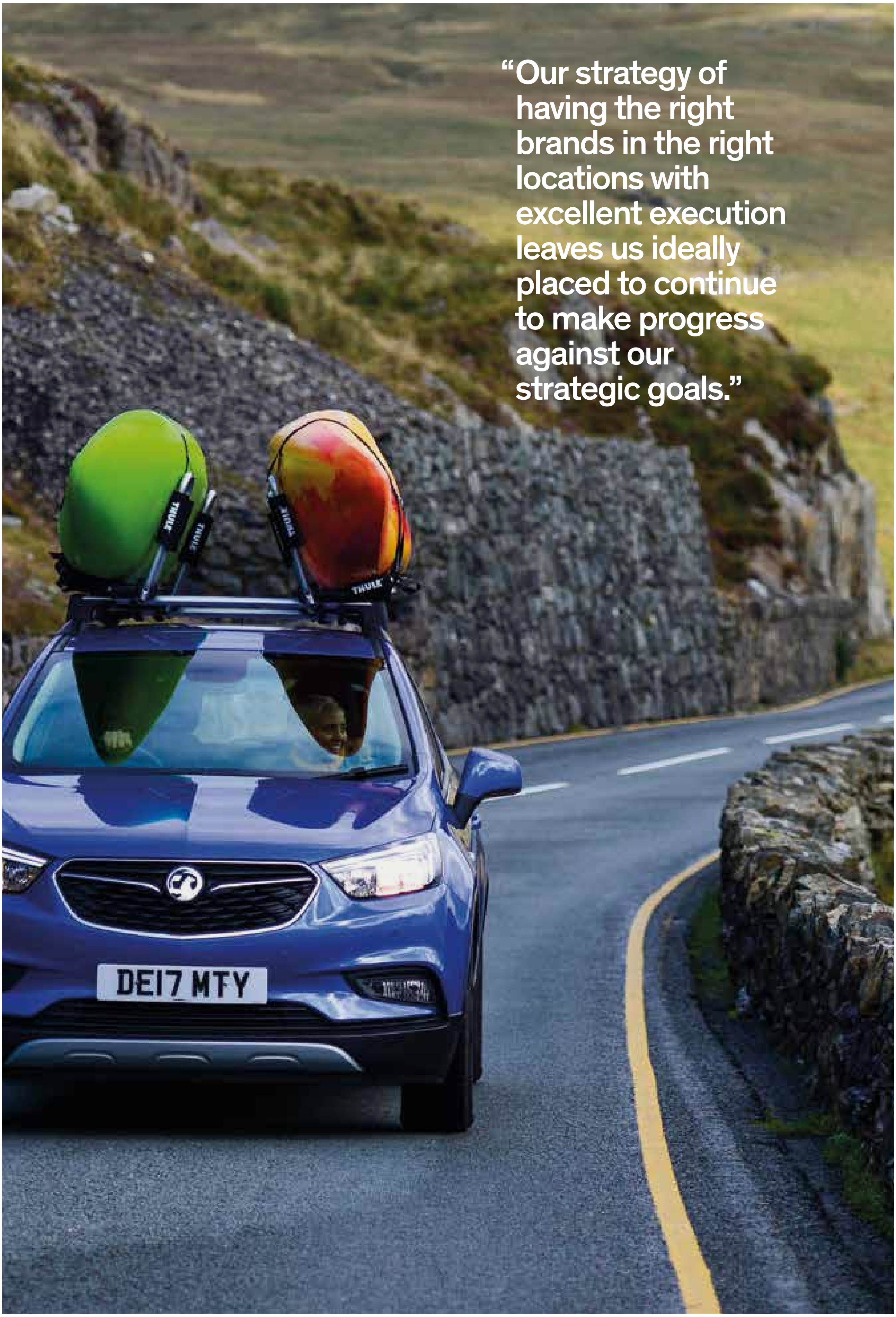
Lookers plc

2017 Annual Report & Accounts



"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."

Contents

2017 at a glance

155
franchise dealerships

Sold over
220,000
new & used cars and light commercial vehicles

32
manufacturer brands

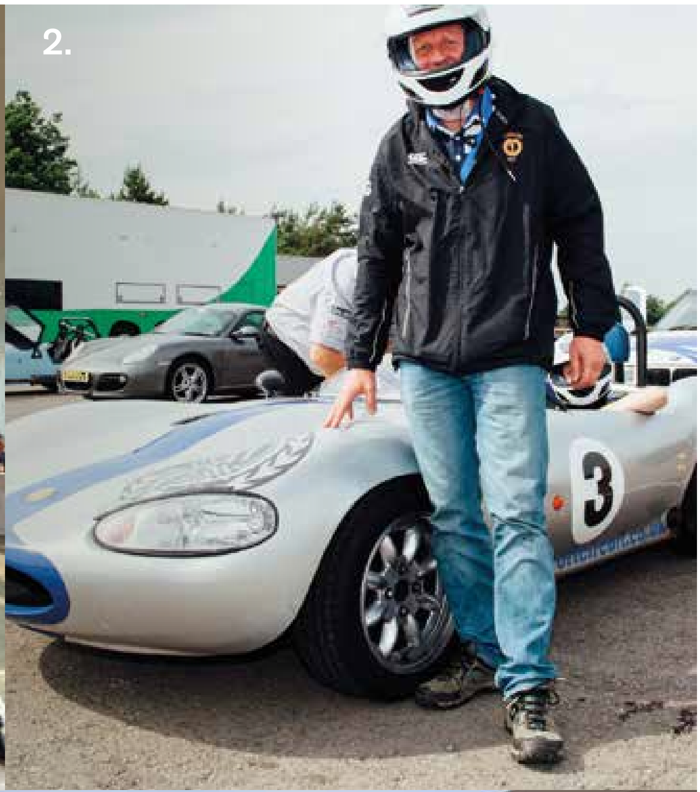
Revenue up 15% to
£4.7 billion

Dividend increased 7% to
3.89p per share
(2016: 3.64p)

Adjusted Profit before tax on continuing operations up 5% to
£68.4m

Adjusted Earnings per Share on continuing operations up 1.3% to
14.57p (2016: 14.38p)

1. Wearside Audi premises
2. Annual Track Day
3. Automotive Challenge Cup charity event in aid of BEN
4. Jaguar Land Rover Glasgow opens



Strategy & Business


"We have delivered a robust set of results with good growth across the areas of the business. We have made good progress with our strategy over the year and remain focussed on having the right brands in the right locations"
Andy Bruce
Chief Executive Officer

Business Model and Strategy

Business model

With group turnover of £4.7 billion in 2017, Lookers is one of the leading motor retail and aftersales groups in the UK. We sell over 220,000 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 155 franchised dealerships representing 32 manufacturers from 100 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 2.26 million and 2.69 million during the past five years. Our share of the retail sector of this market is just over 6%, up from 5.5% in the prior year.

After five consecutive years of growth since 2011, the UK new car market reduced by 5.6% in 2017 to 2.54 million cars from the 2.69 million cars in 2016, which was the highest ever level.

The new car market has two principal sectors, each of which represents 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 volumes in this part of the market.

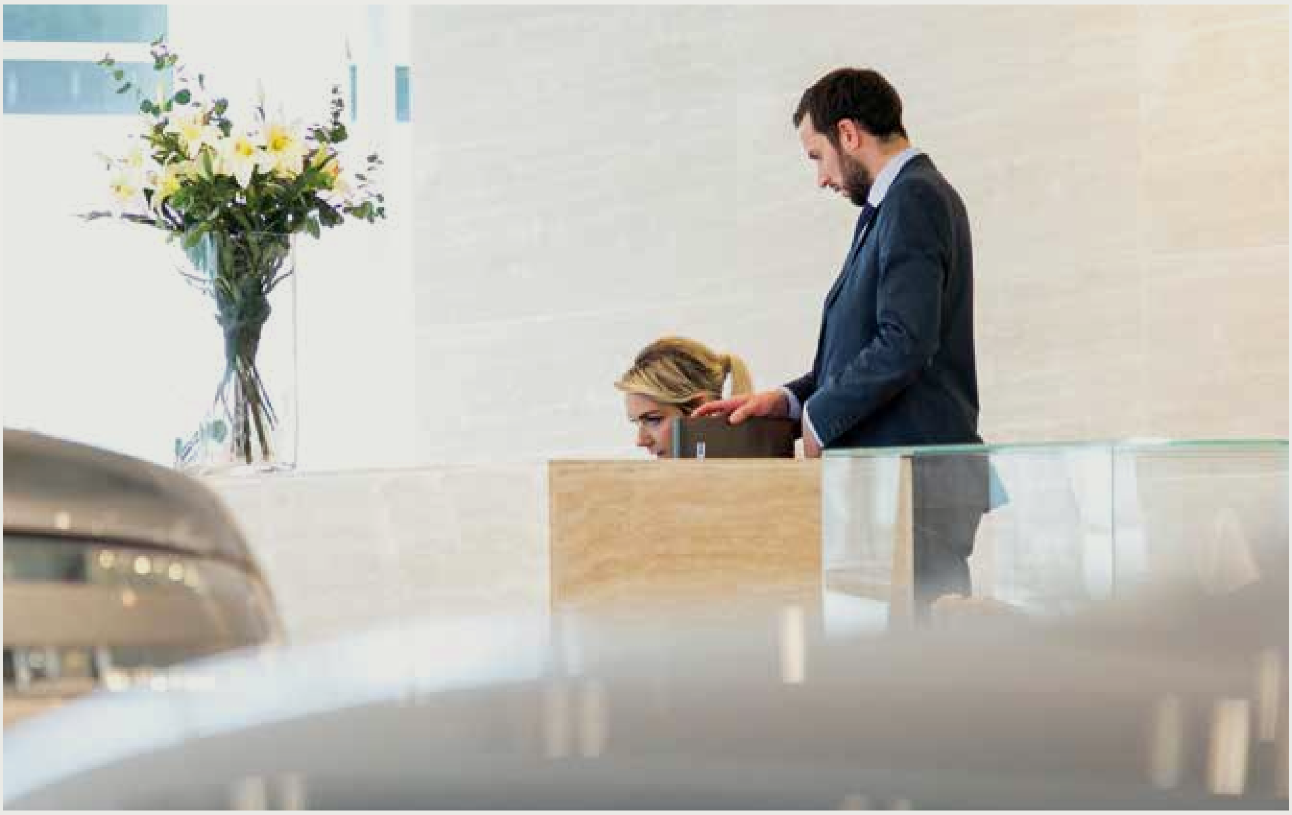
Aftersales represents the servicing, repair and sale of franchised parts to customers' vehicles. The aftersales market applies to the overall number of cars in use on UK roads, which is referred to as the UK car parc. There are approximately 37 million vehicles that make up the UK car parc with 23% (7.8 million) 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.

Strategic and Operational Review

Andy Bruce
Chief Executive Officer


Lookers



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, whilst 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, 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 included in the governance section of the 2017 Annual Report and Accounts.

Business Review

Key Performance Indicators

Financial	2017	2016
Turnover	£4,696m	£4,088m
Gross profit	£504.1m	£449.5m
Gross margin	10.7%	11.0%
Operating profit	£84.7m	£82.5m
Operating margin	1.8%	2.0%
* Adjusted profit before tax	£68.4m	£64.9m
* Adjusted net margin	1.5%	1.6%
* Adjusted earnings per share	14.57p	14.38p
Net debt	£97.8m	£74.1m
Gearing	25%	22%
** Net debt to EBITDA	0.95	0.69
Return on capital employed	17.8%	19.0%

Non-financial		
UK new car market	2.54m	2.69m
Group new car sales	104,331	101,931
Share of UK new car retail	6.0%	5.5%
Group used car sales	92,105	84,502
Group employees	8,599	9,081

Group new car sales

2016	**101,931**
2017	**104,331**

Share of UK new car retail market

2016	**5.5%**
2017	**6.0%**

Group used car sales

2016	**84,502**
2017	**92,105**

Group employees

2016	**9,081**
2017	**8,599**

Performance

I am pleased to report a respectable result for the company which saw a 15% increase in turnover from continuing operations on the prior year and produced an increase of 5% in adjusted profit before tax* of £68.4 million from continuing operations (2016: £64.9 million). This result represents a positive performance against a backdrop of difficult trading conditions across the motor sector, particularly in the second half of the year, and during a period in which volumes in the UK new car market reduced by 5.6%, albeit remaining at historically high levels.

This continued momentum has allowed us to demonstrate growth in the company's underlying operations, further demonstrating that our business model is both resilient and expansive. Adjusted profit before tax* of £68.4 million represents a reduction compared to last year's result of £77.1 million, although this largely relates to the trading result of the parts division which was sold in the last financial year to allow the group to focus on its strategy of expanding the motor retail business and continuing to add value through acquisitions.

The key elements of our performance were:

- Stable level of new car turnover and improvement in gross profit in continuing operations;
- Further growth in used car turnover and gross profit; and
- Improvement in both aftersales turnover and margin.

Whilst the new car market remains challenging, we believe there are opportunities to grow the business in 2018 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. Given the challenging trading conditions we carried out a significant cost saving exercise during the second half of the year which will reduce costs in 2018.

This is the first annual reporting period following the successful integration of the significant acquisitions made during the second half of 2016 and the sale of our parts division in November 2016. The relative performance of continuing operations will be considered in this report and will provide a more appropriate assessment of the underlying performance of the business, as well as that of the company as a whole (where the comparatives and year on year changes include the parts division). Therefore, any references to continuing operations in this report exclude the parts division from the 2016 comparatives.

(*Adjusted profit before tax is profit from continuing operations before amortisation and impairment of intangible assets, debt issue costs, pension costs, exceptional items and share based payments.
** EBITDA is cash generated before working capital including fair value on derivatives).

Operating Review

I am pleased to report that the continuing operations of the business increased turnover by £608 million to £4.69 billion (2016: £4.09 billion), an increase of 15%. *Adjusted profit before tax increased to £68.4 million (2016: £64.9 million), an increase of 5%. This result demonstrates a significant achievement and a strong performance against our objectives and KPIs. Profit before tax for continuing operations was £58.4 million (2016: £79.6 million) where the reduction largely relates to the sale of the parts division which was conducted in the last financial year.

Acquisitions and portfolio management

Our motor retail business has recently been through a period of significant transformation. In the second half of 2016, we successfully completed the strategic acquisitions of the Knights BMW and MINI dealerships as well as the Drayton Mercedes-Benz dealerships, both of which were major transactions for the company. These acquisitions have now been successfully integrated and are making a positive contribution to the company's profits.

We also carried out a strategic review of our brand representation during the previous year. As part of this review, we decided to relinquish some of our franchise representation of dealerships to ensure that all our dealerships were aligned with our strategy of having a meaningful representation of the major automotive brands in the larger areas of population in the UK and to generate meaningful profits. Whilst we completed most of this reorganisation last year, the balance of this has now been completed with the closure or sale of three of the remaining businesses. In the last 18 months we have sold or closed 15 businesses which, together with the two major acquisitions, has significantly improved and strengthened our portfolio of franchise representation.

