th floor
 Central Square
 29 Wellington Street
 Leeds
 LS1 4DL
 Tel UK: 0371 664 0300
 Overseas: +44 371 664 0300
 Email: enquiries@linkgroup.co.uk
 Website: www.linkgroup.eu

Auditor

BDO LLP
 3 Hardman Street
 Spinningfields
 Manchester
 M3 3AT

Corporate brokers

Peel Hunt LLP
 100 Liverpool Street
 London
 EC2M 2AT

Numis Securities Ltd
 45 Gresham Street
 London
 EC2V 7BF

Solicitors

Eversheds
 Eversheds House
 70 Great Bridgewater Street
 Manchester
 M1 5ES

Freshfields Bruckhaus Deringer LLP
 100 Bishopsgate
 London
 EC2P 2SR

Financial PR advisers

MHP Communications
 4th Floor
 60 Great Portland Street
 London
 W1W 7RT

Bankers

National Westminster Bank Plc
 No. 1 Hardman Boulevard
 Manchester
 M3 3AQ

Lloyds Bank Plc
 25 Gresham St
 London
 EC2V 7HN

Barclays Bank PLC
 3 Hardman Street
 Manchester
 M3 3HF

HSBC UK Bank Plc
 4 Hardman Square
 Spinningfields
 Manchester
 M3 3EB

Bank of Ireland
 27-33 Upper Baggot Street
 Dublin 4
 D04 VX58
 Ireland

Shareholder Information

Dividend 2021

The proposed final dividend in respect of the year ended 31 December 2021 is 2.5p per share. Dates relating to this dividend are set out below:

Ex-dividend date (shares transferred without the dividend)	19 May 2022
Record date (last date for registering transfers to receive the dividend)	20 May 2022
Last date for registering DRIP instructions	1 June 2022
Dividend payment date	24 June 2022

Payment of dividends

Cash dividends will be sent by cheque to the first-named shareholder at their registered address. Dividends may also be paid direct into a shareholder's bank account, which can be arranged by contacting the Company's registrars (details on page 187).

Dividend reinvestment scheme (DRIP)

Shareholders may request that their dividends be used to purchase further shares in the Company. Requests should be made via the Company's registrars (details on page 187). Shareholders who have already opted to have their dividends reinvested do not need to reapply. The last date for registering for this service for the forthcoming dividend is set out in the table above.

Tax on dividends

It is a shareholder's responsibility to include all dividend income when calculating any tax liability. The Company provides registered shareholders with confirmation on the dividends paid. This should be included with any other dividend income received when calculating and reporting total dividend income received. If you have any tax queries, please contact a financial adviser.

Electronic communications

We encourage you to consider opting to receive communications electronically in order to help us reduce the impact on the environment. Shareholders who opt to receive online shareholder communications will receive an email from our registrars with a link to where shareholder documents can be viewed on the Lookers' website. Those shareholders who have not provided an e-mail address and have not specifically requested to receive a paper copy of documents, will receive a letter providing details of where the documents can be found. If you would like further information on this, please contact our registrars (details on page 187).

Electronic proxy voting

Shareholders are able to submit their proxy votes electronically, details of which will be provided with the Notice of any Annual General Meeting or General Meeting.

Shareholder enquiries

Any queries in relation to your holding, including in relation to dividend payments, electronic communications, voting, changes of address, update of bank details etc should be directed to our registrars, whose telephone, email and website details are all included on page 187. Changes of address must be notified in writing.



Lookers plc