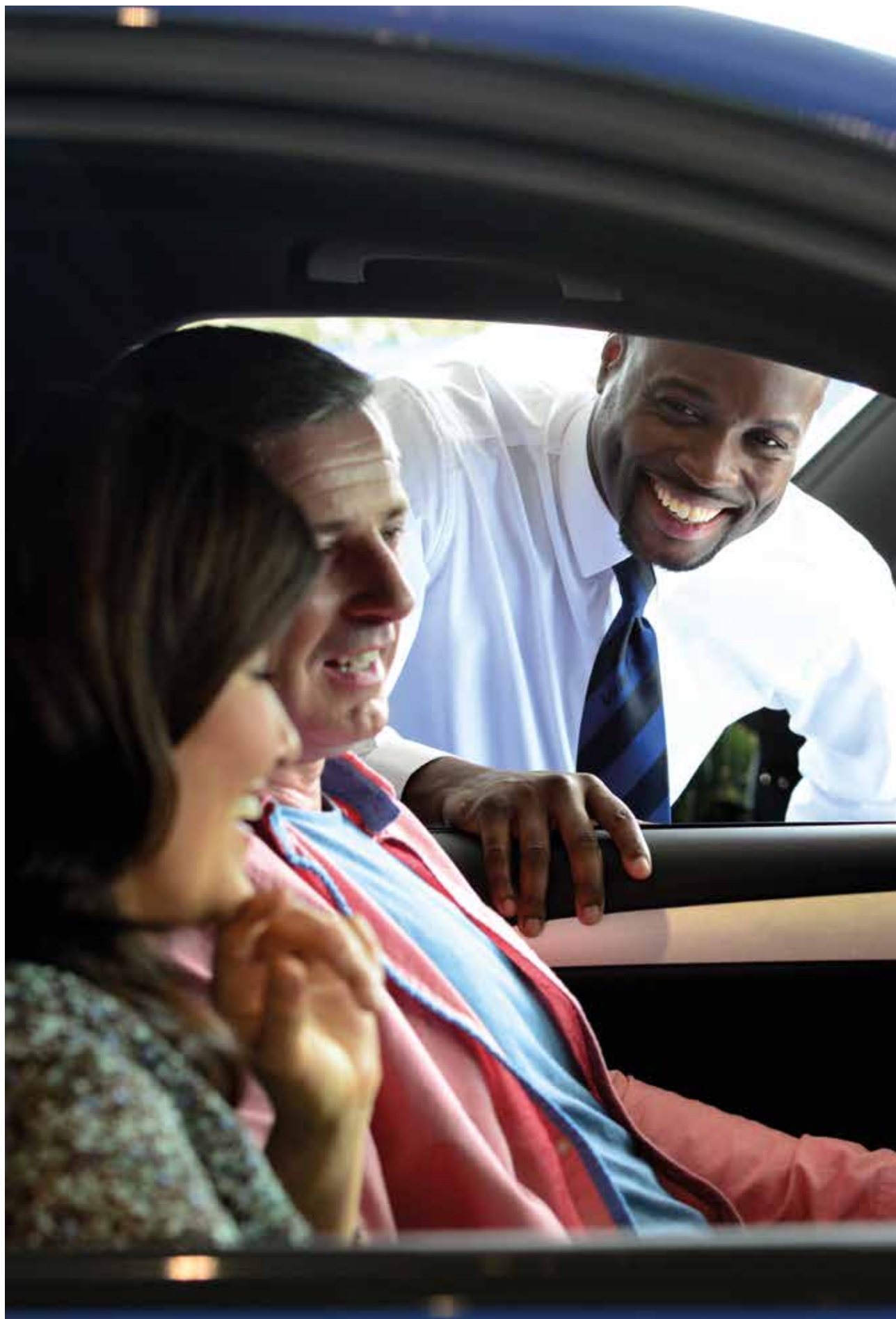


# Lookers plc


2018 Annual Report & Accounts

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# Strategic Review

A close-up, low-angle shot of a car's front end, focusing on the headlight and grille. The car is dark-colored, and the lighting is dramatic, with a strong highlight on the headlight lens and the grille. The background is blurred, showing a light-colored surface.

“Our strategy of having the right brands in the right locations with excellent execution leaves us ideally placed to continue to make progress against our strategic goals.”

# 2018

at a glance

# 165

franchise dealerships

Sold over

# 218,000

new & used cars and light commercial vehicles

# 32

manufacturer brands

NOTE: Throughout the Annual Report & Accounts, Alternative Performance Measures have been used which are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and should not be viewed in isolation or as an alternative to the equivalent GAAP measures.

NOTE: Refer to definitions on page 33 regarding how adjusted profit before tax and adjusted earnings per share are calculated.

Revenue increased 4.0% to

# £4.88 billion

(2017: £4.70 billion)

Adjusted profit before tax

# £67.3m

A decrease of 1.6% (2017: £68.4m)

Adjusted profit before tax  
excluding property sales

# £59.6m

A decrease of 9.5% (2017: £65.9m)

Profit before tax

# £53.1m

A decrease of 9.1% (2017: £58.4m)

Earnings per share

# 11.07p

A decrease of 8.2% (2017: 12.06p)

Dividend increased 5% to

# 4.08p per share

(2017: 3.89p)

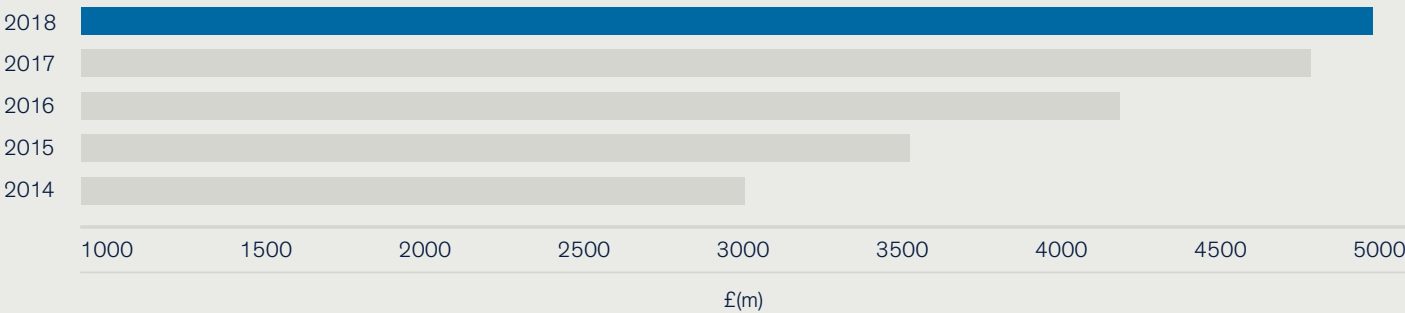
1. Volkswagen Battersea opening
2. JLR Belfast
3. Volvo Stockport
4. Audi Dublin



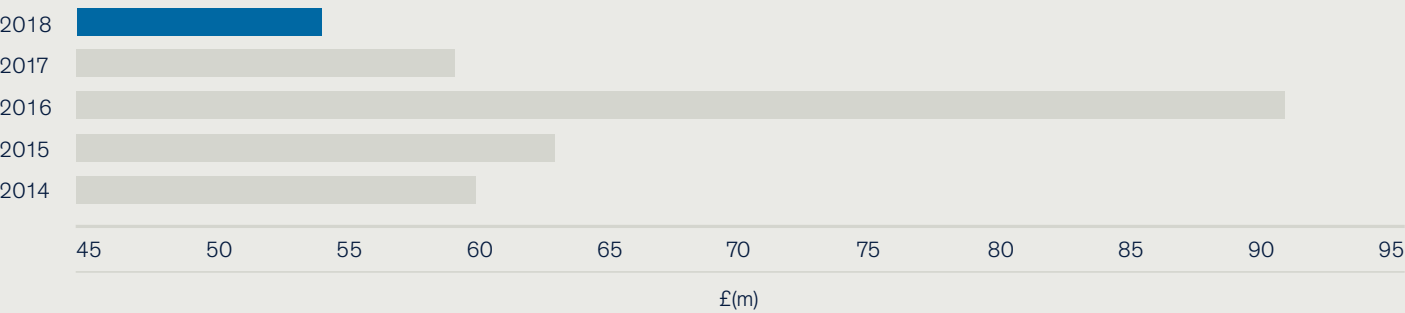
# Financial and operational highlights

The following graphs demonstrate how the Group has grown and created shareholder value over the last five financial years.

## Revenue £4.88 billion

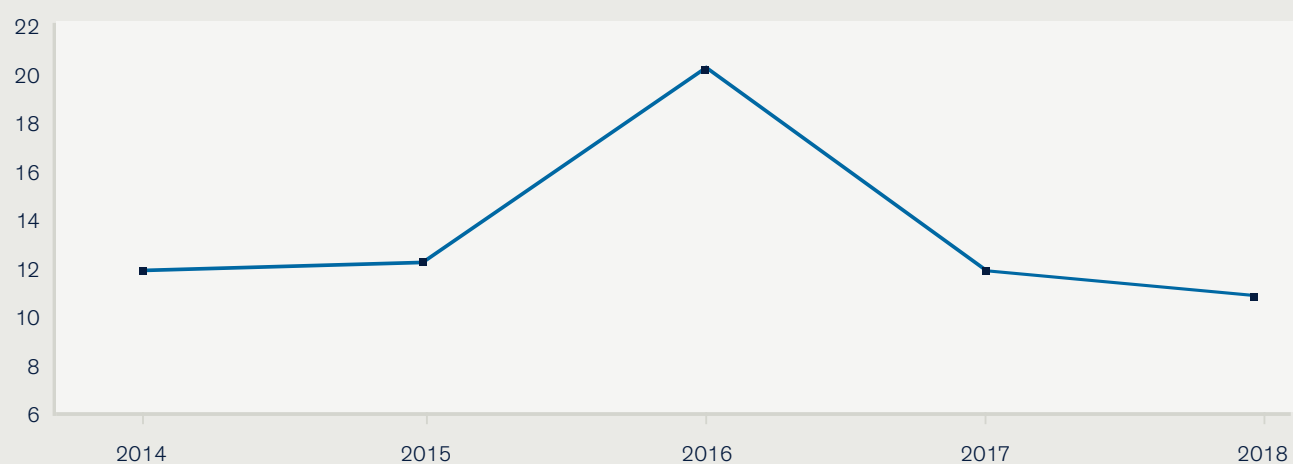


## Profit before tax £53.1m



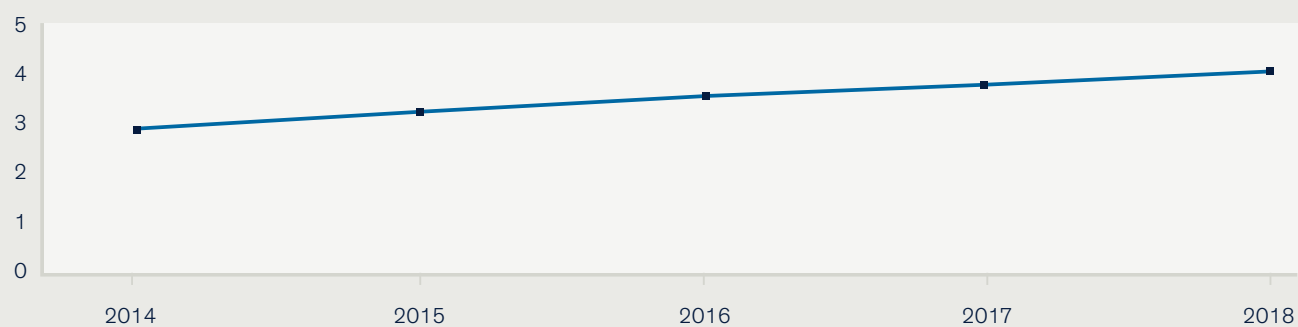
## Earnings per share 11.07p

Earnings per share  
(Pence)



## Dividend per share 4.08p

Dividend per share  
(Pence)





**“We have produced a resilient set of results against a backdrop of more challenging conditions in the motor sector, increasing sales and maintaining profitability. In particular, growth in our used car and aftersales divisions has helped to offset the impact of a more muted new car market, demonstrating the resilience of our business model.”**

Andy Bruce  
Chief Executive Officer



## Our business

### Manufacturer brands in our portfolio

#### Cars and commercial vehicles



Aston Martin



Audi



Bentley



BMW



Citroen



Dacia



DS



Ferrari



Ford



Honda



Hyundai



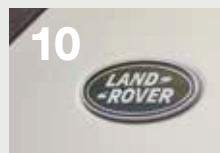
Jaguar



Jeep



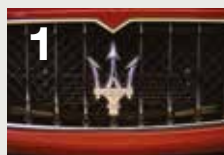
Kia



Land Rover



Lexus



Maserati



Mazda



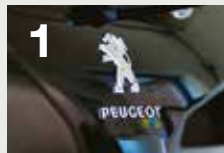
Mercedes-Benz



MINI



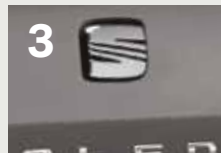
Nissan



Peugeot



Renault



Seat



Skoda



smart



Toyota



Vauxhall



Volkswagen

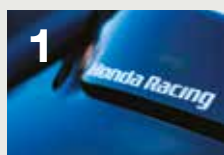


Volvo

#### Motorcycles



BMW

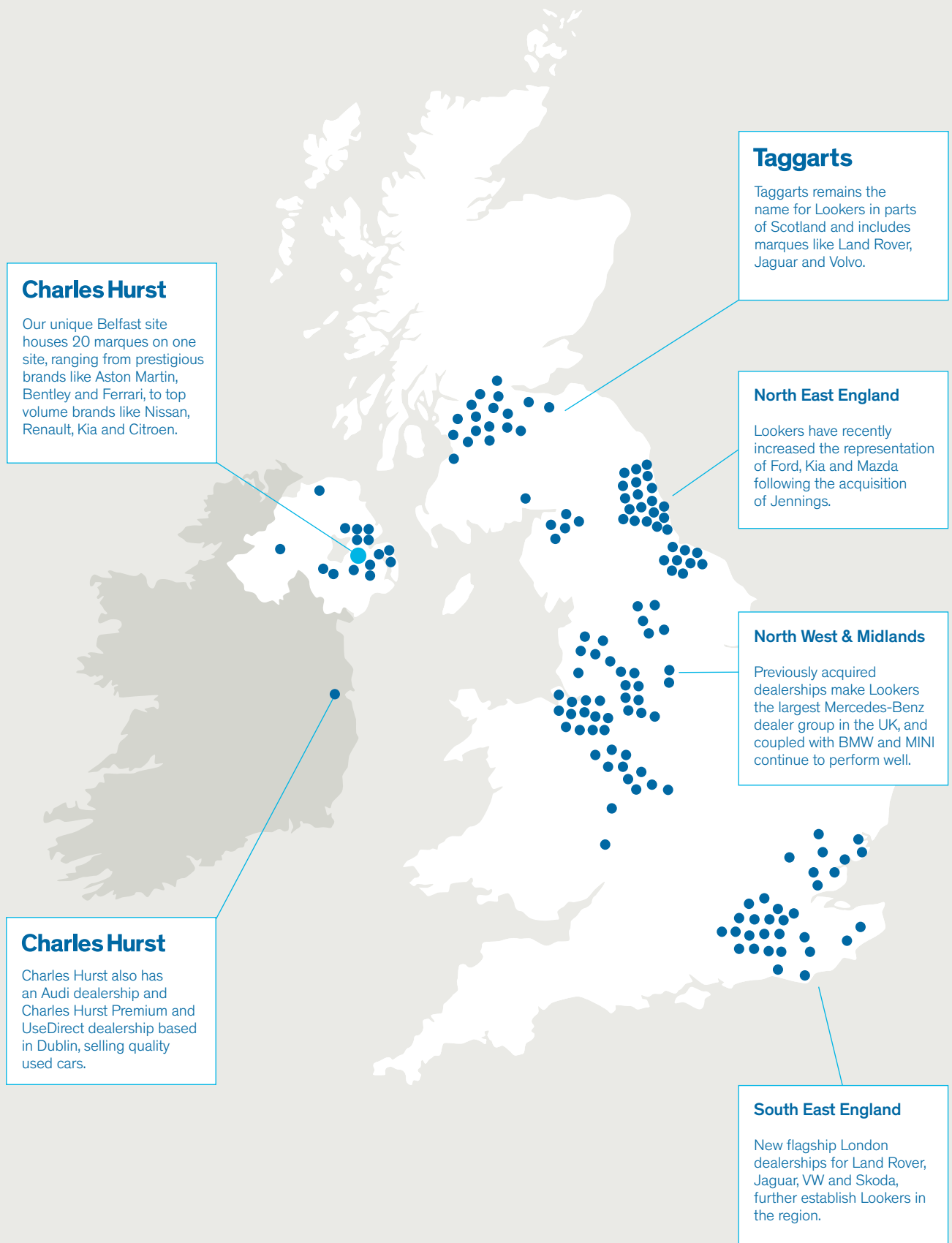


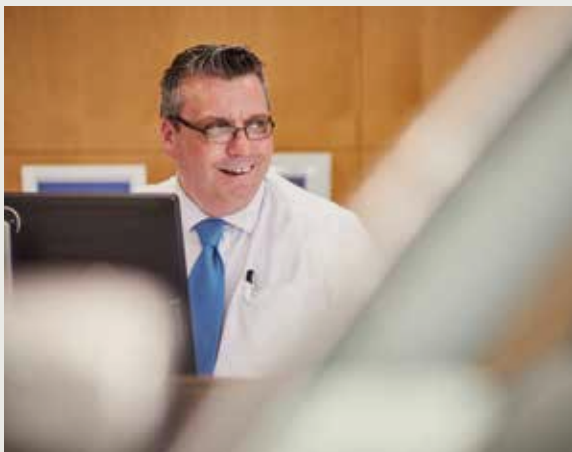
Honda



Yamaha

## Our locations





## Business model and strategy

### Business model

With a Group turnover of £4.88 billion in 2018, Lookers is one of the leading motor retail and aftersales Groups in the UK. We sell over 218,000 new and used cars and light commercial vehicles. Our operations are across the UK and Ireland, with a presence in most of the major population centres.

Our motor retail business consists of 164 franchised dealerships representing 32 manufacturers from 106 locations. The business generates revenue from the sale of new and used cars, vans and aftersales activities.

The number of new cars sold per annum in the UK has varied between 2.26m and 2.69m during the past five years. Our share of the retail sector of this market is just over 6%, compared to 4% in 2011.

After five consecutive years of growth since 2011, the UK new car market reduced by 5.6% in 2017 to 2.54m cars from the 2.69m cars in 2016, which was the highest ever level. The market reduced again in 2018 by 6.8% to 2.37m cars. Despite these reductions, the new car market in 2018 was still at historically high levels.

The new car market has two principal sectors, each of which representing approximately 50% of the market. The retail sector represents sales to individual customers and the fleet sector provides sales to corporate customers. Retail sales are generally at higher margins whilst fleet sales consume significantly higher levels of working capital.

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

Aftersales represents the servicing, repair and sale of franchised parts to customers' vehicles. The aftersales market applies to the overall number of cars in use on UK roads, which is referred to as the UK car parc. There are approximately 37m vehicles that make up the UK car parc with 23% (8.5m) under three years old. This is the predominant market for franchised motor dealers.

The internet continues to be the primary means for our customers to research and determine which new or used cars they are interested in buying. Our website and digital marketing channels are therefore a very important part of our business and customer service offering. We continue to invest in and develop these channels in order to meet the needs of our growing customer base.







## Business strategy

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 for our customers.

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

We aim to grow the existing business through a combination of organic growth, seeking profitable opportunities to increase our revenue and presence, and actively pursuing an earnings-enhancing acquisitive strategy. Our track record of successful acquisitions makes this a significant differentiator for us, and we have generated an average ROI of over 15% on acquisitions made in recent years.

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

- **People:** Attracting, nurturing and retaining the best people and empowering them to deliver a genuine and personalised experience;
- **Technology:** Striving in an omni-channel retail environment to provide a seamless customer experience, allowing customers to engage with us whenever and wherever they choose to;
- **Marketing:** Developing our brand proposition to enhance our reputation with our customers, prospects employees, suppliers and shareholders.

Despite the challenging trading conditions and reduction in the new car market we have continued to deliver a significant level of profit which highlights the strength of our strategy and unique proposition.

The Group's business activities, financial condition, results of operations or the Company's share price could be affected by certain principal risks or uncertainties which are detailed on pages 34 to 36.

## How we create value

Our strategy continues to focus on two key areas; our portfolio and the customer experience. Having the 'right brands in the right locations' means that we continually enhance our portfolio and align it to business strategy to ensure it has a direct impact on financial success.

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

The development of our portfolio and customer experience are always underpinned by a commitment to operational excellence in our every day delivery.

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

We aim to be innovative and flexible in order to enhance business for both our brand partners and our customers and we aim to share best practices for success so we can simplify and streamline our offering.



**“We will continue to optimise our portfolio to ensure we have the right brands in the right locations.”**

# Right brands, right locations

## Operational excellence

### People

Engaged and empowered teams to deliver a personalised experience



### Technology

Seamless omni-channel experience



### Marketing

Partner of choice for customers, people, suppliers and investors



### People

To continue to succeed, we know the importance of a stable, engaged and high quality workforce. We have highlighted future focussed roles to offer specialist support including group qualifications to manage the Apprenticeship Levy and group diversity to ensure that the best talent from all backgrounds can access and succeed at Lookers. We have also introduced market leading new benefits for staff including extra holiday, critical illness cover for all and 12 months full maternity pay.

### Technology

As a progressive business we recognise the importance of the omni-channel experience that our customers now expect. Our new website embodies our aim to put information at our customers' fingertips and give them more control over how they interact with us. We are continually enhancing the customer journey including a new retail experience using CitNOW and are constantly upgrading our network to keep the business moving.

### Marketing

As a modern motor retailer, we understand the importance of a strong brand. We continue to build a compelling 'Why Lookers?' proposition to work alongside our manufacturer's brands through engaging, creative and relevant content to increase retention, brand recognition and sentiment.

We are creating a customer-centric engagement strategy across all channels and touch points with unique, content-rich proof points that allows us to become 'best in brand' for an added-value retail experience, and embracing next generation digital capabilities.

## Developing the customer experience

In an ever-changing and highly competitive marketplace we continue to develop our retail proposition as a differentiator to our competition. When faced with the many choices across the market we want to become the brand of choice for customers. To do this we strive to provide the highest level of customer engagement be it face to face in our showrooms, through our call centres or in the digital space. We aim to give the customer relevant, personal expert advice to help them make the best choice for them and, in turn, build loyalty and positive sentiment for our brand.

We are constantly looking to improve our dealership estate investing in modern, contemporary multi-channel motor retail environments that will enhance our customer's experiences.

To provide the best customer experience we have invested, and will continue to invest, in new technologies, a new and enhanced website, our Lookers retail brand proposition, new training and development plans for our people, our dealership portfolio, customer research and our operational capabilities to make the customer journey more seamless and rewarding.



## The Lookers brand

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



## We are Lookers

At Lookers we believe our people are our most important asset. We know an engaged and motivated workforce will allow us to maintain our competitive advantage. We offer training, development and benefit schemes that aim to attract the best talent and to empower our teams to put customers first on every occasion. Our new employee engagement platform Workplace has been introduced and seen record engagement within all areas of the business allowing us to communicate instantly with all our employees on important matters as well as giving everyone a fun, engaging place to interact.

## Always advancing

Working closely with our brand partners we are always looking to improve our retail offer including efficient technology solutions across all channels and platforms. Current projects include an extensive upgrade of our telephony systems and an improved lead tracking system.



## Who we are



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

If there's one thing we can all be proud of here at Lookers it's the tireless work that our people do for charity. Whether it's volunteering out in the local community or making

complete fools of ourselves for Red Nose Day, our people love to get involved.

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

**You'll find us all  
over the UK and  
at the heart of  
the community.**

**After all, that's  
where we live  
and work.**





# Recognising progress

Lookers Apprenticeship Program continues to be recognised as one of the best in the country, recognised as Highly Commended at the National Apprenticeship Awards.

Once again the Apprentice intake has increased in 2019, with over 170 vacancies across the Group.

Lookers have once again been listed as part of 'The Sunday Times Best Companies to Work For' ranking of the UK's top employers. Lookers was the best-performing dealer group in the 2019 survey.

Lookers said that the Sunday Times listing "underlined its position as an employer of choice" after it became the only motor retailer to be named a 'Top Employer' by the Top Employers Institute for the third year in a row.

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

We are committed to creating a truly diverse organisation which reflects all facets of today's modern society. We work with Europe's largest LGBT+ charity, Stonewall, as one of their 'Diversity Champions' benefitting from their partnership with over 600 employers.

We also continue to focus across the whole business on under-representation of women, including increasing the numbers of technical apprenticeships and working to ensure there are more women in managerial roles.



# 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	Environmental policy (1)	Lookers and the environment – Page 51 Mandatory carbon reporting – Page 51
Employees	Gender Pay Reporting Health and Safety Policy (1) Ethical Policy Statement (1) Code of Conduct Policy (1)	Who we are – Pages 20 to 23 Lookers as an employer – Page 52 Recruitment and retention – Page 52 Staff communication – Page 52 Health and safety – Page 52
Respect for human rights	Modern Slavery Act Statement Data Privacy Policy (1) Information and Cyber-Security Policy (1)	Human rights – Page 52
Social matters	Volunteering Standards (1)	Who we are – Pages 20 to 23 Lookers and ethics – Page 52 Lookers and the community – Page 52
Anti-corruption and anti-bribery	Anti-bribery and Anti-Corruption Policy Fraud Risk Management Policy	Operational and other risks – Page 45
Description of principal risks and impact of business activity		Risk overview and management – Pages 34 to 36
Description of the business model		Business model and strategy – Pages 12 to 19
Non-financial key performance indicators		Non-financial KPI's – Page 32

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

## Operating review

I am pleased to report a resilient set of results for the Company against a backdrop of challenging trading conditions for the motor sector, particularly in the second half of the year. We saw a 4% increase in turnover compared to the prior year with only a slightly lower level of adjusted profit before tax\* of £67.3m (2017: £68.4m). This includes the profit of £7.7m (2017: £2.5m) from the sale of a property, which is separately included in other operating income. During the year we had several changes to our dealership portfolio where a number of businesses were closed and we therefore incurred certain closure and reorganisation costs as a result of these changes.

Profit before tax was £53.1m (2017: £58.4m). This result has been achieved during a period in which volumes in the UK new car market fell by 6.8% to 2.37m cars, the second successive year of reduced volumes, although the market remains relatively high compared to historical levels. The new car market was affected by a continuation of the anti-diesel theme and a shortage of supply of new vehicles in the last four months of the year which had to be tested to the more stringent Worldwide Harmonised Light Vehicle Testing Procedure ("WLTP") emission regulations. We had anticipated that these supply issues would have cleared during the last three months of the year but unfortunately, they remained an issue for the rest of the year. The continuing political uncertainty surrounding the Brexit situation and the negative impact this has had on both consumer and business confidence, has also adversely affected the demand for new cars.

The new car market has now reduced by 320,000 cars since the peak of 2.69m in 2016, a decrease of 12%. With our share of just over 6.2% of the total new car market, this represents a reduction of 12,800 new cars to Lookers, which is equivalent to a loss in gross profit in excess of £20m. We therefore believe that to have substantially maintained our profitability, despite the loss of this significant level of profit on new cars, demonstrates the effectiveness of our strategy and resilience of our business model.

The key elements of our performance were:

- Turnover and volumes of new cars reduced and gross profit per unit was increased;
- Further growth in used car turnover and gross profit;
- Improvement in both aftersales turnover and margin; and
- Further inflationary costs in salaries, property and IT.

Whilst the new car market remains challenging, we believe there are opportunities to grow the business in 2019 and beyond, particularly in used cars and where Lookers, as a leading company in the industry, benefits from economies of scale, the skills of our people and our ability to invest in improved technology.

### Acquisitions and portfolio management

Our motor retail business has been through a period of significant transformation in recent years, and further developments continued in 2018 to ensure that our dealerships are aligned with our strategy of having a meaningful representation of the major automotive brands in the main centres of population in the UK. As part of this process we closed two Vauxhall dealerships at Warrington and Yardley, near Birmingham in March. These were both underperforming businesses and were closed with the agreement of Vauxhall as part of the rationalisation of their UK dealer network. In July we acquired a Ford dealership which complements our larger representation of Ford in Essex and in October we closed our Hyundai and Nissan business in Motherwell. As referred to earlier in this report, we therefore incurred certain closure and reorganisation costs as a result of these changes.

In September the Group acquired the Jennings Group for a gross payment of £10.1m. Jennings is a long-established motor retail Group in the North East of England with Ford being the key brand partner, particularly in the Teesside area. The acquisition complements and strengthens Lookers' position in the region and we are delighted to expand our key partnership with Ford. Given the timing of the acquisition, it has been earnings neutral this year but has now been successfully integrated and we expect a modest contribution to earnings in 2019.

	2018 £m	2017 £m	% change
<b>Turnover</b>			
New cars	2,395	2,477	(3%)
Used cars	1,939	1,703	14%
Aftersales	433	409	6%
Leasing and other	113	107	4%
<b>Total</b>	<b>4,880</b>	<b>4,696</b>	<b>4%</b>

\*Adjusted operating profit is operating profit before amortisation of intangible assets, defined benefit scheme pension costs and share-based payments. Adjusted profit before tax is profit before amortisation of intangible assets, debt issue costs, defined benefit scheme pension costs, fair value of derivatives and share-based payments. Adjusted earnings per share is earnings per share before amortisation of intangible assets, debt issue costs, defined benefit scheme pension costs, fair value of derivatives and share-based payments. Net debt is bank loans and overdrafts less cash and cash equivalents. Adjusted EBITDA is adjusted operating profit adding back depreciation. Where like-for-like figures are included in this report, they are calculated on the basis that acquired businesses have been part of the Group from 1 January 2017 and closed or sold businesses have been excluded from the Group from 1 January 2017. See page 33 for reconciliations to alternative performance measures.

	2018 £m	2017 £m	% change
<b>Gross profit</b>			
New cars	161	165	(2%)
Used cars	135	133	2%
Aftersales	203	189	7%
Leasing and other	17	17	-
Total	516	504	2%

### New cars

The sale of new cars represents 31% of gross profit for the Group and the new car market reduced by 6.8% in the year to 2.37m. The retail new car market reduced by 6.4% to 1.05m and the fleet new car market reduced by 7.2% to 1.32m. There were significant fluctuations in the market during the year including a significant decrease in the first quarter, given the strong comparatives from 2017 resulting from increased demand in advance of the changes in Vehicle Excise Duty that became effective in April 2017. This was followed by some modest growth within certain months in the second quarter. The final four months of the year suffered from a shortage in the supply of new cars following the introduction of the more stringent WLTP emissions regulations from 1 September. The resulting impact on the timings of when vehicles could be tested meant that certain brands and models were not available for sale. The impact of this in the final quarter was greater than we had originally anticipated in September.

Despite this challenging backdrop, we delivered a positive performance and our retail volumes were slightly ahead of

the market, with a reduction of 4.6%, or 4.7% on a like-for-like basis. Fleet volumes, including commercial vehicles, reduced by 8.2%, or 5% on a like-for-like basis, although a reasonable proportion of the decrease was a result of our decision to exit some high volume but very low margin fleet business. Total new car turnover reduced by 3.3% year-on-year and decreased by 3% on a like-for-like basis. This represents a strong performance compared to the wider market, as we continue to take share in a competitive environment. Total gross profit from new cars decreased by less than the reduction in volume or turnover at 2.3%, compared to the prior year and by 2.4% on a like-for-like basis. This reflected an increase in profit per unit during the year where we were able to successfully increase margins where vehicles were in short supply.