New Cars

The sale of new cars represents 33% of gross profit for the group. After the record year of 2.69 million cars registered in 2016, the UK new car market had a strong start to the year in the first quarter of 2017, some of the increase being due to changes in Vehicle Excise Duty on 1 April. However, volumes declined from April to December and reduced by 5.6% compared to the prior year, to 2.54 million. This reduction included a decline in the retail new car market which reduced by 6.8% and the fleet new car market reduced by 4.7%. Despite a challenging market, we had a positive performance against this backdrop, our volumes were slightly ahead of the market with a reduction of 4.4% in retail and an increase of 1.4% in fleet. Total new car turnover increased by 12% year-on-year and increased by 3% on a like-for-like basis. This represents a positive performance compared to the wider market, as we continue to take share in a competitive environment.

We have continued to put more focus and investment into the fleet sector and our fleet turnover, including commercial vehicles, which outperformed the market with an increase of 17.6% or 5.6% on a like-for-like basis. The fleet sector is a significant part of the market and represents a major profit opportunity for the group, providing scope for organic growth given our lower market share compared to our retail business. Despite this increase in volumes, we have continued to target quality fleet sales and avoid very low margin business.

Gross profit from new cars increased by 2.2% year-on-year and by 2.6% on a like-for-like basis. We expect new car volumes to continue to fall in the first quarter of 2018 compared to the strong comparatives in 2017, where new car registrations were increased due to changes in Vehicle Excise Duty which became effective in April. The Society of Motor Manufacturers and Traders ("SMMT") expect the market to stabilise after the first quarter and their current estimate is that new car volumes will be 5.6% lower for the full year compared to 2017.

The new car market continues to be at historically high levels and our order take for the important month of March is continuing to build in line with our expectations, albeit these are at a lower level than last year, due to the very strong performance in March 2017. However, the outlook for new cars is still relatively healthy and there are opportunities for us to continue to increase market share, particularly as the brands where we have significant representation tend to outperform the wider market.

Used Cars

Used cars contribute 26% of our gross profit and the used car market continues to be stable. Turnover of used cars increased by 19%, or 13% on a like-for-like basis, compared to 2016. Gross profit increased by 27%, or 15% on a like-for-like basis. This is a positive performance given our used car volumes have increased significantly over the last five years. We continue to focus on stock management and sourcing good quality used cars, both of which help to improve profitability.

The used car market still represents a significant opportunity for the group and we will benefit from the increasing number of leads generated by our website, which have increased by 34% compared to last year. A new and much improved website was launched two years ago and whilst this has resulted in significant increases in our visitor and enquiry levels, further and extensive development continues to be carried out.

Operating Review

Aftersales

Our higher margin aftersales business, which represents 41% of gross profit, has performed well in the period. As well as improving margin, turnover increased by 16% compared to 2016 and 4% on a like for like basis. Gross profit increased by 14%, or 3% on a like-for-like basis, with the margin also at a similar level compared to last year. The increased profitability has benefitted from the growth in the vehicle parc of cars under three years old, a trend which has continued in recent years due to increased sales of new cars. This will continue to increase, albeit at a lower rate of growth. The increase in volumes and margin are also due to the initiatives we have made to develop the aftersales business, with an increased emphasis on performance and specific targets being introduced to improve profitability. We continue to have success in higher numbers of customers choosing to enter into service contracts, to fix the price of servicing as well as paying for this on a monthly basis which helps improve customer loyalty and retention.

We have also developed further initiatives to improve the aftersales business, particularly in relation to technology and systems. In this area, we continue to be focussed on improving the customer experience to increase retention levels.

Developing our retail environment

We have previously announced that the group is committed to developing the customer journey through a significant programme of further capital investment planned for the next three years.

This programme will ensure that our entire dealership estate represents best in class in modern motor retailing. We also announced that we were making a significant investment in our multi-channel customer experience.

The internet and our website play a critical and important role in the customer journey, influencing how our customers research vehicles before they enter the showroom. We are making further major developments to our website. This will result in exciting improvements in functionality and interaction with our customers. Our aim is to produce an industry-leading website, which will improve the customer experience, and ultimately increase sales and profitability.

Good progress has been made during the year and we are introducing new systems which will improve the customer experience further. This will also result in greater operational efficiencies. We believe this will enable us to provide an industry leading customer experience and give us a significant competitive advantage and improved profitability.

Customer experience

Our goal is to be recognised as providing a great customer experience and engagement in the 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.

Our people

Our people are the key to help us to deliver our strategy and provide a first-class customer experience. We continue to invest in our people with a new training and development programme, including greatly improved induction training for all new recruits as well as further improvements to our structured and formal management development programme. We have also made significant enhancements to the holidays and benefits for our people so that we can now offer the most attractive employment prospects in our sector. Our aim is to be the best place to work in our industry so that we can attract and retain the best people to achieve enhanced levels of customer satisfaction and help us become the best in the UK motor retail sector. It was therefore a great achievement for our progress in this important area to be recognised when we were the only motor retailer to be awarded the exclusive Top Employers United Kingdom certification in both 2017 and 2018. This is a symbol of 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.


Range Guide

Financial Review

Group results
This review of financial performance covers continuing operations unless there is a specific reference to the contrary. Turnover increased by 15% to £4.7 billion compared to the previous year (2016: £4.1 billion), with growth across all areas of the business, particularly used cars. Gross profit increased by 12% to £504 million (2016: £449 million). The gross margin of 10.7% was slightly lower compared to the prior year of 11.0%, which is due to a greater proportion of gross profit coming from the increased volume of car sales, which have a lower percentage margin than parts and aftersales.

The operating margin was slightly lower than last year at 1.8% (2016: 2.0%) and *adjusted profit from operations of £84.7 million increased by 2.7% (2016: £82.5 million). As a result of the difficult trading conditions, a significant cost saving exercise was carried out during the second half of the year which will reduce costs in 2018.

Net interest costs reduced by 7.4%, to £16.3 million (2016: £17.6 million) due to lower levels of net debt and lower interest rates for most of the year.

Interest on group borrowings is based on floating interest rates together with interest rate hedges, where we previously had £30 million of hedges which were established in 2007 at an average rate of 5.1%, when interest rates were significantly higher than current levels. These increase the total interest charge so that we do not get the full benefit of the low UK base rate which has now been applicable for ten years. One of the hedges with a value of £10 million expired during the year and the remaining hedge of £20 million expires this year.

Key financial highlights are summarised below:
- *Adjusted profit before tax for the year for continuing operations increased by 5% to £68.4 million (2016: £64.9 million;

- Profit before tax was £58.4 million compared to a profit before tax in the previous year of £79.6 million which includes net exceptional income of £23.3m which is explained in further detail below;

- Profit after tax was £47.9 million, a reduction of 33% (2016: £71.7 million), the majority of the reduction being the exceptional profit in 2017 from the sale of the parts division as well as the profit contributed last year by that business; and

- Earnings per share last year was much higher than usual as it included the exceptional profit on the sale of the parts division, so a reduction would be expected this year. Earnings per share reduced to 12.06p compared to 20.51p in the prior year. However, *Adjusted earnings per share on continuing operations increased by 1.3% to 14.57p (2016:14.38p)

Taxation
The tax charge for the year of £10.5 million (2016: £10.5 million) reflects a charge of 18.0% 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 in the year.

(*Adjusted operating profit from continuing operations is operating profit before amortisation and impairment of intangible assets, exceptional items and share based payments. Adjusted profit before tax is defined on page 13).

Exceptional Income In The Previous Year

There were no exceptional items in the current financial year and exceptional items relate to the previous year where there was a significant level of exceptional income included in profit before tax which predominantly relates to the sale of the parts division in 2016.

	2017 £million	2016 £million
Profit on sale of the parts division	-	28.0
Net refund of VAT claim	-	4.8
Terminated businesses	-	(9.1)
Transaction costs	-	(0.4)
Total exceptional income	-	23.3
Tax charge on exceptional items	-	(3.7)
Total exceptional income after tax	-	19.6

The loss on terminated businesses related to the strategic review of our brand representation during the previous year, where we relinquished dealerships which did not fit our strategy.

Cash Flow

Cash generated from operations for the year continued to be strong at £83.3 million, but this was a reduction compared to the prior year (2016: £140.9 million) as stock levels were higher due to buying stock in December to take advantage of lower market prices with a view to having an above average trading result for January. Net working capital increased by £17.8 million (2016: reduction of £33.3 million). Stock increased by £144.7 million and debtors increased by £16.1 million which was offset to some extent by an increase in creditors of £143.0 million.

Capital expenditure was £46.1 million (2016: £36.3 million) with proceeds from the sale of properties and dealership businesses of £8.0 million (2016: £28.9 million), where 2016 included £9.1 million for the sale of the parts division properties. Net capital expenditure was therefore £38.1 million (2016: £7.4 million). The majority of capital expenditure was on new or improved premises for dealerships and the increase compared to the previous year reflects our ongoing commitment to improve our retail premises so they reflect modern and state of the art facilities, as we have previously reported. Included within capital expenditure was £19 million in relation to the development of new dealerships in Glasgow and Dublin which we had planned to sell before the end of the year and then lease them from a third party landlord. Whilst timing issues for Glasgow resulted in the cash being received shortly after the start of 2018, Dublin has not completed for contractual reasons. If this sale does not proceed this year, it is likely to be substituted with the sale of an alternative property. These two properties would have had proceeds of approximately £29 million which would clearly have had a significant and positive impact on group cash flow for the year and reduced net debt at 31 December.

The strong operational cash flow allowed us to make further reductions in bank loans where loan repayments of £12.5 million were made during the year compared to £10.2 million last year.

Net debt increased by £23.7 million due to the higher level of working capital and the sale of Glasgow and Dublin being delayed. Whilst this particular issue has a negative impact on cash flow in 2017 it will benefit 2018.

These increases therefore resulted in net debt of £97.8 million at 31 December 2017 compared to £74.1 million at the start of the year, net debt being calculated as gross bank borrowings less cash balances.

Bank Funding

Our bank facilities were renewed and increased on 2 September 2015, to fund the acquisition of Benfield. The facilities were also extended until March 2020 and were agreed with a group of six banks: Bank of Ireland, Barclays, HSBC, Lloyds, RBS and Yorkshire Bank. The facilities consisted initially of a term loan of £100 million, which has since reduced to £75.0 million and a revolving credit facility of £150 million.

There is also the potential to increase the term loan by up to an additional £30 million to fund future acquisitions. Interest is charged on both loans at a margin of between 1.2% and 2.15% 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 provide sufficient headroom and flexibility for the group until maturity of the facilities in March 2020.

At 31 December 2017, total facilities were £225.0 million (2016: £235.0 million) of which £97.8 million, net of cash balances, was being utilised, leaving unutilised facilities of £127.2 million. These bank facilities, 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 2017, gearing was 25% compared to 22% at 31 December 2016 and net debt to EBITDA was 0.95 compared to 0.69 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.

Financial Review

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 2017 was £308.7 million compared to £287.7 million last year. Short leasehold properties had a value of £2.7 million (2016: £4.6 million).

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 10% to 1.41p per ordinary share and this was paid on 24 November 2017. We are now proposing a 5% increase in the final dividend to 2.48p per share (2016: 2.36p), giving a total dividend for the year ended 31 December 2017 of 3.89p per share (2016: 3.64p), representing an annual increase of 7%.

The dividend has now increased by over 116% 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.

The increase in the total dividend this year recognises that the dividend cover has risen significantly due to the continued increase in profits of recent years. The board has taken the decision 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 whist retaining sufficient cash flow to fund future expansion in terms of both organic growth and acquisitions.
The final dividend of 2.48p per share is subject to shareholder approval at the Annual General Meeting and will be payable on 31 May 2018. The ex-dividend date will be 3 May 2018 and the record date will be 4 May 2018. This will represent a cash outflow of £9.8 million, which gives a total dividend for the year of £15.4 million (2016: £14.4 million). Dividends paid in cash during the year were £15.0 million, an increase of 13.6% compared to the previous year.

Pension Schemes
The group has operated two defined benefit pension schemes for a number of years, The Lookers Pension Plan and The Dutton Forshaw Pension Plan. We also acquired a further defined benefit pension scheme with the acquisition of Benfield in 2015. However, the Benfield scheme is reasonably well funded and there is a relatively small deficit of £0.4 million in the 2017 accounts. All three schemes are closed to entry for new members and also closed to future accrual. The asset values of the three pension schemes increased by £15.4 million during the year and the valuation of the liabilities of the schemes increased by £0.8 million.

As a result, the net deficit included in the balance sheet reduced by £14.6 million in the year which was a positive movement compared to the increases in the deficit we have seen in recent years. 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 and over which the directors have no control. 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 reduced in the year and the total deficit after deferred tax is now £52.9 million (2016: £65.1 million). 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 the 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 Buy Back Programme
In our trading update on 9 November 2017, we announced that we were considering a share buyback programme, given the sensible returns it would provide at the current share price. We commented that the buyback will be subject to certain pricing, liquidity and quantum parameters, one of which will be that shares will only be bought back below a pre-determined share price level. We have announced today that we will commence an initial £10 million share buyback programme of the company's ordinary shares. In arriving at this decision to return cash to shareholders, the Board has considered 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. Having considered that this ratio has been towards the lower end or middle of this range for over two years and given the strong operational cash flow of the company, the Board has concluded that there is scope to return surplus cash to shareholders. The Board therefore believes that a £10 million share buyback programme will increase capital efficiency whilst ensuring the balance sheet remains strong, enabling the company to pursue its acquisition and investment strategy as well as a progressive dividend policy.

Any purchases pursuant to the share buyback programme will be carried out within certain pre-determined parameters and in accordance with the Listing Rules, other applicable law and the limitations of buyback authority approved at the previous Annual General Meeting of shareholders. All shares purchased under the programme will be cancelled.

Board Changes in the Year
I am pleased to report that Stuart Counsell joined the board as a non-executive director on 29 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 including Managing Partner of the 17 UK regional offices and Deputy to the Chief Executive. Stuart has significant financial expertise in one of the leading accounting and professional services businesses in the UK. His knowledge and experience is proving to be of great benefit to Lookers, particularly in his role as chairman of the audit and risk committee and I believe he will make a valuable contribution to the continued development of the company.


Ford


LAND ROVER


155
franchise dealerships
32
manufacturer brands


smart

Outlook

Our strategy of having the right brands in the right locations combined with excellent execution leaves us ideally placed to continue to make progress against our strategic goals. The group has produced a robust performance in difficult market conditions with underlying growth across the business, which demonstrates the resilience of the business model. Our new car business has outperformed the market and whilst the new car market is expected to reduce, it is forecast to remain at an historically high level, 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, as well as improving margins. The vehicle parc of cars less than three years old will see further increases, albeit at a lower rate of increase, which will provide opportunities to continue to increase turnover in our high margin aftersales business.

We continue to make significant investments to upgrade our facilities and enhance our multi-channel customer experience. We believe this gives us a competitive advantage to strengthen our position as a leading UK automotive retail and aftersales service group which leaves us very well positioned for 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 have to remain aware of consumer confidence levels and the Pound-Euro exchange rate, both of which could have an impact on our business, so we 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. The level of net debt to EBITDA continues to be at the mid point of our stated range. We also have substantial headroom in our bank facilities which provide secure funding capacity and financial security to grow the business through further strategic acquisitions at a time when there continue to be significant consolidation opportunities within the sector. As in previous years, we continue to look to acquire high quality businesses which will complement our existing franchise representation. Our track record of successfully integrating acquisitions and turning around performance is a significant differentiator for Lookers and these factors, together with the broad base of our franchise representation, leave us very well positioned for the future. We are therefore confident of the group delivering further growth in 2018.

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 aftersales continues to perform well. We therefore expect the result for the first quarter to be in line with management's expectations.

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 positive result.

Andy Bruce, Chief Executive
7 March 2018

Our Business

Manufacturer brands in our portfolio

Car & commercial vehicles

1 Aston Martin

13 Audi

1 Bentley

3 BMW

1 Citroen

7 Dacia

1 Ferrari

10 Ford

1 Honda

2 Hyundai

4 Jaguar

1 Jeep

3 Kia

10 Land Rover

1 Lexus

1 Maserati

14 Mercedes-Benz

3 MINI

9 Nissan

1 Peugeot

7 Renault

2 Seat

7 Skoda

9 smart

3 Toyota

14 Vauxhall

20 Volkswagen

3 Volvo

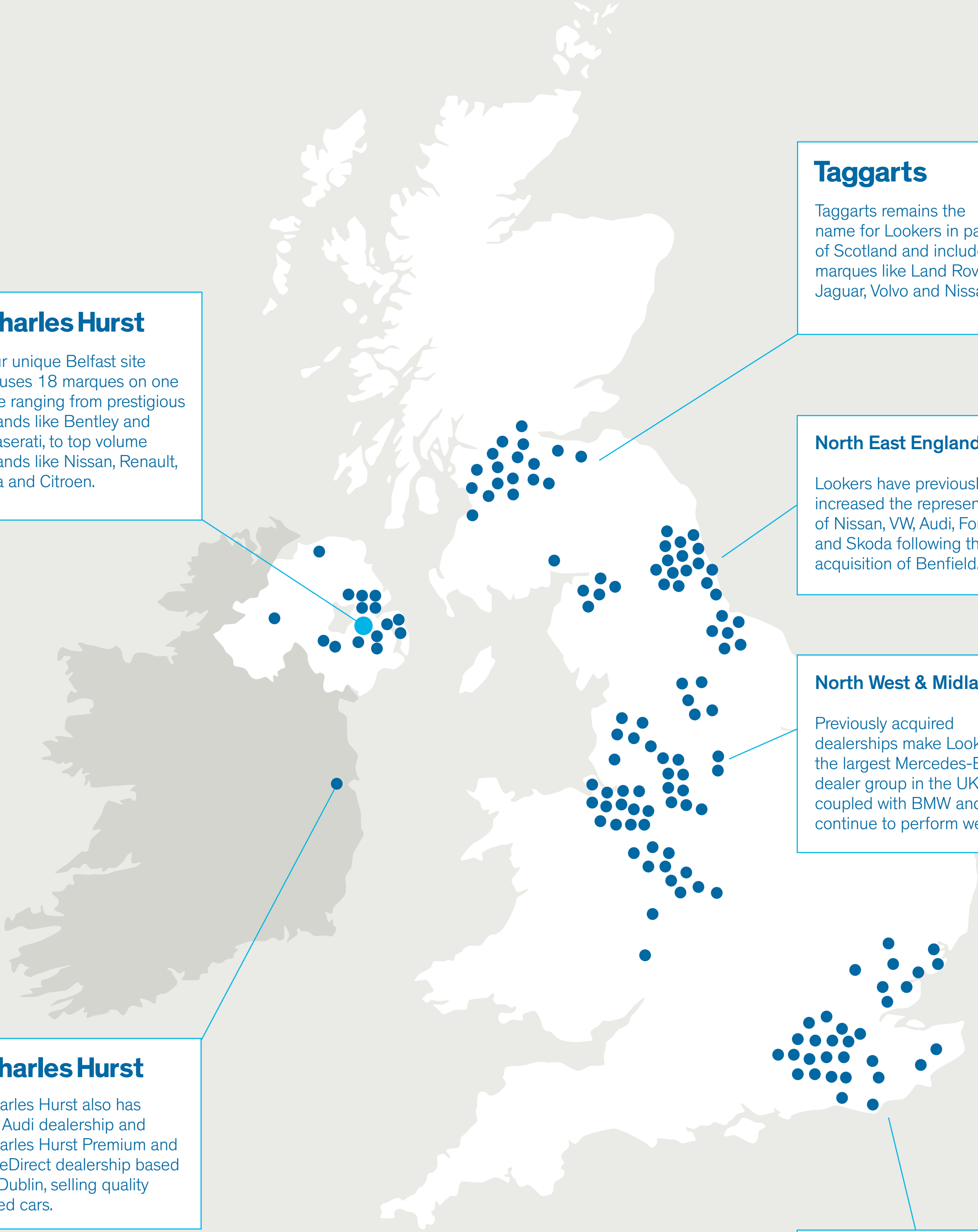
Motorcycles

1 BMW

1 Honda

1 Yamaha

Our locations



Charles Hurst

Our unique Belfast site houses 18 marques on one site ranging from prestigious brands like Bentley and Maserati, to top volume brands like Nissan, Renault, Kia and Citroen.

Charles Hurst

Charles Hurst also has an Audi dealership and Charles Hurst Premium and UseDirect dealership based in Dublin, selling quality used cars.

Taggarts

Taggarts remains the name for Lookers in parts of Scotland and includes marques like Land Rover, Jaguar, Volvo and Nissan.

North East England

Lookers have previously increased the representation of Nissan, VW, Audi, Ford and Skoda following the acquisition of Benfield.

North West & Midlands

Previously acquired dealerships make Lookers the largest Mercedes-Benz dealer group in the UK, and coupled with BMW and Mini continue to perform well.

South East England

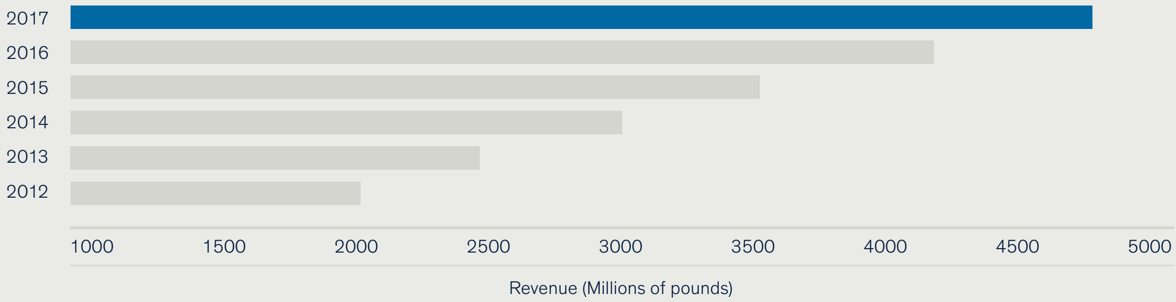
New flagship London dealerships for Land Rover, Jaguar and Skoda further establish Lookers in the region.

Our Business

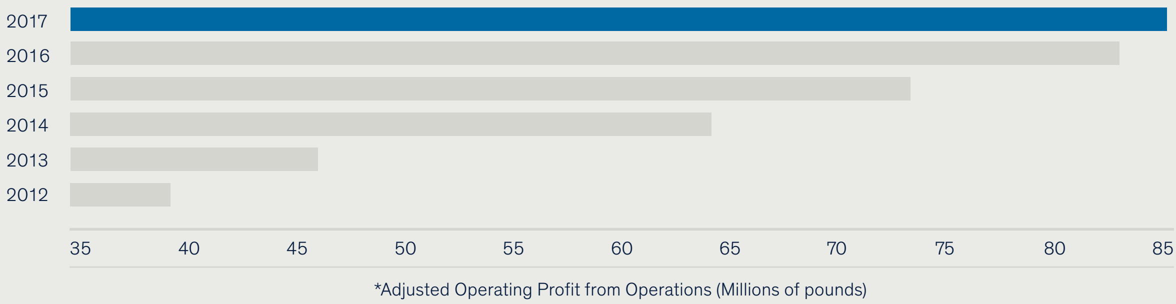
Continuing growth

Our turnover increased by 15% to £4.7 billion, with strong growth from both new and used car sales. Adjusted profit before tax on continuing operations for the year increased by 5% to £64.8 million, which is the highest trading result for the company to date. Other key performance elements were improvements in both aftersales turnover and margin.

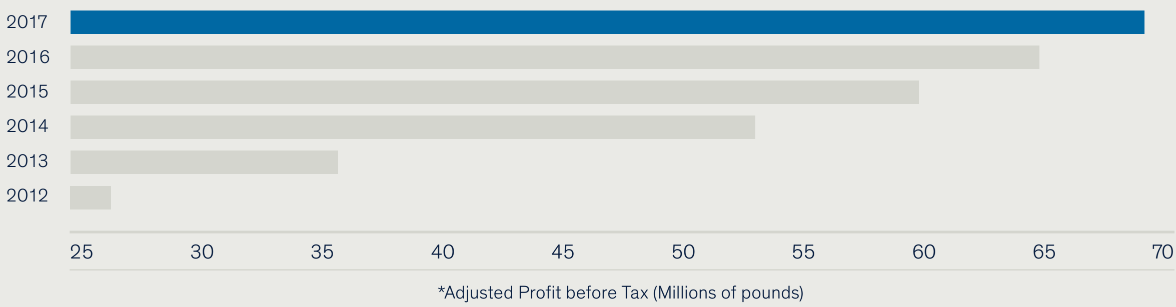
Revenue **£4.7 billion**



Adjusted operating profit from continuing operations **£84.7m***

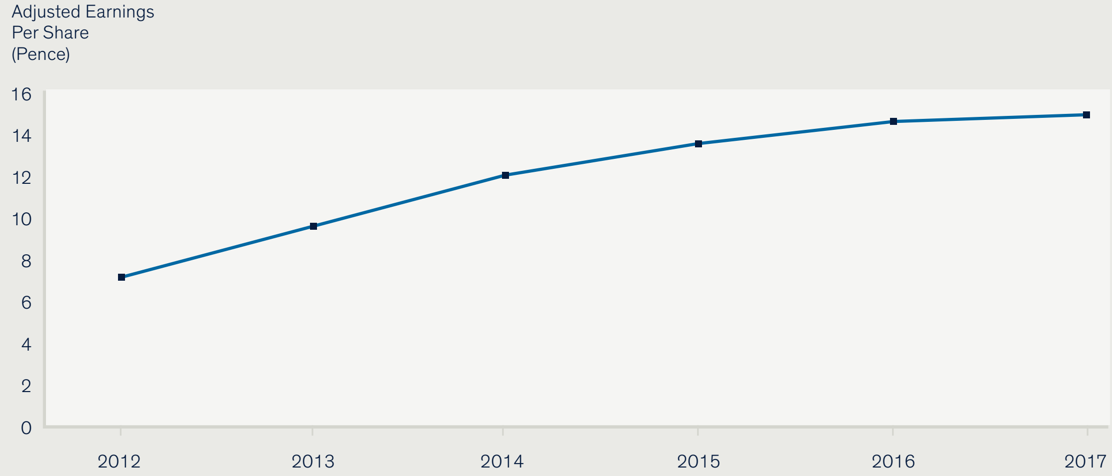


Adjusted profit before tax from continuing operations **£68.4m***

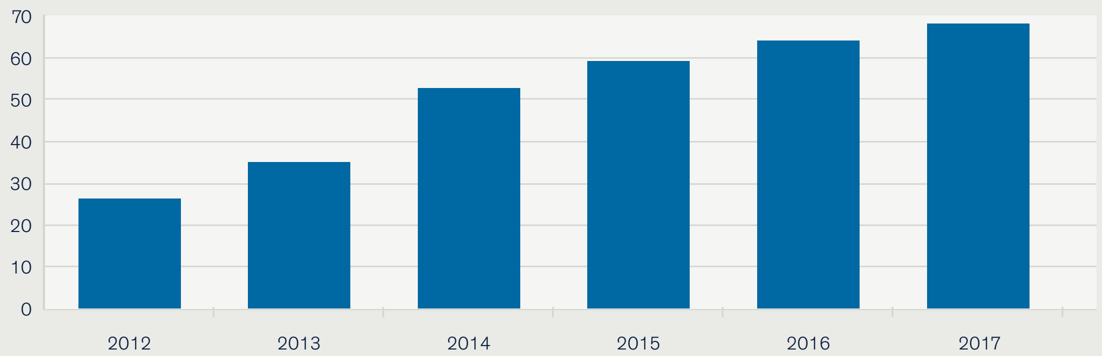


*Adjusted profit is profit before amortisation and impairment of intangible assets, debt issue costs, pension costs, exceptional items and share based payments.

Adjusted earnings per share **14.57p**



Adjusted profit before tax on continuing operations



Our Business

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.

The last year under Andy's leadership has seen Lookers post adjusted profit before tax of £68.4m and the Group's revenue rose to £4.7 billion for the first time.

Andy continues to drive our proven business model of 'Right Brands, Right Locations' which has seen a significant restructure of our portfolio in recent years including the acquisition of both Drayton and Knights Group in 2016 making us the largest Mercedes-Benz dealer group in the UK and bringing the prestigious BMW and MINI brands into the portfolio.

The year ahead will see a continued commitment to improve our retail environments to provide the best customer experience and the further optimisation of our brand portfolio among other priorities.

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 a newly created position of Chief Operating Officer, which will see him focus on the execution of the company's strategy.

Under Nigel's leadership, the company will continue to focus on operational excellence and performance metrics. Through technology, culture, process and marketing Lookers will provide a relaxed, seamless, omni-channel retail experience.

In the past year turnover increased by £608m to £4.69bn, an increase of 15%. Adjusted profit before tax increased to £68.4m, an increase of 5%. This result demonstrates a significant achievement and a strong performance against our objectives and KPIs, in a challenging market.

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 in recognition of his contribution to the company.

Robin has overseen a ninth consecutive year of growth for Lookers with revenue increased to £4.7bn, a robust capital structure and strong cash flow. The last year has seen our adjusted earnings per share on continuing operations increased by 1.3% to 14.57p and our annual dividend increased by 7% to 3.89p.