The new car market continues to be at historically high levels and we have an encouraging number of orders for the important month of March, albeit at a lower level than last year. The Society of Motor Manufacturers and Traders' (SMMT) current estimate is that new car volumes will be 2.3% lower for 2019 compared to 2018, at 2.31m. This is



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# Operating review

still a relatively healthy outlook compared to historical levels of new car volumes and provides opportunities for us to continue to increase market share, particularly as the brands where we have significant representation tend to outperform the wider market. Our relationship with our manufacturer partners remains a critical part of our success and we continue to work closely with them to achieve a mutually beneficial commercial relationship, underpinning the potential to develop further with them in the future.

## Used cars

Used cars now contribute 26% of our gross profit and the market continues to be buoyant with values remaining stable and predictable. Turnover of used cars increased by 14%, and 14% on a like-for-like basis, compared to 2017 and volumes increased by 6%. Gross profit increased by 1.5%, or 1.5% on a like-for-like basis. This is a pleasing performance given that our used car volumes have increased significantly over recent years. We continue to focus on stock management and sourcing good quality vehicles, both of which help to improve profitability. In conjunction with recognising the importance of new cars to our business model, the used car market continues to represent a significant additional opportunity for the Group and we plan to accelerate our growth in this market with the target of increasing our ratio of used cars to new retail to 2:1. Digital channels will be a key tool to facilitate this growth and we continue to benefit from the increasing number of leads generated by our website. Further and extensive investment in technology continues to be carried out and will lead to further increases in volumes and profitability.

## Aftersales

Our higher margin aftersales business, which represents 39% of gross profit, has performed well in the period. Turnover (excluding leasing) increased by 6% compared to 2017 and 7% on a like for like basis and gross profit increased by 7% and 7% on a like-for-like basis, with the margin being maintained. The increased profitability has benefitted from the growth in the vehicle parc of cars under three years old, a trend which has now begun to reduce given the decreasing volume of new cars sold. However, we have increased capacity through developing new dealership premises in recent years, which has provided an increase in the base infrastructure to support these increased volumes. The increased performance in aftersales is also due to the initiatives we have made to develop our services, with an increased emphasis on performance and improved customer retention through enhanced technology and systems.

## Developing a multichannel retail environment

We have continued to make a significant investment in our multi-channel customer experience and our website plays a critical and important role in the customer journey, influencing how our customers research vehicles before they enter the showroom. Our in-house digital marketing team now operate across all channels and the latest version of a new, much improved and fully responsive website, which continues to evolve and improve, has resulted in further increases in our visitor and enquiry levels.

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

We have previously commented on our commitment to developing and improving the customer journey through a significant programme of capital investment in new and improved dealership premises. There is still further investment to make in this transformation of our property portfolio, but we believe this will start to reduce after 2021. The programme is taking us longer than originally anticipated due to delays in finding appropriate properties and planning issues. However, this has resulted in the benefit of capital expenditure being incurred over a longer period and at lower levels than originally anticipated. This programme will ensure that our entire dealership estate represents best in class modern motor retailing.

## Customer experience

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

\*Adjusted operating profit is operating profit before amortisation of intangible assets, defined benefit scheme pension costs and share based payments. Adjusted profit before tax is profit before amortisation of intangible assets, debt issue costs, defined benefit scheme pension costs, fair value of derivatives and share based payments. Adjusted earnings per share is earnings per share before amortisation of intangible assets, debt issue costs, defined benefit scheme pension costs, fair value of derivatives and share based payments. Net debt is bank loans and overdrafts less cash and cash equivalents. Adjusted EBITDA is adjusted operating profit adding back depreciation. Where like-for-like figures are included in this report, they are calculated on the basis that acquired businesses have been part of the Group from 1 January 2017 and closed or sold businesses have been excluded from the Group from 1 January 2017. See page 33 for reconciliations to alternative performance measures.

## Our people

Our people are the key to helping us to deliver our strategy and providing a first-class customer experience. We continue to invest in our people with further improvements and new initiatives to our training and development programme and a formal management development programme. We believe Lookers offers the most attractive employment prospects in our sector and we aim to be the best place to work in our industry. This should result in us being able to attract and retain the best people, including those from outside the sector, to achieve enhanced levels of customer satisfaction and help us continue to be a leading company in the UK motor retail sector. It was therefore a great achievement

to again be recognised as the only motor retailer to be awarded the exclusive Top Employers United Kingdom certification, which we have now achieved for a third successive year. We have also, for the first time, achieved the recognition for outstanding staff engagement by achieving a prominent position in the Sunday Times list of top companies to work for. This success demonstrates our commitment to building a positive employee experience and of our commitment to optimise, develop and work with all our people to build a meaningfully and noticeably different experience for them and our customers.



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# Financial review

## Group results

Turnover increased by 4.0% to £4,880m compared to the previous year (2017: £4,696m), with growth from used cars and aftersales. Gross profit increased by 2.4% to £516m (2017: £504m). The gross margin of 10.6% was a similar level to last year, despite higher levels of used car turnover, which tends to dilute the margin.

Adjusted profit before tax of £67.3m reduced by 1.6% (2017: £68.4m). As referred to above, this includes the profit of £7.7m (2017: £2.5m) from the sale of a property, which is separately included in other operating income. Whilst gross profit increased by £11.4m, costs also increased in the year by £20.4m due to inflationary pressures from payroll costs (cost of living, workplace pensions and living wage) as well as higher property costs in relation to rent, rates, depreciation and energy as well as an increase in IT costs. Considering the challenging trading conditions, further cost saving initiatives were carried out in the year to stabilise the cost base although we will continue to experience the impact of inflation on payroll costs.

Net interest costs increased by 13%, to £18.3m (2017: £16.3m), due to higher levels of working capital and increases in the bank base rate in November 2017 and August 2018. Interest on Group borrowings is based on floating interest rates together with a historical interest rate hedge from 10 years ago. This covered £20m of debt at the relatively high rate of interest, at 4.99%, and expired during the year.

Key financial highlights are summarised below:

- \*Adjusted profit before tax for the year, including the profit on the sale of a property of £7.7m, was maintained at a similar level to the prior year at £67.3m (2017: £68.4m);
- Profit before tax was £53.1m compared to a profit before tax in the previous year of £58.4m. This also includes the cost of £3.4m which relates to a back dated pension adjustment for GMP equalisation and is explained in further detail in the section on pensions;
- Profit after tax was £43.5m, a reduction of 9% (2017: £47.9m); and
- Earnings per share reduced to 11.07p compared to 12.06p in the prior year and \*Adjusted earnings per share was stable at 14.68p (2017: 14.57p)

We have continued to consider that adjusted profit before tax is before amortisation of intangible assets as this is consistent with our previous financial reporting. However, we have reviewed this and decided that in the future, it is more appropriate to report adjusted profit before tax to include the amortisation of intangible assets. This practice will be adopted in our interim financial report for the six months ending 30 June 2019.

## Taxation

The tax charge for the year of £9.6m (2017: £10.5m) reflects a charge of 18% of profit before tax, which is slightly lower than the standard rate of corporation tax for the year of 19%. This is due to an over provision for corporation tax in prior years as several tax issues relating to previous years were agreed with HMRC.

## Cash flow

Cash generated from operations for the year continued to be strong at £79.4m and represented a small reduction over the prior year (2017: £79.7m). Net working capital increased by £10.1m, an improvement of £7.7m (2017: increase of £17.8m). Stock decreased by £1.4m, debtors reduced by £48.9m, and creditors reduced by £60.4m. These movements represented the movement in net working capital.

Capital expenditure was £25.7m, a significant reduction compared to last year (2017: £46.1m), with proceeds from the sale of properties and dealership businesses of £35.1m (2017: £8.0m), resulting in a net capital receipt of £9.4m (2017: net expenditure of £38.1m). The majority of capital expenditure was on new or improved premises for dealerships and reflects our ongoing commitment to improve our retail environment, so they reflect modern and state of the art facilities, as we have previously reported. The capital receipt of £35.1m reflects the sale of Group properties that we had previously developed which were sold as sale and leaseback transactions and produced a profit of £7.7m.

Cash flow in 2018 included loan repayments of £14.6m compared to £12.5m last year. A total of £13.7m (net of cash acquired) was invested in the acquisitions of Pollendine Motors (Frinton) Limited, the Jennings Group, and a further £9.3m was returned to shareholders as a result of the share buy-back programme in 2018.

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Net debt reduced by £10.9m due to positive cash flow in the year which resulted in net debt of £86.9m at 31 December 2018, compared to £97.8m at the start of the year. Net debt is calculated as gross bank borrowings of £131.3m, less cash balances of £44.4m.

### Bank funding

Our bank facilities at the start of the year had a term until March 2020 and consisted of a term loan of £75m and a revolving credit facility of £150m. Whilst the facilities had 15 months to run as at 31 December 2018, we considered it prudent, given the uncertainty surrounding Brexit, to renew our facilities at an earlier stage and a new facility was arranged in December 2018. This consists of a revolving credit facility of £250m arranged with five banks, (Bank of Ireland, Barclays, HSBC, Lloyds and NatWest), with a term to March 2022 and an option to extend to March 2023. There is also the potential to increase the facility up to an additional £50m to fund future acquisitions.

Interest is charged on the facility at a margin of between 1.3% and 2.25% above LIBOR, depending on the ratio of net bank debt to EBITDA. These facilities are subject to half yearly covenant tests on interest cover and net bank debt to EBITDA. The covenant tests are set at levels that should provide sufficient headroom and flexibility for the Group until maturity of the facilities.

At 31 December 2018, total facilities were £250m (2017: £225m) of which £86.9m, net of cash balances, was being utilised, leaving unutilised facilities of £163.1m. The bank facility, together with the Group's strong operational cash flow, indicate that the Group has sufficient facilities available to fund its operations and allow for future expansion. At 31 December 2018, net debt to adjusted EBITDA was 0.88 compared to 0.95 last year. The Group's underlying profitability and strong cash flow should result in further reductions in borrowing in the future and help ensure that the level of borrowing remains under control and is at a reasonable level in relation to net assets.

### Property portfolio

The Group has a policy of investing in freehold and long leasehold property as the preferred means of providing premises for our car dealerships, where possible. As a result, we have a significant and valuable portfolio of freehold and long leasehold properties which is an important strength of our business. The net book value at 31 December 2018 was £309.3m compared to £309.8m last year.

From 1 January 2019 we will be retrospectively adopting the new accounting standard, IFRS 16: Leases, which introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will have a significant impact on the way our property leases are included in the accounts, where we will include an asset and a liability in the accounts in respect of each lease. The annual operating lease rental will then be represented as depreciation and interest in the income statement. Preliminary calculations indicate that for the leases held at the year end the Group expects an increase in gross assets of up to £100m and an increase in gross liabilities of up to £120m. EBITDA is expected to increase by up to £20m and operating profit is expected to increase by up to £7.5m. However, these changes are not expected to significantly impact on profit before tax.

In addition, there is expected to be limited financial impact from the perspective of the Group as a lessor, as a result of the new standard.

### Dividends

In our interim report, we indicated that due to the encouraging results and strong financial position of the Group, the interim dividend would be increased by 5% to 1.48p per ordinary share and this was paid on 24 November 2018. We are now proposing a 5% increase in the final dividend to 2.60p per share (2017: 2.48p), giving a total dividend for the year ended 31 December 2018 of 4.08p per share (2017: 3.89p), representing an annual increase of 5%.

The dividend has now increased by over 127% compared to the dividend payable for the year ended 31 December 2010, when the Company re-commenced dividend payments, and continues our progressive policy of increasing the dividend provided there is satisfactory growth in profitability. Total reserves available for distribution are £269.9m.

The increase in the total dividend this year recognises that the dividend cover has risen significantly in recent years. The Board maintains its view that the level of cover should reduce over the medium term to a level of between 3.5 and 4.0 times. However, the Board will continue to review the dividend policy in the light of the Company's trading performance whilst retaining sufficient cash flow to fund future expansion in terms of both organic growth and acquisitions.

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## Financial review

The final dividend of 2.60p per share is subject to shareholder approval at the Annual General Meeting and will be payable on 5 June 2019. The ex-dividend date will be 25 April 2019 and the record date will be 26 April 2019. This will represent a cash outflow of £10.1m, which gives a total dividend for the year of £15.9m (2017: £15.4m). Dividends paid in cash during the year were £15.6m, an increase of 4% compared to the previous year.

### Pension schemes

The Group has three defined benefit pension schemes, The Lookers Pension Plan, The Dutton Forshaw Pension Plan and The Benfield Motor Group Pension Plan. All three schemes are closed to entry for new members and closed to future accrual. The asset values of the three pension schemes decreased by £19.7m during the year due to the adverse movements in global investments during the year, and the valuation of the liabilities of the schemes reduced by £14.6m. The pension schemes also suffered a one-off charge of £3.4m following a High Court ruling against Lloyds Bank in November 2018 to equalise guaranteed minimum pensions between male and female participants, a decision that is likely to affect most defined benefit pension schemes in the UK.

As a result, the net deficit included in the balance sheet increased by £5.1m in the year. However, it is important to appreciate that the assessment of valuation of the pension schemes is based on several key assumptions prescribed by accounting standards. As a result, the calculation which estimates the potential liabilities of the schemes can increase or decrease the liabilities due to factors that have no relation or relevance to the trading results of the Group.

The impact of these factors is that the combined value of the deficits of the three schemes increased in the year and the total deficit after deferred tax is now £57.0m (2017: £53.1m). Relatively small changes in the bases of valuation can have a significant effect on the calculated deficit hence the movement in the calculated deficit can be subject to high levels of volatility. The Board continues to look at its options to reduce both the annual cost of operating both schemes and what actions can be taken to reduce the deficit on the schemes, thereby reducing exposure to movements in these liabilities and reducing the deficit over the medium and longer term.

### Share buyback programme

In March 2018 we announced a share buyback programme of up to £10m of the Company's ordinary shares, given the sensible returns it would provide based on the share price at that time. This was based on the Board's consideration of the Group's capital structure and capital allocation priorities in relation to the previously stated target range of net debt to EBITDA of between 0.5 and 1.5. By 31 December 2018, the Company had purchased £9.3m of the Company's ordinary shares and this completed the share buyback programme, representing 2.3% of the Company's share capital at the start of the share buyback programme. The Board has considered whether to operate a similar programme this year and has decided that, given the uncertainty surrounding Brexit, it would be prudent to retain flexibility and review the situation as we progress through the year.

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# Financial review

## Key Performance Indicators

The Group has a number of financial and non-financial key performance indicators (KPIs) to monitor the development of the business against its strategic objectives and specific business risks. These include:

### Financial KPI's

KPI	Definition	Performance	Link to risk factor
Gross profit margin	Gross profit as a percentage of revenue	2017: 10.7%      2018: 10.6% A percentage point change of 0.1% compared to the prior year	1,2,3,4,5,6,7
Adjusted operating profit	Operating profit adjusted for amortisation of intangible assets, profit on sale of property, share based payment charges and defined benefit scheme pension costs	2017: £82.2m      2018: £77.9m A decrease of £4.3m compared to the prior year  Excluding property sales: 2017: £79.7m      2018: £70.2m A decrease of £9.5m compared to the prior year	1,2,3,4,5,6,7
Adjusted profit before tax	Profit before tax adjusted for amortisation of intangible assets, debt issue costs, defined benefit scheme pension costs, fair value of derivatives and share based payments	2017: £68.4m      2018: £67.3m A decrease of £1.1m compared to the prior year  Excluding property sales: 2017: £65.9m      2018: £59.6m A decrease of £6.3m compared to the prior year	1,2,3,4,5,6,7
Adjusted earnings per share (non-diluted)	The ratio of profit after tax adjusted for the net of tax effects of intangible assets, debt issue costs, defined benefit scheme pension costs, fair value of derivatives and share based payments to the weighted average number of ordinary shares in issue during the financial year	2017: 14.57p      2018: 14.68p An increase of 0.7% compared to the prior year  Excluding property sales: 2017: 13.94p      2018: 12.72p A decrease of 8.8% compared to the prior year	1,2,3,4,5,6,7
Net debt and ratio to adjusted EBITDA	Net debt is defined as bank loans and overdrafts less cash and cash equivalents. Adjusted EBITDA is adjusted operating profit adding back depreciation	2017: net debt £97.8m and ratio: 0.95 2018: net debt £86.9m and ratio: 0.88 A decrease of £10.9m and 0.7 year on year Excluding property sales: 2017: net debt £97.8m and ratio: 0.97 2018: net debt £86.9m and ratio: 0.96 A decrease of £10.9m and 0.1 year on year	1,2,3,4,5,6,7
Adjusted return on capital	Adjusted return on capital is defined as Adjusted profit before tax as a percentage of overall capital employed	2017: 17.8%      2018: 16.9% A percentage point change of 0.9% compared to the prior year  Excluding property sales: 2017: 17.1%      2018: 14.9% A percentage point change of 2.2% compared to the prior year	1,2,3,4,5,6,7

### Non-financial KPI's

KPI	Definition	Performance	Link to risk factor
Number of manufacturer and dealerships and brands	The number of dealerships operated by the Group and number of manufacturer brands we sell	2017: 155 dealerships 32 manufacturer brands  2018: 165 dealerships 32 manufacturer brands	1,2,3,4
Sales mix from new cars, used cars and aftersales	The split of new cars, used cars and aftersales as a percentage of total revenue in the financial year	2017: New cars – 52.7% Used cars – 36.3% Aftersales – 11.0% 2018: New cars – 49.1% Used cars – 39.7% Aftersales – 11.2%	1,2,3,4
<ul style="list-style-type: none"> <li>• UK new car market</li> <li>• Share of UK new car retail</li> <li>• Group new car sales</li> <li>• Group used car sales</li> </ul>	<ul style="list-style-type: none"> <li>• Size of UK new car market</li> <li>• Our share of the market</li> <li>• Number of new vehicles sold</li> <li>• Number of used vehicles sold</li> </ul>	2017: 2.54m      2018: 2.37m 2017: 6.0%      2018: 6.2% 2017: 104,331      2018: 97,641 2017: 92,105      2018: 97,709	1,2,3,4
Level of employee interaction	Best Companies BCI rating	2017: BCI Score 628.3 2018: BCI Score 643.6	7

## Alternative Performance Measures

The Group uses a number of Alternative Performance Measures (APMs) which are non-IFRS measures in establishing their financial KPIs in order to monitor the performance of its operations. The Group believes these KPIs provide useful, historical financial information to assist investors and other stakeholders to evaluate the performance of the business and are measures commonly used by certain investors for evaluating the performance of the Group. In particular, the Group uses KPIs which reflect the underlying performance on the basis that this provides a more relevant focus on the core business performance of the Group.

A reconciliation of the IFRS measures used in the Annual Report & Accounts to those APMs used for KPI monitoring is made below:

	2018 £m	2017 £m
<b>Adjusted operating profit and Adjusted EBITDA</b>		
Operating profit	73.6	77.4
Adjusted for:		
Amortisation of intangible assets	5.6	5.6
Profit on sale of property	(7.7)	(2.5)
Share based payments	1.7	1.7
Defined benefit pension costs	4.7	-
<b>Adjusted operating profit</b>	<b>77.9</b>	<b>82.2</b>
Adjusted for:		
Depreciation	20.6	20.7
<b>Adjusted EBITDA</b>	<b>98.5</b>	<b>102.9</b>

Defined benefit pension costs include a one off charge of £3.4m in 2018 following a High Court ruling against Lloyds Bank in November 2018 to equalise guaranteed minimum pensions between male and female participants, a decision that is likely to affect most defined benefit pension schemes in the UK. The defined benefit pension cost has been separated in 2018 between net interest on pension scheme obligations of £1.7m and other defined benefit costs of £4.7m. Should the prior year numbers be recognised with the same split, this would have led to £2.4m recognised in net interest on pension scheme obligations and £1.8m in other defined benefits costs, however due to the immaterial nature, the balances have not been restated. Where like-for-like figures are referred to in the Annual Report & Accounts, they are calculated on the basis that acquired businesses have been part of the Group from 1 January 2017 and closed or sold businesses have been excluded from the Group from 1 January 2017.

	2018 £m	2017 £m
<b>Adjusted profit before tax</b>		
Profit before tax	53.1	58.4
Adjusted for:		
Amortisation of intangible assets	5.6	5.6
Share based payments	1.7	1.7
Fair value of derivative instrument	-	(1.9)
Defined benefit pension costs	4.7	-
Net interest on pension scheme obligations	1.7	4.2
Debt issue costs	0.5	0.4
<b>Adjusted profit before tax</b>	<b>67.3</b>	<b>68.4</b>
Adjusted for:		
Property sales	(7.7)	(2.5)
<b>Adjusted profit before tax excluding property sales</b>	<b>59.6</b>	<b>65.9</b>

	2018 £m	2018 eps p	2017 £m	2017 eps p
<b>Adjusted EPS</b>				
Earnings attributable to ordinary shareholders	43.5	11.07	47.9	12.06
Amortisation of intangible assets	5.6	1.42	5.6	1.40
Share based payments	1.7	0.43	1.7	0.43
Fair value of derivative instrument	-	-	(1.9)	(0.48)
Net interest on pension scheme obligations	1.7	0.43	4.2	1.06
Defined benefit pension costs	4.7	1.19	-	-
Debt issue costs	0.5	0.14	0.4	0.10
<b>Adjusted EPS</b>	<b>57.7</b>	<b>14.68</b>	<b>57.9</b>	<b>14.57</b>
Property sales	(7.7)	(1.96)	(2.5)	(0.63)
<b>Adjusted EPS excluding property sales</b>	<b>50.0</b>	<b>12.72</b>	<b>55.4</b>	<b>13.94</b>

# Risk overview and management

## Principal risks

Appreciating that the operation of any business entails an element of risk, the Board maintains a policy of continuous identification and review of risks which may cause the actual future Group results to differ materially from those expected. The tables over pages 35 and 36 is an overview of the principal risks and impact that could be faced by the Group aligned to an indication of corresponding controls and mitigating factors. These risks are not intended to represent an exhaustive list of all potential risks and uncertainties, and the factors outlined below should be considered in conjunction with the Group's system for managing risk as described below and in the Governance section of the Annual Report & Accounts.

## Risk management and internal controls

### Accountability

The Board is responsible for risk management and internal control against the backdrop of fulfilling the Group's objectives. The Board has established a system of control that addresses the mitigation of business and operational risks as well as the Group's financial reporting.

The system of internal control is designed to manage, rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. As at 31 December 2018, the Board have concluded that there have been no significant internal control issues that would give rise to a material impact on the Annual Report & Accounts.

### Financial reporting

The Executive Directors oversee the preparation of the Group's annual corporate plan; the Board reviews and approves it and monitors actual performance against it on a monthly basis. When deemed appropriate, revised forecasts are prepared and presented for Board review and approval. To ensure that information consolidated into the Group's financial statements is in compliance with relevant accounting standards and the Group's own accounting policies, internal reporting data is reviewed regularly.

Under the scrutiny of the Audit and Risk Committee, reviews of the appropriateness of the Group's own accounting policies take place each reporting period. The Audit and Risk Committee considers reports from the Group's external auditor, the application of IFRS and the reliability of the Group's system of control of financial information.

During 2018 there have been enhancements in the Group's internal controls over financial reporting which has led to improvements in the speed of internal financial reporting data being made available to the business. The Board consider this to be an enhancement of the controls that already existed under the previous internal reporting process. In parallel to this, detailed consideration has also been made regarding the application and impact of the new IFRS standards which are relevant for this reporting period.

The Board consider that there have been no other changes that have occurred during the year which has, or is likely to have, a material effect on the Group's internal controls over financial reporting.

Controls have been designed to ensure that the Group's financial reporting presents a true and fair reflection of the Group's financial position. As such, the Board have concluded that the Group's systems of control over financial reporting were effective, as at 31 December 2018.

### Operational and other risks

The Board has the responsibility for identifying and evaluating risks facing the Group's businesses on a day-to-day basis and this is supported by the Audit and Risk Committee and Risk Committee via the internal audit function. The internal audit function undertakes detailed work on risk assessment and oversees the effective implementation of any new measures designed to mitigate or meet any specific risks or threats. Results of their procedures are communicated to the Audit and Risk Committee.

In December 2018 the Board commissioned an independent review that indicated there were some control issues in the sales process that are regulated activities and will require an improvement plan to be produced and implemented, which is now in progress.

### Overview of principal risks

During 2018 the Board have undertaken a reassessment exercise of the principal risks affecting the business and have summarised these and how they link to our KPI monitoring in the table on pages 35 and 36. These risks are considered to be those that could cause the greatest damage if not effectively evaluated, understood and managed.

## Strategic and business

No.	Principal risk and description	Impact	Mitigating activity
1.	<b>Relationship with manufacturers</b> Any deterioration or failure from our vehicle manufacturers own financial, production, commercial influence, distribution or marketing capabilities will have an effect on our business and operations and our ability to achieve our own business objectives	<ul style="list-style-type: none"> <li>• Loss of revenue and operating profit contributions</li> <li>• Potential rationalisation costs</li> <li>• Reputational damage</li> <li>• Business disruption</li> </ul>	<ul style="list-style-type: none"> <li>• Manufacturer and brand diversity</li> <li>• Varied sales mix and revenue channels</li> <li>• Maintain and improve existing day-to-day business relationships with manufacturers</li> <li>• Consideration of manufacturer influence in setting our own business objectives and strategies</li> </ul>
2.	<b>Delivery on our business strategy</b> Implementing our business strategy objectives is aligned to our value creation plan. Failure to deliver against these would result in a reduced value proposition to stakeholders	<ul style="list-style-type: none"> <li>• Failure to attract new manufacturers in specific geographical territories</li> <li>• Deterioration in stakeholder relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Acquisitions and capital expenditure generate acceptable return on investment</li> <li>• Ensuring seamless retail experience and customer satisfaction scores</li> <li>• Maintain relationships with stakeholders</li> </ul>

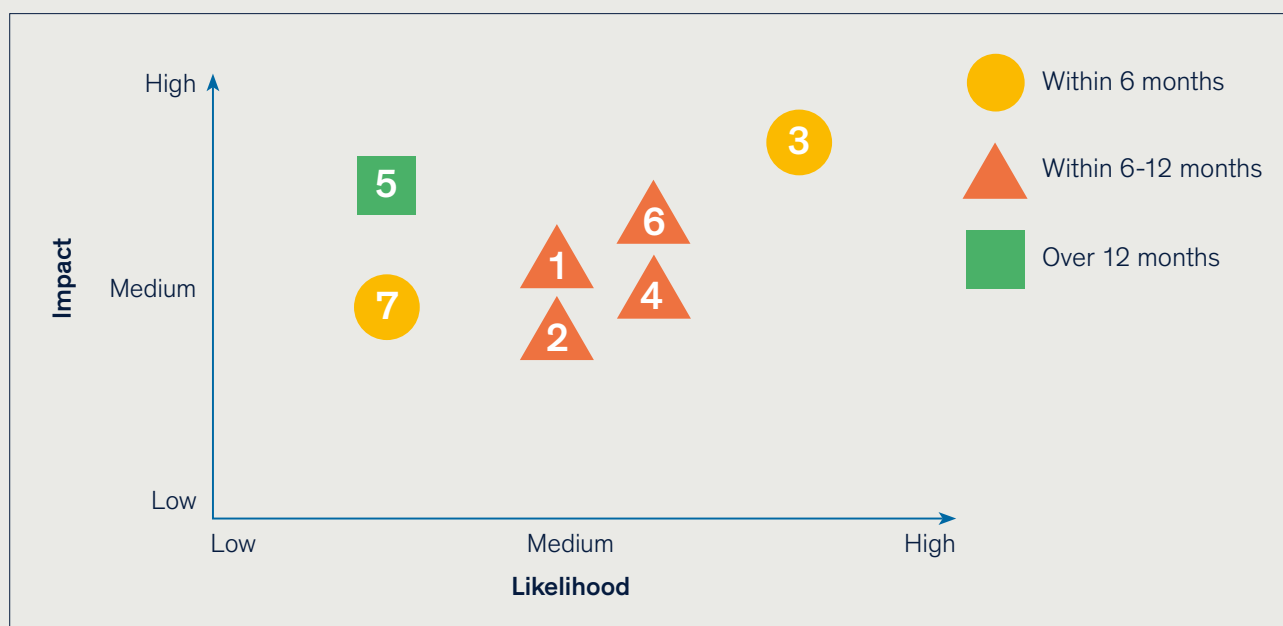
## Socio-Economic and Governmental

No.	Principal risk and description	Impact	Mitigating activity
3.	<b>European and national economic factors</b> Any adverse effect following Brexit and/or political instability, changes in the level of consumer credit and market confidence, fuel and interest rate prices, foreign exchange rates and changes to import duties and processes will impact on the business	<ul style="list-style-type: none"> <li>• Loss of revenue and operating profit contributions</li> <li>• Foreign exchange exposure</li> <li>• Deterioration in value creation plan</li> <li>• Supply chain issues</li> </ul>	<ul style="list-style-type: none"> <li>• Manufacturer and brand diversity</li> <li>• Varied sales mix and revenue channels</li> <li>• Use of natural foreign exchange by matching currency payments where appropriate</li> <li>• Relationships with manufacturers</li> <li>• Ensuring seamless retail experience and customer satisfaction scores</li> </ul>
4.	<b>Legislative, regulatory and environmental changes</b> Governmental legislative changes coupled with regulatory (e.g. the FCA) and environmental concerns and compliance with laws and regulations will impact the business	<ul style="list-style-type: none"> <li>• Loss of revenue and operating profit contributions</li> <li>• Business disruption</li> </ul>	<ul style="list-style-type: none"> <li>• Manufacturer and brand diversity</li> <li>• Varied sales mix and revenue channels</li> <li>• Investment in people and internal process improvements</li> </ul>

## Financial and operational

No.	Principal risk and description	Impact	Mitigating activity
5.	<b>Debt funding and pension liabilities</b> The Group is required to make repayment against its working capital facilities and long-term loans in addition to managing funding contributions to its defined benefit pension obligations	<ul style="list-style-type: none"> <li>Withdrawal of finance impacts operational productivity</li> <li>Potential rationalisation costs</li> <li>Business disruption</li> <li>Deterioration in stakeholder relationships</li> </ul>	<ul style="list-style-type: none"> <li>Achieve optimal working capital efficiency and debt repayment forecasting</li> <li>Open dialogue with syndicated banks and new finance facility agreed</li> <li>Maintain relationships with pension trustees and delivery against pension investment plan</li> </ul>
6.	<b>IT systems failure and data security</b> The Group relies heavily on its underlying IT infrastructure both from a day-to-day operational perspective but also to generate timely management information Failure to protect confidential or sensitive data could result in significant operational and reputational damage	<ul style="list-style-type: none"> <li>Loss of revenue and operating profit contributions</li> <li>Business disruption</li> <li>Reputational damage</li> <li>Increased capital reinvestment</li> </ul>	<ul style="list-style-type: none"> <li>Committed capital expenditure</li> <li>Successful and positive results from Best Companies employee surveys</li> <li>IT contingency plans</li> </ul>
7.	<b>Investment in people</b> Inability to attract, enhance, motivate and retain staff members	<ul style="list-style-type: none"> <li>Business disruption</li> <li>Reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>Investment in people and internal process improvements</li> <li>Delivery against strategic business objectives</li> </ul>

The assessment of the likelihood, impact and crystallisation timing of the identified risks is shown in the graph below:



The assessment of the likelihood, impact and crystallisation timing is consistent with the prior year assessment with the exception of risk 3 which has moved into the high likelihood, high impact and within 6 month category.