Our financial strength allowed us to invest £46m in 2017 on our retail estate, including major new projects like Jaguar in Glasgow, Audi in Dublin, Volvo in Stockport and Glasgow and Land Rover in Colchester.

We have also invested in technology both online and instore to help us to achieve a best in brand retail experience.


LAND ROVER
LAND ROVER
LAND ROVER
LOOKERS
Welcome

Non Executive Directors

* Senior Independent Director
† Member of the Audit and Risk Committee
¥ Member of the Remuneration Committee
∆ Member of the Nomination Committee

Phil White ¥ ∆
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.

Bill Holmes * † ¥ ∆

Appointed in June 2008. Bill was previously managing partner of the Leeds office of BDO Stoy Hayward, which he joined in 2002 from Arthur Andersen where he had been a partner since 1988. Prior to joining Arthur Anderson he qualified as an Inspector of Taxes with HM Revenue & Customs.

Richard Walker † ¥ ∆

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 † ¥ ∆

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 †

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.


EAT
SHOP
SLEEP

How we create value

There are two key ingredients to our road map; firstly we will continue to optimise our portfolio to ensure we have the right brands in the right locations, which continues to have a direct impact on our financial success.

Secondly, we want to offer a 'best in brand' experience for our customers. To support this vision we will continue to invest 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 will all help to strengthen our brand as we work to become a partner of choice for customers, colleagues, brand partners and investors. Of course all of this has to be underpinned by operational excellence in our every day delivery.

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

We don't believe in 'a one size fits all' approach to further enhance our business for both our brand partners and our customers. Instead we aim to share best practices for success so we can simplify and streamline our offering. We accept that shared services are often a more effective way of running a business of our size and complexity.

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

We aim to create and maintain a stable, engaged high quality workforce that will ensure we continue to succeed.

We have highlighted future focused 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

Technology will play a key role in the development of the Lookers business in the coming years. We recognise the importance of the omni-channel experience that our customers now expect. We have a brand new website in development which will embody our aim to put information at our customers' fingertips and give them more control over of 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

One of the key differentiators of our retail proposition is the service and experience we offer our customers across all channels and touch points. We strive to provide the highest level of customer engagement and experience in our retail sector through relevant, personal, meaningful and memorable expert advice that allows our customers to make the right choices.

In addition, we are fulfilling our planned capital investment to further improve our dealership estate to become our customers' partner of choice in a modern and contemporary multi-channel motor retail environment.

In order to be recognised as providing the best customer experience we are investing into 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.

Investing in Marketing

Our customers choose us based on our extensive range of brands and locations, our expert advice and the convenience and trust we offer. We are bringing all of these to life by putting customers first through providing straightforward and engaging content at their fingertips to help them make the right choices.

Investing in People

We continue to invest in our people to become the employer of choice in our industry. We offer award winning training, development and benefit schemes that aim to attract the best talent and to empower our teams to put customers first on every occasion.

Investing in technology

In close cooperation with our brand partners we are continually improving our retail offer including efficient technology solutions across all channels and platforms. Current projects include an extensive upgrade of our telephony systems, resulting in 1 million additional phonecalls in 2017 and an improved lead tracking system.

Who we are

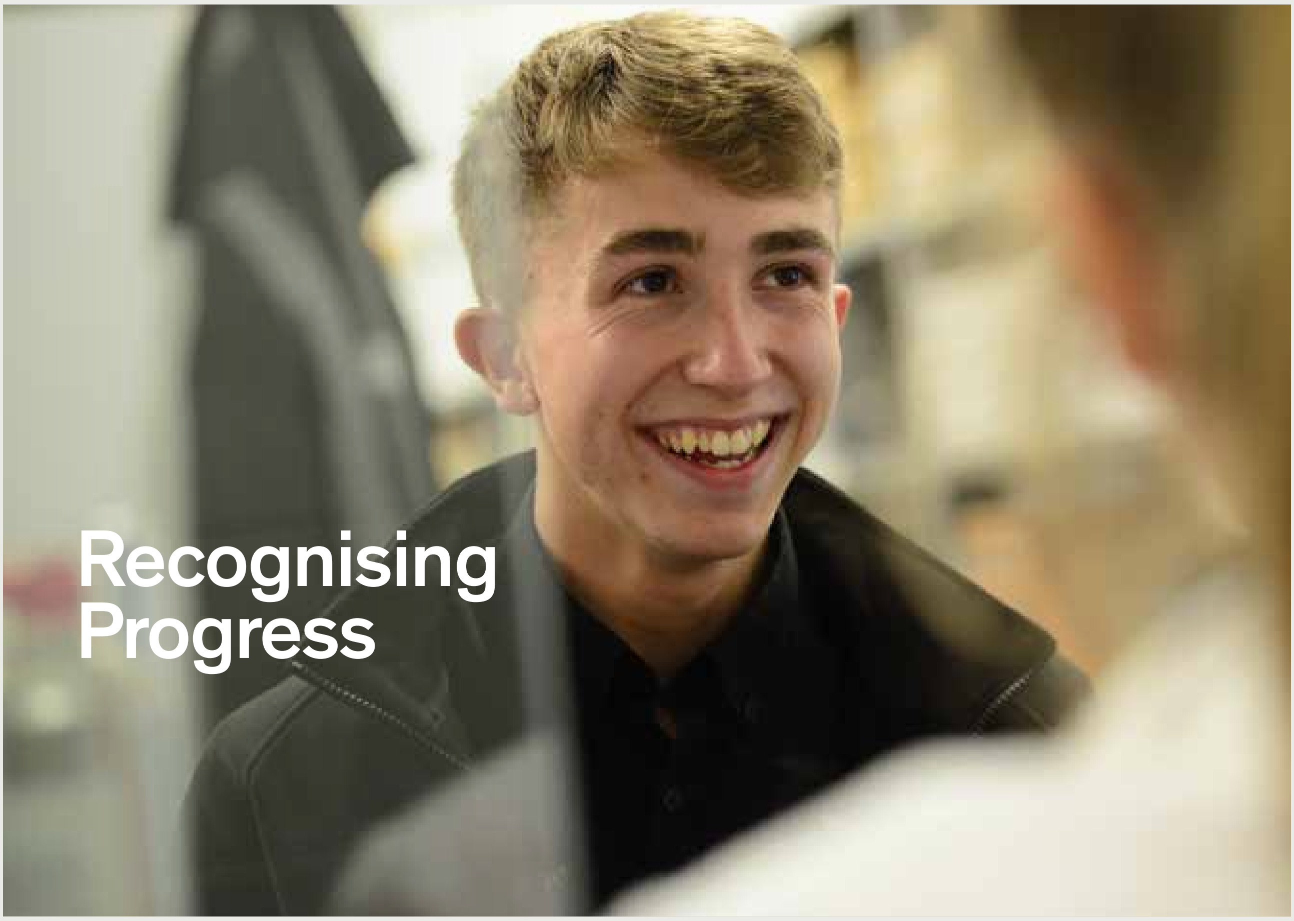
At Lookers we are proud to call ourselves a 'people business'. This doesn't just mean a personal service to our customers, it extends to the communities we work within and, of course, the people all across the UK who make us who we are. We are always exploring ways to make people's experience of Lookers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

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

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



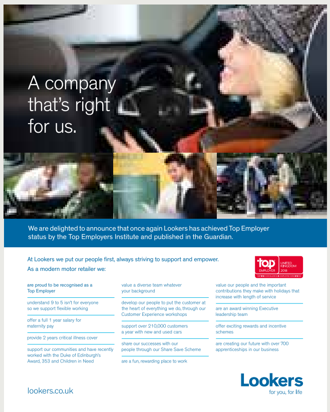
Recognising Progress

Lookers continues to be recognised as an employer that attracts the right mix of talent as well as one that rewards the efforts of its colleagues, whether it's providing training and opportunities for career progression or offering a generous suite of employee benefits.

Key highlights include maintaining Top Employer status, a commendation awarded by the Top Employers Institute, and joining the Sunday Times list of the 25 Best Big Companies to Work For in 2018.

The growth of the Lookers apprenticeship programme has also been acknowledged as one of the best in the country, with the intake of trainees doubling in 2017 and more than 160 new apprenticeship positions announced for 2018. As a result, Lookers has been recognised as one of the Centrica Top 100 Apprentice Employers in the country.

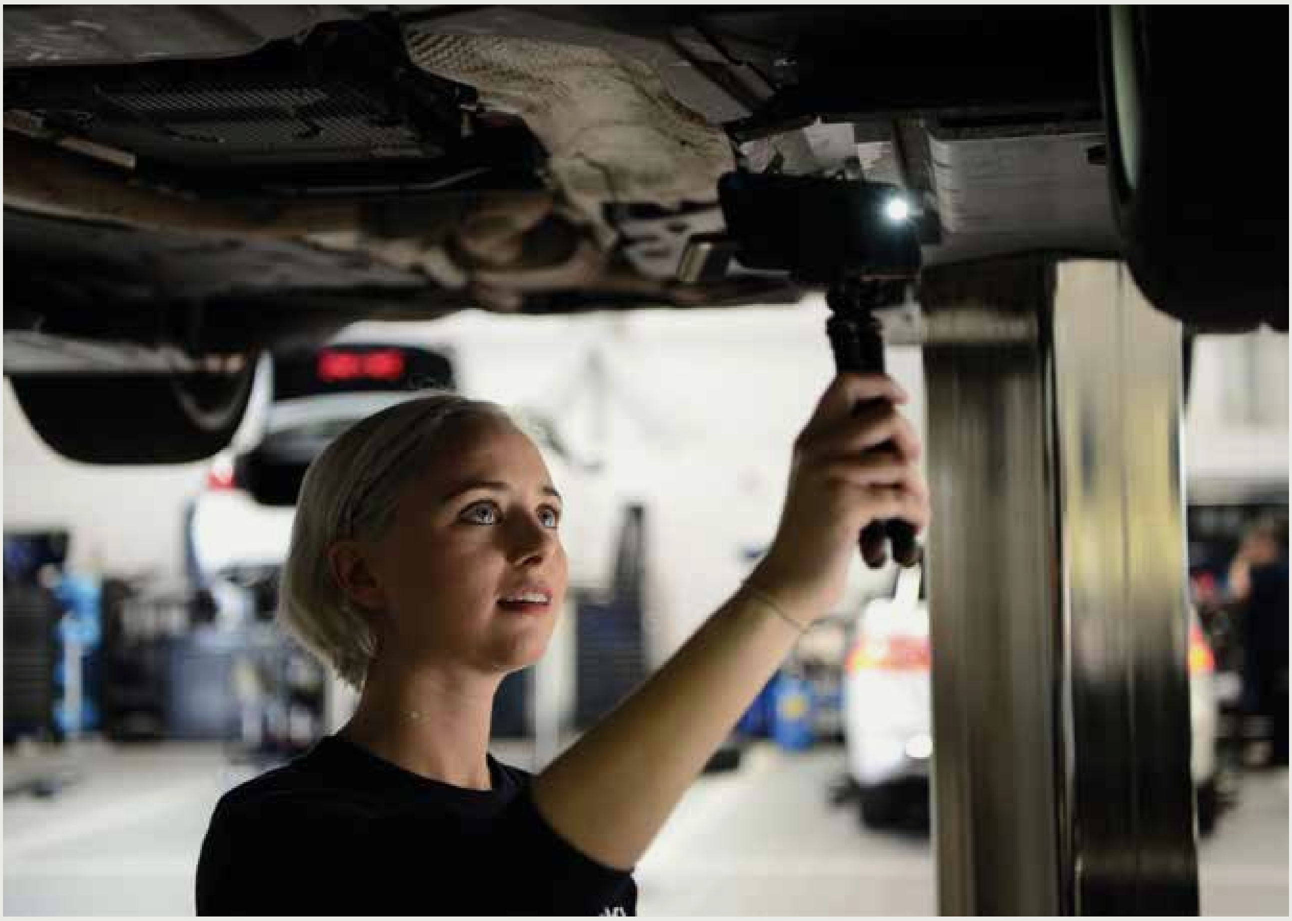
top EMPLOYER
UNITED KINGDOM 2018
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS



glassdoor
2018 BEST PLACES TO WORK
EMPLOYEES' CHOICE
Top 10

Apprenticeships
TOP 100 APPRENTICESHIP EMPLOYER 2017
Brought to you by National Apprenticeship Service
Sponsored by centrica

THE SUNDAY TIMES
25 BEST BIG COMPANIES TO WORK FOR 2018



Diversity
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 todays modern society. We work with Europe's largest LGBT+ charity, Stonewall, as one of their 'Diversity Champions' benefitting from their experience with over 600 employers.

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

Lookers EXCELLENCE AWARDS

The Lookers Excellence Awards gives us the opportunity to celebrate individual achievements across all of our diverse locations and functions. The 21 categories ensure that all of our colleagues have the opportunity to be recognised at an outstanding event in front of their peers and the senior management team.

The awards recognise performance related achievements, as well as nominations from co-workers for people who continuously go beyond the call of duty. The invitation for the event also includes a guest, recognising the support provided by family and friends.

The event is fully supported by over 30 of our suppliers and partners who join us on the occasion to celebrate achievements and success.

The Lookers Excellence Awards programme has been recognised by Europe's largest marketing online platform as a finalist for the prestigious 'Drum Event Awards' in two categories: Best Sponsorship Activation and Best In-house Event.

THE DRUM UK EVENT AWARDS FINALIST 2017


Corporate Governance

Directors' Report

The Directors are pleased to submit their report which includes the Statements on Corporate Governance and the audited financial statements for the year ended 31 December 2017.

1. 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.

2. Strategic And Operational Review

An analysis of the functional performance of the group is provided on pages 7 to 41. The main financial KPIs of the group are revenue, profit before tax, earnings per share and gearing. The additional information required to be disclosed in the Strategic and Operational Review is detailed below.

Corporate Social Responsibility and Diversity

The group has a long-standing Corporate and Social Responsibility agenda and further details of this are included on page 51 of our annual report. Additional information on which the directors are required by law to report is set out below and in the following:

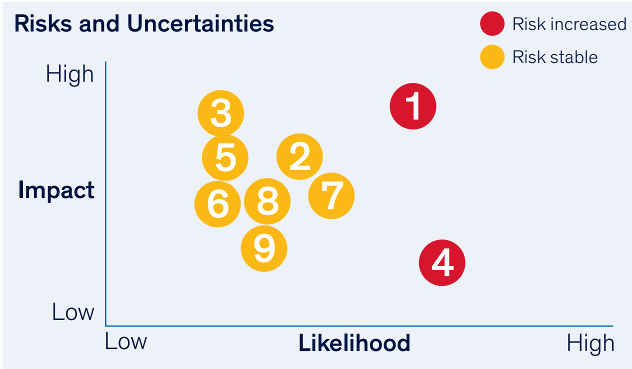
— Directors' Report
— Chairman's Statement on Corporate Governance
— Corporate Social Responsibility Review
— Audit Committee Report
— Directors' Remuneration Report
— Directors' Responsibility Statement

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.