Our strategy of having the right brands in the right locations combined with excellent operational execution leaves us well placed to continue to make good progress against our goals. The Group has produced a resilient performance in difficult market conditions with underlying growth across the majority of the business, which demonstrates the resilience of the Lookers business model.

Our new car business has performed well in a challenging market and whilst volumes are expected to continue to reduce, the market is forecast to remain at near historic high levels and we are well positioned to continue to take market share. We have also significantly increased our used car volumes and profit, growing our share of this market and our high margin aftersales business also continues to provide opportunities to increase both turnover and profit.

We continue to make significant investments to upgrade our facilities and enhance our multi-channel customer experience. This, together with the broad base of our franchise representation and our strong relationship with our manufacturer partners, strengthens our position as a leading UK automotive retail and aftersales service group. This will enable us to achieve future growth over the medium to long term.

The current political environment, Brexit and weaker exchange rates create a degree of uncertainty in the UK economy, which is unhelpful. We also remain conscious of consumer confidence levels and the Pound-Euro exchange rate, both of which could have an impact on our business. We therefore look forward with a degree of caution and continue to plan prudently for the business, mindful of these external factors.

However, we have a strong balance sheet which continues to be strengthened by operational cash flow with both net debt and net debt to EBITDA being at relatively low levels. We have recently renewed our bank facilities to provide higher levels of facility for an extended term, as well as ensuring substantial headroom in these facilities. This provides secure funding capacity and financial security to grow the business through further strategic acquisitions at a time when there continues to be significant consolidation opportunities within the sector. Our record of successfully integrating acquisitions and turning around performance is a significant differentiator for Lookers.

The Group has made a good start to the current financial year and our order book for the delivery of new cars in the important month of March continues to build in line with our expectations. Our used car volumes continue to show growth and there are further opportunities in aftersales.

I would like to finish my review by thanking all my colleagues at Lookers for their hard work, commitment and dedication to the Company and without whom we would not have been able to yet again deliver another resilient set of results.

**Andy Bruce, Chief Executive**  
17 April 2019



## Governance



## **Board of Directors**

### **Executive Directors**



#### **Andy Bruce**

##### **Chief Executive Officer**

Having studied business, mainly marketing, at Strathclyde University, Andy began his career in the motor industry in 1986 as a graduate trainee at Land Rover. He advanced to a number of dealer facing roles and eventually became Sales Director for Land Rover in the UK. Andy joined the Group in 2000 and was appointed to the Board in 2002. In March 2010 he was appointed as Managing Director of the Motor Division and Chief Operating Officer in March 2013. Andy became Group Chief Executive on 1st January 2014.



#### **Nigel McMinn**

##### **Chief Operating Officer**

Nigel is a Chartered Accountant and, prior to joining Lookers, held several senior positions; latterly as Chief Executive of Benfield Motor Group, and previously with Pendragon plc and Reg Vardy plc. He joined the Group and the Board in August 2013 as Managing Director of Lookers Motor Division and was promoted in 2017 to the position of Chief Operating Officer, which will see him focus on the execution of the Company's strategy.



#### **Robin Gregson**

##### **Chief Financial Officer**

Robin is a Chartered Accountant who started his career and qualified with Deloitte. He has previously held senior finance positions as Group Finance Director of CD Bramall plc and Cardpoint plc. Robin joined the Group and the Board in May 2009 as Group Finance Director, a position he has held since it was changed to Chief Financial Officer in 2017, this was in recognition of his contribution to the Company.

## Board of Directors

### Non-Executive Directors



**Phil White** \*<sup>‡</sup><sup>Δ</sup>  
Chairman

Appointed in September 2006. Phil was Chief Executive of National Express for nearly 10 years until 2007. He is also Chairman of The Unite Group plc and Non Executive Director of VP plc.



**Tony Bramall**

Appointed in June 2006. Tony was Chairman and Director of CD Bramall plc until February 2004.



**Richard Walker** \*<sup>‡</sup>\*<sup>Δ</sup>

Appointed in February 2014. Richard was previously an Executive Director of Talk Talk. Prior to Talk Talk's demerger with Carphone Warehouse Group plc, Richard spent 18 years with the retailer and held various positions including Managing Director for Europe and COO of the UK Business.



**Sally Cabrini** <sup>‡</sup>\*<sup>Δ</sup>

Appointed in January 2016. Sally is currently Transformation, IT and People Director for Interserve Plc. She was previously Business Services Director at United Utilities with responsibility for information technology and human resources. Prior to this, Sally held a number of senior roles with Northern Foods Plc.



**Stuart Counsell** <sup>†</sup>

Appointed in June 2017. Stuart had a long and successful career with Deloitte where he spent over 30 years, during which time he held a variety of senior management positions. As Managing Partner Finance and Legal, he was responsible for the financial and legal aspects of a £2bn professional services business.

\* Senior Independent Director  
<sup>†</sup> Member of the Audit and Risk Committee  
<sup>‡</sup> Member of the Remuneration Committee  
<sup>Δ</sup> Member of the Nomination Committee

# Chairman's statement on Corporate Governance

## Compliance statement

Throughout 2018 the Company has been in compliance with the provisions set out in the 2016 Code. The Board of Directors is collectively accountable to the Company's shareholders for good corporate governance and is committed to achieve compliance with the provisions of corporate governance set out in the 2016 UK corporate governance code issued by the Financial Reporting Council (the "Code").

In order to comply with the 2018 Code, steps are being taken to recruit a new chairman and an additional Non-Executive Director. The Board have reviewed the contents of this report and consider the document, taken as a whole, to be fair, balanced and understandable, and providing the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The basis for this view is that all of the Directors are furnished with the requisite information to perform their duties and are provided access to key members of management as they require. The Board meet regularly and are given adequate time to probe, debate and challenge business performance as and when they consider it necessary to do so. The Board has also discussed the detail of the financial results with the Audit and Risk Committee and are satisfied they have been prepared appropriately. Having gained a thorough understanding of the business each member has also had the opportunity to review and influence this report and as such have concluded in line with the statement above.

## The Board

The Board of Directors at the start of the financial year under review comprised three Executive Directors and six Non-Executive Directors. R. S. Walker, S. J. Cabrini and S.R.Counsell are considered to be independent Non-Executive Directors. W. Holmes retired on 31 March 2018.

The Code requires a balance of Executive and Non-Executive Directors such that no individual or small Group of individuals can dominate the Board's decision-making process. The number and quality of the Non-Executive Directors on the Board, with their combination of diverse backgrounds and expertise, ensures this principle is met.

The Board has a documented schedule of matters reserved for its decision which includes the following:

- agreeing objectives, policies and strategies, and monitoring the performance of the Executive management;
- approval of the Group's strategic plans and business plans;
- approval of annual and interim results;

- deciding on major changes in organisation and the shape of the Group, including entry into new fields of operation and departure from those which are no longer considered to be appropriate; and
- approving major individual capital projects.

The Chairman takes responsibility for ensuring the Directors receive accurate, timely and clear information. Monthly financial information is provided to the Directors. Regular and ad hoc reports and presentations are circulated, with all Board and committee papers being issued in advance of meetings by the Company Secretary. In addition to formal Board meetings, the Chairman maintains regular contact with the Chief Executive and the other Directors to discuss specific issues. In furtherance of their duties, the Directors have full access to the services of the Company Secretary and may take independent professional advice at the Company's expense.

The Chairman believes that given the experience and skills of its particular Directors, the identification of general training needs is best left to the individual's discretion. If any particular development need is identified through the Board's formal appraisal process or by an individual Director, the Company makes the necessary resources available. The Chairman takes overall responsibility for the Directors' training.

## Director roles

P. M. White is the Non-Executive Chairman and A. C. Bruce is the Chief Executive Officer. The Chairman leads the Board and the Chief Executive Officer manages the Group and implements the strategy and policies adopted by the Board. The division of responsibilities between the role of Chairman and Chief Executive Officer has been set out in writing.

R. S. Walker was the Senior Independent Director throughout the year. It is his primary responsibility to provide a communication channel between the Chairman and the Non-Executive Directors and to ensure that the views of each Non-Executive Director are given due consideration. The Company Secretary would minute any unresolved concerns expressed by any Director.

The Company maintains appropriate Directors' and Officers' insurance in respect of legal action against its Directors.

# Chairman's Statement on Corporate Governance

## Attendance at meetings

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

Scheduled meetings held in 2018

	Board	Audit	Remuneration	Nomination
<b>Number held</b>	<b>10</b>	<b>3</b>	<b>2</b>	<b>1</b>
<b>Number attended</b>				
D. C. A. Bramall	9	1*	1*	-
A. C. Bruce	10	2*	1	-
S. J. Cabrini	10	3	2	1
S. R. Counsell	10	3	2	-
R. A. Gregson	10	3*	1*	-
W. Holmes**	2	1	2	-
R. S. Walker	10	3	2	1
N. J. McMinn	10	-	-	-
P. M. White	10	3*	2	1

\*in attendance by invitation of the Committee for all or part of the meeting.

\*\* W. Holmes retired in 2018 hence limiting his attendance at Board and Committee meetings.

## Accountability and audit

### Going concern

After making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In forming this view, the Directors have reviewed trading and cash flow forecasts and have also taken into consideration that the Group's banking facilities remain available to them and are appropriate given the Group's current trading, medium-term plans and conditions in the global economy. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Further details surrounding the Directors' rationale regarding the going concern assumption are included in the Principal Accounting Policies section.

## Risk management and internal control

### How risk is managed

The Board and the Board's sub committees each operate to a set meeting agenda which ensures that all relevant risks are identified and addressed by appropriate controls. The Board and the Board's sub committees review management information which helps prescribe operating controls and monitor performance against strategy and business plans.

The Non-Executive Directors have a particular responsibility for monitoring financial and performance reporting, and to ensure that progress is being made towards the Group's strategic goals. The Board's responsibilities also include assessing the effectiveness of internal controls and the management of risk.

## Review of risks during the year

The Board has considered all strategic matters, received key performance information on operating, financial and compliance matters and reviewed the results of corresponding controls and risk management. The Audit and Risk Committee provides the Board with timely information and reports on all relevant aspects of risk and corresponding controls. The Board reviews all key Group policies and ensures all matters of internal control receive adequate Board scrutiny and debate.

At Board meetings, and informally via the Chairman, all Directors have the opportunity to raise matters of particular concern to them. There are no unresolved concerns in 2018.

The Board considers that the Group's systems provide information which is adequate to permit the identification of key risks to its business and the proper assessment and mitigation of those risks. Based on the Audit and Risk Committee's work, the Board has performed a high-level risk assessment, to ensure that (i) the principal risks and uncertainties facing the Group's business have been identified and assessed, taking into account any adaptations made to the Group's business strategies; (ii) that appropriate mitigation is in place, and (iii) any updates or amendments to the Group's risk management policies are made and communicated to all members of staff.

# Chairman's Statement on Corporate Governance

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## Identifying, evaluating and managing risks

There is a process ongoing throughout the year for identifying, evaluating and managing the significant risks faced by the Group. This includes considerations over the identification of emerging risks. Progression is being made to embed internal control and risk management further into the operations of the businesses and to deal with areas of improvement which come to the management's and the Board's attention.

There has been continued development of the Group's review of business risks through the Risk Committee, which meets on a regular basis to review operational and business risks as well as the controls and mitigating factors that reduce these risks. The Risk Committee reports via the Non-Executive Directors to the Audit and Risk Committee.

The Board acknowledges that any actions it considers necessary have been or are being taken to remedy any such failings and weaknesses that it has determined to be significant from its review of the system of internal control. This has involved considering the matters reported to it and developing plans and programmes that it considers are reasonable in the circumstances.

The Directors acknowledge that they are responsible for the Group's system of internal control, for setting policy on internal control and for reviewing the effectiveness of internal control. The role of management is to implement Board policies on risk and control.

## Information and support

To ensure that the Board's decisions are fully informed and debated, the chairman ensures that the Board's business agenda is set timely to allow appropriately detailed information to be circulated to all Directors before meetings. The Company Secretary facilitates the flow of information within the Board, attends all Board meetings and is responsible for advising the Board and its committees, through their respective chairmen, on corporate governance and matters of procedure.

All Directors have access to support from the Company Secretary on matters of procedure, law and governance and in relation to their own induction and professional development as Board members.

All Directors are entitled to take independent advice at the Company's expense, and to have the Company and other Board members provide the information required to enable them to make informed judgements and discharge their duties effectively.

## Establishing risk management and internal controls

### Accountability

The Board is responsible for risk management and internal control against the backdrop of fulfilling the Group's objectives. The Board has established a system of control that addresses the mitigation of business and operational risks as well as the Group's financial reporting.

The system of internal control is designed to manage, rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. In December 2018 the Board commissioned an independent review of the Group's internal control, risk assurance systems and internal audit. The review will be completed and agreed actions implemented during 2019.

### Financial reporting

The Executive Directors oversee the preparation of the Group's annual corporate plan; the Board reviews and approves it and monitors actual performance against it on a monthly basis. When deemed appropriate, revised forecasts are prepared and presented for Board review and approval. To ensure that information consolidated into the Group's financial statements is in compliance with relevant accounting standards and the Group's own accounting policies, internal reporting data is reviewed regularly.

Under the scrutiny of the Audit and Risk Committee, reviews of the appropriateness of the Group's own accounting policies take place each reporting period. The Audit and Risk Committee considers reports from the Group's external auditor, the application of Accounting Standards and the reliability of the Group's system of control of financial information.

During 2018 there have been enhancements in the Group's internal controls over financial reporting which has led to improvements in the speed of internal financial reporting data being made available to the business. The Board consider this to be an enhancement of the controls that already existed under the previous internal reporting process. In parallel to this, detailed consideration has also been made regarding the application and impact of the new Accounting Standards which are relevant for this reporting period.

The Board consider that there have been no other changes that have occurred during the year which has, or is likely to have, a material effect on the Group's internal controls over financial reporting.

Controls have been designed to ensure that the Group's financial reporting presents a true and fair reflection of the Group's financial position. As such, as at 31 December 2018, the Board have concluded that the Group's systems of control over financial reporting were effective.

# Chairman's Statement on Corporate Governance

## Operational and other risks

The Board has the responsibility for identifying and evaluating risks facing the Group's businesses on a day-to-day basis and this is supported by the Audit and Risk Committee via the internal audit function.

The internal audit function undertakes detailed work on risk assessment and oversees the effective implementation of any new measures designed to mitigate or meet any specific risks or threats. Results of their procedures are communicated to the Audit and Risk Committee.

The Board and any of its committees is able to refer specific risks to the internal audit function for evaluation and for controls to be designed or modified. Any design or modification of controls is made in consultation with operational management. The Executive Directors are responsible for communicating and implementing mitigating controls and operating suitable systems.

The internal audit function continues to monitor and review the Group's anti-bribery controls, including the development of e-learning, gifts and hospitality training, Consumer Rights Act 2015 training, Modern Slavery Act 2015 awareness and further initiatives to reduce incidences of theft and fraud.

## Materiality

The financial statements aim to provide a fair, balanced and understandable assessment of the Group's business model, strategy, 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 risks identified in the risk management process
- Feedback from key stakeholders during the course of the year

## Internal control

The Code requires the Company to maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets. The Board must review the effectiveness of the system at least once a year, covering all material controls, including financial, operational and compliance controls and risk management systems, and report to shareholders that it has done so. The Turnbull Report, adopted by the UK Listing Authority, provides guidance for compliance with that part of the Code.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. Steps are being taken to embed internal control and risk management further into the operations of the businesses and to deal with areas of improvement which come to the management's and the Board's attention.

The process has been in place throughout the year and up to the date of approval of the Annual Report & Accounts. It is regularly reviewed by the Board and accords with the guidelines set out in the FRC'S Guidance on Risk Management, internal control and related financial and business reporting.

The Board confirms that the actions it considers necessary have been or are being taken to remedy such failings and weaknesses that it has determined to be significant from its review of the system of internal control. This has involved considering the matters reported to it and developing plans and programmes that it considers are reasonable in the circumstances. The Directors acknowledge that they are responsible for the Group's system of internal control, for setting policy on internal control and for reviewing the effectiveness of internal control. The role of management is to implement Board policies on risk and control.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. As at 31 December 2018, notwithstanding the control findings that have been identified in response to the independent review that was commissioned as highlighted on page 46, the Board have concluded that there have been no significant internal control issues that would give rise to a material impact on the Annual Report & Accounts.

The Group has an internal audit function that reports to the Audit and Risk Committee. Detailed control procedures exist throughout the operations of the Group and compliance is monitored by management, internal auditors, and, to the extent that they consider necessary to support their audit report, the external auditor.

The board confirms it has performed its annual review of the effectiveness of internal control. The Board has concluded that, as at 31 December 2018, the Group's systems of control over financial reporting were effective.

# Chairman's Statement on Corporate Governance

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## Relations with shareholders

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

All Company announcements are posted on our website [www.lookersplc.com](http://www.lookersplc.com) as soon as they are released. Our website contains a dedicated investor relations section, [www.lookersplc.com](http://www.lookersplc.com), with an archive of past announcements and presentations, historical financial performance, share price data and a calendar of events.

The principal communication with private investors is through the Annual Report & Accounts, the Interim Report and the Annual General Meeting. A presentation is made at the Annual General Meeting to facilitate greater awareness of the Group's activities.

Shareholders are given the opportunity to ask questions of the Board and of the Chairman of each Board Committee and to meet the Directors informally after the meeting. Separate resolutions are proposed for each item of business and the 'for', 'against' and 'vote withheld' proxy votes cast in respect of each resolution proposed at the Meeting are counted and announced after the shareholders present have voted on each resolution. Notice of the Annual General Meeting is posted to shareholders at least twenty one days before the date of the Annual General Meeting.

## Diversity

We are an equal opportunities employer with comprehensive policies that ensure all employees, customers, or third parties can enjoy an environment free from discrimination, victimisations, and harassment based on any or all protected characteristics. We are committed to policies that address any incidents where we have under-represented groups within our population, and to eradicating discrepancies in remuneration. Our continued objective is to reflect our customers, and the communities within which our business operates. We strive for an environment that is inclusive, respectful, and nurtures all regardless of difference.

In 2018 we launched the 'Lookers is for Everyone' campaign aiming to identify and celebrate the diversity within the Group. Fronted by the CEO, we showcase and celebrate the diverse workforce within our organisation. It is mandatory for all Lookers employees to complete e-learning on diversity and equality every calendar year. New starters and Line Managers undertake additional learning on our values, and inclusive policies.

In 2018 we have been externally recognised for our progress on Inclusion and Diversity. We moved up 30 places on The Stonewall Workplace Equality Index and achieved finalist status in the Annual Apprentice Conference (AAC) awards for 'Diversity Apprenticeship Award 2018'.

## Culture

We acknowledge that our culture plays a fundamental role in underpinning the delivery of business strategy and that the Board is ultimately responsible for ensuring that our activities reflect the culture we wish to instil in our colleagues and other stakeholders. Culture is not something that is easily measured, moreover it is a set of drivers which set the tone for our behaviours as individuals, within teams and with our multiple stakeholders.

Adapting to developments in regulation affecting the motor retail industry and the fast pace of change of customer demands and behaviours, is a key challenge and an important priority for the Group. In December 2018 the Board commissioned an independent review that indicated there were some control issues in the sales process concerning our regulated activities and which will require an improvement plan to be produced and implemented, which is now in progress. This may result in changes to the Group's operating model to ensure that the business is in a strong position to meet current and future conduct requirements, including the Senior Managers and Certification Regime which is extended to FCA solo regulated firms later this year.

The Board is committed to promoting a strong and positive culture and upholding our well-established core values that underline how we run our business. At the Board, there is a clear emphasis on setting the tone from the top and leading by example.

In 2019 we have commenced with the implementation of a formal workforce engagement mechanism and have designated Sally Cabrini to act as the Board spokesperson to ensure that employee matters are regularly consulted upon and that matters such as financial and economic factors affecting the Group are appropriately filtered down to all staff members. Further considerations over the employee interaction initiatives undertaken by the Board in 2018 are given on page 52.

## P. M. White

Chairman  
17 April 2019

# Report from the Chairman of the Nomination Committee

Dear Shareholder

The Nomination Committee comprises P. M. White (chair), S. J. Cabrini and R. S. Walker. The Committee reviews the size, structure and composition of the Board and Committees and makes recommendations to the Board with regard to any changes that are considered necessary. The Committee also reviews the time required of Non-Executive Directors.

The Nomination Committee is responsible for assisting the Board in the formal selection and appointment of Directors (including Non-Executive Directors) and considers succession planning for the Board. In considering an appointment, the Nomination Committee evaluates the balance of skills, knowledge and experience of the Board and prepares a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, open advertising or external search agencies will be used by the Committee, where appropriate. It also considers potential candidates and recommends appointments of new Directors to the Board. The appointments are based on merit and made against objective criteria including the time available and commitment which will be required of the potential Director.

The Committee has the power to employ the services of such advisors as it deems necessary in order to carry out its responsibilities and may retain appropriate Executive search consultants having prepared a job specification for the role.

The UK Corporate Governance Code includes a recommendation that boards should consider the benefits of diversity, including gender, when making board appointments. The Board recognises the importance of gender balance and considers this issue among the wider issues of diversity where the most important requirement is to ensure that there is an appropriate range of experience, balance of skills and background on the Board.

## Evaluation of Board performance

A formal independent evaluation exercise in relation to the Board and its Committees was undertaken in 2016 by Aretai Consulting Limited (which has no other connection with the Company). This considered the balance of skills, experience, independence and knowledge of the Company on the Board, its diversity including gender, how the board works together as a unit, and other factors relevant to its effectiveness.

The results of that evaluation indicated that the Board (and its Committees), generally, operated effectively. Certain recommendations were made as a result of this evaluation and these have been or will be subsequently implemented. A follow-up external evaluation will be performed in 2019 and an internal Board evaluation was carried out in 2018.

The evaluation of the effectiveness of individual Directors was, in the case of the Non-Executive Directors, carried out by the Chairman and, in the case of the Chairman, by the Non-Executive Directors, in each case taking account of the views of the Executive Directors.

The evaluation of the effectiveness of the Executive Directors was carried out as part of the annual appraisal procedure by the Chief Executive in the case of the other Executive Directors and by the Chairman in the case of the Chief Executive Officer.

## Appointment and selection of Directors

### Appointments

The Code requires there to be a formal, rigorous and transparent procedure for the appointment of appropriate new Directors, which should be made on merit and against objective criteria. The Board has an established Nominations Committee for this purpose and its terms of reference are available from the Company Secretary. The Board approves the appointment and removal of Directors.

The Board is aware of the other commitments of its Non-Executive Directors and is satisfied that these do not conflict with their duties

as Non-Executive Directors of the Company.

The service contracts of Executive Directors and the letters of appointment of Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting.

Directors receive induction on their appointment to the Board as appropriate, covering matters such as the operation and activities of the Group (including key financial and business risks to the Group's activities), the role of the Board and the matters reserved for its decision, the tasks and membership of the principal Board Committees, the powers delegated to those Committees, the Board's governance policies and practices, and the Group's latest financial information. The training and induction process for Directors takes into account the development of the Group and applicable governance standards. Major shareholders are offered the opportunity to meet new Directors as any appointments are made.

The requirement to propose Directors for re-appointment at regular intervals is met by requiring that at all Directors are to seek re-appointment at each Annual General Meeting.

In accordance with the Code, each new Non-Executive Director is appointed for a specified term, being an initial period from appointment to the next Annual General Meeting where they will be subject to re-appointment at that meeting. There is a general assumption on the part of the Board that independent Non-Executive Directors will not normally be invited to stand for re-appointment after serving six years.

## Recruitment and succession planning

It is the belief of the Nomination Committee that succession planning and recruitment should mirror the changing strategic needs and objectives of the Group as it aims to deliver on its long term strategy and it is an important factor in developing a strong corporate culture and development of the "tone from the top".

To this end we are committed in the progression of achieving diversity in its widest sense in the composition of the Board and Senior Management. The Group has developed policies which have been designed to positively support the development opportunities for key individuals regardless of gender, ethnicity or social background.

The 2018 Corporate Governance Code includes a recommendation that the Chairman of the Board should not have a tenure in excess of 9 years. This is a new recommendation which has an impact on Lookers as I have been Chairman for over 12 years. As a result, during early 2019, the Committee commenced the recruitment process for a new Board Chair and an additional Non-Executive Director. The brief has been developed to ensure that the commitments to our inclusivity and diversity objectives both at a Board and Senior Management level are upheld and balanced with the requirement for a balanced "fit" with the existing Board members. The appointment of an external agency to support the process is underway.

The Committee has also engaged with ongoing initiatives in the business as a whole to improve diversity ratios and gender balance, through meetings and discussions with management, monitoring progress and ensuring these principles are followed in any briefs provided to third party consultants. The recruitment process is ongoing, and we expect to conclude on the selections and make an announcement within the next 12 months. At this point I expect to step down as Chair and my replacement will take office.

**P. M. White**  
Chairman  
17 April 2019

# Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, published by the Financial Reporting Council in September 2014 (the 'Code'), the Directors have assessed the viability of the Company over the three-year period to 31 December 2021.

The Directors believe this period to be appropriate as:

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

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

These represent stresses which include the following potential scenarios:

- 5% reduction in sales and variable direct costs
- 10% reduction in sales and 5% reduction in variable direct costs
- 10% reduction in sales, 5% reduction in variable direct costs and 5% reduction in gross margin

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

This analysis has been supplemented by the considerations over principal risks and uncertainties that may affect the business coupled with the mitigating controls that the Group has established.

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

- Any adverse effect following Brexit and the associated potential for political instability, changes in the level of consumer credit and/or market confidence. This is mitigated by continued delivery of our business strategy and maintaining the diversity in our manufacturers and brands as well as our sales mix and revenue channels.
- Repayment of external working capital facilities and long-term loans. This is mitigated by achieving optimal working capital efficiency and debt repayment forecasting and ensuring an open dialogue with syndicated banks is maintained.

Based on the results of this analysis and the assessment of risks and associated controls, the Directors have a reasonable expectation that the Group will be able to continue in operation, comply with facility covenants and meet its liabilities as they fall due over the three-year period of their assessment.

During 2018, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Directors believe that the Group is well placed to manage its business risks successfully, having taken into account the current economic outlook.

Accordingly, the Board believes that, taking into account the Group's current position, and subject to the principal risks faced by the business, the Group will be able to continue in operation and to meet its liabilities as they fall due for the period up to 31 December 2021.

The directors have also considered viability for a longer period of time which could be considered to be commensurate with average investment horizons that might be appropriate to shareholders.

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

# Report from the Chairman of the Audit and Risk Committee

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## Report from the Chairman of the Audit and Risk Committee

### Dear Shareholder

The Committee comprises Stuart Counsell (chair) Richard Walker and Sally Cabrini. The Committee members have, through their previous and current business activities, broad commercial experience and significant experience in financial matters. Committee member biographies are set out on page 41.

The full Committee met formally three times during 2018. Each meeting was attended by the Chairman of the Board, the Chief Financial Officer and the Head of Internal Audit. The external audit partner and members of his team also attended every meeting.

There is regular dialogue between Committee members and the external auditors, the Chief Financial Officer and the Head of Internal Audit.

### Key responsibilities

- Review the integrity of the financial statements and results announcements
- Review and assess the Group's framework for effective financial reporting, internal control and risk assurance
- Oversee the external auditor relationship including appointment, remuneration, independence and effectiveness
- Review the scope of work and effectiveness of internal audit
- Monitor the work of the Risk sub committee
- Consider the appropriateness of the Board's going concern and viability statements
- Review of the Interim Report and the Annual Report & Accounts to ensure they are fair, balanced and understandable
- Evaluation of the effectiveness of the Audit and Risk Committee

### Risk management and internal control

The Committee's work addressed the following areas:

#### Internal audit

The Committee received regular reports from internal audit during the year detailing the scope and extent of their work. The Head of Internal Audit attends Committee meetings and presents the results and gradings of dealership visits together with fraud register updates.

A member of the Committee attends the quarterly meetings of the Risk sub committee which is chaired by the Chief Financial Officer. This Group receives reports from individuals responsible for specific risk areas and monitors their progress in identifying and responding to risk. These reports, which in 2018 included cyber risk and compliance, update the Group-wide risk register which is reviewed by the Committee and periodically by the main Board.

#### IT systems

The Committee received update presentations on IT

performance, controls, and systems integration from both the Head of IT and the external auditors. KPMG were appointed during the year to review the structure of the IT department. Their report and recommendations are currently under consideration.

### Other risk matters

The potential impact of Brexit on Group operations is monitored on a regular basis. Specific references are set out in the Annual Report & Accounts as follows:

- Financial review (pages 29 and 30)
- Risk overview and management (pages 34 to 36)
- Viability statement (page 48)
- Goodwill note (page 100)

There are regular reports at Board level detailing customer complaints and outcomes and health and safety performance data.

### Whistleblowing

The Group's arrangements for reporting by employees of concerns about possible improprieties in financial reporting or other matters are set out in the Employee Handbook. The Committee considers there is a well defined procedure for the reporting of concerns.

### Independent review

In December 2018 the Board commissioned an independent review of the Group's internal control, risk assurance systems and internal audit following the receipt of a report indicating some administrative control findings in some areas of the business subject to FCA regulation. The review will be completed and agreed actions implemented during 2019.

### Evaluation of Committee performance

An independent evaluation of the Board and its Committees was undertaken in 2016 by Aretai Consulting Limited. A further independent evaluation will be performed in 2019.

### External audit

The successful review of auditor effectiveness included:

- Assessment of the experience and quality of the audit team
- Consideration of their audit plan and risk assessment
- Monitoring execution of the audit plan
- Assessing the quality of reporting, adherence to professional standards and approach to significant issues

We are also satisfied that the external auditor is independent after considering their independence statement and considering the level and type of non-audit services provided. Following the retirement of the previous audit partner, a new audit partner, Christopher Robertson, assumed responsibility for the 2018 audit. We are satisfied he has appropriate experience and sector knowledge.

Deloitte have been the Group's external auditors since their appointment for the year ending 31 December 2006 and this is their 13th successive year. A formal re-tendering process was last undertaken in the financial year ending 31 December 2016.

# Report from the Chairman of the Audit and Risk Committee

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## Financial reporting and significant judgement areas

The Committee reviews the financial statements and assesses whether suitable accounting policies have been adopted and whether management have made appropriate estimates and judgements.

The Committee reviews accounting papers prepared by management which address these critical judgement areas and key accounting issues and is satisfied that the accounting policies, estimates and judgements adopted by management are reasonable and appropriate.

The Committee review management's papers and consider the appropriateness of the treatments proposed, taking into account input from the external auditors.

## Goodwill and intangibles (Key estimate page 84 and notes 8 and 9 to the financial statements)

We considered management's impairment review of the Group's goodwill and intangible assets. This involved reviewing future cash flows and the significant assumptions used to assess impairment including appropriate discount and long term growth rates. Following our review, we are satisfied that the impairment assessment supports the carrying value of the underlying assets concerned and that the sensitivity analysis disclosures are appropriate.

## Inventories (Key estimate page 84 and note 12 to the financial statements)

The valuation of inventories is a critical issue and represents a significant component of the consolidated balance sheet. Specific consideration was given to a review of the accuracy of inventory provisioning particularly used vehicles which can fluctuate as a result of market factors and vehicle condition.