Principal Risks and Uncertainties

The Board maintains a policy of continuous review and assessment of risks which may adversely affect future results of the business. In reviewing these principal risks it is deemed that the group's business activities, financial condition, results of operations or the company's share price could be affected by any or all of the following and the likelihood of the impact on the company are illustrated above right.

Principal Risks



1. Global Economy

Risk

The new and used car markets are influenced by general economic conditions, including changes in interest rates, fuel prices, indirect taxation, the cost and availability of credit and other factors which affect levels of consumer confidence. The demand for new cars can be cyclical as it follows the general UK economy, which in some years will lead to reduced margins caused by oversupply.

Potential impact and mitigation

This could have an adverse impact on the earnings of the group, although it is likely that this would be mitigated by potential increases in both the used car market and the aftersales market as customers substitute nearly new for new cars, or spend more keeping their old vehicles roadworthy. Despite the general uncertainty in the economy several years ago, the group's business has proved to be resilient against this background and has continued to be profitable.

2. Manufacturers' Financial Stability

Risk

The group relies on its manufacturer partners for a significant proportion of its revenues and profits. The failure of a manufacturer could have a significant impact on the short-term profitability of a retailer partner.

Potential impact and mitigation

The group has attempted to mitigate this risk by having trading relationships with a large number of manufacturers, so that the impact of any one manufacturer failing would be reduced.

3. Liquidity and Financing

Risk

The group uses a number of methods to fund its day to day business. These methods are (i) bank borrowings by way of committed borrowing facilities (Banking facilities of £225.0 million, maturing March 2020); (ii) from manufacturer and third party finance houses through uncommitted stocking facilities to fund the purchase of stock; and (iii) from suppliers by way of trade credit. A withdrawal of any of these financing facilities or a failure to renew them as they expire could lead to a significant reduction in the trading ability of the group.

2. Strategic And Operational Review (continued)

Potential impact and mitigation

The group's balance sheet has been strengthened significantly over the past five years and this, together with the renewal of the group's banking facilities in 2015, provides sufficient liquidity and funding.

4.Exchange Rates

Risk

The group is affected by currency fluctuations to the extent that a large proportion of our manufacturer partners either source parts or manufacture vehicles overseas. The relationship of the Euro against Sterling is considered to be the primary factor that could impact on this either to a beneficial or negative effect.

Potential impact and mitigation

The Board is aware of the uncertainties and seeks to mitigate this by ensuring the group retains a broad mix of the major manufacturers, both UK and overseas, to limit the effect.

5. Block Exemption Aftersales/General Exemption Sales

Risk

The franchise agreement legislation for the automotive sector changed in June 2013. Aftersales agreements continue to be legislated by a Block Exemption, dictating that aftersales businesses meeting manufacturers qualitative standards criteria have an entitlement to represent the brands aftersales service and parts franchise.

Potential impact and mitigation

Sales agreements are granted by car manufacturers based on standards, but agreements are restricted to territories granted by manufacturers, who also determine choice of partner, enabling them to restrict the number of outlets any dealer can hold or entry into the franchise.

By continuing to focus on providing excellent customer facilities, excellent customer service and providing high level representation for the group's manufacturer partners, current business relationships will be maintained, providing opportunities for selective growth.

6. Competitive Nature of the Market

Risk

The motor vehicle distribution market is highly competitive and comprises a small number of large dealer networks, similar to Lookers, down to a large number of much smaller operators. In addition, the market includes internet-based dealers and private individuals. The franchised businesses also compete in the aftersales market which comprises similar franchised businesses, supply and fit chains, and a large number of small independent garages and bodyshops. The market therefore offers customers different options depending upon the price and quality of service they wish to take, with owners of new and nearly new vehicles tending to use the franchised businesses and owners of older vehicles tending towards the smaller independent provider.

Potential impact and mitigation

The group's franchised businesses rely on the quality of their customer service and the ability to adjust pricing, enabling them to react to local competitive conditions.

7. Government Legislation

Risk

Any changes to the government's transport policy or other statutory regulations for example in relation to the environment, could adversely affect the group's profitability if, as a result, customers choose to use alternative forms of transport.

8. Information Systems and Data Security

Risk

The group is dependent upon a number of business critical systems which, if interrupted for any length of time, could have a material effect on the efficient running of the group's businesses.

Potential impact and mitigation

The Board has implemented a series of contingency plans which would enable the group to resume operations within a short space of time, thus mitigating the likelihood of material loss. Our IT security team monitors cyber security threats and uses software and processes in place to deal with incidents which may occur. The Board is aware of its obligations to protect confidential data and has taken steps to implement systems and procedures to further improve data security.

9. Manufacturers' Influence

Risk

The group's activities are also influenced by manufacturers in other ways. The timing, frequency and efficiency of new model roll-outs and changes in consumers' perception of these models and brands could materially affect the group's business. Similarly, manufacturers use a series of incentive schemes to support new car sales, warranty programmes etc. and changes or discontinuation of these schemes could also affect the group's business.

Potential impact and mitigation

By representing and having strong relationships with over thirty marques, the group believes that this diversity reduces the impact to the group that manufacturers' influence could cause.

3. Dividends and Shares

Ordinary shares of 5p each.

An interim dividend of 1.41p per ordinary share was paid on 24 November 2017 (2016: 1.28p). The directors are recommending a final dividend of 2.48p per ordinary share (2016: 2.36p) which will be payable on 31 May 2018 following approval at the Annual General Meeting, bringing the total dividend for 2017 to 3.89p (2016: 3.64p).

4. Directors

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:

	31.12.17 Number	31.12.16 Number
D. C. A. Bramall	63,487,636	63,487,636
A. C. Bruce	642,086	642,086
S. R. Counsell	-	-
R. A. Gregson	357,815	357,815
W. Holmes	54,666	54,666
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.

S. R. Counsell was appointed a director on 29 June 2017.

There was no change in the interests of the Directors in shares or share options of the company between 31 December 2017 and 7 March 2018.

The mid-market price of the ordinary shares at 31 December 2017 was 103p and the range during the year was 94.5p to 130p.

As permitted by the Company's articles of association, the Board has decided that all directors will retire from office at the 2018 Annual General Meeting and will seek re-election by the shareholders. Biographical details of all the directors are included on pages 28 to 31. Following formal performance evaluation by the board, the Chairman confirms that each of the directors standing for re-election continues to be effective and demonstrates commitment to the role.

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).

The company 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.

5. Approval Of The Directors' Remuneration Report

The company will propose at the 2018 Annual General Meeting an ordinary resolution to seek shareholder approval of the Directors' Remuneration Report for the financial year ended 31 December 2017 (other than the part containing the Directors' remuneration policy which will by a separate resolution). 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 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.

6. 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.

7. Donations

Charitable donations amounted to £59,805 (2016: £34,581). No political donations were made (2016: £nil).

8. 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.

9. Supplier Payment Policy

The group does not formally follow the better payment practice code issued by the Department of Trade and Industry because, in line with industry practice, manufacturers insist upon direct access to our bank accounts and they take funds to pay for both vehicles and parts when they fall due. Other suppliers are generally paid in accordance with their terms of trading. At 31 December 2017, the trade creditors of the group and the company represented 26 and 94 days (2016: 25 and 159 days) purchases respectively.

10. Derivatives and Financial Instruments

The group's treasury activities are operated within policies and procedures approved by the Board, which include defined controls on the use of financial instruments managing the group's risk. The major financial risks faced by the group relate to interest rates and funding. The policies agreed for managing these financial risks have remained the same since the beginning of the period under review, and are summarised below.

The group finances its operations by a mixture of retained profits, bank borrowings, stock financing and commercial paper. To reduce the group's exposure to movements in interest rates, the group seeks to ensure that it has an appropriate balance between fixed and floating rate borrowings. The group uses interest rate swaps and collars in order to manage its exposure to interest rate risk; all such arrangements are approved by the Board in line with its treasury policies.
The group seeks to ensure continuity of funding by taking out certain borrowings which are repayable in instalments over periods of at least three years. Short-term flexibility is achieved by overdraft facilities.

The group has no direct exposure to foreign currency, nor does it undertake any trading in financial instruments.

Refer to notes 16, 19 and 20 of the notes to the Financial Statements for further information in this area.

11. Substantial Shareholdings

On 7 March 2018 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 7 March 2018	At 31 December 2017
D. C. A. Bramall and Family	63,487,636 shares (15.96%)	63,487,636 shares (15.96%)
Aberdeen Standard Investments	39,800,595 shares (10.01%)	39,436,529 shares (9.92%)
Tweedy Browne	21,385,624 (5.38%)	21,373,720 (5.37%)
BAE Systems Pensions	15,985,936 shares (4.02%)	15,935,936 shares (4.02%)
Artemis Investment Management	15,246,480 (3.83%)	15,246,480 (3.83%)
Schroder Investment Management Limited	12,564,970 shares (3.16%)	13,302,512 shares (3.34%)

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

By Order of the Board

G. MacGeekie
Company Secretary
7 March 2018

Chairman's Statement on Corporate Governance

Compliance Statement

The Board of directors is collectively accountable to the company's shareholders for good corporate governance and is committed to achieve compliance with the principles of corporate governance set out in the 2014 UK corporate governance code issued by the Financial Reporting Council (the "Code"). Throughout 2017 the company has been in compliance with the provisions set out in the Code.

The Board have reviewed the contents of this report and consider the document, taken as a whole, to be fair, balanced and understandable and provides 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 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 five non-executive directors. R. S. Walker, S. J. Cabrini and S.R.Counsell (appointed 29 June 2017) are considered to be independent non-executive directors.

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.

W. Holmes was the Senior Independent Director until 30 June 2017 at which time R.S. Walker became the Senior Independent Director. It is the prime responsibility of the Senior Independent Director 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 2017

	Board	Audit	Remuneration	Nomination
Number held	**11**	**3**	**2**	**1**
Number attended				
D. C. A. Bramall	11	3*	1*	-
A. C. Bruce	11	-	-	-
S. J. Cabrini	11	3	2	1
S. R. Counsell	6	2	1*	-
R. A. Gregson	11	3*	1*	-
W. Holmes	11	3	2	1
R. S. Walker	11	3	2	1
N. J. McMinn	11	-	-	-
P. M. White	11	3*	2	1

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

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, for a further period ending not later than the Annual General Meeting held three years thereafter. 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.

Nomination Committee

The Nomination Committee comprises P. M. White, S. J. Cabrini, W. Holmes, R. S. Walker and is chaired by P. M. White. 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 either have been or will be subsequently implemented. A follow-up evaluation will be performed in 2019 and an internal board evaluation was carried out in 2017. 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.

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 Principal Accounting Policies on page 82.

Viability Statement

In accordance with provision C.2.2. of the UK Corporate Governance Code, the directors have assessed the viability of the company over a three year period to 31 December 2020. The directors believe this period to be appropriate as the company's strategic plan which has been approved by the board encompasses this period. In making their assessment the directors have considered the company's current financial position and performance, cash flow projections including future capital expenditure, in relation to the availability of finance and funding facilities and have considered these factors in relation to the principal risks and uncertainties which are included in the directors' report.

During 2017, 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 group's principal risks and uncertainties. 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 2020.

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 annually, 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.

Chairman's Statement on Corporate Governance

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 and Accounts. It is regularly reviewed by the Board and accords with the guidelines set out in the FRC'S Internal Control: 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 which 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. In the year there have been no significant internal control issues.

The group has an internal audit function that reports to the Audit 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 2017, the Group's systems of control over financial reporting were effective.

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.lookers.co.uk as soon as they are released. Our website contains a dedicated investor relations section, 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, 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.

P. M. White
Chairman
7 March 2018

Report from the Chairman of the Audit and Risk Committee

Report from the Chairman of the Audit and Risk Committee

Dear Shareholder
The Committee comprises Stuart Counsell (chair), Richard Walker and Sally Cabrini. Stuart Counsell joined the Committee in June 2017 replacing Bill Holmes. The Committee members have, through their previous and current business activities, significant experience in financial matters.

The full Committee met formally three times during 2017. Each of these meetings was also attended by the Board Chairman, the Chief Financial Officer and the Internal Audit Manager. The Deloitte external audit team, including the engagement partner, also attended every meeting.
In addition to the formal meetings there is regular dialogue between the Committee members and with the Chief Financial Officer and Internal Audit Manager.

Key duties and responsibilities
- to ensure shareholder's interests are properly protected in relation to financial reporting and internal control.
- to review and assess the Company's framework for effective financial reporting, internal control and risk management.
- agreeing the scope of the external and internal auditors, assessing their effectiveness and the results of their work.
- overseeing the external auditor relationship covering appointment, audit quality, independence, non audit services and remuneration.
- to consider the appropriateness of the Board's going concern assumption and viability statement.
- reviewing the processes underlying the Interim and Annual Report and Accounts and associated documents to ensure they are robust and the documents are fair, balanced and understandable.

Evaluation of the Audit and Risk Committee
There has been no specific review of the work undertaken by the Committee in 2017, although the Committee members that were sitting were interviewed and their contribution evaluated as part of the Board effectiveness review carried out by Aretai Consulting Limited in 2016.

Risk management and internal control
We received reports during the year from the internal audit function detailing the scope of work they had undertaken in reviewing and auditing the business in order to assess the quality and effectiveness of the internal control system.
We also received and considered reports from the Company's external auditor Deloitte which included internal control recommendations arising from their audit work. In 2018, new procedures will be considered that address these recommendations.
A member of the Committee always attends the quarterly meetings of the Operations 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 update the group wide risk register which is reviewed by the Committee and periodically by the main Board.

Group internal audit
We receive reports from the Internal Audit Manager at every meeting. Reports include the results and gradings of business unit visits across the group as well as an updated fraud register. Work undertaken during the year was satisfactory. In 2018, we will consider potential changes to the scope of work, the grading process and the reporting structure.
In the course of its work with internal audit the Committee considered the arrangements for reporting by employees of concerns about possible improprieties in financial reporting or other matters, as set out in the Employee Handbook. We have concluded that there is a reasonably clear and well defined system for the reporting of concerns.

External audit
Auditor effectiveness and independence
The Committee confirmed its satisfaction with the effectiveness of the external audit by:
- considering the experience and expertise of the audit team.
- reviewing and agreeing the proposed audit plan and risk assessment.
- monitoring the implementation and delivery of the audit plan.
- reviewing the quality of reporting and their approach to significant accounting issues
- assessing Deloitte's adherence to applicable professional standards.
- considering the general level of support and service provided by Deloitte.

We are also satisfied that Deloitte remains independent after considering the independence statement within their audit report and by assessing the level and type of non audit services provided. The current audit partner has been in place for two years and will retire following completion of the 2017 audit.

Significant financial reporting matters
The following significant financial reporting matters were considered by the Committee.