The inventory provisions were calculated on a basis consistent with the Group accounting policy which has been applied consistently year on year. We reviewed management's assessment of the overall level of inventory provisioning and concluded that the factors and judgements applied in determining the provisions were appropriate.

## Commercial income

A substantial proportion of the Company's profitability is dependent on the receipt of commercial income from manufacturer partners. The principal risk relates to recognition and recoverability. The Committee considered this risk and the controls over it with management so as to be satisfied that the income recognised is not materially mis stated.

## Pensions (Key estimate page 84 and note 21 to the financial statements)

The Group operates three defined benefit schemes, two of which have an excess of liabilities over assets. The Committee discussed the assumptions underlying the valuations with management and reviewed reports from external providers instructed by the Company and concluded that the assumptions are reasonable and appropriate.

## Going concern and viability statement

The Committee performed a detailed review of the Group's financial projections, facilities and covenants covering the three year viability assessment period to 31 December 2021. The Committee considered different scenarios prepared by management which take into account the principal risks faced by the business.

Following our review and discussions with management the Committee supports the appropriateness of the going concern assumption and the viability statement set out in the Chairman's Statement on Corporate Governance on pages 43 and 48 of the Annual Report & Accounts.

## Non audit services

The external auditor is precluded from engaging in non-audit services that would compromise their independence or objectivity or contravene any laws or regulations affecting their appointment as external auditors. Audit Committee approval is required prior to awarding non audit contracts above a de-minimus amount of £10,000.

Non audit fees of £20,000 (2017: £20,000) were incurred in respect of agreed upon procedures in reviewing the Company's interim announcement. The Committee considered that given the nature of the procedures, that the engagement of the external auditors was the most appropriate appointment.

## Financial reporting

Our responsibility in this area is to review and, where necessary, challenge the actions and judgements of management in relation to the Interim Report and Annual Report & Accounts and associated announcements paying specific attention to:

- The overall approach and processes employed in financial reporting.
- Critical accounting policies and practices.
- Matters requiring significant judgements and estimates.
- The appropriateness of disclosures and compliance with accounting standards and other relevant regulatory requirements.

In forming our view on the Annual Report & Accounts the Committee engaged with the external auditor throughout the audit process by way of presentations and discussions concerning these critical matters.

The Committee concluded that the Annual Report & Accounts taken as a whole are fair, balanced and understandable, and provide the necessary information to assess the Group's performance and financial position.

## S. R. Counsell

Chairman of the Audit and Risk Committee  
17 April 2019

# Corporate Social Responsibility review

## Corporate Social Responsibility management

The Main Board of Lookers is responsible for setting the Group's strategy, values and standards regarding social, environmental and ethical issues. It delegates the responsibility for implementing strategy and instils values and standards throughout the Group's businesses. The operating companies each include social, environmental and ethical issues in their risk assessment processes. This enables the Board to ensure that any potential problems are identified and contingency strategies are in place.

## Lookers and the environment

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

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

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

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

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

1. CRC Energy Efficiency Scheme, whereby we report to the Environment Agency each year. We have been fully compliant for the past eight years. Like for like CO2 emissions in 2017 / 2018 increased by 12.5% compared to the previous year.
2. Greenhouse Gas Reporting (GHG). This is our sixth year of reporting and the results are shown at the end of this section.
3. Energy Savings Opportunity Scheme (ESOS). This reporting requirement was introduced by the European Union and we achieved compliance during 2015.

Our continuous programme of dealership newbuilds and refurbishments offers us the opportunity to deploy the latest and most efficient building materials together with systems to control the use of water, heating, cooling and lighting. We continue to seek to achieve waste reduction within our businesses and can report that:

- (a) our water management processes, which monitor and reduce usage, continue to be effective. Our like for like water charges decreased by 0.1%.
- (b) during 2018 we recycled 72.7% of all waste (2017: 73.6%)

## Mandatory carbon reporting

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

This is our sixth year of mandatory carbon reporting and covers the period 1 April 2017 to 31 March 2018.

Our carbon reporting methodology is the Greenhouse Gas Protocol and the requirements of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations. Our reporting boundary is the financial control method and covers all occupied premises and vehicles operated by the Group, whether owned or leased, relating to our UK based operations. Data relating to our business in the Republic of Ireland has been excluded. As this business accounts for 1.3% of our turnover, this exclusion is not considered material.

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

Our mandatory carbon reporting data for the 2017/2018 and 2016/2017 reporting years are summarised as follows:

	2017/2018		2016/2017	
	(tCO2e) (tCO2e/£m)		(tCO2e) (tCO2e/£m)	
<b>Scope 1</b>				
Gas	5,911	1.23	5,601	1.21
Vehicle fuels	<u>18,056</u>	<u>3.75</u>	<u>22,426</u>	<u>5.29</u>
Total	23,967	4.98	30,027	6.50
<b>Scope 2</b>				
Electricity	<u>13,127</u>	<u>2.73</u>	<u>15,585</u>	<u>3.37</u>
<b>Statutory Total</b>	<b><u>37,094</u></b>	<b><u>7.70</u></b>	<b><u>45,612</u></b>	<b><u>9.87</u></b>

\*Statutory carbon reporting disclosures required by Companies Act 2006.

# Corporate Social Responsibility review

## Lookers and ethics

We believe that integrity in the Group's relationships with customers, suppliers, staff, shareholders, regulatory agencies and the community is important and gains the respect of all its stakeholders. Treating customers fairly is now embedded into the Group's ethos and will continue to be part of the Group's culture.

We make every effort to ensure our people are aware of these expectations and that they contribute to the high standards required of them. This statement, together with our corporate values, is at the heart of how Lookers conducts its business, externally in its relationships with stakeholders and internally through its performance management and promotion processes.

## Human rights

We are also very conscious of human rights issues within the Company and the key area that would impact our business would be across our supply chain. All of our directly employed staff are based in the UK or the Republic of Ireland and are covered by UK and Irish employment law. Our supply chain in the motor division is predominantly the major international motor manufacturers who clearly take these issues very seriously as well.

## Lookers as an employer

People are crucial to Lookers' success. This approach is reflected in our policies on recruitment and retention, staff share scheme, staff communication, and health and safety.

## Recruitment and retention

We ensure that the Group has fair employment terms for our people. Employment handbooks set out formal policies for key issues such as equal opportunities, disciplinary and grievance procedures, sexual, religious and racial harassment.

Our Group Director of People is responsible for raising employment standards and implementing best practice employment policies throughout the organisation. Performance reviews are conducted at least once a year and include an assessment of each individual's training needs. We have a comprehensive training programme for our people which has received industry recognition in the form of national awards from the automotive industry.

## Staff communication

We believe that our people have a right to be kept informed. Regular discussions take place to keep people updated and to seek out their ideas and opinions.

Face-to-face dialogue between managers and staff takes place regularly; information is communicated through our

Group intranet site "Engage", which is used by the majority of our staff on a regular basis. We also use newsletters and updates to keep our staff informed. In 2018 we introduced Workplace by Facebook as a new internal communication tool across the Group to enable more engagement, support our charity initiatives, and to assist our senior management to connect easily and effectively with their teams.

## Health and safety

We aim to do all that is reasonably practicable to ensure the health, safety and welfare of our people, and others who may be affected by our activities. The Main Board maintains ultimate responsibility for health and safety issues at Lookers with the manager responsible for the day-to-day responsibility, supported by all levels of management. This policy is defined in the Group's Health and Safety policy statement and all staff are issued with, or have access to, a detailed health and safety guide.

The statistics for the Group, under UK Health and Safety regulations for the year ended 31 December 2018, are set out below:

	2018	2017
Number of fatalities	-	-
Injuries resulting in absence over three days	42	38
Major injuries reported under RIDDOR*	27	14
Dangerous occurrences reported under RIDDOR*	-	-
Number of enforcement notices issued by HSE	-	-
Number of prohibition notices issued by HSE	-	-

\*Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995

The Company takes health and safety issues very seriously and has recently strengthened procedures in this area with an increased focus on the frequency and scope of health and safety audits as well as ensuring that remedial action is taken to address matters raised by these audits.

## Lookers and the community

Lookers are committed to playing an active role in the communities it serves. All our businesses operate their own community programmes and fund raising charity events. In addition, some charities are supported at a Group level such as the motor trades' BEN. In December 2018 Lookers donated £215,000 to BEN following The Automotive Leadership Challenge.

# Directors' Remuneration Report

## Annual Statement From The Chairman Of The Remuneration Committee

Dear shareholder,

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2018.

This letter sets out the performance for the year and the resulting pay outcomes, the work undertaken by the Committee during 2018 and the implementation of the policy for 2019.

### Introduction

Our approach to remuneration is set out in our Directors' Remuneration Policy which was approved by shareholders at our AGM in 2017. A summary is included for reference on pages 57 to 60.

Our Executive pay arrangements are aligned to our strategy, thereby creating long term value for our stakeholders. We aim to pay only what is required to recruit, retain and motivate the senior management team needed to achieve this ambition.

### Executive pay

As was the case in 2017, we have faced difficult trading conditions during 2018, with a number of macro-economic and industry challenges that have impacted our ability to grow profits. Despite this, we have continued to make progress against our strategic initiatives, including the sale of new cars in a difficult market. The financial results include a 4.0% increase in turnover to £4.88 billion, but a 2.0% reduction in adjusted profit before tax ("ABPT") to £67.3m. While the reduction in profit is disappointing for me and the rest of the Board, we are comfortable that operational performance during 2018 has been a key area of focus for the whole leadership team. In particular, the actions of the management team have resulted in protection from some of the downside that our competitors have experienced, and have put us in good standing to meet the challenges of 2019.

### Annual bonus

Three-quarters of the annual bonus for Executive Directors was based on APBT. The result of £67.3m lay between the threshold and target levels of performance and accordingly a bonus of 51.6% of salary was payable. The remaining quarter of the bonus was based on an operating cash flow target. The outturn of £79.4m was below the threshold and therefore no bonus is payable for this element. The total bonus is therefore 51.6% of salary, equivalent to 34% of maximum bonus. The bonuses are payable in cash as they are below 110% of salary. The Committee is comfortable that this result is fair for the performance outcome and in the context of challenging conditions.

### Long term incentive

No LTIP award completed its performance period in 2018. The next LTIP award to be tested is due to vest in early 2020 based on performance to 31 December 2019.

### Remuneration in 2019

The Committee has been aware over the past few years of the CEO's base pay potentially falling behind market particularly when compared to some of our direct competitors. This has in

part been due to salary increases for the Executive Directors being at or below the increases granted to the wider workforce over the last five years.

As such, the Committee took the opportunity to revisit this issue over the past few months and considered the positioning of Lookers' Executive Directors against a number of market reference points, including its direct competitors, companies of a similar size to Lookers as measured by market capitalisation, both in the general market and within the retail sector. This exercise showed that whilst the CFO and COO remain broadly aligned with the market, our CEO, Andy Bruce, is positioned significantly below the market levels of pay.

The Committee is therefore keen to ensure that the CEO's remuneration package regains its level of market competitiveness against peers. Therefore an increase from £368,000 to £450,000 has been approved by the Committee for 2019.

One of the key principles in our policy is to keep base salaries below market median, with a greater emphasis on performance related pay. The Committee remains of this view and will continue to ensure there is a strong linkage between pay and performance.

Furthermore, it should be noted that for the 2019 annual bonus, whilst the annual bonus opportunity will remain unchanged at up to 150% of salary, the performance conditions will be amended as follows:

- 50% of the maximum opportunity will be subject to ABPT targets; and
- the remaining 50% will be subject to operational cash flow and strategic targets.

The Committee have decided to amend the weightings and targets of the bonus for 2019 to ensure that Executive Directors are focused on the immediate strategic priorities of the business. The specific details of the financial and strategic targets remain commercially sensitive and therefore the targets and the performance against them will be disclosed in the 2019 Remuneration Report.

### Annual bonus section of Implementation of directors' remuneration policy for 2019

The bonus opportunity for 2019 will be 150% of salary for each executive director. The performance metrics for the annual bonus will be based on operating cash flow and strategic targets (50%) and budgeted APBT (50%) of the Group, with payments for financial targets determined based on the scale set out in the Directors' Remuneration Policy.

The APBT and operating cash flow figures for the Group are set out on pages 33 and 95 respectively. The Committee is of the opinion that information on performance targets is commercially sensitive and that it would therefore be detrimental to the company to disclose details of the targets in advance. The targets will be disclosed after the end of the financial year in the annual report on remuneration for that year.

# Directors' Remuneration Report

## Annual Statement From The Chairman Of The Remuneration Committee

In 2019, we intend to grant LTIP awards of 150% of salary for the Chief Executive and 100% of salary for other Executive Directors.

The Committee has determined that the performance conditions will be unchanged from 2018 and will be measured over a three year period:

- 25% of the LTIP will be based on the ratio of Net debt to EBITDA; and
- 75% of the LTIP will be based on adjusted EPS.

The Committee is cognisant that the Company is operating in a challenging market environment in part caused by a significant level of uncertainty in relation to the withdrawal of the UK from European Union. We took this into consideration, which is reflected in external analysts' forecasts, when we set the targets for the 2019 LTIP.

A two year holding period will apply to 50% of awards vesting under the 2019 award.

### Summary of Remuneration Committee work in 2018

The following work was carried out by the Committee in 2018:

- Approval of the bonus outcome for the year ending 31 December 2017, including the use of downwards discretion to the formulaic result;
- Finalising the 2017 Directors' Remuneration Report;
- Review of total remuneration benchmarking for the Executive Directors and benchmarking of fees for the Chairman;
- Initial discussions relating to targets for the 2019 annual bonus and LTIP awards;
- Initial work to consider the possible remuneration-related implications of the 2018 UK Corporate Governance Code on Lookers;
- Approval of salaries for Executive Directors in 2019.

### Consideration of workforce remuneration

I welcome the introduction of a closer link between the work that we do as a Remuneration Committee on Executive pay and consideration of wider workforce policies and pay, as provided for in the new UK Corporate Governance Code. I have been working with our Human Resources team to gather data on workforce remuneration and this will be provided to the Committee on a regular basis going forward. Additionally, I have attended a number of meetings and workshops with the senior HR leadership team to develop a greater level of understanding in relation to pay and people practices in the business. Recognising that there are good reasons for the level and structure of Executive pay to differ from the wider employee population, the Committee will continue to consider pay across Lookers, in particular during 2019 while compiling a revised remuneration policy applying to Executive Directors from 2020 onwards.

### 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:

Pages 55 to 56	<b>At a glance</b> A summary of the main elements of remuneration including how they link to the business strategy and an overview of outcomes for the year compared to the potential pay under the policy.
Pages 57 to 60	<b>Summary of Directors' remuneration policy</b> This sets out the key aspects of the Company's policy on Directors' remuneration which was approved at the 2017 AGM.  The full policy can be found within the 2016 Annual Report & Accounts at: <a href="http://www.lookersplc.com/investors/results-centre">http://www.lookersplc.com/investors/results-centre</a>
Pages 61 to 68	<b>Annual report on remuneration</b> This sets out payments and awards made to the Directors and details the link between Company performance and remuneration for 2018 and, together with this statement, is subject to an advisory shareholder vote at this year's AGM.

### In conclusion

We gained the support of over 99% of shareholders for the annual report on remuneration at our 2018 AGM. We would like to thank shareholders for this and hope that you will continue to support this remuneration report.

Looking to 2019, I will be leading a review of the remuneration policy to be put to shareholders at the 2020 AGM. I will be working with the Board to review the arrangements to ensure they continue to align with the strategy of the business, maintain their market competitiveness and take into account developing corporate governance practice, including the provisions of the latest UK Corporate Governance Code.

By Order of the Board

**S. J. Cabrini**

Chairman of the Remuneration Committee  
17 April 2019

# Directors' Remuneration Report

## At a glance

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

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

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

	Elements of reward			
	Base salary and pension benefits	Annual bonus	Long-term incentive plan	Shareholding requirement Purpose
Purpose	Attract and retain Executives of high calibre and provide funding for short and long term benefits	Incentivises achievement of business objectives by providing a reward for performance against annual targets	Alignment of interests with shareholders by providing long-term incentives delivered in the form of shares	To ensure alignment between the interests of Executive Directors and shareholders
Operation in 2018 (audited information)	<b>Base salaries:</b> A Bruce: £368,000 R Gregson: £281,250 N McMinn: £281,250 Nil increases awarded for 2018. <b>Pension allowance:</b> 20% of salary <b>Benefits:</b> include Company car, health insurance, life assurance and the opportunity to join the SAYE	<b>Maximum bonus:</b> 150% of salary The performance targets for the 2018 bonus were based on operating cash flow (25%) and budgeted APBT (75%) of the Group The metrics for 2019 will be a budgeted APBT (50%) and operating cash flow and strategic targets (50%) Bonus earned above 110% of salary is deferred in shares if shareholding requirement is not met Bonus is subject to malus and clawback	<b>LTIP opportunity:</b> CEO: 150% of salary Other Executives: 100% of salary Based on 75% Adjusted EPS and 25% Net Debt: EBITDA 3 year performance period and 2 year holding period for 50% of the 2019 awards LTIP is subject to malus and clawback	<b>Current shareholdings:</b> A Bruce 374% vs requirement of 200% of salary R Gregson 353% vs requirement of 200% of salary N McMinn: 194% vs requirement of 100% of salary

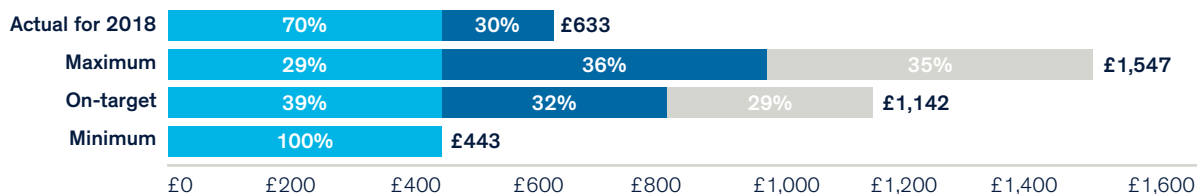
# Directors' Remuneration Report

## Annual bonus outcomes for 2018 (audited information)

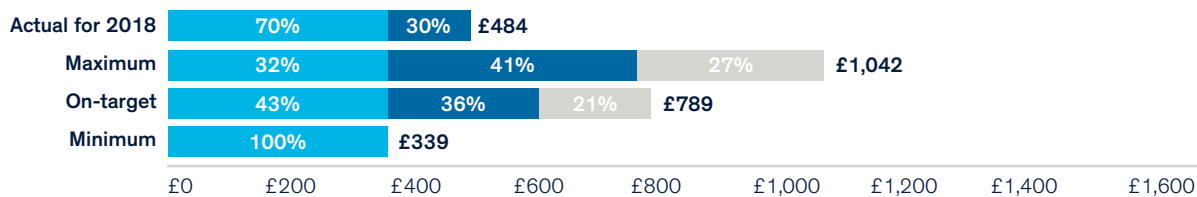
Measure	Weighting	Threshold (60% of salary earned)	Target (100% of salary earned)	Maximum (150% of salary earned)	Actual	Bonus receivable		
						A Bruce	R Gregson	N McMin
APBT of the Group	75%	£65.7m	£73.0m	£80.3m	£67.3m	£189,888	£145,125	£145,125
Operating Cash flow	25%	£105.1m	£116.8m	£128.5m	£79.4m	£0	£0	£0
Total bonus paid						£189,888	£145,125	£145,125
Total bonus paid as % of salary						51.6%	51.6%	51.6%

## Remuneration Policy scenarios and 2018 outcomes (£000) (audited information)

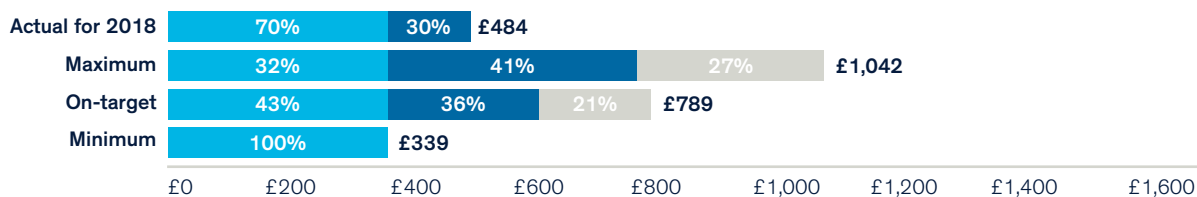
### A. C. Bruce



### R. A. Gregson



### N. J. McMin



● Salary, Benefits & Pension    ● Bonus    ● LTIP

# Directors' Remuneration Report

## Summary of remuneration policy

The policy of the Committee is to ensure that the Executive Directors are fairly rewarded for their individual contributions to the Group's overall performance and to provide a competitive remuneration package to Executive Directors, including long-term incentive plans, to motivate individuals and align their interests with those of shareholders. The Committee's policy is that base salaries are generally set below market median with a greater emphasis on performance-related pay, and that they be required to build

up a significant holding of shares in the Company.

The Company's current Directors' Remuneration Policy was approved by shareholders on 29 May 2017 at the Company's AGM and became effective from that date. The full policy was disclosed in the 2016 Annual Report & Accounts, which is available within the investor section of the corporate website and located at <http://www.lookersplc.com/investors/results-centre>. Below we provide a summarised policy.

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
<b>Base salary</b>			
Attract and retain high calibre Executive Directors to deliver strategy.	Paid in 12 equal monthly instalments during the year.	Reviewed annually.  There is no prescribed maximum increase. Annual salaries are set out in the annual report on remuneration for the current year and the following year.	None.
<b>Benefits</b>			
Provide benefits consistent with role.	Currently these consist of provision of a Company car health insurance, life assurance premiums and the opportunity to join the Company's savings related share option scheme ("SAYE").	The cost of providing benefits is borne by the Company and varies from time to time.	None.
<b>Annual bonus</b>			
Incentivises achievement of business objectives by providing a reward for performance against annual targets.	Paid in cash after the end of the financial year to which it relates, save that for an Executive Director who has not met the share ownership requirement any bonus in excess of 110% of salary is deferred into shares.	Up to 150% of salary.	Performance conditions are determined annually by the Committee and threshold and maximum targets are set for each condition.  At least 50% of the bonus is subject to targets based on adjusted profit before tax of the Company or divisional targets where appropriate.  In general, 67% of the maximum bonus is payable for hitting the target.  Payment of any bonus is subject to the overriding discretion of the Committee.

# Directors' Remuneration Report

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
<b>Long-term incentives</b>			
Alignment of interests with shareholders by providing long-term incentives delivered in the form of shares.	Grant of nil-cost options under the LTIP, which vest at least 3 years from grant subject to the achievement of performance conditions.  Vested LTIP awards may be subject to a holding period at the discretion of the Committee.	Maximum annual award over shares with a market value of 150% of base salary for the CEO and 100% of base salary for other Executive Directors.	Targets are based on single or a combination of performance metrics which includes adjusted earnings per share and net debt to EBITDA.  Threshold and maximum targets are set at grant.
<b>Pension</b>			
Attract and retain Executive Directors for the long term by providing funding for retirement.	All Executive Directors are entitled to participate in money purchase arrangements, or to receive a cash allowance in lieu of pension contributions.	20% of salary up to a maximum of the annual allowance with any excess payable as a salary supplement.	None.
<b>Share ownership</b>			
To ensure alignment between the interests of Executive Directors and shareholders.	200% of salary for the CFO and CEO.  100% of salary for other Executive Directors.	Not applicable.	Not applicable.

The annual bonus and LTIP awards are subject to malus and clawback provisions.

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

The Committee receives reports on an annual basis on the level of pay rises awarded across the Group and takes these into account when determining salary increases for Executive Directors. In addition, the Committee receives regular reports 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 also approves the award of any long-term incentives.

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

## Statement of consideration of shareholder views

The Chair of the Committee consults with major shareholders from time to time to understand their expectations with regard to Executive Director remuneration and reports back to the Committee. Any other concerns raised by individual shareholders are also considered, and the Committee also takes into account emerging best practice and guidance from major institutional shareholders.

## Approach to recruitment remuneration

The Committee's approach to recruitment remuneration is to offer a market competitive remuneration package sufficient

to attract high calibre candidates who are appropriate to the role but without paying any more than is necessary.

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

Where it is necessary to "buy-out" an individual's awards of variable remuneration made by a previous employer, the Committee will make replacement awards through a combination of performance and non-performance related awards, reflecting the profile of the awards forgone. The terms of these awards will reflect those forgone so far as is possible to provide an equivalent opportunity, including taking into account the likelihood of meeting performance conditions.

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

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

# Directors' Remuneration Report

## Directors' service contracts, notice periods and termination payments

Executive Directors have service contracts with a 12 month notice period by the Company and 6 months by the Executive Director, with no special arrangements applying following a

change of control and with the elements of variable remuneration dealt with in accordance with the rules of the relevant scheme, as more fully described in the table below:

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

# Directors' Remuneration Report

## Non-Executive Director fee policy

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
To attract Non-Executive Directors who have a broad range of experience and skills to oversee the implementation of our strategy.	<p>NED and Chairman fees are determined by the Board within the limits set out in the Articles of Association.</p> <p>An additional fee may be paid for chairing a sub-committee of the Board.</p> <p>Paid in 12 equal monthly instalments during the year.</p>	<p>Reviewed annually to reflect role, responsibility and performance of the individual and the Company.</p> <p>Annual rate set out in the annual report on remuneration for the current year and the following year.</p> <p>No prescribed maximum annual increase.</p>	None.

# Directors' Remuneration Report

## Annual report on remuneration

Save for the performance graph and table, the change in remuneration of the Chief Executive, the relative importance of the spend on pay, the implementation of remuneration policy in 2019, the consideration by the Directors of matters relating to Directors' remuneration and the statement of shareholder voting, the information set out in this part of the Directors' Remuneration Report is subject to audit.

## Single total figure of remuneration (audited information)

The following table shows a single total figure of remuneration in respect of qualifying services for the 2018 financial year for each Director, together with the comparative figures for 2017.

	Salary and fees £000		Taxable Benefits £000 <sup>1</sup>		Annual bonus £000		LTIP £000 <sup>4</sup>		Pension benefits £000		Total £000	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>Executive Directors</b>												
A. C. Bruce	368	368	1	1	190	110	-	-	74	74	633	553
R. A. Gregson	281	281	1	1	145	84	-	-	56	56	483	422
N. J. McMinn	281	281	1	1	145	84	-	-	56	56	483	422
<b>Total</b>	<b>930</b>	<b>930</b>	<b>3</b>	<b>3</b>	<b>480</b>	<b>278</b>	<b>-</b>	<b>-</b>	<b>186</b>	<b>186</b>	<b>1,599</b>	<b>1,397</b>
<b>Non-Executive Directors</b>												
P. M. White	124	124	-	-	-	-	-	-	-	-	124	124
R. S. Walker	47	45	-	-	-	-	-	-	-	-	47	45
D. C. A. Bramall	42	42	-	-	-	-	-	-	-	-	42	42
W. Holmes <sup>2</sup>	10	44	-	-	-	-	-	-	-	-	10	44
S. Cabrini	42	42	-	-	-	-	-	-	-	-	42	42
S. R. Counsell <sup>3</sup>	42	21	-	-	-	-	-	-	-	-	42	21
<b>Total</b>	<b>307</b>	<b>318</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>307</b>	<b>318</b>
<b>Aggregate Directors emoluments<sup>4</sup></b>	<b>1,237</b>	<b>1,248</b>	<b>3</b>	<b>3</b>	<b>480</b>	<b>278</b>	<b>-</b>	<b>-</b>	<b>186</b>	<b>186</b>	<b>1,906</b>	<b>1,715</b>

1. Taxable benefits include items such as a Company car, health insurance and life assurance premiums.

2. Bill Holmes retired from the board on 28 March 2018.

3. Stuart Counsell was appointed as Non-Executive Director and chairman of the audit and risk committee with effect from 29 June 2017.

4. The aggregate Directors' emoluments excluding pension and LTIP awards in 2018 was £1,720,000 (2017 - £1,529,000).

# Directors' Remuneration Report

## Salary and fees (audited information)

There was no increase in the salaries for the Executive Directors and the fees for the Non-Executive Directors for 2018.

the performance during the financial year and are paid in March following the end of the financial year. The bonuses earned by the Executive Directors in respect of 2018 are based on figures for adjusted profit before tax (APBT) and Operating cash flow. The targets, actual performance against them and the resulting bonuses earned are set out below:

## Annual bonus (audited information)

Bonuses of up to 150% of salary are earned by reference to

Performance Measure	Weighting	Threshold performance required (60% of salary earned)	On-target performance required (100% of salary earned)	Maximum performance required (150% of salary earned)	Actual performance	Total bonus value as % of salary	Bonus receivable		
							A Bruce	R Gregson	N McMinn
APBT of the Group	75%	£65.7m	£73.0m	£80.3m	£67.3m	51.6%	£189,888	£145,125	£145,125
Operating cash flow	25%	£105.1m	£116.8m	£128.5m	£79.4m	0.0%	£0	£0	£0
<b>Total</b>						<b>51.6%</b>	<b>£189,888</b>	<b>£145,125</b>	<b>£145,125</b>

The bonuses for 2018 are awarded in the form of cash as they do not exceed 110% of salary and as Executive Directors met the shareholding requirements in full as at 31 December 2018. Clawback applies to the bonuses paid for a period of two years.

four times salary and death-in-retirement pays benefits at 50%. No enhanced benefits are payable on early retirement.

No discretion was exercised by the Committee in determining bonuses.

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

## LTIP awards completing their performance period in 2018 (audited information)

No LTIP awards were due to vest based on performance to 31 December 2018.

All Directors received a salary supplement equal to 20% of salary during 2018.

## Pension entitlements and cash allowances (audited information)

A.C. Bruce remains a member of the Group defined benefit scheme, which closed to future accruals from 31 March 2011. As at 31 December 2018, Mr Bruce's accrued pension was £30.8k.

## Payments to past Directors (audited information)

No payment to past Directors were made in 2018.

## Payments for loss of office (audited information)

No payments for loss of office were made in 2018.

The scheme provides a pension of up to two-thirds of final pensionable salary on retirement at age 60 years, as well as lump sum death-in-service benefit and pension benefits based on final pensionable salary. Pension increases are in line with Limited Price Indexation. Death-in-service pays at

## LTIP awards granted in 2018 (audited information)

The LTIP awards are nil-cost rights to acquire shares and operate over rolling three year performance periods. Awards over 150% of salary were made to the Chief Executive and awards over 100% of salary were made to the other Executive Directors in 2018 as follows:

	Date of grant	Number of shares subject to award	Share price at grant	Fair value of shares <sup>1</sup>	End of performance period
A.C. Bruce	18.04.2018	601,307	£0.918	£552,000	31.12.2020
R.A. Gregson	18.04.2018	306,372	£0.918	£281,250	31.12.2020
N.J. McMinn	18.04.2018	306,372	£0.918	£281,250	31.12.2020

1. Fair value has been calculated using the closing share price on the day prior to grant.

# Directors' Remuneration Report

The vesting of the award is based 75% on Adjusted EPS performance and 25% on Net Debt to EBITDA performance

over the period from 1 January 2018 to 31 December 2020 as follows:

Performance condition	Weighting	Threshold target (20% vesting)	Maximum target (100% vesting)
Adjusted EPS	75%	15% total growth over performance period	30% total growth over performance period

Performance condition	Weighting	Threshold target (50% vesting)	Mid-point target (75% vesting)	Maximum target (100% vesting)
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

The targets have been set by the Committee in conjunction with the Board, and have been calibrated to have a stretch in excess of previous LTIP awards taking into account forward-looking business plans and external market conditions. A two-year holding period will apply to 50% of vested awards.