Goodwill and Intangibles
We considered management's impairment review of the group's goodwill and intangible assets. We reviewed cash flow plans and the significant assumptions used to assess impairment including appropriate discount and long term growth rates. Following the review, we are satisfied that the impairment assessment supports the carrying value of the underlying assets concerned.

Report from the Chairman of the Audit and Risk Committee

Inventories
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 of 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 position paper on their approach and 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.

Accounting for pensions
The group operates three defined benefit schemes which have an excess of liabilities over assets. Details of the schemes are set out in note 26 of the accounts. The Committee discussed the assumptions underlying the valuations with management and the Committee have concluded that the assumptions are reasonable and appropriate. Further assurance was obtained from the external advice taken by the company.

Going concern and Viability Statement
We reviewed and discussed the work undertaken by management to demonstrate the company's ability to continue as a going concern and to underpin the group's Viability Statement. We discussed with them their rationale in support of the going concern assumption and the long term viability of the group and considered the underlying processes and key assumptions, the assessment of covenant compliance and the level of facility headroom in various scenarios.
The conclusion of that review is included in the Chairman's Statement on Corporate Governance section of the Annual Report and 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. However, using advisors who have an understanding of the Group's business can be a benefit and the Committee will consider non audit services when appropriate.

Audit Committee approval is required prior to awarding non audit contracts above a de minimis amount of £10,000. Non audit work awarded is monitored by the Committee.

Non audit fees of £25,000 (2016: £1,277,000) were incurred in respect of agreed upon procedures in reviewing the Company's interim announcement. In 2016, non audit fees included £848,000 of one off VAT contingent fees relating to prior years, £98,000 of tax compliance services and £190,000 in relation to working capital and due diligence reports. Further details are set out in the Committee's report within the 2016 Annual Report and Accounts.

Financial reporting
Following their review of the 2016 Annual Report and Accounts the FRC's Corporate Reporting Review team raised certain matters regarding pension accounting disclosures. The Board considered their guidance and agreed to additional disclosures being included in the 2017 Annual Report and Accounts.

Our responsibility in this area is to review and, where necessary, challenge the actions and judgements of management in relation to the Interim and Annual Report and 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.

The Committee concluded that the Annual Report and 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
7 March 2018

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 instills 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 Main 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 seven years. Like for like CO2 emissions in 2016 / 2017 reduced by 6.3% compared to the previous year.

2. Greenhouse Gas Reporting (GHG). This is our fifth 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. Despite the company's growth in the last year, our like for like water charges increased by only 2.6%.

(b) during 2017 we recycled 73.6% of all waste (2016: 62.5%)

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 fourth year of mandatory carbon reporting and covers the period 1st April 2016 to 31st March 2017.

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 2.4% 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 (tones of CO2) per million pounds of turnover.

Our mandatory carbon reporting data for the 2016/2017 and 2015/2016 reporting years are summarised as follows:

	2016/2017		2015/2016	
	(tCO2e)	(tCO2e/£m)	(tCO2e)	(tCO2e/£m)
Scope 1				
Gas	5,601	1.21	5,074	1.26
Vehicle fuels	22,426	5.29	24,517	6.11
Total	30,027	6.50	29,591	7.37
Scope 2				
Electricity	15,585	3.37	16,471	4.10
Statutory Total	**45,612**	**9.87**	**46,062**	**11.47**

*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.

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 2017, are set out below:

	2017	2016
Number of fatalities	-	-
Injuries resulting in absence over three days	38	11
Major injuries reported under RIDDOR*	14	11
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' BENs.

Directors' Remuneration Report

Annual Statement From The Chairman Of The Remuneration Committee

I am pleased to present my first Directors' Remuneration Report, for the year ended 31 December 2017. Having been a member of the Remuneration Committee since the beginning of 2016, I was keen to take on the position of Chairman and look forward to the challenges that this role brings.

The Committee noted that the new Directors' Remuneration Policy and the Directors' Remuneration Report were overwhelmingly supported by shareholders at the 2017 AGM, with votes in favour above 95% for both resolutions. Since my appointment, I have looked to focus on building from this strong foundation in two key areas:

- Reviewing the bonus arrangements to ensure they reflect the changing needs of the business;
- Revisiting the way we report outcomes to shareholders, with a re-structuring of the Remuneration Report to bring out the highlights of the year using an 'at a glance' section and summarise the policy more succinctly.

The remainder of my letter sets out the performance for the year and the resulting pay outcomes, the work undertaken by the Committee and the implementation of the policy for 2018.

Remuneration Outcomes For 2017

We have operated in a challenging environment, and while the company produced a resilient performance in 2017 in terms of progress against strategic priorities, trading conditions were difficult. Turnover for the year increased to £4.7 billion, a 15% increase on the 2016 figure. However, adjusted profit before tax ("APBT") dropped by 11% to £68.4 million. As explained in the operational review, there was growth in APBT on continuing operations when the loss of profit from the sale of the parts business (which we sold during 2016) is taken into account.

The performance target for the annual bonus for executive directors was based on the APBT of the company. The actual result was £68.4 million, which met the threshold required for a bonus payment of 60% of salary. The Remuneration Committee determined and the executives agreed that in the light of the result being at the lower end of the APBT target range, that it would be appropriate to exercise the discretion allowed for under the policy and reduce the formulaic outcome of the APBT measure from 60% to 30% of salary.

Due to the change to the LTIP structure detailed in last year's Remuneration Report, no LTIP award completed its performance period in 2017. The first LTIP award granted under the new arrangements is due to vest in early 2020 based on performance to 31 December 2019. Details of outstanding awards are provided on page 63.

Summary of Remuneration Committee Decisions In 2017

In 2016 we undertook a full review of the Directors' Remuneration Policy which was approved by shareholders at the 2017 AGM. While this has led to a slightly lighter agenda for the Remuneration Committee this year, the decisions under which have included:

- Approval of the bonus and LTIP outcomes for the year ending 31 December 2016;
- Finalising the 2016 Director's Remuneration Report including a revised policy;
- The development of an additional cash flow metric for the bonus for 2018 to increase focus on operational efficiency;
- Assessment of the possible impact of future changes to the corporate governance code and the possible response by Lookers;
- Approval of a nil salary increase for executive directors for 2018.

Remuneration In 2018

The maximum bonus opportunity for executive directors will be unchanged at up to 150% of salary. The performance conditions will be:

- 75% of the maximum opportunity will be subject to APBT targets; and
- 25% of the maximum bonus will be subject to operational cash flow target.

The cash flow target is new for 2018 and reflects the business focus on improving efficiency and cash generation. While the Board have considered cash flow performance for a number of years, the Remuneration Committee decided that this is the right time to introduce an element of remuneration that is directly linked to annual cash generation. It was determined that 25% of the bonus was the appropriate weighting to focus on this measure, retaining a majority 75% linked to profit, which remains a fundamental measure of our success in delivering on the strategy.

In 2018, 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 2017 and will be measured over a three year period:

- One third of the LTIP will be based on the ratio of Net debt to EBITDA;
- Two thirds of the LTIP will be based on adjusted EPS.

A two year holding period will apply to 50% of awards vesting under the 2018 award.

Directors’ Remuneration Report

Annual Statement From The Chairman Of The Remuneration Committee

The base salaries, pension arrangements and benefits provision for the executive directors will be unchanged for 2018.

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 is split into three sections, comprising this statement and the following:

Pages 55 to 56	**At a glance** 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	**Summary of directors’ remuneration policy** 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 2017 Annual Report & Accounts at: http://www.lookersplc.com/investors/results-centre
Pages 61 to 68	**Annual report on remuneration** This sets out payments and awards made to the directors and details the link between company performance and remuneration for 2016 and, together with this statement, is subject to an advisory shareholder vote at this year’s AGM

In conclusion

We would like to thank shareholders for their support for the Remuneration Policy at the 2017 AGM and we hope that we will have a similar level of support in favour of the annual report on remuneration at the 2018 AGM.

I am conscious that the environment on executive pay and corporate governance is changing, and I am personally engaged with the broader debate on fairness that is evolving. I, and the rest of the Board, will continue to monitor market practice and external developments in the agenda for 2018.

By Order of the Board

S. J. Cabrini
Chairman of the Remuneration Committee
7 March 2018

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.

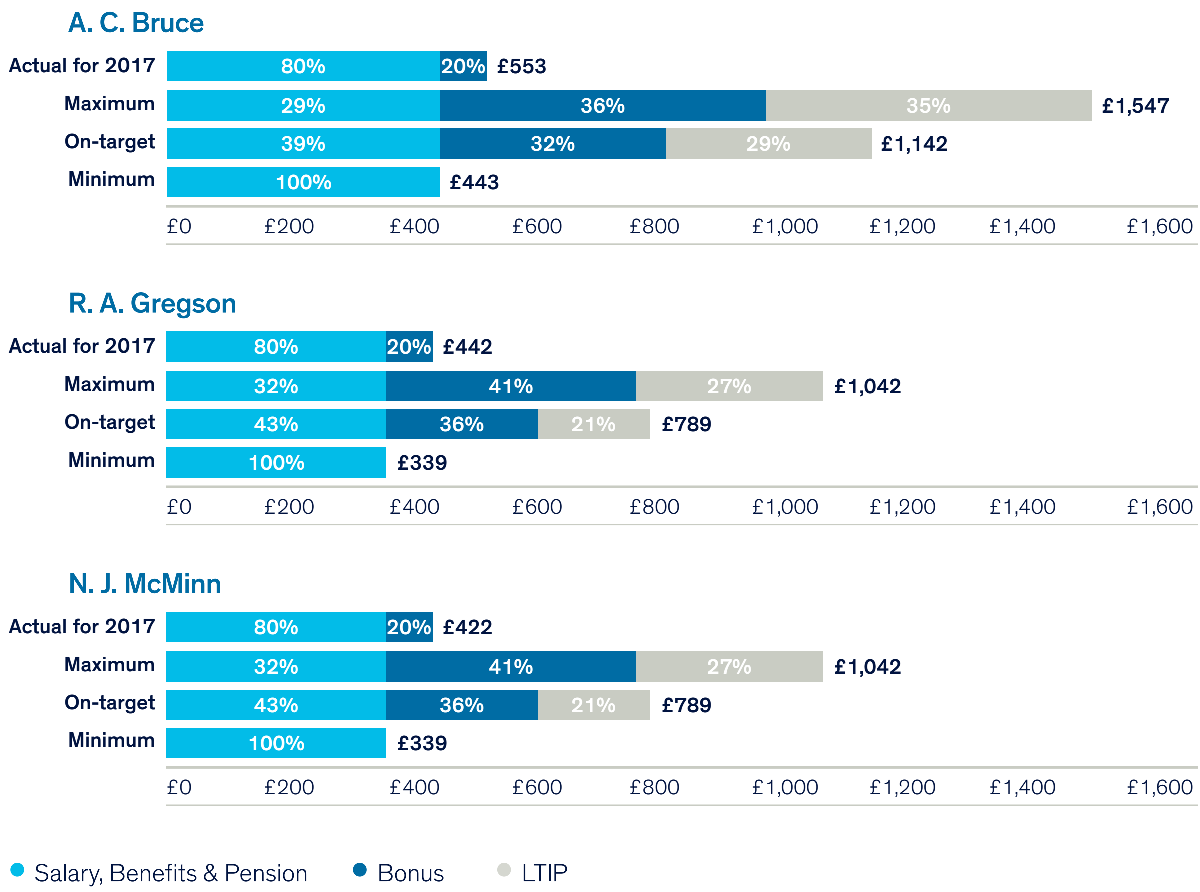
	Elements of reward			
	Base salary and pension benefits	**Annual bonus**	**Long-term incentive plan**	**Shareholding requirement Purpose**
Purpose	Attract and retain executives of high calibre and provide funding for short and long term benefits	Incentivises achievement of business objectives by providing 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	**Base salaries:** A Bruce: £368,000 R Gregson: £281,250 N McMinn: £281,250 Nil increases awarded for 2018. **Pension allowance:** 20% of salary **Benefits:** include company car, health insurance, life assurance and the opportunity to join the SAYE	**Maximum bonus:** 150% of salary The 2017 bonus was based on Adjusted Profit Before Tax target. The performance targets for 2018 will be based on operating cash flow (25%) and budgeted APBT (75%) of the group Bonus earned above 110% of salary is deferred in shares if shareholding requirement is not met Bonus is subject to malus and clawback.	**LTIP opportunity:** 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 2018 awards LTIP is subject to malus and clawback	**Current shareholdings:** A Bruce 336% vs requirement of 200% of salary R Gregson 311% vs requirement of 200% of salary N McMinn: 238% vs requirement of 100% of salary

Annual bonus outcomes for 2017

Measure	Threshold (60% vesting)	Target (100% vesting)	Maximum (150% vesting)	Actual	Bonus receivable		
					A Bruce	R Gregson	N McMinn
APBT of the group	£68.4m	£76.0m	£83.6m	£68.4m	£110,400	£84,375	£84,375
Total bonus paid as % of salary (150% maximum)[1]					30%	30%	30%

1. The Committee and the executives agreed to exercise discretion to decrease the pay-out under the bonus from 60% to 30% of salary. See the Chairman’s Statement and the Annual Report on Remuneration for further details.

Remuneration Policy scenarios and 2017 outcomes (£000)



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. In addition, the Committee's policy is that a substantial proportion of the remuneration of the executive directors should be performance related and that they be required to build up a significant holding of shares in the company. 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 and 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
Base Salary			
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 rate set out in the annual report on remuneration for the current year and the following year.	None.
Benefits			
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.
Annual Bonus			
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.

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Long-Term Incentives			
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 will include Adjusted Earnings Per Share. Threshold and maximum targets are set at grant.
Pension			
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.
Share Ownership			
To ensure alignment between the interests of executive directors and shareholders.	200% of salary for the CFO and CFO. 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 Chairman of the Committee consults with major shareholders from time to time to understand their expectations with regard to executive director remuneration and reports back to the Committee. Any other concerns raised by individual shareholders are also considered, and the Committee also takes into account emerging best practice and guidance from major institutional shareholders.

Approach to recruitment remuneration
The Committee's approach to recruitment remuneration is to offer a market competitive remuneration package sufficient to attract high calibre candidates who are appropriate to the role but without paying any more than is necessary.
Any new executive director's regular remuneration package would include the same elements and be in line with the policy table set out earlier in this directors' remuneration policy, including the same limits on performance related remuneration.

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

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

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

Directors' service contracts, notice periods and termination payments

Executive directors have service contracts with a 12 month notice period by the company and 6 months by the executive director, with 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.	12 months' notice by the company and 6 months' notice by executive director. Payment in lieu of any part of the notice period not served may be made by the company equal to basic salary, pensions and benefits for that part of the notice period only. For any new appointments, the payment of any sum in lieu of notice will be phased over the notice period and subject to mitigation.
Treatment of annual bonus on termination.	A bonus for the financial year of termination may be paid at the discretion of the Committee having regard to applicable performance conditions and normally with time pro-rating being applied.
Treatment of unvested LTIP awards.	Good leavers (i.e. leavers in circumstances of death, injury, disability, redundancy, retirement or transfer of employing business outside group) will be allowed to retain their LTIP awards. The Committee has discretion to treat any other leaver as a good leaver. The awards of any leaver who is not a good leaver will lapse on cessation of employment. Awards 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. 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. 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). On a change of control, awards will vest immediately subject to an assessment of the extent to which the performance targets have been met. The number of shares subject to LTIP awards is reduced pro-rata to reflect the proportion of the vesting period completed before cessation. The Committee has the discretion to waive the requirement to pro-rate.
Outside appointments.	Board approval must be sought. Executive directors may retain the fees paid in respect of any external appointment.
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.

Non-executive director fee policy

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
To attract NEDs who have a board range of experience and skills to oversee the implementation of our strategy.	NED fees are determined by the Board within the limits set out in the Articles of Association. An additional fee may be paid for chairing a sub-committee of the Board. Paid in 12 equal monthly instalments during the year.	Reviewed annually to reflect role, responsibility and performance of the individual and the company. Annual rate set out in the annual report on remuneration for the current year and the following year. No prescribed maximum annual increase.	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 2018, 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

The following table shows a single total figure of remuneration in respect of qualifying services for the 2017 financial year for each director, together with the comparative figures for 2016.

	Salary and fees £000		Taxable Benefits £000[1]		Annual bonus £000		LTIP £000[2]		Pension benefits £000		Other £000[3]		Total £000	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Executive Directors														
A. C. Bruce	368	364	1	1	110	364	-	844	74	73	-	1	553	1,647
R. A. Gregson	281	278	1	1	84	278	-	645	56	56	-	1	422	1,258
N. J. McMinn	281	278	1	1	84	278	-	645	56	56	-	-	422	1,257
Total	**930**	**920**	**3**	**3**	**278**	**920**	**-**	**2,134**	**186**	**183**	**0**	**2**	**1,397**	**4,162**
Non-Executive Directors														
P. M. White	124	123	-	-	-	-	-	-	-	-	-	-	124	123
R. S. Walker	45	41	-	-	-	-	-	-	-	-	-	-	45	41
D. C. A. Bramall	42	41	-	-	-	-	-	-	-	-	-	-	42	41
W. Holmes	44	46	-	-	-	-	-	-	-	-	-	-	44	46
S. Cabrini	42	41	-	-	-	-	-	-	-	-	-	-	42	41
S. R. Counsell[4]	21	-	-	-	-	-	-	-	-	-	-	-	21	-
Total	**318**	**292**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**318**	**292**
Aggregate directors emoluments[3]	**1,248**	**1,212**	**3**	**3**	**278**	**920**	**Nil**	**2,134**	**186**	**183**	**0**	**2**	**1,715**	**4,454**

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

2. LTIP figures for 2016 are in respect of ESOS awards granted in 2014 and LTIP awards granted in 2015 and 2016 whose performance periods ended on 31 December 2016. The figures have been restated to reflect the share price at vesting of £1.1475 on 30 June 2016 (restated in respect of ESOS awards granted in 2014 only).

3. The aggregate directors’ emoluments excluding pension and LTIP awards in 2017 was £1,529,000 (2016 - £2,137,000 when N Davies is excluded).

4. Stuart Counsell was appointed as non-executive director and chairman of the audit and risk committee with effect from 29 June 2017.

Annual bonus

Bonuses of up to 150% of salary are earned by reference to the performance during the financial year and are paid in March following the end of the financial year. The bonuses earned by the executive directors in respect of 2017 are based on figures for adjusted profit before tax (APBT). The APBT target, actual performance against it and the resulting bonuses earned are set out below:

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
£68.4 million	£76.0 million	£83.6 million	£68.4 million	30% (see comment below)

As noted in the Chairman's letter and despite management achieving the threshold target of £68.4 million for APBT, the Remuneration Committee determined, and the executives agreed, that in light of the APBT being at the lower end of the target range, that it would be appropriate to exercise the discretion allowed for in the policy to reduce the formulaic outcome of the APBT measure from 60% to 30% of salary.

LTIP awards completing their performance period in 2017

No LTIP awards were due to vest based on performance to 31 December 2017. LTIP awards granted in 2017 are due to vest in 2020 subject to performance achieved to 31 December 2019.

Pension entitlements and cash allowances

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 2017 Mr Bruce's accrued pension was £30,800.

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

A.C. Bruce's pension in the defined benefit scheme is no longer linked to his salary and therefore there is no value 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 his membership of money purchase arrangements.

All directors received a salary supplement equal to 20% of salary during 2017.

Payments to past directors

No payment to past directors were made in 2017.

Payments for loss of office

No payments for loss of office were made in 2017.

LTIP awards granted in 2017

As set out in the Remuneration Report last year, the Committee restructured LTIP awards granted from 2017 onwards. The 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 2017 as follows:

	Date of grant	Number of shares subject to award	Share price at grant	Face value of shares[1]	End of performance period
A. C. Bruce	13.06.2017	450,612	£1.225	£552,000	31.12.2019
R. A. Gregson	13.06.2017	229,591	£1.225	£281,250	31.12.2019
N. J. McMinn	13.06.2017	229,591	£1.225	£281,250	31.12.2019

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

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 2017 to 31 December 2019 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

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)[1]	Number at 1 January 2016	Lapsed in Year	Exercised in Year	Number at 31 December 2017
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
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
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	209,844	-	-	209,844
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

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
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 2017	Lapsed in Year	Exercised in Year	Number at 31 December 2017
A.C. Bruce	SAYE	6.10.2014	1.12.2017	1.6.2018	108.80	8,272	-	-	8,272
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
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

Statement of directors' shareholding
The table below summarises the directors' shareholdings as at 31 December 2017. The shareholding as a % of salary is determined by reference to the share price on 29 December 2017 of £1.03. There were no changes in these shareholdings between that date and the date of approval of this report.

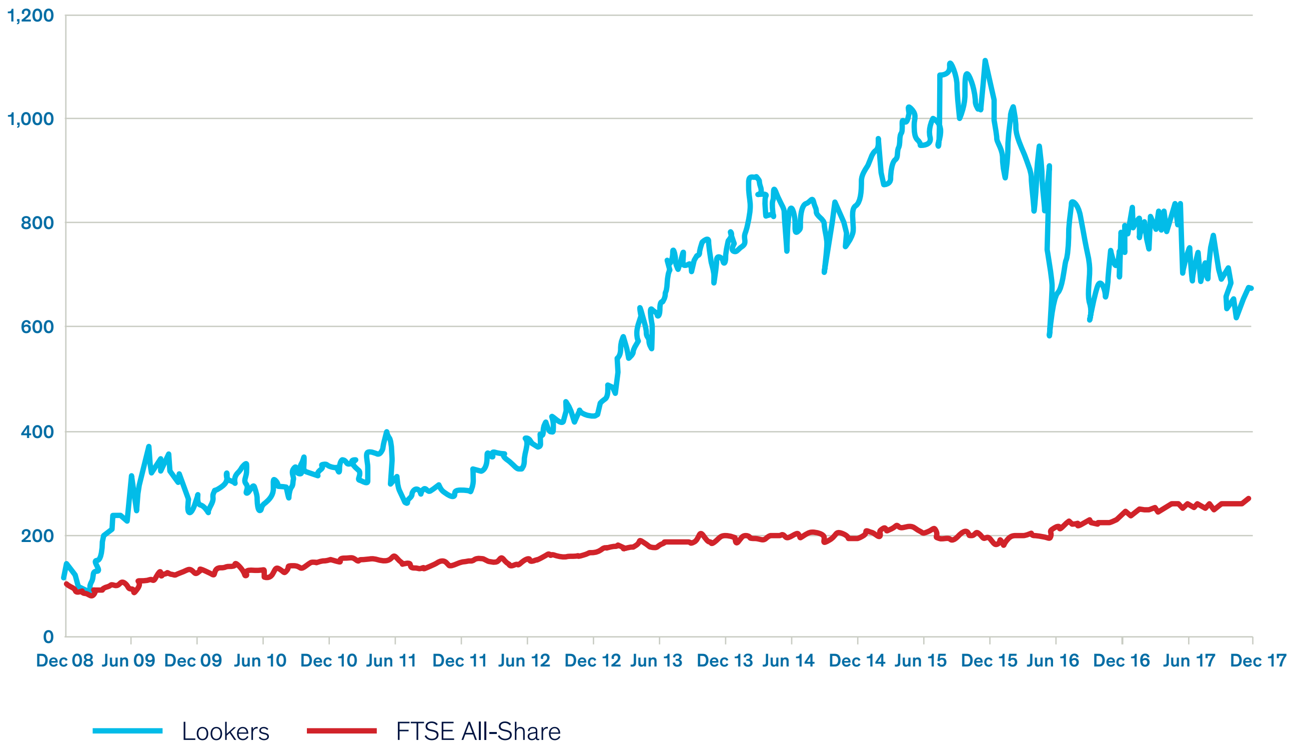
	Number of shares held (including by connected persons)		Vested but unexercised share options		Shareholding on 31 December 2017 as a % of salary[1]	Unvested share options subject to performance conditions	
	2017	2016	2017	2016		2017	2016
A. C. Bruce	642,086	642,086	559,092	269,836	336%	922,037	760,681
R. A. Gregson	357,815	357,815	490,910	269,836	311%	589,911	581,394
N. J. McMinn	160,000	160,000	404,131	-	207%	589,911	760,681
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	-	-
W. Holmes	54,666	54,666	-	-	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 2017. 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.

Performance graph and table

The chart below shows the company's nine-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 nine 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
	H.K. Surgenor[1]	P. Jones[2]	P. Jones	P. Jones	P. Jones	P. Jones	A.C. Bruce[3]	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
Annual bonus % of maximum opportunity	100%	100%	100%	63%	100%	100%	100%	87%	67%	20%
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 2016 and 2017 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	1%	0%	-70%
Employees	1%	0%	0%

Directors' Remuneration Report

Relative importance of spend on pay

The table below sets out the total spend on pay in 2017 and 2016 year compared with distributions to shareholders and which was the most significant outgoing for the company in the last financial year.

	Spend in 2017 £m	Spend in 2016 £m	% increase
Spend on staff pay (including Directors)	272.5	272.2	0.1%
Profit distributed by way of dividend	15.0	13.2	13.6%

Implementation of directors' remuneration policy in 2018

Salaries and fees

The salaries and fees to be paid to directors in 2018 are set out in the table below, together with any increases expressed as a percentage.

	2018 salary/fees	2017 salary/fees	Increase %
A. C. Bruce	£368,000	£368,000	0%
R. A. Gregson	£281,250	£281,250	0%
N. J. McMinn	£281,250	£281,250	0%
P. M. White	£123,750	£123,750	0%
R. S. Walker	£46,500	£44,600	4.2%
D. C. A. Bramall	£42,000	£42,000	0%
W. Holmes	£42,000	£43,900	-4.3%
S. J. Cabrini	£42,000	£42,000	0%
S. R. Counsell	£42,000	N/A	N/A

The salary of R. S. Walker was increased and the salary for W. Holmes decreased as R. S. Walker became Senior Independent Director when W. Holmes stepped down from this position on 1 June 2017.

Annual bonus

The bonus opportunity for 2018 will be 150% of salary for each executive director. The performance targets for the annual bonus will be based on operating cash flow (25%) and budgeted APBT (75%) of the group, with payments determined based on the scale set out in the Directors' Remuneration Policy.

The APBT and cashflow figures for the group are set out annually in notes 6 and the consolidated cash flow statement on page 95. 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.

LTIP

The operation of the LTIP awards will be the same as those granted in 2017.

The table below sets out the adjusted EPS targets that will apply for the 2018 award:

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 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 2017 were P. M. White, R.S Walker, W. Holmes, S. J. Cabrini and S.R. Counsell (who was appointed on 29 June 2017). The Committee met twice during 2017, at which all who were members of the Committee at the time, attended.

The primary role of the Committee is to set the directors' remuneration policy and accordingly to:

- review, recommend and monitor the level and structure of remuneration for the executive directors and other senior executives;
- approve the remuneration package for the executive directors;
- determine the balance between base pay and performance related elements of the package to align executive directors' interests with those of shareholders; and
- approve annual and long term incentive payments for executive directors.

Summary of activity during 2017

The Committee carried out the following during 2017:

- Reviewed and determined:
  - o salary levels for the executive directors and fees for the Chairman;
  - o the outturn against performance conditions of outstanding LTIP awards;
  - o the outcome of targets under the annual bonus plan;
  - o targets for the annual bonus and LTIP plan, including the introduction of an additional LTIP metric based on the ratio of Net Debt to EBITDA;
- Determined annual LTIP awards to Executive Directors;
- Considered developments in executive pay and the changing corporate governance environment;
- Reviewed the 2016 Remuneration Report;
- Considered the group's draft gender pay gap calculations.

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 £50,900 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.

Statement of voting
The latest votes in respect of remuneration matters were cast at the 2017 AGM as follows:

Resolution	Votes For	%	Votes Against	%	Abstentions
To approve the directors’ remuneration policy	247,261,973	95.29%	12,214,314	4.71%	56,31
To approve the 2015 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
7 March 2018

Directors’ Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements 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 and financial statements, 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
7 March 2018

R. A. Gregson
Chief Financial Officer
7 March 2018

Financial

Statements

Independent Auditor's Report to the Members of Lookers plc

Report on the audit of the financial statements

Opinion:

- **the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 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 IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.**

We have audited the financial statements of Lookers plc (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the principal accounting policies; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 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:

- Potential impairment of goodwill and intangible assets
- Inventory valuation and provisioning
- Commercial income including supplier rebate arrangements (i.e. manufacturer bonuses)

Within this report, all key audit matters are consistent with the prior year.

Materiality

The materiality that we used for the group financial statements was £2.7 million which was determined on the basis of 5% of adjusted profit before tax.

Scoping

Based on our scoping assessment, our audit work covered 93% of the Group's profit before tax, 86% of 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 of the Principal Accounting Policies 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 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 41-42 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 47 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 47 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.