## Outstanding long term incentive awards (audited information)

Prior to 2015, long term incentive awards were made under The Lookers Executive Share Option Scheme (ESOS). The Lookers plc Long Term Incentive Plan (LTIP) was introduced in 2015, under which the Company now makes long term incentive awards. Details of long term incentive awards held by Executive Directors are as follows:

	Scheme	Date of Grant	Earliest Exercise Date	Expiry Date	Exercise Price (pence) <sup>1</sup>	Number at 1 January 2018	Lapsed in Year	Exercised in Year	Number at 31 December 2018
A.C. Bruce	ESOS	5.1.2011	5.1.2014	5.1.2021	Nil	269,836	-	-	269,836
A.C. Bruce	ESOS	30.6.2014	30.6.2017	30.6.2024	Nil	289,256	-	-	289,256
A.C. Bruce	LTIP	25.6.2015	25.6.2018	25.6.2025	Nil	274,615	-	-	274,615
A.C. Bruce	LTIP	12.4.2016	12.4.2019	12.4.2026	Nil	196,810	-	-	196,810
A.C. Bruce	LTIP	13.6.2017	13.6.2020	13.6.2027	Nil	450,612	-	-	450,612
A.C. Bruce	LTIP	18.4.2018	18.4.2021	18.4.2028	Nil	601,307	-	-	601,307
R.A. Gregson	ESOS	5.1.2011	5.1.2014	5.1.2021	Nil	269,836	-	-	269,836
R.A. Gregson	ESOS	30.6.2014	30.6.2017	30.6.2024	Nil	221,074	-	-	221,074
R.A. Gregson	LTIP	25.6.2015	25.6.2018	25.6.2025	Nil	209,884	-	-	209,884
R.A. Gregson	LTIP	12.4.2016	12.4.2019	12.4.2026	Nil	150,436	-	-	150,436
R.A. Gregson	LTIP	13.6.2017	13.6.2020	13.6.2027	Nil	229,591	-	-	229,591
R.A. Gregson	LTIP	18.4.2018	18.4.2021	18.4.2028	Nil	306,372	-	-	306,372
N.J. McMinn	ESOS	30.6.2014	30.6.2017	30.6.2024	Nil	221,074	-	-	221,074
N.J. McMinn	LTIP	25.6.2015	25.6.2018	25.6.2025	Nil	209,884	-	-	209,884
N.J. McMinn	LTIP	12.4.2016	12.4.2019	12.4.2026	Nil	150,436	-	-	150,436
N.J. McMinn	LTIP	13.6.2017	13.6.2020	13.6.2027	Nil	229,591	-	-	229,591
N.J. McMinn	LTIP	18.4.2018	18.04.2021	8.4.2028	Nil	306,372	-	-	306,372

# Directors' Remuneration Report

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

## All-employee share scheme awards (audited information)

Details of share options held by Executive Directors under the all-employee SAYE scheme are as follows:

	Scheme	Date of Grant	Earliest Exercise Date	Expiry Date	Exercise Price (pence)	Number at 1 January 2018	Lapsed in Year	Exercised in Year	Number at 31 December 2018
A.C. Bruce	SAYE	6.10.2014	1.12.2017	1.6.2018	108.80	8,272	8,272	-	0
A.C. Bruce	SAYE	6.10.2015	1.12.2018	1.6.2019	144.91	6,210	-	-	6,210
A.C. Bruce	SAYE	4.10.2016	1.12.2019	1.6.2020	107.47	8,384	-	-	8,374
R.A. Gregson	SAYE	6.10.2014	1.12.2017	1.6.2018	108.80	8,272	-	8,272	0
R.A. Gregson	SAYE	6.10.2015	1.12.2018	1.6.2019	144.91	6,210	-	-	6,210
R.A. Gregson	SAYE	4.10.2016	1.12.2019	1.6.2020	107.47	8,374	-	-	8,374
N.J. McMinn	SAYE	6.10.2014	1.12.2017	1.6.2018	108.80	16,544	16,544	-	0

## Statement of Directors' shareholding awards (audited information)

The table below summarises the Directors' shareholdings as at 31 December 2018. The shareholding as a % of salary is determined by reference to the share price on 31

December 2018 of £0.924. There were no changes in these shareholdings between that date and the date of approval of this report.

	Number of shares held (including by connected persons)		Vested but unexercised share options		Shareholding on 31 December 2018 as a % of salary <sup>1</sup>	Unvested share options subject to performance conditions	
	2018	2017	2018	2017		2018	2017
A.C. Bruce	657,426	657,426	833,707	559,092	374%	1,248,729	922,037
R.A. Gregson	381,427	373,155	700,794	490,910	353%	686,399	589,911
N.J. McMinn	160,000	160,000	430,958	221,074	194%	686,399	589,911
P.M. White	53,716	53,716	-	-	N/A	-	-
R.S. Walker	-	-	-	-	N/A	-	-
D.C.A. Bramall	63,487,636	63,487,636	-	-	N/A	-	-
S.J. Cabrini	-	-	-	-	N/A	-	-
S.R. Counsell	-	-	-	-	N/A	-	-

The shareholding requirement is 200% of salary for the CEO and CFO, and 100% of salary for other Executive Directors. This requirement was met in full as at 31 December 2018. The Directors' remuneration policy contains provisions for the deferral of elements of annual

bonuses into shares and post-vesting holding of shares acquired under LTIP awards for Directors who have not met the shareholding requirement, which will apply until this is met.

# Directors' Remuneration Report

## Performance graph and table

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

The table below the chart sets out the total remuneration delivered to the Chief Executive over each of the last ten years, valued using the same methodology as applied to the single total figure of remuneration.



Chief Executive	2009		2010	2011	2012	2013	2014	2015	2016	2017	2018
	H.K. Surgenor <sup>1</sup>	P. Jones <sup>2</sup>	P. Jones	P. Jones	P. Jones	P. Jones	A.C. Bruce <sup>3</sup>	A.C. Bruce	A.C. Bruce	A.C. Bruce	A.C. Bruce
Total single figure (£000)	645	568	692	583	739	1,436	806	894	1,628	553	633
Annual bonus % of maximum opportunity	100%	100%	100%	63%	100%	100%	100%	87%	67%	20%	34%
LTIP vesting % maximum opportunity (if applicable)	-	-	-	-	-	100%	-	-	100%	-	-

1. H. K. Surgenor retired on 30 September 2009.

2. P. Jones was appointed on 1 October 2009 and retired on 31 December 2013.

3. A.C. Bruce was appointed on 1 January 2014.

## Change in remuneration of Chief Executive

The following table sets out the change in the Chief Executive's salary, benefits and bonus between 2017 and 2018 compared with the average percentage change in each of those components for the employees of the Group.

	Increase in base salary	Increase in benefits	Increase in bonus
CEO	0%	0%	73%
Employees	1%	0%	0%

# Directors' Remuneration Report

## Relative importance of spend on pay

The table below sets out the total spend on pay in 2018 and 2017 compared with distributions to shareholders and which was the most significant outgoing for the Company in the last financial year.

	Spend in 2018 £m	Spend in 2017 £m	% increase
Spend on staff pay (including Directors)	287.8	280.3	3.3%
Profit distributed by way of dividend	15.6	15.0	4.0%

## Implementation of Directors' remuneration policy in 2019

### Salaries and fees

The salaries and fees to be paid to Directors in 2019 are set out in the table below, together with any increases expressed as a percentage.

	2019 salary/fees	2018 salary/fees	Increase %
A.C. Bruce	£450,000	£368,000	22.3%
R.A. Gregson	£281,250	£281,250	0.0%
N.J. McMinn	£281,250	£281,250	0.0%
Chairman	£130,000	£123,750	5.1%
Non-Executive base fee	£42,500	£42,000	1.2%
Additional fee for Senior Independent Director	£6,500	£4,500	44.4%
Additional fee for Remuneration Committee Chairman	£6,500	-	-
Additional fee for Audit and Risk Committee Chairman	£6,500	-	-

The salary of A.C. Bruce was increased to £450,000.

The following changes were made to Non-Executive fees for 2019:

- The Chairman's fee was increased by 5.1% to reflect market levels of fee for this role
- A formal fee was introduced for chairing the Remuneration Committee and the Audit and Risk Committee of £6,500 in line with prevailing market practice
- The additional fee for the role of Senior Independent Director was increased to £6,500 to reflect market levels

### Annual bonus

The bonus opportunity for 2019 will be 150% of salary for each Executive Director. The performance metrics for the annual bonus will be based on operating cash flow and strategic targets (50%) and budgeted APBT (50%) of the Group, with payments determined based on the scale set out in the Directors' Remuneration Policy.

The APBT and operating cash flow figures for the Group are set out on pages 33 and 95 respectively. The Committee is of the opinion that budgeted APBT and cash conversion information is commercially sensitive and that it would therefore be detrimental to the Company to disclose details of the targets in advance. The targets will be disclosed after the end of the financial year in the annual report on remuneration for that year.

# Directors' Remuneration Report

## LTIP

The operation of the LTIP awards will be the same as those granted in 2018.

The table below sets out the adjusted EPS targets that will apply for the 2019 award:

Performance condition	Weighting	Threshold target: EPS in 2021 (20% vesting)	Maximum target: EPS in 2021 (100% vesting)
Adjusted EPS	75%	14.2p	15.5p

The table below sets out the Net Debt to EBITDA targets that will apply for the 2019 award:

Performance condition	Weighting	Threshold target (50% vesting)	Mid-point target (75% vesting)	Maximum target (100% vesting)
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

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.

## Consideration by the Directors of matters relating to Directors' remuneration

### The Committee

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

The members of the Committee during 2018 were S.J. Cabrini, S.R. Counsell, W. Holmes (until 28 March 2018), R.S. Walker and P.M. White. The Committee met 2 times during 2018, at which all members of the Committee attended.

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 2018

The Committee carried out the following during 2018:

- Reviewed and determined:
  - salary levels for the Executive Directors and fees for the Chairman;
  - the outcome of targets under the annual bonus plan;
  - targets for the annual bonus and LTIP plan;
- Determined annual LTIP awards to Executive Directors;
- Considered developments in Executive pay and commenced work on changes required to comply with the 2018 UK Corporate Governance Code;
- Reviewed the 2017 Remuneration Report;
- Reviewed the gender pay gap report

The Committee previously appointed PwC LLP ('PwC') and received advice over the year in connection with the review of the remuneration arrangements and the implementation of awards made under the LTIP. PwC is a member of the Remuneration Consultants' Group and complies with its Code of Conduct which includes guidelines to ensure that advice is independent and free of undue influence. During the year, PwC was paid fees of £74,300 in respect of advice to the Committee relating to Directors' pay, based partly on a fixed-fee arrangement and partly on a time-spent basis.

# Directors' Remuneration Report

## Statement of voting

The latest votes in respect of remuneration matters were cast at the 2017 AGM for the Directors' Remuneration Policy and the 2018 AGM for the 2017 Annual Report on Remuneration as follows:

Resolution	Votes For	%	Votes Against	%	Abstentions
To approve the Directors' remuneration policy	247,261,973	95.29%	12,214,314	4.71%	56,312
To approve the 2017 Annual Report on Remuneration (including the Annual Statement from the Chairman of the Remuneration Committee)	248,801,025	95.50%	10,631,981	4.10%	99,593

By Order of the Board

**S. J. Cabrini**

Chairman of the Remuneration Committee

17 April 2019

# Directors' Report

## Content of the Report

The Directors present their report for the year ending 31 December 2018. Our Strategic Review on pages 4 to 38 contains the information, prescribed by the Companies Act 2006, required to present a fair review of the Company's business, a description of the principal risks and uncertainties it faces, and certain of the information on which reports and statements are required by the UK Corporate Governance Code. The Board approved the Strategic Review set out on pages 4 to 38 and the Viability Statement set out on page 48. Additional information on which the directors are required by law to report is set out below and in the following sub-sections of the Governance Section:

- Board of Directors
- Chairman's statement on Corporate Governance
- Report from the Chairman of the Nomination Committee
- Report from the Chairman of the Audit and Risk Committee
- Corporate Social Responsibility Review
- Directors' Remuneration Report
- Directors' Report
- Directors' Responsibility Statement

In the interests of increasing the relevance of the Report and reducing the environmental impact of producing voluminous reports, we have placed on our website certain background information on the Company the disclosure of which, in this Report, is not mandatory. Further details with regards to additional disclosures are made in the following notes to the financial statements:

Disclosure	Note reference
Dividends	6
Risks surrounding financial instruments and capital structure	17
Share buy-back and share capital	19
Share-based compensation	20

## Materiality

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

- Specific quantitative and qualitative criteria
- Matters critical in relation to achieving strategic objectives
- Principal risks identified in the risk management process
- Feedback from key stakeholders during the course of the year

Disclosures made within the Group's Annual Report & Accounts have therefore been based applying this concept of materiality.

## Activities

The main activities of the Group are the sale, hire and maintenance of motor vehicles and motorcycles, including the sale of tyres, oil, parts and accessories.

## Corporate Social Responsibility

The Group has a long-standing Corporate and Social Responsibility agenda and further details of this are included on pages 51 and 52 of the Annual Report & Accounts.

The UK Corporate Governance Code includes a recommendation that boards should consider the benefits of diversity, including gender when making board appointments. The Board recognises the importance of gender balance and considers this issue among the wider issues of diversity where the most important requirement is to ensure that there is an appropriate range of experience, balance of skills and background on the Board. We will continue to make changes to the composition of the Board irrespective of gender or any form of discrimination so that the best candidate is appointed.

As at the balance sheet date the Group has the following average gender splits:

	2018 Male	2018 Female	2017 Male	2017 Female
Board members	7	1	7	1
Senior management	26	2	27	2
All staff	6,390	1,932	6,282	1,893

## Directors and their interests in shares

The following were Directors of the Company at the end of the financial year and thereafter. Their interests in the issued ordinary share capital of the Company were as follows:

	31.12.18 Number	31.12.17 Number
D. C. A. Bramall	63,487,636	63,687,426
A. C. Bruce	657,426	657,426
S. R. Counsell	-	-
R. A. Gregson	381,427	373,155
N. J. McMinn	160,000	160,000
R. S. Walker	-	-
P. M. White	53,716	53,716
S. J. Cabrini	-	-

Details of Directors' share options are shown in the Directors' Remuneration Report.

All holdings are beneficial.

There was no change in the interests of the Directors in shares or share options of the Company between 31 December 2018 and 17 April 2019.

# Directors' Report

There are no other contracts with the Company or its subsidiaries in which a Director of the Company has any interest, other than service contracts (Executive Directors) or letters of appointment (Non-Executive Directors).

## Share price information

The mid-market price of the ordinary shares at 31 December 2018 was 92.4p and the range during the year was 86.5p to 113.6p.

## Directors rotation

As permitted by the Company's articles of association, the Board has decided that all Directors will retire from office at the 2019 Annual General Meeting and will seek re-election by the shareholders. Biographical details of all the Directors are included on pages 40 to 41. The Chairman confirms that each of the Directors standing for re-election continue to be effective and demonstrates commitment to the role.

## Directors indemnity provisions

The Company (and its subsidiaries) has made qualifying third party indemnity provisions for the benefit of all the Directors. Such indemnity provisions were in force during the year and remain in force at the date of this report.

## Approval of the Directors' Remuneration Report

The Company will propose at the 2019 Annual General Meeting an ordinary resolution to seek shareholder approval of the Directors' Remuneration Report for the financial year ended 31 December 2018 (other than the part containing the Directors' remuneration policy which will not require a separate resolution this year). The Directors' Remuneration Report can be found on pages 53 to 68. The vote on the Directors' Remuneration Report is advisory in nature and the Directors' entitlement to remuneration is not conditional on it being passed.

The Companies Act 2006 requires the remuneration policy to be put to shareholders for approval annually unless the approved policy remains unchanged, in which case it need only be put to shareholders for approval at least once every three years. As the policy has not changed in the year it does not need to be put forward for resolution again. The remuneration policy sets out how the Company proposes to pay the Directors and includes details of the Company's approach to recruitment, remuneration and loss of office payments.

## Ethical employment

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.

Employment within the Group is offered on the basis of the person's ability to work and not on the basis of race, individual characteristics, sexual orientation, creed or political opinion.

## Donations

Charitable donations amounted to £15,120 (2017: £59,805). No political donations were made in the current or prior financial year.

## Auditor

In the case of each of the persons who are Directors of the Company at the date when this report was approved:

- So far as each is aware, there is no relevant audit information (as defined by the Companies Act 2006) of which the Company's auditor is unaware; and
- Each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

### Substantial shareholdings

On 3 April 2019 the following shareholders, so far as the Directors are aware, had an interest in 3% or more of the issued ordinary share capital of the Company:

	At 3 April 2019	At 31 December 2018
D. C. A. Bramall and Family	63,487,636 shares (16.32%)	63,487,636 shares (16.32%)
JO Hambro Capital Management	29,540,978 shares (7.59%)	30,926,593 shares (7.95%)
Artemis Investment Management	17,114,310 shares (4.40%)	23,269,386 shares (5.98%)
Tweedy Browne	21,385,624 shares (5.50%)	21,385,624 shares (5.50%)
Legal & General Investment Management	13,170,840 shares (3.39%)	14,266,608 shares (3.67%)
Aberforth Partners	18,418,661 shares (4.73%)	12,925,000 shares (3.32%)
Janus Henderson Investors	11,693,825 shares (3.07%)	10,503,845 shares (2.70%)
Merian Global Investors	13,170,840 shares (3.27%)	-

The Directors have not been notified of any other holders of 3% or more of the issued ordinary share capital.

### Statutory, regulatory and other information

This section contains the remaining matters on which the Directors are required to report each year, which do not appear elsewhere in this Directors' report. Certain other matters which are required to be reported on appear in other sections of this Annual Report and Accounts, as detailed in the next column:

Matter	Page(s) in the Annual Report & Accounts
An indication of likely future developments in the business of the Company and its subsidiaries appears in the Strategic Review	4 to 37
The Group's profit before taxation and the profit after taxation appear in the Statement of Total Comprehensive Income	92
The Viability Statement	48
The Directors' Remuneration Report	53 to 68
Details of long-term incentive schemes as required by LR 9.4.3 R are set out in the Directors' Remuneration Report	53 to 68
The reporting on the Company's carbon footprint	51
A list of the subsidiary undertakings principally affecting the profits or net assets of the Group in the year	104
Changes in asset values are set out in the Statements of Financial Position	132
A detailed statement of the Group's treasury management and funding including information on the exposure of the Company in relation to the use of financial instruments	107 to 112
Details of an arrangement under which a shareholder has waived or agreed to waive any dividends, and where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review	114
A statement that this Annual Report & Accounts meets the requirements of Section 4, Principle N, Provision 27 of the UK Corporate Governance Code 2018 (the Code) (formerly Provision C.1.1 prior to the July 2018 updating of the Code)	72

All information required to be reported by Listing Rule 9.8.4 R and applicable to the Company or Group for this reporting period is set out in the table above.

By Order of the Board

**G. MacGeekie**  
Company Secretary  
17 April 2019

# Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report & Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent Company financial statements under IFRS as adopted by the EU. Under Company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The strategic and operational review includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report & Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy

By Order of the Board

**A. C. Bruce**

Chief Executive Officer  
17 April 2019

**R. A. Gregson**

Chief Financial Officer  
17 April 2019

# Financial Statements

# Independent Auditor's Report to the Members of Lookers plc

## Report on the audit of the financial statements

### Opinion:

- The financial statements of Lookers plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- The group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- The parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- The consolidated income statement;
- The consolidated statement of comprehensive income;
- The consolidated and parent company statement of financial position;
- The consolidated and parent company statements of changes in equity;
- The consolidated cash flow statement;
- The principal accounting policies;
- The related notes 1 to 26 to the group financial statements; and
- The related notes to the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).



### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Summary of our audit approach

Key audit matters	
The key audit matters that we identified in the current year were: <ul style="list-style-type: none"><li>• Valuation of goodwill and intangible assets;</li><li>• Inventory valuation and provisioning for used vehicles; and</li><li>• Valuation of commercial income receivable</li></ul>	Within this report, all key audit matters are consistent with the prior year.  Within this report, any new key audit matters are identified with  and any key audit matters which are the same as the prior year are identified with 
Materiality	
The materiality that we used for the group financial statements was £2.4 million which was determined on the basis of 5% of adjusted profit before tax.	
Scoping	
Based on our scoping assessment, our audit work covered 86% of the Group's profit before tax, 83% of	Group's revenue and 87% of the Group's net assets.
Significant changes in our approach	
There have been no significant changes in our approach in the year.	

# Independent Auditor's Report to the Members of Lookers plc

## Conclusions relating to going concern, principal risks and viability statement

### Going concern

We have reviewed the Directors' statement in note 2, to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

**We confirm that we have nothing material to report, add or draw attention to in respect of these matters.**

### Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- The disclosures on pages 34 to 36 that describe the principal risks and explain how they are being managed or mitigated;
- The Directors' confirmation on page 43 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;

or

- The Directors' explanation on page 48 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

**We confirm that we have nothing material to report, add or draw attention to in respect of these matters.**

We are also required to report whether the Directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R (3) is materially inconsistent with our knowledge obtained in the audit.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor's Report to the Members of Lookers plc

## Valuation of goodwill and intangible assets >>

### Key audit matter description

The Group has goodwill and intangible assets of £230.8 million (2017: £221.2 million) which have arisen from a number of acquisitions over several years. Where there are low contribution dealerships then there is a risk that goodwill for the cash generating unit ("CGU") including these dealerships may be impaired.

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. See critical accounting judgements and key sources of estimation uncertainty on page 84, disclosure on page 100 and the Audit and Risk Committee Report on page 50.

### How the scope of our audit responded to the key audit matter

We have:

- Assessed the design and implementation of controls in place in relation to the impairment review and analysis carried out for the Group;
- Assessed the appropriateness of the cash generating units identified including the allocation changes made during the current year;
- Assessed management's considerations on which specific assets/groups of assets give rise to the most concern in relation to impairment;
- Assessed the historical accuracy of forecasts prepared by management, and the rationale for key inputs made by management in the current year cash flow forecasts;
- Considered the IAS 36 requirements in respect of the assumptions related to growth and discount rates to pinpoint areas of estimation uncertainty;
- Engaged our internal valuation specialists to review the discount rates adopted;
- Performed sensitivity analyses on key inputs into management's impairment model, giving specific consideration to the potential impact of Brexit;
- Assessed the clerical accuracy and the mechanics behind management's impairment model; and
- Challenged the adequacy and appropriateness of the disclosures included within the financial statements.

### Key observations

Based on the work performed, we concluded that the assumptions applied in the impairment model were reasonable and no impairments were identified in the current year.

We noted in management's impairment model, acknowledging the continued uncertainty in the UK economy, such as the outcome of Brexit negotiations, that

when reasonably possible downside scenarios are put to the model, principally a reduction in forecast revenue of 6%, this has the potential to lead to impairment within the BMW, Volkswagen and Ford CGUs. Management have disclosed in the goodwill note, being note 8, their conclusions reached with regards to reasonable possible change scenarios and the potential impairment to their CGUs.

# Independent Auditor's Report to the Members of Lookers plc

## Inventory valuation and provisioning for used vehicles >>

### Key audit matter description

There are a number of risks that can have a material impact on the inventory balance, which totalled £1,028 million (2017: £984 million) at the year end. The key audit risk identified was the assessment of net realisable value of inventory, specifically related to used vehicles, which can fluctuate as a result of market factors and the condition of vehicles. These factors lead to difficulty in estimating the likely sale price of a vehicle and thus the level of provisioning required.

See critical accounting judgements and key sources of estimation uncertainty on page 84, disclosure on page 105 and the Audit and Risk Committee Report on page 50.

### How the scope of our audit responded to the key audit matter

We have:

- Assessed the design and implementation of the controls in place around the valuation of used vehicle inventory and identification of provisioning requirements;
- Attended stock counts to assess identification of obsolete stock;
- Considered the ageing of the inventory across the divisions;
- Assessed the risk around net realisable value of used vehicles by comparing the carrying value on a sample of vehicles to third-party data, and also by reference to a selection of post year-end sales;
- Assessed the historical accuracy of management's estimate of provisions held by way of review of utilisation of the prior year provision;
- Looked at the consistency of inventory provisioning policy and assessed if any changes were made by management; and
- Where specific provisions were not able to be directly agreed to third-party evidence, we have assessed the value attributed to the vehicle stock line.

### Key observations

Based on the work performed, we consider the Group's provisioning methodology to be prudent when compared with historical levels of inventory write-offs. However, the methodology is consistently applied year-on-year and our

estimate on the potential overstatement of the provision is not material to the financial position or the reported financial result in the year.

# Independent Auditor's Report to the Members of Lookers plc

## Valuation of commercial income receivable

### Key audit matter description

Commercial income arising from volume related and vehicle specific rebates derived from the Group's manufacturer partners is significant to the overall result. In the prior year the risk related to commercial income was pinpointed to the recognition of the income throughout the year. In the current year, there has been a change in focus and the key risk has been pinpointed to the commercial income receivable held on the balance sheet at the year end, and the valuation of this balance.

This is a result of the large number of differing agreements in place which can lead to a level of interpretation being required to assess whether recognition criteria has been met at the year end. The amount of commercial income receivable at the 2018 year end was £39.1m (2017: £41.0m).

See the Audit and Risk Committee Report on page 50.

### How the scope of our audit responded to the key audit matter

We have:

- Assessed the design and implementation of controls in place over both the documentation of manufacturer bonus arrangements and the related accounting treatment;
- Assessed the completeness of manufacturer bonuses through assessing changes to the year end balance;
- Performed a retrospective review of the recoverability of prior year commercial income receivable;
- Reviewed post year end payments/credit notes to validate subsequent recovery;
- Validated the integrity of the recorded data, through

recalculating a sample of commercial income receivables at the year end with reference to manufacturer agreements to validate terms and the volumes of vehicles sold;

- Assessed the suppliers' financial stability and therefore their ability to settle the receivable; and
- Reviewed the ageing of amounts due and evaluated management's judgements relating to the recoverability of any aged balances, including review of correspondence with the manufacturer and consideration of the need for any provision.

### Key observations

Based on the work performed, we are satisfied with the valuation of the commercial income receivable at year end.

### Our application of materiality

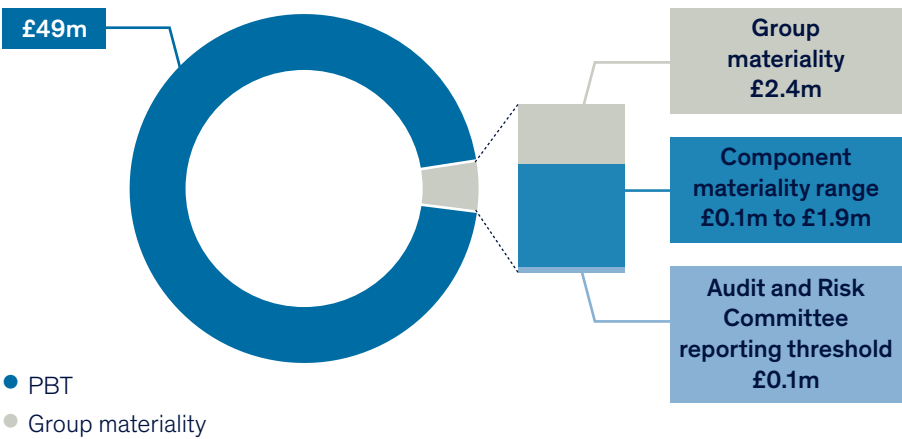
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in

planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
<b>Materiality</b>	£2.4 million (2017: £2.9 million)	£1.9 million (2017: £2.3 million)
<b>Basis for determining materiality</b>	5% of adjusted profit before tax. Profit before tax has been adjusted by removing the effect of one off items in the year, which is consistent with the previous year. These one off items are the property sale and leaseback gain (£7.7m credit as per note 2) and the GMP equalisation pension charge (£3.4m debit as per note 21).	Parent company materiality equates to 3% of net assets, which is capped at 80% of group materiality, which is consistent with the previous year.
<b>Rationale for the benchmark applied</b>	Adjusted profit before tax has been used to take account of the one off items that do not accurately reflect the underlying trade of the business. This is a key performance measure for the Group and receives significant focus from shareholders and analysts.	Net assets have been used as the most reflective measure of value within the entity when determining materiality.

# Independent Auditor's Report to the Members of Lookers plc



We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £0.1 million (2017: £0.1 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

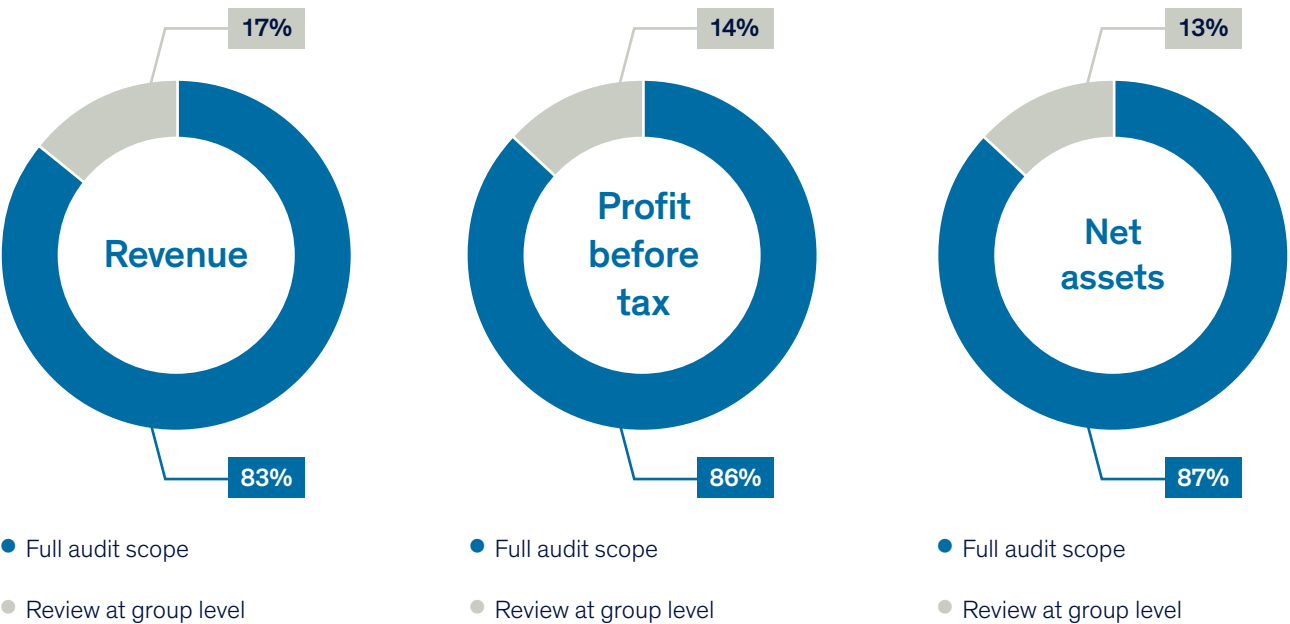
## An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls and assessing the risks of material misstatement at the group level.

Based on that assessment we focussed our group audit scope primarily on the audit work at 17 sites (2017: 21) which are primarily regional accounting centres in full audit scope. The decrease in sites from the prior year is primarily due to the hive-up of certain divisions into other divisions to drive corporate simplification. These sites represent the principal business units and account for 83% (2017: 86%) of the group's revenue, 86% (2017: 93%) of the group's profit before tax and 87% (2017: 87%) of the group's total net assets.

Components were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement as identified above.

Our audit work at the 17 sites were executed at materiality applicable to each individual component which were lower than group materiality and ranged from £0.1 million to £1.9 million (2017: £0.1 million to £1.7 million). All locations in scope were audited directly by the Group audit team. At the parent entity we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit.



# Independent Auditor's Report to the Members of Lookers plc

## Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the Directors that they consider the Annual Report & financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

## We have nothing to report in respect of these matters.

## 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

## Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- Enquiring of management, internal audit and the audit committee, including obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:
  - o Identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - o Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - o The internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- Discussing among the engagement team, and involving relevant internal specialists, including tax, valuations, pensions and IT, specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following area: valuation of commercial income receivable; and

# Independent Auditor's Report to the Members of Lookers plc

- Obtaining an understanding of the legal and regulatory frameworks that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the group. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions and tax legislation.

## Audit response to risks identified

As a result of performing the above, we identified valuation of commercial income receivable as a key audit matter. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- Enquiring of management, the audit committee and in-house / external legal counsel concerning actual and potential litigation and claims;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained

in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

## Matters on which we are required to report by exception

### Adequacy of explanations received and accounting records

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

- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements are not in agreement with the accounting records and returns.

**We have nothing to report in respect of these matters.**

### Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

**We have nothing to report in respect of these matters.**

### Other matters

#### Auditor tenure

Following the recommendation of the audit and risk committee, we were re-appointed by the Board of Directors in 2016 to audit the financial statements for the year ending 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 13 years, covering the years ending 31 December 2006 to 31 December 2018.

### Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

### Use of our report

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

**Christopher Robertson (Senior statutory auditor)**

**For and on behalf of Deloitte LLP**

Statutory Auditor  
Manchester, UK  
17 April 2019

# 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.

## 1. 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 11 to the Financial Statements. The nature of the Group's operations and its principal activities are set out in the Directors' Report.

## 2. Basis of preparation

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union. Therefore the Group financial statements comply with article 4 of EU IAS Regulation.

The financial statements have been prepared on the historical cost basis. The Company has elected to take exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account. The profit for the Company for the year was £9.6m (2017: £114.8m).

The company has applied FRS 101 'Reduced Disclosure Framework' in the year ending 31 December 2018. Previously it had applied IFRS as adopted by the EU. Due to the comparable recognition and measurement criteria between the two standards, no transitional adjustments have arisen.

The following exemptions from the requirements of IFRS have been applied in the preparation of the company financial statements and, where relevant, equivalent disclosures have been made in the Group financial statements of the ultimate controlling party, in accordance with FRS 101:

- Presentation of a Statement of Cash Flows and related notes;
- Disclosure of the objectives, policies and processes for managing capital;
- Disclosure of key management personnel compensation;
- The requirements in IAS 24 (Related Party Disclosures) to disclose related party transactions entered into between two or more members of a group;
- Disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments;
- The effect of financial instruments on the Statement of Comprehensive Income;
- Information about financial instruments that have been reclassified or derecognised, transfers of financial assets, credit losses recorded in a separate account, netting arrangements, loan defaults or breaches and collateral;
- Comparative period reconciliations for the number of shares outstanding;

- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- Comparative narrative information.

## Adoption of new and revised standards

IFRS 9 Financial Instruments

The Group has applied IFRS 9 for the first time in the current year.

Details of the changes to the Group's accounting policies following adoption of IFRS 9 are made within the Financial Instruments accounting policy.

The application of this standard has had no material impact on the Group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers (and the related Clarifications)

The Group has applied IFRS 15 for the first time in the current year.

Details of the changes to the Groups accounting policies following adoption of IFRS 15 are made within the Revenue accounting policy.

The application of this standard has had no impact on the Group's consolidated financial statements.

The Group has applied all of these for the first time in the current year.

The application of these standards and amendments has had no material impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle  
IFRS 2 (amendments)  
Classification and Measurement of Share-based Payment Transactions  
IFRS 4 (amendments)  
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts  
IAS 40 (amendments)  
Transfers of Investment Property

# Principal accounting policies

## Adoption of new and revised standards

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

## New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases have not yet been adopted by the EU:

IFRS 16	Leases
IFRS 17	Insurance Contracts
IFRIC 22	Foreign Currency Transactions and Advanced Consideration
IFRIC 23	Uncertainty over Income Tax Treatments

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, except as noted below:

### IFRS 16 Leases

IFRS 16, introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows

will also be affected because operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The Group has elected to apply the full retrospective implementation approach. Whilst the Group is party to approximately 1,300 leases, a large proportion of these are short-term in nature and not individually material in value. The Group has elected to apply a practical expedient which excludes lease agreements which are short-term in nature or low value from being recognised as leases according to IFRS 16. In addition the Group has also taken the option to 'grandfather' the assessment of which contracts are or contain leases. Preliminary calculations indicate that the Group expects an increase to its gross assets of up to £100m and an increase in gross liabilities of up to £120m. EBITDA is expected to be impacted by up to £20m and operating profit by up to £7.5m. However, these changes are not expected to significantly impact on profit before tax. In addition, there is expected to be limited financial impact from the perspective of the Group as a lessor as a result of the new standard.

### Going concern

The Group's business activities, together with the impact of Brexit and the factors likely to affect its future development, performance and position and the financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the Strategic Review section of the Annual Report & Accounts. In addition, note 17 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity risk.

At 31 December 2018, there are substantial available facilities that remain undrawn and, as highlighted in note 17 to the Financial Statements, the Group meets its day-to-day working capital requirements through bank, manufacturer and third-party vehicle financing facilities. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities and meet certain covenant tests.

# Principal accounting policies

## 3. Judgements and estimates

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

Judgement	Effect on Financial Statements	Alternative accounting judgement that could have been applied	Effect of that alternative accounting judgement
Intangible assets	Capitalisation of development expenditure is completed only if development costs meet certain criteria. Such criteria are defined in the accounting policy for Intangible Assets.	Items not meeting the criteria would be expensed to the statement of total comprehensive income.	Amounts totalling £7.9m would not have been capitalised in the year ending 31 December 2018.
Annual allocation of cash generating units (CGU) for impairment review purposes.	Goodwill and non-amortised intangible assets are allocated to specific CGU's in-line with how the financial performance of the group is reviewed by management. Numerical disclosure regarding CGU allocations are made in note 8.	Goodwill and non-amortised intangible assets are allocated to different CGU's across the group.	Potential for impairment depending on allocation to CGU and resulting estimates for CGU cash flows.

### 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:

## Principal accounting policies

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 undertake our annual impairment review. We have key assumptions over the growth rates of revenue and operating margin which impacts the profit assumed and hence cash flow generation in each CGU. These assumptions along with the perpetuity growth rate and discount factor are key to calculation of the value in use for each CGU. Numerical disclosure regarding key assumptions used are made in note 8.	Yes	Yes
Inventory provisioning	The assessment of the net realisable fair value of used inventory involves an element of estimation. The key assumption is estimating the likely sale period and the expected profit or loss on sale for each of our inventory items that are held at the balance sheet date. We conduct this analysis by comparing all used inventory (considering both the age and condition) to external market data, historical experience and our future expectations. Numerical disclosure regarding inventories net realisable value are made in note 12.	Yes	No
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 21. 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.	Yes	Yes

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. As a result, they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

#### 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. 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.

# Principal accounting policies

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. Revenue

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

Revenue is measured at invoice price, excluding value added taxes, and principally comprises external vehicle sales, parts, servicing and bodyshop sales. Vehicle and parts sales are recognised when control over the vehicles or parts have been transferred to the customer. This is generally at the time of delivery to the customer. Service and bodyshop sales are recognised in line with the work performed.

Revenue also comprises commissions receivable for arranging vehicle financing and related insurance products. Commissions are based on agreed rates and income is recognised at the time of approval of the vehicle finance by the finance provider.

Where the Group is acting as agent on behalf of a principal, the commission earned is also recorded at an agreed rate when the transaction has occurred. The income received in respect of warranty policies sold and administered by the Group is recognised over the period of the policy on a straight-line basis. The unrecognised income is held within deferred income.

Where vehicles are supplied to a leasing Company for contract hire purposes and the Group undertakes to repurchase the vehicle at a predetermined date and value the significant risks and rewards of ownership are deemed not to have transferred outside the Group and consequently no sale is recognised. As a result the accounting for the arrangement reflects the Group's retention of the asset to generate future rentals and, in accordance with IAS 17 Leases, the Group is considered to be an operating lessor for all arrangements in place.

The initial amounts received in consideration from the leasing Company are held as deferred income allocated between the present value of the repurchase commitment, held within trade and other payables and a residual amount of deferred revenue held within deferred income. A finance charge is accrued against the present value of the repurchase commitment and recorded as a finance expense in the income statement.

The remaining deferred revenue, which effectively represents rentals received in advance, is taken to the income statement on a straight-line basis over the related lease term. No additional disclosures are made under IAS 17 as there are no future rentals receivable.

These vehicles are held within current assets at their cost to the Group and are depreciated to their residual values over the terms of the leases. These assets are transferred into inventory at their carrying amount when they cease to be rented and they become available for sale as part of the Group's ordinary course of business.

Rental income from property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from property is recognised as rents received in net operating expenses.

## 6. 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 when the related inventory is sold. Once the inventory is sold, the rebate amount is then recognised in the income statement.

## 7. Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is not

# Principal accounting policies

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.

## 8. 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.

## 9. Segmental reporting

A business segment is a component that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available. The business segments are set out in note 1 to the financial statements.

## 10. 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 non-depreciable intangible assets, the Directors assess the value in use for each cash generating unit. Value in use is calculated by applying the Board approved budget for the next financial year and projecting this budget for a further four years and then applying a suitable cost of capital to discount cash flows to perpetuity.

## 11. 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 administration expenses.

Internally generated intangible assets relate to activities that involve the development of computer systems designed to enhance the selling process so to achieve increased orders for both vehicles and aftersales work. Expenditure arising from the Group's development is recognised only if all of the following conditions are met:

- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits;
- The development cost of the asset can be measured reliably;
- The Group has the intention to complete the asset and the ability and intention to use or sell it;
- The product or process is technically and commercially feasible; and
- Sufficient resources are available to complete the development and to either sell or use the asset.

Where these criteria have not been achieved, development expenditure is recognised in profit or loss in the year in which it is incurred.

Intangible licences relate to the values ascribed following the advice of third-party consultants to franchise operating licences in connection with historic business combinations. The Directors have considered that as a result of the high barriers to entry in the marketplace and the historic length of the respective franchise operating licences that these assets have no foreseeable limit to the period over which they are expected to generate net cash inflows and as such have been classified as having an indefinite useful economic life.

The Brand intangible asset of £1.0m (2017: £1.0m) arose on the acquisition of a subsidiary undertaking and is deemed by the Directors to have an indefinite useful economic life. The trading activities under this brand name generate a substantial part of the Group's revenue and operating profit. The Group is continually investing in this brand through promotional activity and advertising and as such, this brand is considered to have an indefinite useful economic life and not amortised.

As both intangible licenses and brands have an indefinite useful economic life they are subjected to the Group's annual impairment review.

# Principal accounting policies

## 12. Property, plant and equipment

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

Freehold buildings and long leasehold properties are depreciated over 50 years on a straight-line basis to their estimated residual values. Short leasehold properties are amortised by equal instalments over the periods of the respective leases.

Plant and machinery (including motor vehicles), fixtures, fittings, tools and equipment (including computer equipment and terminals), are depreciated on a straight-line basis at rates varying between 10% and 33% per annum over their estimated useful lives.

Assets in the course of construction are initially measured at cost and are depreciated when they are brought into economic use.

The residual value of all assets, depreciation methods and useful economic lives, if significant, are reassessed annually. The depreciation charge in respect of property, plant and equipment is recognised within administrative expenses within the income statement.

Contract hire vehicles are depreciated to their residual value over the period of their lease. All costs in relation to the maintenance of property, plant and equipment are recognised in the income statement as an expense as incurred.

## 13. Leases

Assets purchased under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligation is charged to the Income Statement so as to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the Income Statement in equal annual amounts over the periods of the leases.

## 14. Investments

Investments held as fixed assets are stated at cost less provision for impairment.

## 15. Impairment of assets

Assets that have an indefinite life are not subject to amortisation and are tested at least annually for impairment. Assets subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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.

## 16. Inventories

Motor vehicle inventories are stated at the lower of net purchase price and net realisable value. A review of the fair values of inventories is conducted on a regular basis and values are adjusted back to the prevailing market value. The market value is assessed with reference to external benchmarking publications and applying historical industry knowledge on the pricing of those vehicles by reference to make and specific models. We also ensure inventories that exist at the year end are valued correctly by sampling against further post year end actual sales data. Whilst this data is deemed representative of current values it is possible that ultimate sales values can vary from those applied.

Parts inventories are 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 significant risks and rewards of ownership 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.

## 17. Rental fleet vehicles

Motor vehicles hired to customers under short term rental agreements less than one year are included within Current Assets. Income from such rentals are recognised on a straight-line basis over the period of the rental agreement.

Vehicles held under short term rental agreements are depreciated on a straight-line basis over the course of the rental agreement to their estimated residual value on termination of that agreement.

# Principal accounting policies

## 18. Repurchase commitments

As part of its normal trading activities, the Group has contracted to repurchase, at predetermined values and dates, certain vehicles previously sold under a financial arrangement. The Company's residual interest in these vehicles is included in inventories and the related liability is included as repurchase commitments within trade and other payables. The valuation of these vehicles is at the lower of the repurchase price and the expected future sales price.

Consistent with industry practices, repurchase commitments are treated as financial liabilities where the liability is only contractually due at the point where the related vehicle is sold to the end customer. In this way the Group matches the cash outflow in respect of the liability with the cash inflow from the sale.

Consistent with industry practices balances relating to consignment stock and stocking loans are treated as financial liabilities 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.

## 19. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise deposits with banks and financial institutions, bank and cash balances, and liquid investments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current borrowings. Consistent with industry practices balances relating to stocking loans are not included in cash and cash equivalents.

## 20. Pensions

The Group operates the "Lookers Pension Plan", the "Dutton Forshaw Group Pension Plan" and the "Benfield Group Pension Plan" which are defined benefit pension schemes providing benefits based on final pensionable salary. The defined benefit schemes define the amount of pension benefit that an employee will receive on retirement, dependent on one or more factors including age, years of service and salary. All schemes are closed to new members and to future accrual. The last triennial valuation of the "Lookers Pension Plan" was carried out at 31 March 2016 by Aon Hewitt Limited and has been updated to 31 December 2018 by a qualified independent actuary. The last triennial valuation of the "Dutton Forshaw Group Pension Plan" was carried out at 31 March 2016 by Aon Hewitt Limited and has been updated to 31 December 2018 by a qualified independent actuary. The last triennial valuation of the Benfield Group Pension Plan was carried out at 31 March 2016 by Deloitte Total Reward and Benefits Limited and has been updated to 31 December 2018 by a qualified independent actuary.

Under IAS 19 (Revised), the defined benefit deficits are included on the Group's balance sheet. Liabilities are calculated based on the current yields on high quality corporate bonds and on market conditions. Surpluses are only included to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited, net of deferred tax, each year to reserves and shown in the Statement of Comprehensive Income.

Interest expense or income is calculated on the net defined benefit liability or asset respectively by applying the discount rate to the net defined benefit liability or asset.

The Group also provides pension arrangements for employees and certain Directors under defined contribution schemes. Contributions for these schemes are charged to the Income Statement in the year in which they are payable.

## 21. 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.

## 22. Financial instruments

### Recognition of financial instruments

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument.

### Initial and subsequent measurement of financial assets

#### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Group with maturities of less than three months. In common with sector practice vehicle stocking loans are included within trade creditors rather than cash equivalents.

# Principal accounting policies

## Trade, group and other receivables

Trade receivables, other than those with extended credit terms, are initially measured at their transaction price. Trade receivables on extended credit terms, whereas Group and other receivables are initially measured at fair value plus transaction costs.

Receivables and contract assets 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.

Amortised cost is the amount initially recognised less repayments of principal, plus or minus the 'effective interest' which amortises any difference between the amount initially recognised and the maturity amount over the expected life of the instrument.

## Effective interest rate method

The 'effective interest' is calculated using the rate that exactly discounts estimated future cash payments or receipts (considering all contractual terms) through the expected life of the financial asset or financial liability to its carrying amount before any loss allowance.

The 'effective interest rate' is applied to the carrying amount of a financial asset before any loss allowance, unless the financial assets becomes credit-impaired, (i.e. an event has occurred which has a detrimental impact on the estimated future cash flows), in which case the 'effective interest rate' is applied to the carrying amount of the financial asset net of any loss allowance. If a financial asset is no longer credit-impaired due to an improvement in credit risk that objectively relates to a subsequent event, the 'effective interest rate' reverts to being applied to the carrying amount before any loss allowance.

## Impairment of financial assets

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle the instruments contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes (including assessments made using forward looking information) and takes into account the time value of money. Credit losses are measured on a collective basis and all

instalments have been grouped based on their similar collective characteristics. There are some financial assets that have been written off that are still subject to enforcement activity.

## Trade receivables, contract assets and lease receivables

For trade receivables, expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses").

Expected credit losses are considered over the maximum contractual period during which the entity is exposed to credit risk by extrapolating expectations beyond periods covered by reasonable and supportable forecasts.

For trade receivables and contract assets, differences between the contractual and expected cash flows are discounted at the original effective interest rate used in the amortised cost measurement.

Impairment losses and subsequent reversals of impairment losses, are adjusted against the carrying amount of the receivable and recognised in profit or loss.

## Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

## Initial and subsequent measurement of financial liabilities

### Trade, group and other payables

Trade, group and other payables (which include repurchase commitments, stocking loans and consignment creditors) are initially recognised at fair value, net of transaction costs and subsequently at amortised cost using the effective interest method.

## Equity instruments

Equity instruments issued by the Company are recorded at fair value on initial recognition net of transaction costs.

## Financial guarantee contracts

Financial guarantees given by the Company to its subsidiaries are initially recognised at the amount of any premium received and are subsequently recognised at the higher of the loss allowance and the amount initially recognised less any amortisation.

## Principal accounting policies

The loss allowance is the provision for expected credit losses determined as the weighted average of the expected payments to reimburse the lender for credit losses it incurs if the subsidiary defaults on its loan contract weighted by the respective risks that the subsidiary will default on the loan contract.

The risk of a default occurring takes into consideration default events that are possible within 12 months of the year end ("the 12-month expected credit losses") unless the risk that the subsidiary will default on its loan contract has increased significantly since initial recognition, when all possible default events over the expected life of the contract are considered ("the lifetime expected credit losses").

In assessing whether the risk that the subsidiary will default on the loan contract has increased significantly, the Company compares the risk of default at the year end with the risk of a default at inception using reasonable and supportable past and forward-looking information that is available without undue cost.

The expected payments to reimburse the lender are discounted at the effective interest rate, or if the effective interest rate cannot be determined, a discount rate that reflects the current market assessment of the time value of money and the risks specific to the cash outflows that have not been adjusted for in the cash flows being discounted.

### 23. Prior period restatement

Following the refinancing that occurred during late 2018 the Directors have reviewed the terms and conditions prevalent within the previous revolving credit facility arrangement. As a result of this review, the Directors have considered it more appropriate to reclassify the previous revolving credit facility balances that was disclosed within overdrafts in cash and cash equivalents to be shown as long-term financial liabilities.

This presentation is then consistent with the disclosure of the new long-term revolving credit facility. The effect of this restatement in the statement of financial position for the Group on the years ending 31 December 2017 and 1 January 2017 are as follows:

	2017 £m	1 Jan 2017 £m
<b>As previously reported:</b>		
Cash and cash equivalents at 31 December	45.3	39.8
Bank overdrafts	(52.9)	(11.0)
<b>Cash and cash equivalents reported in the cash flow statement</b>	<b>(7.6)</b>	<b>28.8</b>
Current liabilities		
Bank loans and overdrafts	66.1	25.1
Non-current liabilities		
Long term borrowings	77.0	88.8
<b>Total liabilities</b>	<b>143.1</b>	<b>113.9</b>
<b>Net current assets</b>	<b>38.2</b>	<b>41.0</b>
<b>As restated:</b>		
Cash and cash equivalents at 31 December	45.3	39.8
Bank overdrafts	(6.4)	(7.6)
<b>Cash and cash equivalents reported in the cash flow statement</b>	<b>38.9</b>	<b>32.2</b>
Current liabilities		
Bank loans and overdrafts	19.6	21.7
Non-current liabilities		
Long term borrowings	123.5	92.2
<b>Total liabilities</b>	<b>143.1</b>	<b>113.9</b>
<b>Net current assets</b>	<b>84.7</b>	<b>44.4</b>

## Principal accounting policies

The effect of this on the consolidated cash flow statement is as follows:

	2017 £m
<b>As previously reported:</b>	
<b>Net cash outflow from financing activities</b>	<b>(26.7)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(36.4)</b>
<b>As restated:</b>	
<b>Net cash inflow from financing activities</b>	<b>16.4</b>
<b>Increase in cash and cash equivalents</b>	<b>6.7</b>

There is no effect on the reported profits for either financial year as a result of this presentational adjustment.

The effect of this restatement in the statement of financial position for the Company on the years ending 31 December 2017 and 1 January 2017 are as follows:

	2017 £m	1 Jan 2017 £m
<b>As previously reported:</b>		
Cash and cash equivalents at 31 December	11.8	30.6
Bank overdrafts	(67.2)	(13.4)
<b>Cash and cash equivalents</b>	<b>(55.4)</b>	<b>17.2</b>
Long term borrowings	65.0	75.0
<b>Total long term borrowings</b>	<b>65.0</b>	<b>75.0</b>
<b>Net current assets</b>	<b>313.4</b>	<b>187.6</b>
<b>As restated:</b>		
Cash and cash equivalents at 31 December	11.8	30.6
Bank overdrafts	(20.7)	(10.0)
<b>Cash and cash equivalents</b>	<b>(8.9)</b>	<b>20.6</b>
Long term borrowings	111.5	78.4
<b>Total long term borrowings</b>	<b>111.5</b>	<b>78.4</b>
<b>Net current assets</b>	<b>359.9</b>	<b>191.0</b>

# Statement of Total Comprehensive Income

	Note	Total 2018 £m	Total 2017 £m
<b>Revenue</b>	1	<b>4,879.5</b>	<b>4,696.3</b>
Cost of sales		(4,364.0)	(4,192.2)
<b>Gross profit</b>		<b>515.5</b>	<b>504.1</b>
Distribution costs		(294.6)	(292.5)
Administration expenses		(153.3)	(135.0)
Share based payments		(1.7)	(1.7)
Other operating income		7.7	2.5
<b>Operating profit</b>		<b>73.6</b>	<b>77.4</b>
Net interest	4	(18.3)	(16.3)
Net interest on pension scheme obligations	21	(1.7)	(4.2)
Fair value movement on derivative instrument		-	1.9
Debt issue costs		(0.5)	(0.4)
<b>Profit before taxation</b>	2	<b>53.1</b>	<b>58.4</b>
Tax charge	5	(9.6)	(10.5)
<b>Profit for the year</b>		<b>43.5</b>	<b>47.9</b>
Actuarial (losses)/gains on pension scheme obligations*	21	(7.2)	10.6
Deferred tax on pension scheme obligations*	5	1.2	(1.9)
<b>Total other comprehensive income for the year</b>		<b>(6.0)</b>	<b>8.7</b>
<b>Total comprehensive income for the year</b>		<b>37.5</b>	<b>56.6</b>
Attributable to:			
Shareholders of the company		37.5	56.6
<b>Earnings per share:</b>			
Basic earnings per share	7	11.07p	12.06p
Diluted earnings per share	7	10.59p	11.70p

\*Will not be recycled to profit and loss

# Statements of Financial Position

	Note	Group 2018 £m	Restated 2017 £m	Restated 1 Jan 2017 £m	Company 2018 £m	Restated 2017 £m	Restated 1 Jan 2017 £m
<b>Non-current assets</b>							
Goodwill	8	116.2	108.9	107.6	-	-	-
Intangible assets	9	114.6	112.3	109.8	13.2	11.3	8.7
Property, plant and equipment	10	350.9	342.0	319.1	0.7	0.4	0.3
Investment in subsidiaries	11	-	-	-	126.8	57.8	57.8
Deferred tax assets	18	-	-	-	12.2	4.1	8.7
		<b>581.7</b>	<b>563.2</b>	<b>536.5</b>	<b>152.9</b>	<b>73.6</b>	<b>75.5</b>
<b>Current assets</b>							
Inventories	12	1,027.7	984.1	839.4	-	-	-
Trade and other receivables	13	179.5	241.1	225.0	389.3	461.3	405.6
Current tax receivable		-	1.0	-	9.1	1.0	-
Rental fleet vehicles	14	54.2	60.9	67.1	-	-	-
Cash and cash equivalents	15	44.4	45.3	39.8	19.1	11.8	30.6
Assets held for sale	25	8.0	-	-	-	-	-
		<b>1,313.8</b>	<b>1,332.4</b>	<b>1,171.3</b>	<b>417.5</b>	<b>474.1</b>	<b>436.2</b>
<b>Total assets</b>		<b>1,895.5</b>	<b>1,895.6</b>	<b>1,707.8</b>	<b>570.4</b>	<b>547.7</b>	<b>511.7</b>
<b>Current liabilities</b>							
Bank loans and overdrafts	17	2.6	19.6	21.7	25.9	30.7	20.0
Trade and other payables	16	1,235.7	1,228.1	1,090.5	118.9	83.5	218.8
Current tax payable		0.9	-	14.7	-	-	6.4
		<b>1,239.2</b>	<b>1,247.7</b>	<b>1,126.9</b>	<b>144.8</b>	<b>114.2</b>	<b>245.2</b>
<b>Net current assets</b>		<b>74.6</b>	<b>84.7</b>	<b>44.4</b>	<b>272.7</b>	<b>359.9</b>	<b>191.0</b>
<b>Non-current liabilities</b>							
Bank loans	17	128.7	123.5	92.2	118.7	111.5	78.4
Trade and other payables	16	19.4	36.8	33.6	-	-	-
Pension scheme obligations	21	68.9	63.8	78.4	69.4	65.6	39.9
Deferred tax liabilities	18	40.0	38.8	35.0	-	-	-
		<b>257.0</b>	<b>262.9</b>	<b>239.2</b>	<b>188.1</b>	<b>177.1</b>	<b>118.3</b>
<b>Total liabilities</b>		<b>1,496.2</b>	<b>1,510.6</b>	<b>1,366.1</b>	<b>332.9</b>	<b>291.3</b>	<b>363.5</b>
<b>Net assets</b>		<b>399.3</b>	<b>385.0</b>	<b>341.7</b>	<b>237.5</b>	<b>256.4</b>	<b>148.2</b>
<b>Shareholders' equity</b>							
Ordinary share capital	19	19.4	19.9	19.8	19.4	19.9	19.8
Share premium		78.4	78.4	77.7	78.4	78.4	77.7
Capital redemption reserve		15.1	14.6	14.6	15.1	14.6	14.6
Retained earnings		286.4	272.1	229.6	124.6	143.5	36.1
<b>Total equity</b>		<b>399.3</b>	<b>385.0</b>	<b>341.7</b>	<b>237.5</b>	<b>256.4</b>	<b>148.2</b>

Details on the prior period restatement are given on pages 90 and 91. The profit after tax for the Company was £9.6m (2017: £114.8m).

The financial statements of Lookers plc registered no. 111876 were approved by the Directors on 17 April 2019.

Signed on behalf of the Directors.

**A. C. Bruce**  
Director

**R. A. Gregson**  
Director

## Consolidated Statement of Changes in Equity

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2017		19.8	77.7	14.6	229.6	341.7
Profit for the year		-	-	-	47.9	47.9
Total other comprehensive income for the year		-	-	-	8.7	8.7
New shares issued	19	0.1	0.7	-	-	0.8
Share based compensation	20	-	-	-	1.7	1.7
Tax recognised in equity	5	-	-	-	(0.8)	(0.8)
Dividends paid	6	-	-	-	(15.0)	(15.0)
<b>As at 31 December 2017</b>		<b>19.9</b>	<b>78.4</b>	<b>14.6</b>	<b>272.1</b>	<b>385.0</b>
As at 1 January 2018		19.9	78.4	14.6	272.1	385.0
Profit for the year		-	-	-	43.5	43.5
Total other comprehensive income for the year		-	-	-	(6.0)	(6.0)
New shares issued	19	0.0	0.0	-	-	0.0
Share based compensation	20	-	-	-	1.7	1.7
Share buy-back	19	(0.5)	-	0.5	(9.3)	(9.3)
Dividends paid	6	-	-	-	(15.6)	(15.6)
<b>As at 31 December 2018</b>		<b>19.4</b>	<b>78.4</b>	<b>15.1</b>	<b>286.4</b>	<b>399.3</b>

Retained earnings include £16.5m (2017: £16.8m) of non-distributable reserves relating to properties which had been revalued under UK GAAP, but treated as deemed cost under IFRS.

## Company Statement of Changes in Equity

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2017		19.8	77.7	14.6	36.1	148.2
Profit for the year		-	-	-	114.8	114.8
Total other comprehensive income for the year		-	-	-	5.9	5.9
New shares issued	19	0.1	0.7	-	-	0.8
Share based compensation	20	-	-	-	1.7	1.7
Dividends paid	6	-	-	-	(15.0)	(15.0)
<b>As at 31 December 2017</b>		<b>19.9</b>	<b>78.4</b>	<b>14.6</b>	<b>143.5</b>	<b>256.4</b>
As at 1 January 2018		19.9	78.4	14.6	143.5	256.4
Profit for the year		-	-	-	9.6	9.6
Total other comprehensive income for the year		-	-	-	(5.3)	(5.3)
New shares issued	19	0.0	0.0	-	-	0.0
Share based compensation	20	-	-	-	1.7	1.7
Share buy-back	19	(0.5)	-	0.5	(9.3)	(9.3)
Dividends paid	6	-	-	-	(15.6)	(15.6)
<b>As at 31 December 2018</b>		<b>19.4</b>	<b>78.4</b>	<b>15.1</b>	<b>124.6</b>	<b>237.5</b>

# Consolidated Cash Flow Statement

	Note	Group 2018 £m	Restated 2017 £m
<b>Cash flows from operating activities</b>			
Profit for the year		43.5	47.9
Tax charge		9.6	10.5
Depreciation of property, plant and equipment		20.6	20.7
Fair value on derivative instruments		-	(2.4)
(Profit)/loss on disposal of property, plant and equipment		(8.2)	0.4
Amortisation of intangible assets		5.6	5.6
Share based compensation		1.7	1.7
Interest income		(0.3)	(0.3)
Interest payable		18.6	16.6
Debt issue costs		0.5	0.4
Difference between pension charge and cash contributions		(2.1)	(3.6)
Changes in inventories		1.4	(144.7)
Changes in receivables		48.9	(16.1)
Changes in payables		(60.4)	143.0
Cash generated from operations		79.4	79.7
Purchase of rental fleet vehicles		(89.4)	(87.1)
Proceeds from sale of rental fleet vehicles		90.3	87.0
Interest paid		(18.6)	(16.6)
Interest received		0.3	0.3
Tax paid		(7.1)	(25.5)
<b>Net cash inflow from operating activities</b>		<b>54.9</b>	<b>37.8</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(25.7)	(46.1)
Purchase of intangibles		(7.9)	(8.1)
Purchase of subsidiaries net of cash received	24	(13.7)	(1.3)
Proceeds from disposal of property, plant and equipment		35.1	8.0
<b>Net cash outflow from investing activities</b>		<b>(12.2)</b>	<b>(47.5)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares		0.0	0.8
Redemption of ordinary shares		(9.3)	-
Repayment of loans	17	(14.6)	(12.5)
Draw down on RCF		135.3	282.8
Repayment on RCF		(134.1)	(239.7)
Dividends paid		(15.6)	(15.0)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(38.3)</b>	<b>16.4</b>
<b>Increase in cash and cash equivalents</b>		<b>4.4</b>	<b>6.7</b>
Cash and cash equivalent at 1 January		38.9	32.2
<b>Cash and cash equivalents at 31 December</b>	15	<b>43.3</b>	<b>38.9</b>

Details on the prior period restatement are given on pages 90 and 91.

# Notes to the Financial Statements

## 1. Segmental reporting

At 31 December 2018 and 31 December 2017, the Group is organised into one business segment being motor distribution. All revenue and profits originate in the United Kingdom and the Republic of Ireland.

Year ended 31 December 2018	Motor distribution	Unallocated	Group
	£m	£m	£m
New cars	2,394.8	-	2,394.8
Used cars	1,939.4	-	1,939.4
Aftersales	545.3	-	545.3
<b>Revenue</b>	<b>4,879.5</b>	<b>-</b>	<b>4,879.5</b>
<b>Segmental operating profit</b>	<b>87.2</b>	<b>(13.6)</b>	<b>73.6</b>
Net interest	(15.5)	(2.8)	(18.3)
Net interest on pension scheme obligations	-	(1.7)	(1.7)
Debt issue costs	-	(0.5)	(0.5)
<b>Profit before taxation</b>	<b>71.7</b>	<b>(18.6)</b>	<b>53.1</b>
Tax charge			(9.6)
<b>Profit for the year</b>			<b>43.5</b>
<b>Total assets</b>	<b>1,895.5</b>	<b>-</b>	<b>1,895.5</b>
<b>Total liabilities</b>	<b>1,364.9</b>	<b>131.3</b>	<b>1,496.2</b>

Year ended 31 December 2017	Motor distribution	Unallocated	Group
	£m	£m	£m
New cars	2,476.8	-	2,476.8
Used cars	1,702.7	-	1,702.7
Aftersales	516.8	-	516.8
<b>Revenue</b>	<b>4,696.3</b>	<b>-</b>	<b>4,696.3</b>
<b>Segmental operating profit</b>	<b>84.7</b>	<b>(7.3)</b>	<b>77.4</b>
Net interest	(13.4)	(2.9)	(16.3)
Net interest on pension scheme obligations	-	(4.2)	(4.2)
Fair value on derivative instrument	-	1.9	1.9
Debt issue costs	-	(0.4)	(0.4)
<b>Profit before taxation</b>	<b>71.3</b>	<b>(12.9)</b>	<b>58.4</b>
Tax charge			(10.5)
<b>Profit for the year</b>			<b>47.9</b>
<b>Total assets</b>	<b>1,895.6</b>	<b>-</b>	<b>1,895.6</b>
<b>Total liabilities</b>	<b>1,367.5</b>	<b>143.1</b>	<b>1,510.6</b>

# Notes to the Financial Statements

## 2. Profit before taxation

The following items have been included in arriving at profit on ordinary activities before taxation:	2018 £m	2017 £m
Staff costs	287.9	280.3
Depreciation of property, plant and equipment	14.3	14.5
Depreciation of rental fleet assets	6.3	6.2
Amortisation of intangible assets	5.6	5.6
(Gain)/loss on disposal of rental fleet vehicles	(0.5)	0.4
Cost of inventories recognised as an expense	3,984.0	3,887.0
Property operating leases	18.2	15.9
Plant & equipment operating leases	0.4	1.5
Gain recognised on property sale and leaseback	(7.7)	(2.5)

During the financial year ending 31 December 2018 the group successfully completed, two sale and leaseback transactions from its property portfolio. Both transactions have resulted in operating leases being recognised and gains have been recognised immediately in the income statement as a result of the previous property carrying amount being less than the sale price (established at fair value) at the point of leaseback. A similar transaction occurred in the prior year resulting in a smaller gain. The effect of these transactions has given rise to a £35.1m inflow in the consolidated cash flow statement.

All sale and leaseback transactions have been made to fund the high level of capital expenditure incurred in the year ending 31 December 2017.

### Services provided by the group's auditor

The analysis of auditor's remuneration is as follows:

Group	2018 £000	2017 £000
Audit of the company	20	20
Audit of the company's subsidiaries	660	337
<b>Total audit fees</b>	<b>680</b>	<b>357</b>
Taxation compliance services	-	-
Services relating to corporate finance transactions	-	-
Other non-audit fees	20	20
Other advisory fees	-	-
<b>Total non-audit fees</b>	<b>20</b>	<b>20</b>

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

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

# Notes to the Financial Statements

## 3. Information regarding employees

	2018 £m	2017 £m
<b>Employee costs:</b>		
Wages and salaries	255.8	250.1
Social security costs	25.6	24.4
Other pension costs	6.5	5.8
	<b>287.9</b>	<b>280.3</b>

Included in the pensions cost figure is £3.4m (2017: £nil) in relation to enhanced past service costs. See note 21 for further details.

	2018 No.	2017 No.
<b>Average number employed during the year:</b>		
Production	1,836	1,728
Selling and distribution	2,200	2,137
Administration	4,287	4,310
	<b>8,323</b>	<b>8,175</b>

	2018 £m	2017 £m
<b>Key management compensation:</b>		
Salaries and short-term employee benefits	<b>7.0</b>	<b>7.0</b>

The key management compensation given above includes Executive Directors and key operational staff. During the year the aggregate gains made on the exercise of share options by Directors was £nil (2017: £nil). Further details of Directors' remuneration is included in the Directors' Remuneration Report. The average number of employees for 2017 has been re-presented to provide more comparable information to the 2018 average number of employees numbers.

## 4. Finance costs - net

	2018 £m	2017 £m
<b>Interest expense:</b>		
Interest payable on bank borrowings	(5.6)	(4.9)
Interest on consignment vehicle liabilities and stocking loans	(13.0)	(11.7)
	<b>(18.6)</b>	<b>(16.6)</b>
<b>Interest income:</b>		
Bank interest	0.3	0.3
<b>Finance costs - net</b>	<b>(18.3)</b>	<b>(16.3)</b>

# Notes to the Financial Statements

## 5. Taxation

	2018 £m	2017 £m
<b>Current tax charge:</b>		
Current year	10.8	12.2
Adjustment in respect of prior years	(1.8)	(2.8)
	9.0	9.4
<b>Deferred tax charge:</b>		
Deferred tax	0.6	0.6
Adjustment in respect of prior years	-	0.5
	0.6	1.1
<b>Total income tax charge in the Income Statement</b>	<b>9.6</b>	<b>10.5</b>
<b>Tax on items charged to other comprehensive income:</b>		
Tax on pension scheme obligations	(1.2)	1.9
<b>Tax on items charged directly to equity:</b>		
Tax on share based compensation and derivative instruments	-	0.8
	<b>(1.2)</b>	<b>2.7</b>
<b>Reconciliation of total tax</b>		
Profit before tax	53.1	58.4
Standard rate of corporation tax	10.1	11.3
Disallowable items	0.9	0.9
Share based compensation	0.5	0.6
Adjustments in respect of prior years	(1.8)	(2.3)
Difference on overseas tax rate	(0.1)	-
<b>Total tax</b>	<b>9.6</b>	<b>10.5</b>

The Finance Act 2015 has resulted in a change of tax rates from 19% to 18% during the year (2017: 20% to 19%). The Finance Act 2019 will result in a further reduction to 17% in future years.

## 6. Dividends

	2018 £m	2017 £m
Interim dividend for the year ended 31 December 2018 1.48p (2017: 1.41p)	5.8	5.6
Final dividend for the year ended 31 December 2017 2.48p (2016: 2.36p)	9.8	9.4
	<b>15.6</b>	<b>15.0</b>

The Directors propose a final dividend of 2.60p per share in respect of the financial year ending 31 December 2018 (2017: 2.48p). 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.

## 7. Earnings per share

The calculation of earnings per ordinary share is based on the profit on ordinary activities after taxation attributable to shareholders amounting to £43.5m (2017: £47.9m) and a weighted average number of ordinary shares in issue during the year of 393,422,446 (2017: 397,305,738).

The diluted earnings per share are based on the weighted average number of shares, after taking account of the dilutive impact of shares under option of 17,964,569 (2017: 12,030,902).

	2018 Earnings per share p	2017 Earnings per share p
<b>Basic EPS</b>	<b>11.07</b>	<b>12.06</b>
Effect of dilutive securities	(0.48)	(0.36)
<b>Diluted EPS</b>	<b>10.59</b>	<b>11.70</b>

# Notes to the Financial Statements

## 8. Goodwill

Goodwill has arisen in the year as a result of the acquisitions made as discussed in note 24.

	2018 £m	2017 £m
Cost		
As at 1 January	119.3	118.0
Additions	7.3	1.3
<b>As at 31 December</b>	<b>126.6</b>	<b>119.3</b>
Aggregate impairment		
As at 1 January	10.4	10.4
Impairment	-	-
<b>As at 31 December</b>	<b>10.4</b>	<b>10.4</b>
<b>Carrying amount at 31 December</b>	<b>116.2</b>	<b>108.9</b>

During the year the Group has changed its approach for the determination of cash generating units (CGU's). Previously this was done on a subsidiary by subsidiary basis however the Directors have elected to change this in the current year to better reflect the markets served by the CGU's and the appropriate level at which CGUs are monitored for impairment.

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

CGU	2018 Goodwill £'m	2018 Intangibles £'m	2017 Goodwill £'m	2017 Intangibles £'m
JLR	13.8	-	13.8	-
Audi	22.1	28.9	22.1	28.9
Charles Hurst	9.4	-	9.4	-
Renault Nissan	2.6	2.9	2.6	2.9
Mercedes-Benz	15.2	28.2	15.2	28.2
Volkswagen	7.5	15.9	7.5	15.9
Ford	26.7	2.9	19.4	2.9
BMW	9.6	22.3	9.6	22.3
Vauxhall	0.2	-	0.2	-
Fleet & Leasing	9.1	-	9.1	-
	<b>116.2</b>	<b>101.1</b>	<b>108.9</b>	<b>101.1</b>

There are a number of key assumptions within these forecasts and these have been based on management's past experience, knowledge of the market and given the significant uncertainty surrounding Brexit, an assumption has been made that the UK will leave the EU through an orderly exit. Set out below are the key assumptions that have been used in determining the impairment model.

Assumption	2018	2017
<b>Two to five year revenue growth</b>	1.4%	1.6%
<b>Two to five year operating expenses growth</b>	1.1%	1.0%
<b>Post five year growth rates</b>	0.0%	0.0%
<b>Discount rate</b>	8.7%	9.7%

The pre-tax adjusted discount rate used has been calculated and benchmarked against externally available data.

As a result of the impairment review, for all CGUs the value in use estimation exceeds the associated carrying value. However, acknowledging continued uncertainty in the UK economy, including the outcome of Brexit negotiations, we have prepared a sensitivity analysis, principally being a reduction in forecast revenue of 6%. This shows that, with the exception of the BMW, Volkswagen and Ford CGUs, no impairment arises in response to reasonable possible change scenarios. For the three CGUs that do show material impairment, the impairment that would arise is as follows:

CGU	Impairment (£m)
BMW	17.4
Volkswagen	7.3
Ford	5.5

Based on the review performed, the Directors believe that the value of the CGUs remains strong and will continue to monitor performance during 2019. At 31 December 2018 we consider that the carrying values in use of all CGUs included in the financial statements are appropriate.

# Notes to the Financial Statements

## 9. Intangible assets

Group	Licences £m	IT development £m	Brands £m	Total £m
Cost				
As at 1 January 2017	100.1	15.7	2.5	118.3
Additions	-	8.1	-	8.1
<b>As at 31 December 2017</b>	<b>100.1</b>	<b>23.8</b>	<b>2.5</b>	<b>126.4</b>
As at 1 January 2018	100.1	23.8	2.5	126.4
Additions	-	7.9	-	7.9
<b>As at 31 December 2018</b>	<b>100.1</b>	<b>31.7</b>	<b>2.5</b>	<b>134.3</b>
Accumulated amortisation				
As at 1 January 2017	-	7.0	1.5	8.5
Charge for the year	-	5.6	-	5.6
<b>As at 31 December 2017</b>	<b>-</b>	<b>12.6</b>	<b>1.5</b>	<b>14.1</b>
As at 1 January 2018	-	12.6	1.5	14.1
Charge for the year	-	5.6	-	5.6
<b>As at 31 December 2018</b>	<b>-</b>	<b>18.2</b>	<b>1.5</b>	<b>19.7</b>
Carrying amount				
As at 1 January 2017	100.1	8.7	1.0	109.8
As at 31 December 2017 and 1 January 2018	100.1	11.2	1.0	112.3
<b>As at 31 December 2018</b>	<b>100.1</b>	<b>13.5</b>	<b>1.0</b>	<b>114.6</b>

Company	IT development £m
Cost	
As at 1 January 2017	15.3
Additions	8.1
<b>As at 31 December 2017</b>	<b>23.4</b>
As at 1 January 2018	23.4
Additions	7.4
<b>As at 31 December 2018</b>	<b>30.8</b>
Accumulated amortisation	
As at 1 January 2017	6.6
Charge for the year	5.5
<b>As at 31 December 2017</b>	<b>12.1</b>
As at 1 January 2018	12.1
Charge for the year	5.5
<b>As at 31 December 2018</b>	<b>17.6</b>
Carrying amount	
As at 1 January 2017	8.7
As at 31 December 2017 and 1 January 2018	11.3
<b>As at 31 December 2018</b>	<b>13.2</b>

# Notes to the Financial Statements

## 10. Property, plant and equipment

Group	Freehold property £m	Leasehold property £m	Other £m	Total £m
Cost				
As at 1 January 2017	245.2	79.2	71.8	396.2
Additions	28.8	1.9	15.4	46.1
Disposals	(6.2)	(3.4)	(9.9)	(19.5)
<b>As at 31 December 2017</b>	<b>267.8</b>	<b>77.7</b>	<b>77.3</b>	<b>422.8</b>
As at 1 January 2018	267.8	77.7	77.3	422.8
Additions	14.3	0.6	10.8	25.7
Additions arising from business combinations	11.4	0.5	0.6	12.5
Transfers from current assets	-	-	8.0	8.0
Disposals	(13.6)	-	-	(13.6)
Transfers to assets held for sale	(11.7)	-	-	(11.7)
<b>As at 31 December 2018</b>	<b>268.2</b>	<b>78.8</b>	<b>96.7</b>	<b>443.7</b>
Accumulated depreciation				
As at 1 January 2017	17.5	16.6	43.0	77.1
Charge for the year	2.0	2.7	9.8	14.5
Disposals	(0.9)	(2.2)	(7.7)	(10.8)
<b>As at 31 December 2017</b>	<b>18.6</b>	<b>17.1</b>	<b>45.1</b>	<b>80.8</b>
As at 1 January 2018	18.6	17.1	45.1	80.8
Charge for the year	2.1	2.2	10.0	14.3
Disposals	(1.1)	-	-	(1.1)
Transfers to assets held for sale	(1.2)	-	-	(1.2)
<b>As at 31 December 2018</b>	<b>18.4</b>	<b>19.3</b>	<b>55.1</b>	<b>92.8</b>
Carrying amount				
As at 1 January 2017	227.7	62.6	28.8	319.1
As at 31 December 2017 and 1 January 2018	249.2	60.6	32.2	342.0
<b>As at 31 December 2018</b>	<b>249.8</b>	<b>59.5</b>	<b>41.6</b>	<b>350.9</b>

During the current year the Directors have elected to re-present the analysis of property, plant and equipment in order to make the disclosure note more concise. Leasehold property includes property held on both long and short leasehold terms. Other includes plant and machinery, fixtures, equipment, motor vehicles and assets in the course of construction.

Assets in the course of construction relate to build costs that have been incurred but the property is not yet in use. The total of these assets held at 31 December 2018 is £8.9m (2017: £1.2m). These assets will be transferred to Freehold property when complete.

At 31 December 2018 there is an amount of £nil (2017: £nil) committed for future capital expenditure.

During the year the Directors have reclassified certain properties to assets held for sale. See Note 25 for further details.

# Notes to the Financial Statements

## 10. Property, plant and equipment (continued)

Company	Other £m
Cost	
As at 1 January 2017	2.4
Additions	0.4
<b>As at 31 December 2017</b>	<b>2.8</b>
As at 1 January 2018	2.8
Additions	0.6
<b>As at 31 December 2018</b>	<b>3.4</b>
Accumulated amortisation	
As at 1 January 2017	2.1
Charge for the year	0.3
<b>As at 31 December 2017</b>	<b>2.4</b>
As at 1 January 2018	2.4
Charge for the year	0.3
<b>As at 31 December 2018</b>	<b>2.7</b>
Carrying amount	
As at 1 January 2017	0.3
As at 31 December 2017 and 1 January 2018	0.4
<b>As at 31 December 2018</b>	<b>0.7</b>

# Notes to the Financial Statements

## 11. Investments in subsidiary undertakings

	2018	2017
	£m	£m
Cost		
As at 1 January	57.8	57.8
Transfers from subsidiary undertakings	69.0	-
As at 31 December	126.8	57.8

As a result of a group reorganisation, during the year the Company is now the immediate parent entity to Lookers Motor Group Limited. This investment was formerly held by Lookers Motor Holdings Limited and has been transferred in at its existing book value.

Details of the subsidiary undertakings of Lookers plc are as follows:

**Registered Office: Lookers House, 3 Etchells Road, West Timperley, Altrincham, WA14 5XS**

### Incorporated and registered in England

Addison Motors Limited  
Addison TPS Limited  
Aston Green Limited  
Benfield Motor Group Limited  
Benfield Pension Trustees Limited  
Billingham Motors Limited  
Bluebell (Crewe) Limited  
Bolling Investments Limited  
Bramall & Jones VW Limited  
Bristol Trade Centre Limited  
Burton Trade Centre Limited  
Castle Bromwich Motors Limited  
Chipperfield Garage Limited  
Chipperfield Holdings Limited  
Colborne (HGG) 2012 Limited  
Colbornes Trade Parts Limited  
Colebrook & Burgess (North Shields) Limited  
Colebrook & Burgess (Teesside) Limited  
Colebrook & Burgess (Wallsend) Limited  
Colebrook & Burgess Holdings Limited  
Colebrook & Burgess Limited  
Cox & Co (Lookers) Limited  
Drayton Group Limited  
Drayton of Stoke Limited  
Drayton of Stourbridge Limited  
Drayton of Wolverhampton Limited  
Drayton Vehicle Contracts Limited  
The Dutton-Forshaw Trustee Company Limited  
Dutton-Forshaw Holdings Limited  
Dutton-Forshaw Limited  
\*Get Motoring UK Limited  
Golf & Turf Machinery Limited  
Harpers Carlisle Limited  
Howdens of Harrogate Limited  
Jackson & Edwards Limited

Kings Langley Land Rover Limited  
Knights North West Limited  
Look 4 Car Credit Limited  
Look 4 Car Deals Limited  
Lookers (J & S Leaver) Limited  
Lookers (St. Helens) Limited  
Lookers Bedale Garage Limited  
Lookers Birmingham Limited  
Lookers Colborne Limited  
Lookers Directors Limited  
Lookers GB & E Limited  
Lookers JV Limited  
Lookers Leasing Limited  
\*Lookers Motor Group Limited  
\*Lookers Motor Holdings Limited  
Lookers Motor Market Limited  
Lookers Motors Limited  
Lookers North West Limited  
Lookers Norwich Limited  
Lookers of Barnsley Limited  
Lookers of Bradford Limited  
Lookers of Burton Limited  
Lookers of Colwyn Bay Limited  
Lookers of Dewsbury Limited  
Lookers of Macclesfield Limited  
Lookers of Manchester Limited  
Lookers of Northwich Limited  
Lookers of Rochdale Limited  
\*Lookers Pension Plan Trustee Limited  
Lookers Property (Warehouse) Limited  
Lookers Secretaries Limited  
Lookers South East Limited  
Lookers Southern Limited  
Lookers Thornton Engineering Limited  
Martins (Burnley) Limited  
Martins (Middlesbrough) Limited  
Martins (Stockton) Limited  
Martins (Sunderland) Limited  
Martins-Wellington Limited

MB South Limited  
Meteor Group Limited  
Meteor Hire Limited  
Motor Garage Moseley Limited  
Motor Trade Centres (UK) Limited  
NNK Holdings Limited  
Picking (Liverpool) Limited  
Platts Harris Limited  
PLP Motors Limited  
Pollendine Motors (Frinton) Limited  
Radford (Bavarian) Limited  
Roadshow Limited  
Rosedale Finance & Leasing Limited  
S. Jennings Group Limited  
S. Jennings Limited  
The Dovercourt Motor Company Limited  
The Dutton-Forshaw Group Limited  
The Dutton-Forshaw Motor Company Limited  
\*The Dutton-Forshaw Trustee Company Limited  
Truc-Bodies Limited  
Vehicle Rental Services Limited  
Vikings Canterbury Limited  
Warwick Holdings Limited

### Incorporated and registered in Northern Ireland

**Registered Office: 62 Boucher Road, Antrim, Belfast, Northern Ireland BT12 6LR**

Adelaide Finance Limited  
Bairds Cars Limited  
Balmoral Motors Limited  
Charles Hurst Holdings Limited  
Charles Hurst JV Limited  
Charles Hurst Limited  
Charles Hurst Motors Limited  
Fleet Financial Limited  
Guthrie & Anderson Limited

Hurstco Limited  
Lookers Property (NI) Limited  
Savilles Auto Village Limited  
\*The Charles Hurst Corporation Limited  
Thompson-Reid Tractors Limited  
Town & Country Fuels Limited  
Ulster Garages Limited

### Incorporated and registered in Scotland

\*\*Arran Oils Limited  
\*\*Ballcop (No.1) Limited  
\*\*Ballcop (No.2) Limited  
\*\*Ballcop (No.3) Limited  
\*\*Ballcop (No.4) Limited  
\*\*Ballcop (No.5) Limited  
\*\*Ballcop (No.7) Limited  
\*\*Ballcop (No.8) Limited  
\*\*Ballcop (No.9) Limited  
\*\*Ballcop (No.10) Limited  
\*\*Ballcop (No.11) Limited  
\*\*Clyde Rover Limited  
\*\*Hurst Energy Services Limited  
\*\*Hurst Fuels (Caledonia) Limited  
\*\*Inverclyde Sales & Service Limited  
\*\*\*J M Sloan & Company (Car Hire) Limited  
\*\*\*J M Sloan & Company Limited  
\*\*JN Holdings Limited  
\*\*\*\*Lomond Motors (East) Limited  
\*\*\*\*Lomond Motors Limited  
\*\*\*\*Lomond TPS Limited  
\*\*\*Lookers Clyde Limited  
\*\*\*Lookers Property (Scotland) Limited  
\*\*\*Shields Automotive Limited  
\*\*\*Taggarts Motor Group Limited

### Incorporated in Republic of Ireland

Charles Hurst Dublin Limited

All subsidiary companies are wholly owned through ownership of ordinary share capital.

\*These subsidiaries are directly owned by Lookers plc whilst the remaining are indirectly owned.

\*\*Registered Office: 528/540 Windmill Hill Street, Motherwell, ML1 2AQ

\*\*\*Registered Office: 1 Brasswell Park, Annan Road, Dumfries, DG1 3JA

\*\*\*\*Registered Office: 520 Hillington Road, Braehead, Glasgow, G52 4UB

# Notes to the Financial Statements

## 12. Inventories

	Group 2018 £m	2017 £m
Goods for resale	547.7	542.1
Consignment vehicles	480.0	442.0
	<b>1,027.7</b>	<b>984.1</b>

Included within goods for resale are amounts for parts totalling £34.1m (2017: £34.6m). Due to the nature of inventories held there have been negligible amounts written off as an expense during the years ending 31 December 2018 and 31 December 2017.

## 13. Trade and other receivables

	Group 2018 £m	2017 £m	Company 2018 £m	2017 £m
Trade debtors	121.6	139.8	-	0.4
Group receivables	-	-	378.8	427.9
Other debtors	30.5	73.9	9.2	30.6
Prepayments	27.4	27.4	1.3	2.4
	<b>179.5</b>	<b>241.1</b>	<b>389.3</b>	<b>461.3</b>

Balances within Group receivables relate to balances due from subsidiary undertakings of the Company. All amounts are unsecured, interest free and repayable on demand.

## 14. Rental fleet vehicles

	Group 2018 £m	2017 £m
Cost		
As at 1 January	63.6	69.9
Additions in the year	89.4	87.1
Disposals	(95.9)	(93.4)
<b>As at 31 December</b>	<b>57.1</b>	<b>63.6</b>
Accumulated depreciation		
As at 1 January	2.7	2.8
Charge for the year	6.3	6.2
Disposals	(6.1)	(6.3)
<b>As at 31 December</b>	<b>2.9</b>	<b>2.7</b>
<b>Carrying amount at 31 December</b>	<b>54.2</b>	<b>60.9</b>

# Notes to the Financial Statements

## 15. Cash and cash equivalents

	Group 2018 £m	2017 £m	Company 2018 £m	2017 £m
Cash at bank and in hand	44.4	45.3	19.1	11.8
Bank overdraft	(1.1)	(6.4)	(25.5)	(20.7)
<b>Cash and cash equivalents</b>	<b>43.3</b>	<b>38.9</b>	<b>(6.4)</b>	<b>(8.9)</b>

## 16. Trade and other payables

	Group 2018 £m	2017 £m	Company 2018 £m	2017 £m
<b>Due in less than one year:</b>				
Trade payables	282.3	299.3	4.4	6.8
Repurchase commitments and stocking loans	336.5	326.4	-	-
Consignment vehicle creditors	480.0	442.0	-	-
Group payables	-	-	106.0	50.7
Rental fleet vehicle finance	40.0	46.4	-	-
Other tax and social security payable	9.4	18.2	-	5.6
Other creditors	39.3	37.2	-	8.6
Accruals and deferred income	48.2	58.0	8.5	11.2
Derivative financial instruments	-	0.6	-	0.6
	<b>1,235.7</b>	<b>1,228.1</b>	<b>118.9</b>	<b>83.5</b>
<b>Due after more than one year:</b>				
Repurchase commitments	11.9	31.1	-	-
Rental fleet vehicle finance	7.5	5.7	-	-
	<b>19.4</b>	<b>36.8</b>	<b>-</b>	<b>-</b>

Balances within Group payables relate to balances due to subsidiary undertakings of the Company. All amounts are unsecured, interest free and repayable on demand.

# Notes to the Financial Statements

## 17. Financial instruments

### Carrying amount of financial assets

The carrying amounts of financial assets by category were:

	Group 2018 £m	2017 £m
<b>Financial assets measured at amortised cost:</b>		
- Cash at bank and in hand	44.4	45.3
- Trade receivables	121.6	139.8
- Other receivables	30.5	73.9
<b>Total carrying amount</b>	<b>196.5</b>	<b>259.0</b>

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. All amounts are considered to have comparable credit risk exposure.

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

		2018 Group £m	2017 £m
Current (performing/under-performing and non-performing)	1.00%	1.6	1.9
Past due up to three months	2.00%	0.4	0.5
Past due from three months up to six months	4.00%	0.1	0.1
Past due over six months	8.00%	-	-
<b>Total gross carrying amount at 31 December</b>		<b>2.1</b>	<b>2.5</b>

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

	Group 2018 £m	2017 £m
As at 1 January	2.5	2.2
Derecognitions including write-off's	(0.3)	(0.4)
(Credit)/charge for the year	(0.1)	0.7
<b>As at 31 December</b>	<b>2.1</b>	<b>2.5</b>

# Notes to the Financial Statements

## 17. Financial instruments (continued)

### Carrying amount of financial liabilities

The carrying amounts of financial liabilities by category were:

	2018 £m	2017 £m
<b>Financial liabilities measured at amortised cost:</b>		
- Bank overdrafts	1.1	6.4
- Secured bank loans (current and non-current)	130.2	136.7
- Trade and other payables	1,245.7	1,246.1
<b>Financial liabilities measured at fair value through profit or loss:</b>		
- Interest rate swaps (Level 2 fair value)	-	0.6
<b>Total carrying amount</b>	<b>1,377.0</b>	<b>1,389.8</b>

	2018 £m	2017 £m
<b>Current</b>		
Bank overdraft	1.1	6.4
Secured bank loans	1.5	13.2
	2.6	19.6
<b>Non-current</b>		
Secured bank loans	128.7	123.5
<b>Total borrowings</b>	<b>131.3</b>	<b>143.1</b>

	2018 £m	2017 £m
<b>Bank loans and overdraft repayable:</b>		
Less than one year	2.6	19.6
More than one year and not more than two years	-	57.9
More than two years and not more than five years	122.9	58.4
More than five years	5.8	7.2
	<b>131.3</b>	<b>143.1</b>

	At 31 Dec 2016 £m	Net RCF movement £m	Loan repayment £m	Non-cash movement £m	At 31 Dec 2017 £m
Term loan	85.0	-	(10.0)	-	75.0
Other loans	17.7	-	(2.5)	-	15.2
RCF	3.4	43.1	-	-	46.5
	<b>106.1</b>	<b>43.1</b>	<b>(12.5)</b>	<b>-</b>	<b>136.7</b>

	At 31 Dec 2017 £m	Net RCF movement £m	Debt arising on acquisition £m	Loan repayment £m	Non-cash movement £m	At 31 Dec 2018 £m
Term loan	75.0	-	-	(5.0)	(70.0)	0.0
Other loans	15.2	-	5.9	(9.6)	-	11.5
RCF	46.5	1.2	-	-	71.0	118.7
	<b>136.7</b>	<b>1.2</b>	<b>5.9</b>	<b>(14.6)</b>	<b>1.0</b>	<b>130.2</b>

A non-cash movement of £1.0m has arisen following the retranslation of a Euro denominated loan.

# Notes to the Financial Statements

## 17. Financial instruments (continued)

At 31 December 2018 the Group has a revolving facility of £250.0m with a further of £50.0m available for future acquisitions. This facility was renegotiated on 21 December 2018 with the syndicated providers who had provided the previous term loan and previous revolving facility. These previous facilities have been settled in the year ending 31 December 2018 as a result of the new revolving credit facility. The remaining balance of £70.0m on the term loan was rolled into the new revolving credit facility.

The new revolving credit facility expires on 31 March 2022 and has an option for a further one year extension subject to syndicated approval. The facility is secured via a debenture over certain assets of the Group.

At 31 December the Group has the following undrawn committed borrowing facilities which expire:

	2018 £m	2017 £m
Within two to five years	131.3	127.2

### Financial risk management objectives

The Group manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and capital risk. The Group does not enter into or trade financial instruments (including derivative financial instruments) for speculative purposes.

### Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

### Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. 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	
	2018 £m	2017 £m	2018 £m	2017 £m
Euro	2.5	1.2	24.2	26.6

# Notes to the Financial Statements

## 17. Financial instruments (continued)

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 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.

	2018 £m +10% change	2018 £m -10% change	2017 £m +10% change	2017 £m -10% change
Financial assets	(0.2)	0.2	(0.1)	0.1
Financial liabilities	(2.2)	2.7	(2.4)	3.0

The sensitivity analyses below have been determined based on the exposure to 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. 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.

	+ 50 Basis Points	
	2018 £m	2017 £m
Profit or loss	3.5	0.7

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

### Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Default is defined by the Group as any financial asset subject to non-payment in accordance with the Group's standard terms and conditions. The group's exposure and the credit ratings of its counterparties are controlled by counterparty limits that are reviewed and approved by management.

Trade receivables are spread across a large number of counterparties across a large geographical area. The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

# Notes to the Financial Statements

## 17. Financial instruments (continued)

### Liquidity risk management

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.

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.

	0-3 months £m	3-12 months £m	Over 1 Year £m	Total £m
<b>2018</b>				
Financial liabilities	1,228.9	-	148.1	1,377.0
<b>2017</b>				
Financial liabilities	1,215.8	13.2	160.2	1,389.2

Included in the analysis above are balances relating to repurchase commitments and stocking loans where the liability is only contractually due at the point where the related vehicle is sold to the end customer. In this way the Group matches the cash outflow in respect of the liability with the cash inflow from the sale.

Also included within variable interest rate instruments in the zero to 3 months column is an amount of £336.5m (2017: £326.4m) relating to vehicle stocking loans.

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:

	2018 £m	2017 £m
<b>Current</b>		
Bank overdrafts	25.5	20.7
Secured bank loans	0.4	10.0
	<b>25.9</b>	<b>30.7</b>
<b>Non current</b>		
Secured bank loans	118.7	111.5
<b>Total borrowings</b>	<b>144.6</b>	<b>142.2</b>
<b>Bank loans and overdrafts repayable</b>	<b>2018 £m</b>	<b>2017 £m</b>
Less than one year	25.9	30.7
More than one year and not more than two years	-	10.0
More than two years and not more than five years	118.7	101.5
More than five years	-	-
	<b>144.6</b>	<b>142.2</b>

# Notes to the Financial Statements

## 17. Financial instruments (continued)

### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged since the prior year.

The capital structure of the Group consists of cash and cash equivalents, debt and borrowings, and equity holders of the parent, comprising issued share capital, share premium, a capital redemption reserve and retained earnings. The Group is not subject to any externally imposed capital requirements.

Management reviews the capital structure on a semi-annual basis. As part of this review, the committee 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:

	2018 £m	2017 £m
Total borrowings	131.3	143.1
Cash at bank and in hand	(44.4)	(45.3)
<b>Net debt</b>	<b>86.9</b>	<b>97.8</b>
Total equity	399.3	385.0
<b>Net debt to equity ratio</b>	<b>21.8%</b>	<b>25.4%</b>

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

# Notes to the Financial Statements

## 18. Deferred taxation

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2017: 17%) and movements in the year are as follows:

	Group 2018 £m	2017 £m	Company 2018 £m	2017 £m
As at 1 January	38.8	35.0	(4.1)	(8.7)
Arising on business combinations	1.8	-	-	-
Charged to the Income Statement	0.6	1.1	(0.6)	3.1
Charged to Other Comprehensive Income	(1.2)	1.9	(1.1)	1.5
Transfers from subsidiary undertaking	-	-	(6.4)	-
Charged to equity	-	0.8	-	-
<b>As at 31 December</b>	<b>40.0</b>	<b>38.8</b>	<b>(12.2)</b>	<b>(4.1)</b>

### Group

	Intangible assets £m	Accelerated tax depreciation £m	Capital gains £m	Total £m
<b>Deferred tax liabilities:</b>				
As at 1 January 2018	25.2	21.6	4.1	50.9
Arising from business combination	-	1.8	-	1.8
Reclassifications	(6.3)	6.3	-	-
Movement in year	0.1	(0.1)	-	-
<b>As at 31 December 2018</b>	<b>19.0</b>	<b>29.6</b>	<b>4.1</b>	<b>52.7</b>

	Share options £m	Employee benefits £m	Provisions £m	Total £m
<b>Deferred tax assets:</b>				
As at 1 January 2018	(0.7)	(10.7)	(0.7)	(12.1)
Movement in year	0.2	(1.2)	0.4	(0.6)
<b>As at 31 December 2018</b>	<b>(0.5)</b>	<b>(11.9)</b>	<b>(0.3)</b>	<b>(12.7)</b>

Net deferred tax liability

As at 31 December 2017 38.8

**As at 31 December 2018 40.0**

### Company

	Employee benefits £m	Provisions £m	Accelerated tax depreciation £m	Total £m
<b>Deferred tax assets:</b>				
As at 1 January 2018	(4.6)	(0.5)	1.0	(4.1)
Movement in year	(7.2)	0.4	(1.3)	(8.1)
<b>As at 31 December 2018</b>	<b>(11.8)</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>(12.2)</b>

The Directors do not consider it material to disclose the split of deferred tax balances between current and non-current. The Directors are satisfied with the recognition of a deferred tax asset in the Company due to the probability of future taxable profits becoming available.

# Notes to the Financial Statements

## 19. Share capital

Group and company	2018		2017	
	Shares	£m	Shares	£m
<b>Authorised:</b>				
Ordinary shares of 5p each	480,000,000	24.0	480,000,000	24.0
<b>Allotted, called up and fully paid:</b>				
As at 1 January	397,699,743	19.9	396,542,308	19.8
Allotted under share option schemes	484,652	0.0	1,157,435	0.1
Redeemed in the year	(9,009,761)	(0.5)	-	-
As at 31 December	389,174,634	19.4	397,699,743	19.9

Shares redeemed in the year relate to those repurchased under the share buy-back programme. An equivalent amount has been transferred to the non-distributable capital redemption reserve which has existed since 2003 following the redemption of preference shares then in issue.

## 20. Share-based compensation

The Company has a number of share option schemes for all employees of the Group and an Executive share option scheme (ESOS). Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. 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.

### Employee ShareSave Scheme

The Employee ShareSave scheme was available to all eligible employees and was based on Save As You Earn (SAYE) savings contracts with options exercisable within a period from the conclusion of a three year term as appropriate from the date of grant. Under the terms and conditions of this scheme, for every month (up to no more than six months) an employee fails to contribute the agreed monthly amount determined under the rules of the scheme, the last date exercisable will be delayed by one month.

Details of the Employee ShareSave Scheme options outstanding during the year are as follows:

	2018	Weighted average	2017	Weighted average
	Number of	exercise price	Number of	exercise price
	share options	(in £)	share options	(in £)
Outstanding at the beginning of the year	12,379,220	0.97	10,930,296	1.12
Granted during the year	3,946,037	0.84	7,619,372	0.87
Exercised during the year	(56,416)	1.01	(580,897)	1.06
Lapsed during the year	(5,003,429)	1.11	(5,589,551)	1.11
<b>Outstanding at the end of the year</b>	<b>11,265,412</b>	<b>0.91</b>	<b>12,379,220</b>	<b>0.97</b>

The 2018 options were granted on 3 October 2018 and the weighted average option price was 84 pence. The options outstanding at 31 December 2018 have an exercise price in the range of 0.84 pence to £1.45 and a weighted contractual life of 24 months (2017: range of 87 pence to £1.45 and a weighted contractual life of 25 months). All share options are settled via equity.

# Notes to the Financial Statements

## 20. Share-based compensation (continued)

### Executive Share Option Scheme (ESOS)

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:

	2018 Number of share options	Weighted average exercise price (in £)	2017 Number of share options	Weighted average exercise price (in £)
Outstanding at the beginning of the year	5,433,405	0.05	4,195,422	0.05
Granted during the year	1,970,788	0.05	1,621,104	0.05
Lapsed during the year	-	-	-	-
Exercised during the year	(427,906)	0.05	(383,121)	0.05
<b>Outstanding at the end of the year</b>	<b>6,976,287</b>	<b>0.05</b>	<b>5,433,405</b>	<b>0.05</b>

The weighted average option price at the date of exercise for share options exercised during the period was £0.05. The options outstanding at 31 December 2018 had a weighted average exercise price of £0.05, and a weighted average contractual life of 11 months (2017: same).

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:

	2018	2017
Expected volatility	36%	Nil
Expected life	3 years	10 years
Risk-free rate	0.02%	0.00%
Expected dividend yields	4.00%	3.28%

Volatility was measured by reference to the changes in the Company's share price between 1 January 2015 and 31 December 2018.

The total share based payment charge recorded in the year ending 31 December 2018 was £1.7m (2017: £1.7m).

# Notes to the Financial Statements

## 21. Pensions

The Group operates three defined benefit pension schemes, The Lookers Pension Plan, The Dutton Forshaw Group Pension Plan and the Benfield Group Pension Plan. The summary of the assets, liabilities and surplus or deficits of these schemes are summarised below.

During the previous year the Dutton Forshaw Group Pension Plan merged with the Lookers Pension Plan. Some assets were retained in the Dutton Forshaw Group Pension Plan to cover any remaining scheme liabilities and associated costs with closing the scheme.

	The Lookers Pension Plan	The Dutton-Forshaw Group Pension Plan	The Benfield Group Pension Plan	Total
	2018 £m	2018 £m	2018 £m	2018 £m
Defined benefit obligation	(271.2)	(2.8)	(12.6)	<b>(286.6)</b>
Scheme assets	201.8	4.5	11.4	<b>217.7</b>
(Deficit)/surplus	(69.4)	1.7	(1.2)	<b>(68.9)</b>
Amounts recognised in the income statement	5.8	0.3	0.2	<b>6.3</b>
Actuarial losses recognised in the statement of comprehensive income	(6.5)	(0.1)	(0.6)	<b>(7.2)</b>
Experience losses on plan assets	(17.3)	(0.1)	(1.2)	<b>(18.6)</b>
	The Lookers Pension Plan	The Dutton-Forshaw Group Pension Plan	The Benfield Group Pension Plan	Total
	2017 £m	2017 £m	2017 £m	2017 £m
Defined benefit obligation	(283.5)	(4.4)	(13.3)	<b>(301.2)</b>
Scheme assets	218.0	6.5	12.9	<b>237.4</b>
(Deficit)/surplus	(65.5)	2.1	(0.4)	<b>(63.8)</b>
Amounts recognised in the income statement	2.1	1.6	0.5	<b>4.2</b>
Actuarial gains/(losses) recognised in the statement of comprehensive income	9.1	1.7	(0.3)	<b>10.6</b>
Experience gains on plan assets	11.6	2.3	1.7	<b>15.6</b>

# Notes to the Financial Statements

## 21. Pensions (continued)

### The Lookers Pension Plan

"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 2018 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.

### Fair value and major categories of assets:

	Market value 2018 £m	Plan % 2018	Market value 2017 £m	Plan % 2017
Equities	67.2	33.3	83.5	38.3
Target return funds	68.6	34.0	70.2	32.2
Corporate bonds	61.5	30.5	63.0	28.9
Cash	4.5	2.2	1.3	0.6
<b>Total fair value of assets</b>	<b>201.8</b>	<b>100.0</b>	<b>218.0</b>	<b>100.0</b>

57.3% of the assets of the scheme are quoted investments. For those assets that are not quoted, excluding cash, the investments are valued on a daily basis by the investment managers.

### Amounts recognised in the Income Statement:

	2018 £m	2017 £m
Non investment expenses	0.9	0.7
Interest on obligation	7.4	5.0
Interest income on scheme assets	(5.7)	(3.6)
Past service cost	3.2	-
<b>Total defined benefit expense</b>	<b>5.8</b>	<b>2.1</b>

### Changes in the present value of the defined benefit obligation:

	2018 £m	2017 £m
Opening defined benefit obligation	283.5	143.8
Interest cost	7.4	5.0
Actuarial (gains)/losses	(10.8)	2.5
Past service cost	3.2	-
Transfer from The Dutton Forshaw Group Pension Plan	-	141.0
Benefits paid	(12.1)	(8.8)
<b>Closing defined benefit obligation</b>	<b>271.2</b>	<b>283.5</b>

Demographic changes was a gain of £0.8m (2017: £3.1m) and other actuarial experience from financial assumptions was a gain of £10.0m (2017: loss of £5.6m).

# Notes to the Financial Statements

## 21. Pensions (continued)

### Changes in the fair value of scheme assets:

	2018 £m	2017 £m
Opening fair value of scheme assets	218.0	104.0
Interest income	5.7	3.6
Actuarial (losses)/gains	(17.3)	11.6
Contributions	8.4	4.7
Transfer from The Dutton Forshaw Group Pension Plan	-	103.6
Benefits paid	(12.1)	(8.8)
Non investment expenses paid	(0.9)	(0.7)
<b>Closing fair value of scheme assets</b>	<b>201.8</b>	<b>218.0</b>

None of the scheme's assets were invested in Lookers plc or property occupied by Lookers plc. The company contributed an additional £8.4m in 2018 (2017: £4.7m) to fund accruing pensions and expects to maintain a similar level of pension contributions in 2019.

As a result of a recent high court ruling to guarantee minimum pensions between male and female participants, a one-off charge of £3.2m has been recorded as a past service cost.

Since the defined benefit scheme is closed to future accrual there is no funding required for future service, the funding required will be in relation to any current deficit and highly dependent on the future performance of the fund. Any agreed contributions will be reconsidered at each triennial valuation.

The most recent actuarial valuation of the Lookers Pension Plan was carried out as at 31 March 2016. This was agreed between the trustees and the Company and includes annual contributions of £4.1m, subject to annual inflation increases and continuing over the recovery period of 10 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;
- Legislative changes could also lead to an increase in the schemes' liabilities.

The trustee investment objectives and the processes undertaken to measure and manage the risks inherent in the scheme investment strategy are documented in the scheme's Statement of Investment Principles. The trustee and the Company 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 2018 is 17.1 years (2017: 17.1 years).

# Notes to the Financial Statements

## 21. Pensions (continued)

### Actuarial assumptions

	2018	2017
Discount rate	2.90%	2.65%
Future pension increases	2.10%-3.05%	2.05%-3.05%
Life expectancy at age 65 for:		
current pensioners - males	86.8	86.9
current pensioners - females	89.1	89.2
future pensioners - males	87.5	87.7
future pensioners - females	90.0	90.1

### Sensitivity analysis

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.	(2018 + £4.6m)	(2017 + £4.9m)
Increase inflation assumptions by 0.1% p.a.	(2018 + £2.7m)	(2017 + £3.0m)
Change mortality assumption to SAPS SINA (-1 year) CMI 2011 (1%)	(2018 + £8.5m)	(2017 + £8.9m)

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

## 21. Pensions (continued)

### The Dutton Forshaw Group Pension Plan

"The Dutton Forshaw Group Pension Plan", provides benefits based on final pensionable salary and is administered by Aon Hewitt Limited. The scheme has been registered with the Registrar of Pensions. The assets of the scheme are held separately from those of the Group, being held in separate funds by the Trustees of the Dutton Forshaw Group Pension Plan.

A valuation update was made as at 31 December 2018 by a qualified independent actuary, using a projected unit credit method to take account of the IAS 19 (Revised) requirements. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the scheme's assets at their 31 December market value.

#### Fair value and major categories of assets of the scheme:

	Market value 2018 £m	Plan % 2018	Market value 2017 £m	Plan % 2017
Corporate bonds	4.4	98.4	6.0	92.3
Cash	0.1	1.6	0.5	7.7
<b>Total fair value of assets</b>	<b>4.5</b>	<b>100.0</b>	<b>6.5</b>	<b>100.0</b>

All assets excluding cash are quoted investments.

#### Amounts recognised in the Income Statement:

	2018 £m	2017 £m
Non investment expenses	0.3	0.8
Interest on obligation	0.1	3.1
Interest income on scheme assets	(0.1)	(2.3)
<b>Total defined benefit expenses</b>	<b>0.3</b>	<b>1.6</b>

#### Changes in the present value of the defined benefit obligation:

	2018 £m	2017 £m
Opening defined benefit obligation	4.4	145.0
Interest cost	0.1	3.1
Actuarial losses	-	0.6
Transfer to the Lookers Pension Plan	-	(141.0)
Benefits paid	(1.7)	(3.3)
<b>Closing defined benefit obligation</b>	<b>2.8</b>	<b>4.4</b>

There were no actuarial gains or losses in the current year. Actuarial losses in the prior year relate to other actuarial experience from financial assumptions.

# Notes to the Financial Statements

## 21. Pensions (continued)

### Changes in the fair value of scheme assets:

	2018 £m	2017 £m
Opening fair value of scheme assets	6.5	106.4
Interest income	0.1	2.3
Actuarial (losses)/gains	(0.1)	2.3
Contributions	-	3.2
Transferred to the Lookers Pension Plan	-	(103.6)
Benefits paid	(1.7)	(3.3)
Non investment expenses paid	(0.3)	(0.8)
<b>Closing fair value of scheme assets</b>	<b>4.5</b>	<b>6.5</b>

The Company contributed an additional £nil in 2018 (2017: £3.2m) to fund accruing pensions but expects to make a minimal level of pension contribution in 2019 following the transfer of assets and liabilities to the Lookers Pension Plan.

Since the defined benefit scheme is closed to future accrual there is no funding required for future service, the funding required will be in relation to any current deficit and highly dependent on the future performance of the fund. Any agreed contributions will be reconsidered at each triennial valuation.

The most recent actuarial valuation of the Dutton Forshaw Pension Plan was carried out as at 31 March 2016. This was agreed between the trustees and the Company and includes annual contributions of £3.8m, subject to annual inflation increases and continuing over the recovery period of 14 years and 2 months. These are now paid into the Lookers Pension Plan following the transfer in the prior year. 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;
- Legislative changes could also lead to an increase in the scheme's liabilities.

The trustee investment objectives and the processes undertaken to measure and manage the risks inherent in the scheme investment strategy are documented in the scheme's Statement of Investment Principles. The trustee and the Company 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 2018 is 10.1 years (2017: 10.1 years).

# Notes to the Financial Statements

## 21. Pensions (continued)

### Actuarial assumptions

	2018	2017
Discount rate	2.90%	2.65%
Future pension increases	2.10%-3.10%	2.05%-3.05%
Life expectancy at age 65 for:		
current pensioners - males	86.8	86.9
current pensioners - females	89.1	89.2
future pensioners - males	87.6	87.7
future pensioners - females	90.0	90.1

### Sensitivity analysis

The table below gives a broad indication of the impact on the scheme valuation for changes in the key assumptions:

Change in assumption	Approximate impact on current surplus	
Reduce discount rate by 0.1% p.a.	(2018 + £negligible)	(2017 + £0.1m)
Increase inflation assumptions by 0.1% p.a.	(2018 + £negligible)	(2017 + £0.1m)
Change mortality assumption to SAPS SINA (-1 year) CMI 2011 (1%)	(2018 + £0.1m)	(2017 + £0.2m)

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.

### The Benfield Group Pension Plan

"The Benfield Motor Group Pension Plan" provides benefits based on final pensionable salary. The Plan, which is a funded scheme, is administered by Deloitte. The scheme has been registered with the Registrar of Pensions. The assets of the scheme are held separately from those of the Group, being held in separate funds by the Trustees of the Benfield Motor Group Pension Plan.

A valuation update was made as at 31 December 2018 by a qualified independent actuary to take account of the IAS 19 requirements. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the scheme's assets at their 31 December market value.

### Fair value and major categories of assets of the scheme:

	Market value 2018 £m	Plan % 2018	Market value 2017 £m	Plan % 2017
Equities	7.9	69.3	9.2	71.3
Corporate bonds	3.4	29.8	3.6	27.9
Cash	0.1	0.9	0.1	0.8
<b>Total fair value of assets</b>	<b>11.4</b>	<b>100.0</b>	<b>12.9</b>	<b>100.0</b>

All assets excluding cash are quoted investments.

### Amounts recognised in the Income Statement:

	2018 £m	2017 £m
Non investment expenses	-	0.3
Interest on obligation	0.3	0.5
Interest income on scheme assets	(0.3)	(0.3)
Past service cost	0.2	-
<b>Total defined benefit expenses</b>	<b>0.2</b>	<b>0.5</b>

# Notes to the Financial Statements

## 21. Pensions (continued)

### Changes in the present value of the defined benefit obligation:

	2018 £m	2017 £m
Opening defined benefit obligation	13.3	11.5
Interest cost	0.3	0.3
Actuarial (gains)/losses	(0.5)	2.1
Past service cost	0.2	-
Benefits paid	(0.7)	(0.6)
<b>Closing defined benefit obligation</b>	<b>12.6</b>	<b>13.3</b>

Demographic changes was a gain of £0.1m (2017: £0.1m) and other actuarial experience from financial assumptions was a gain of £0.5m (2017: loss of £2.2m).

### Changes in the fair value of scheme assets:

	2018 £m	2017 £m
Opening fair value of scheme assets	12.8	11.9
Interest income	0.3	0.3
Actuarial (losses)/gains	(1.2)	1.7
Past service cost	0.2	-
Benefits paid	(0.7)	(0.6)
Non investment expenses paid	-	(0.5)
<b>Closing fair value of scheme assets</b>	<b>11.4</b>	<b>12.8</b>

The Company made contributions of £nil during the year and expect to make a similar level of contributions in 2019. As a result of a recent high court ruling to guarantee minimum pensions between male and female participants a one-off charge of £0.2m has been recorded as a past service cost.

Since the defined benefit scheme is closed to future accrual there is no funding required for future service, the funding required will be in relation to any current deficit and highly dependent on the future performance of the fund. Any agreed contributions will be reconsidered at each triennial valuation.

The most recent actuarial valuation of the Benfield Group Pension Plan was carried out as at 31 March 2016. This was agreed between the trustees and the Company and no annual contributions 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;
- Legislative changes could also lead to an increase in the scheme's liabilities.

The trustee investment objectives and the processes undertaken to measure and manage the risks inherent in the scheme investment strategy are documented in the scheme's Statement of Investment Principles. The trustee and the Company 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 2018 is 14.9 years (2017: 14.9 years).

# Notes to the Financial Statements

## 21. Pensions (continued)

### Actuarial assumptions:

	2018	2017
Discount rate	2.90%	2.65%
Future pension increases	2.10%-3.10%	2.05%-3.05%
Life expectancy at age 65 for:		
current pensioners - males	86.8	86.9
current pensioners - females	89.1	89.2
future pensioners - males	88.1	88.2
future pensioners - females	90.6	90.7

### Sensitivity analysis

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.	(2018 + £0.2m)	(2017 + £0.2m)
Increase inflation assumptions by 0.1% p.a.	(2018 + £0.1m)	(2017 + £0.1m)
Change mortality assumption to SAPS SINA (-1 year) CMI 2011 (1%)	(2018 + £0.4m)	(2017 + £0.4m)

A change in more than one of these assumptions in the same direction would clearly have a more significant and potentially materially adverse impact on the deficit of the scheme.

### Defined contribution scheme

The Group and Company provide pension arrangements for certain Directors and employees under defined contribution schemes and have a defined contribution Stakeholder Pension Scheme for employees. The Income Statement account charge for the year in respect of defined contribution schemes was £3.1m (2017: £3.0m).

## 22. Operating lease commitments

Minimum lease payments in respect of non-cancellable operating leases which expire:

	2018 Property £m	2018 Plant & equipment £m	2017 Property £m	2017 Plant & equipment £m
Within one year	17.4	0.4	14.2	0.8
Within two to five years	60.5	0.9	46.7	0.2
After five years	93.4	-	76.0	-
	<b>171.3</b>	<b>1.3</b>	<b>136.9</b>	<b>1.0</b>

## 23. Contingent liabilities

During the year, the Board became aware of certain matters requiring review in relation to the Group's regulated activities. Supported by an independent review and working closely with our regulator, the directors have initiated a project to review the controls and processes over these regulated activities. This project is intended to evaluate the extent to which remedial action and enhancements of controls may be required. At this stage, the directors consider that there is a possibility of financial liabilities arising, however, it is not practicable to reliably estimate any impact of this at the date of these financial statements.

# Notes to the Financial Statements

## 24. Business combinations

On 4 July 2018, Lookers Motor Group Limited acquired 100% of the share capital of Pollendine Motors (Frinton) Limited. An analysis of the acquisition is as follows:

### Pollendine Motors (Frinton) Limited

	Fair value £m
Inventories	0.3
Debtors	0.1
Cash	1.2
Liabilities	(0.1)
<b>Total identified net assets</b>	<b>1.5</b>
Goodwill arising on consolidation	1.1
Consideration	2.6

On 17 September 2018 Lookers Motor Group Limited acquired 100% of the share capital of NNK Holdings Limited. NNK Holdings Limited was the acquisition vehicle for the acquisition of the S. Jennings Group Limited. An analysis of the acquisition is as follows:

### NNK Holdings Limited

	Fair value £m
Property, plant and equipment	12.5
Inventories	44.7
Debtors	9.3
Cash	(2.2)
Bank loans	(5.9)
Liabilities	(53.5)
Deferred tax	(1.8)
<b>Total identified net assets</b>	<b>3.1</b>
Goodwill arising on consolidation	6.2
Consideration	9.3

<b>Total consideration paid</b>	<b>12.7</b>
Net cash acquired	(1.0)
<b>As per statement cash flows</b>	<b>13.7</b>

The difference in consideration between the statement of cash flows and the fair value tables above is in relation to adjustments to the consideration still to be finalised. The adjustments detailed above are provisional and the property will be reviewed and valued during the year ending 31 December 2019. The acquisitions have been made to enhance the geographical footprint of the Group's dealerships. The Directors are of the view that the difference between the excess consideration over the identifiable net assets is best considered as relating to goodwill representing future operational synergies. Revenue and profit before tax contributed from business combinations since acquisition amounted to £72.4m and (£0.4m) respectively. Had the business combinations contributed a full financial year's contribution Group revenue would have changed by £282.3m and profit before tax by (£1.6m). Acquisition related costs of £0.1m have been expensed to administrative expenses.

## 25. Assets held for sale

During the year the Group has begun to market vacant properties for sale. As such these have now been disclosed as assets held for sale as follows:

	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Transfer from property, plant and equipment	10.5	-	-	-
Transfer from accruals	(2.5)	-	-	-
	<b>8.0</b>	<b>-</b>	<b>-</b>	<b>-</b>

These properties are held at their expected realisable value and are expected to be disposed within the next 12 months subject to agreement of commercial terms and conditions.

## 26. Ultimate controlling party

There is no controlling party of the Company's share capital.

# Trading outlets

## Franchises

### Aston Martin

Belfast

### Audi

Ayr  
Basingstoke  
Camberley  
Dublin  
Edinburgh  
Glasgow  
Guildford  
Hamilton  
Newcastle  
Stirling  
Teesside  
Tyneside  
Wearside

### Bentley

Belfast

### BMW

Crewe  
Stafford  
Stoke-on-Trent

### Citroën

Belfast

### Dacia

Belfast  
Carlisle  
Chester  
Newcastle  
Newtownabbey  
Newtownards  
Stockport

### DS

Belfast

### Ferrari

Belfast

### Ford

Braintree  
Chelmsford  
Colchester  
Frinton  
Gateshead  
Guiseley  
Harrogate  
Leeds  
Middlesbrough  
Sheffield  
South Shields  
South Woodham Ferrers  
Stockton  
Sudbury  
Sunderland  
Washington

### Honda

Orpington

### Hyundai

Dundonald

### Jaguar

Amersham  
Belfast  
Glasgow  
West London

### Jeep

Belfast

### Kia

Belfast  
Newcastle  
Sunderland  
Stockport  
Washington

### Land Rover

Belfast  
Bishop's Stortford  
Chelmsford  
Chipperfield  
Colchester  
Glasgow - North  
Glasgow - South  
London - Battersea  
London - Park Royal  
Motherwell

### Lexus

Belfast

### Maserati

Belfast

### Mazda

Sunderland  
Washington

### 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  
Motherwell  
Newcastle  
Newtownabbey  
Newtownards

### Mazda

Middlesbrough  
Sunderland

# Trading outlets

## Peugeot

Belfast

## Renault

Belfast  
Carlisle  
Chester  
Newcastle  
Newcastle (Commercial)  
Newtownabbey  
Newtownards  
Stockport

## Seat

Manchester  
Middlesbrough  
Stockport

## Skoda

Guildford  
Harrogate  
Manchester  
Newcastle  
Stockport  
West London

## smart

Brighton  
Gatwick  
Maidstone  
Shrewsbury  
Stoke-on-Trent  
Stourbridge  
Tonbridge  
Wolverhampton  
Worcester

## Toyota

Belfast  
Dundonald  
Newtownabbey

## Vauxhall

Belfast  
Birkenhead  
Birmingham  
Chester  
Ellesmere Port  
Lisburn  
Liverpool  
Newtonabbey  
Portadown  
Selly Oak  
Speke  
St Helens

## Volkswagen

London - Battersea  
Blackburn  
Blackpool  
Carlisle  
Dumfries  
Darlington  
Guildford  
Morden  
Newcastle  
Northallerton  
Preston  
Silverlink  
Teesside  
Walton-on-Thames

## Volkswagen – Commercial Vehicles

Carlisle  
Darnley  
Glasgow  
Guildford  
Newcastle  
Teesside

## Volvo

Colchester  
Glasgow  
Stockport

## Used Car Supermarkets

Belfast  
Dublin

## Motorcycles

**BMW** - Belfast  
**Honda** - Belfast  
**Yamaha** - Belfast

## TPS

Edinburgh  
Glasgow  
Newcastle  
Teesside

## Tyres

Belfast - Boucher Road  
Belfast - Sydenham Road  
Coleraine  
Omagh  
Portadown

## Service Centres

Renault Chelmsford  
Volvo Chelmsford  
Vauxhall Dundonald

## Lookers Leasing

Harrogate

## Fleet Financial

Belfast

## Vehicle Rental Services

Beaconsfield

## Agricultural Division

Darley Dale  
Tuxford

Website: [www.lookers.co.uk](http://www.lookers.co.uk)

## Five year record

	Year ended 31 December 2014 £m	Year ended 31 December 2015 £m	Year ended 31 December 2016 £m	Year ended 31 December 2017 £m	Year ended 31 December 2018 £m
Revenue	3,042.9	3,649.1	4,281.7	4,696.3	4,879.5
Operating profit	74.3	82.8	90.2	75.6	73.6
Net interest	(11.6)	(13.8)	(17.6)	(16.3)	(18.3)
Net interest on pension scheme obligations	(3.1)	(3.9)	(3.7)	(4.2)	(1.7)
Fair value on derivative instrument	-	-	-	1.9	-
Debt issue costs	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)
Goodwill impairment	-	(3.6)	-	-	-
Exceptional items	-	1.7	23.3	-	-
Profit before taxation	59.2	62.8	91.8	58.4	53.1
Taxation	(12.4)	(12.0)	(10.5)	(10.5)	(9.6)
Profit attributable to shareholders	46.8	50.8	81.3	47.9	43.5
Dividend per share†	2.84p	3.12p	3.64p	3.89p	4.08p
Basic earnings per ordinary share	12.03p	12.88p	20.51p	12.06p	11.07p
Adjusted earnings per ordinary share††	13.52p	15.24p	15.87p	14.57p	14.68p
Year ended	At 31 December 2014 £m	At 31 December 2015 £m	At 31 December 2016 £m	At 31 December 2017 £m	At 31 December 2018 £m
Share capital	19.7	19.8	19.8	19.9	19.4
Retained earnings	145.7	185.7	229.6	272.1	286.4
Net assets	256.9	297.8	341.7	385.0	399.3

† Dividends per share are based on interim dividend paid and final dividend declared for the year.

† † Details on reconciliations to alternative performance measures are made on page 33.

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