Potential impairment of goodwill and intangible assets
Key audit matter description The Group has goodwill and intangible assets of £221.2 million (2016: £217.4 million) which arose from a number of acquisitions over several years. Should there be goodwill and intangible assets recognised in relation to low contribution dealerships then there is a risk that those balances 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 disclosed in note 8 on page 103 based on management's view of future business prospects. Given the significant level of judgement involved, we identified this key audit matter as a potential fraud risk. See critical accounting estimates and judgements on page 83 and the Audit Committee Report on page 49.
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; • reviewed management's impairment calculation and assessed whether the requirements of IAS 36 have been followed; • evaluated the underlying assumptions applied, including key judgements relating to growth in profits particularly taking into account recent industry forecasts ; • performed an assessment of management's forecasting accuracy in order to gain comfort on forecasts going forward for underperforming dealerships; • held discussions with management in relation to detailed recovery plans going forward; • compared management's growth assumptions to recent trading performance of the relevant cash generating units and also compared to external growth data provided by the Society of Motor Manufacturers & Traders; and • engaged our internal valuation specialists to review the discount rates adopted.
Key observations We concluded that the assumptions applied in the impairment models, including the models relating to low contribution dealerships were appropriate and no impairments were identified from the work performed.

Inventory valuation and provisioning

Key audit matter description

There are a number of risks that can have a material impact on the inventory balance (2017: £984 million; 2016: £839 million) in the financial statements, principally:

- the assessment of net realisable value of inventory, which for used vehicles in particular can fluctuate as a result of market factors and the condition of vehicles;
- commercial income, which should be offset against the inventory balance where the vehicle is still recorded as inventory at the balance sheet date;
- provision requirements for inventory as a result of the factors noted above; and
- the assessment of inventory recognition in relation to consignment stock and whether all risks and rewards have transferred as at the balance sheet date.

Given the significant level of judgement involved, we identified this key audit matter as a potential fraud risk.

See critical accounting estimates and judgements on page 83 to the financial statements and the Audit Committee Report on page 49.

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 vehicle and parts inventory and identification of provisioning requirements;
- performed substantive procedures to identify any issues in respect of valuation and slow-moving inventory (discussed below);
- assessed whether the ageing profiles of inventory held across the divisions were accurate;
- tested the cost of inventory by reference to a sample of supplier invoices and confirmations and evaluated whether commercial income has been appropriately recorded within the inventory balance where appropriate;
- assessed the risk around net realisable value of used cars by comparing the carrying value of a sample of vehicles to third party data, and also by reference to a selection of post year-end sales;
- assessed historical accuracy of management's estimate of provisions held by way of review of utilisation of the prior year provision; and
- reviewed dealer agreements to assess whether stock has been recognised in line with those agreements to confirm the balance of consignment stock held at year end.

Key observations

We concurred with management's judgement in relation to the provision held at year end and concluded that the value of inventory held as at 31 December 2017 is appropriate.

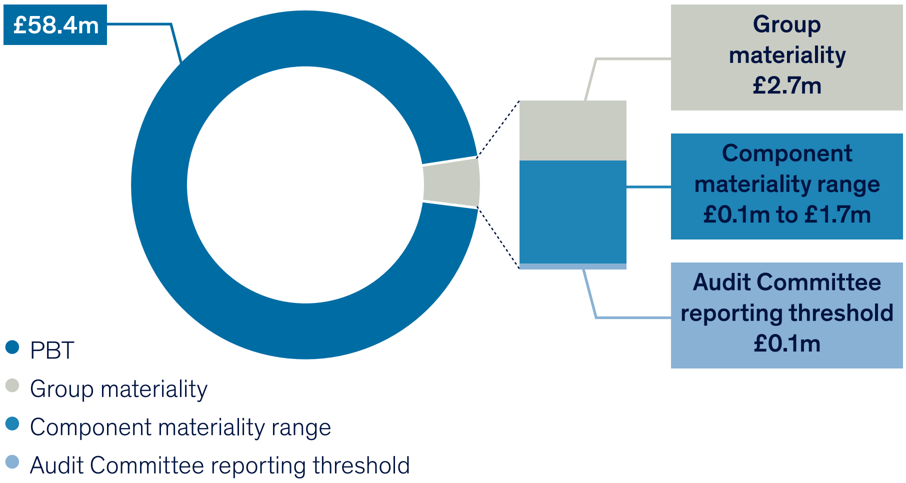
Commercial income recognition including supplier rebate arrangements (i.e. manufacturer bonuses)
Key audit matter description Commercial income of £180.8m (2016: £147m) arising from volume related and vehicle specific rebates derived from the Group's manufacturer partners is significant to the overall result. This is recognised when the inventory the commercial income relates to is sold. The amount of commercial income receivable at year end was £41.0m (2016: £50.9m). The principal risk associated with commercial income relates to its recognition as a result of the complex nature of the agreements and hence the interpretation of whether targets have been met. This can make it difficult to prove that the commercial income is correct to be recognised. Given the significant level of judgement involved, we identified this key audit matter as a potential fraud risk. See critical accounting estimates and judgements on page 83 and the Audit Committee Report on page 49.
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; • enquired of management regarding the results of manufacturer audits in the year; • performed a review of monthly margin data to assess whether there are any significant variances; • compared a sample of bonus balances to credits received from the manufacturer and recalculated the balances by reference to manufacturer agreements and volume of vehicles sold; and • reviewed the ageing of amounts due and evaluated management's judgements relating to the recoverability of any aged balances, including considering the need for any provision.
Key observations We are satisfied with the recognition of commercial income in the year based on the audit evidence received.

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
Materiality	£2.7m (2016: £3.2m)	£2.3m
Basis for determining materiality	5% of profit before tax. (2016: 5% of adjusted profit before tax. Profit before tax has been adjusted by removing the effect of one off items in the year).	Parent company materiality equates to less than 1% of net assets which is capped at 85% of group materiality.
Rationale for the benchmark applied	Profit before tax is a key performance measure for the Group and receives significant focus from shareholders and analysts. (2016: Adjusted profit before tax was used to take account of the one off items that do not accurately reflect the underlying trade of business).	Net assets have been used as the most reflective measure of value within the entity.



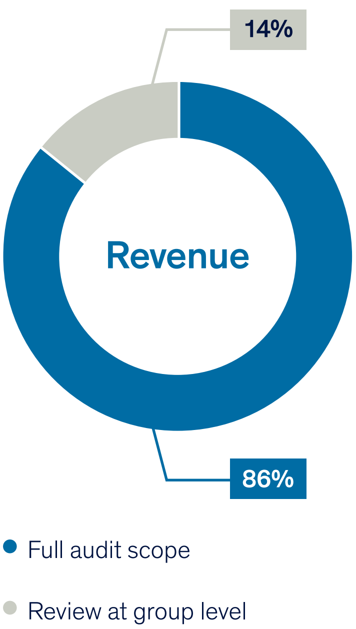
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £137k (2016: £160k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

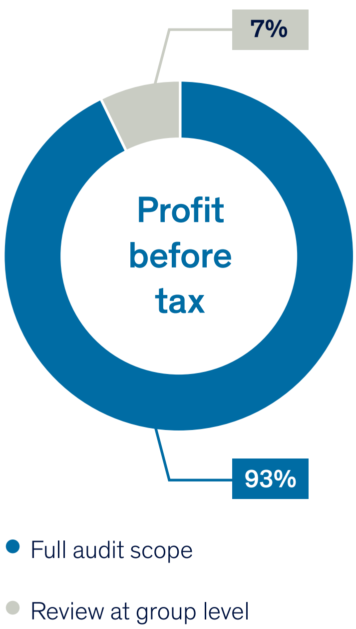
An overview of the scope of our audit
Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

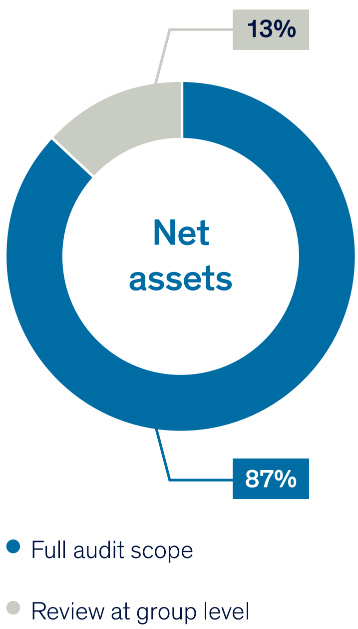
Based on that assessment we focused our group audit scope primarily on the audit work at 21 locations (2016: 26) which are primarily regional accounting centres. The decrease in locations from the prior year is primarily due to the disposal of the Parts division in 2016. These 21 locations represent the principal business units and account for 86% (2016: 93%) of the group's revenue, 93% of the group's profit before tax and 87% (2016: 92%) of the group's total net assets. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

Our audit work at the 21 locations, excluding the parent company, was executed at materiality applicable to each individual entity which was lower than group materiality and capped at £1.7m (2016: capped at £1.7 million). All locations 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 or audit of specified account balances.







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 [including the titles of the other information], other than the financial statements and our auditor's report thereon.

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

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

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

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

- Fair, balanced and understandable – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit 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.

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

Use of our report
This report is made solely to the 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.

Independent Auditor's Report to the Members of Lookers plc

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 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 committee, we were appointed by the Company on 18 December 2006 to audit the financial statements for the year ending 31 December 2006 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 11 years, covering the years ending 31 December 2006 to 31 December 2017.

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

Patrick Loftus ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester
7 March 2018

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 company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given in note 11 to these Financial Statements. The nature of the group's operations and its principal activities are set out in section 1 of 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 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 £114.8million (2016: £23.2million).
The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments.

Adoption of new and revised Standards

Amendments to IFRSs that are mandatorily effective for the current year

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 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Adoption of new and revised Standards

Amendments to IAS 7 Disclosure Initiative	The Group has adopted the amendments to IAS 7 for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Group's liabilities arising from financing activities consist of borrowings (note 19) and certain derivatives (note 20). The application of these amendments has had no impact on the Group's consolidated financial statements.
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	The Group has adopted the amendments to IAS 12 for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.
Annual Improvements to IFRSs 2014-2016 Cycle	The Group has adopted the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group. IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

2. Adoption of new and revised Standards (continued)

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] had not yet been adopted by the EU:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers (and the related Clarifications)
IFRS 16	Leases
IFRS 17	Insurance Contracts
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
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting standards and IFRS 28 Investments in Associates and Joint Ventures
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 9 Financial Instruments

The Group is required to adopt IFRS 9 Financial Instruments from 1 January 2018. Further details of the Group's Financial instruments can be found on note 20.

IFRS 9 largely retains the classification requirements of IAS 39 so the Group does not expect any significant differences relating to the valuation of Financial assets or Financial liabilities.

IFRS 9 Financial Instruments is mandatory for reporting periods commencing on or after 1 January 2018. These financial statements have not adopted IFRS 9 early but whilst there will be changes in disclosure, there are not expected to be any material changes in the value of financial assets or financial liabilities.

Financial assets

These financial statements have been prepared using IAS 39 financial instruments. IAS 39 classifies financial assets into classes according to their nature i.e. loans and receivables, held to maturity or available for sale. IFRS 9, by contrast, classifies assets according to the business model for their realisation, as determined by the expected contractual cashflows. This classification determines the accounting treatment, and the new classification under IFRS 9 is by reference to the accounting treatment i.e. amortised cost, fair value through other comprehensive income or fair value through profit and loss.

Impairment of financial assets

The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date.

The new impairment model will apply to the Group's financial assets that are debt instruments measured at amortised costs or FVTOCI as well as the Group's receivables.

IFRS 9 also requires that impairment of financial assets be shown as a separate line item in either the statement of comprehensive income or the income statement. Under IAS 39 the Group recorded the impairment of its financial assets (trade and other receivables) within operating expenses. IFRS 9 largely retains the classification requirements of IAS 39 so there are not expected to be any material differences

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2016.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.
Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group recognises revenue from the following major sources:

Sale of Insurance, commission and warranty products

The group recognises income upon the sale of insurance, finance and warranty policies sold when the customers buys one of its products relating to vehicles or service work. The group in these instances acts as an agent for various finance and insurance houses and revenue is recognised when the customer receives the product.

Under IFRS 15, revenue recognition will be based on whether the Group controls the specific services before transferring them to the end customer, rather than whether it has exposure to significant risks and rewards associated with the sale of goods. Under IFRS 15, the Revenue relating to these products will be recognised over the period which the customer can exercise their rights under the Insurance, commission and warranty product and therefore revenue should be recognised over the period of that prevailing insurance, commission or warranty product. The Group's initial assessment of the impact of the effect of adopting IFRS 15 indicate that there would be no significant change to current practice and therefore no adjustment will be required.

Revenue generated from the sale of motor vehicles and aftersales services.

Revenue is currently recognised when vehicles or aftersales services have been supplied. Under IFRS 15, revenue will be recognised when a customer obtains control of the goods . The Group's initial assessment of the impact of the effect of adopting IFRS 15 indicate that there would be no change to current practice and therefore no adjustment will be required.

Transition

The Group is required to adopt IFRS 15 for the year ended 31 December 2018 and will plan to use the cumulative effect method without restatement of comparitives.

IFRS 16 Leases

IFRS 16, which has not yet been endorsed by the EU, 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. The Group is currently considering whether adopt IFRS 16 for the year ending 31 December 2018. No decision has been made about whether to use any of the transitional options in IFRS 16.

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.

Principal Accounting Policies

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.

Furthermore, extensive disclosures are required by IFRS 16. As at 31 December 2017, the Group has non-cancellable operating lease commitments of £136.9m . IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review.

In contrast, for finance leases where the Group is a lessee, as the Group has already recognised an asset and a related finance lease liability for the lease arrangement, and in cases where the Group is a lessor (for both operating and finance leases), the directors do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Going Concern

This financial information has been prepared on a going concern basis which the Directors believe to be appropriate for the reasons set out below.

The company and the group meet their day to day working capital requirements through short-term stocking loans and the revolving credit facility and its medium-term funding requirements through a term loan. At the year end the medium-term banking facilities included a revolving credit facility of up to £150.0 million and a term loan totalling £75.0 million, providing total facilities of £225.0 million. These facilities were renewed in September 2015 and are due for renewal in March 2020.

Stocking loans are provided by a variety of banks associated with a range of manufacturers and provide asset backed finance on vehicle inventories held during the year. At the 31 December the value of these stocking loans amounted to £326.4million.

In addition to the total facility limit, the facilities include certain covenant tests. The failure of a covenant test would render the entire facilities repayable on demand at the option of the lenders.

The Directors have assessed the future funding requirements of the group and the company and compared them to the level of committed available borrowing facilities. This assessment included a detailed review of trading and cash flow forecasts for a period 12 months from the date of this annual report which projects that the total revised facility limit is not exceeded over the duration of the forecasts and forecast covenant levels are met. Whilst uncertainty remains in the global economy these forecasts are considered reasonable.

The Directors have a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future. For those reasons, they continue to adopt the going concern basis in preparing this Annual Report.

3. Critical accounting estimates and judgements

In the process of applying the group's Accounting Policies, which are described above, the directors have made the following judgements that have had the most significant effect on the amounts recognised in the financial statements.

Pensions

The liability recognised in the balance sheet in respect of the group's retirement benefit obligations represents the liabilities of the group's defined benefit pension schemes after deduction of the fair value of the related assets. The schemes' liabilities are derived by estimating the ultimate cost of benefits payable by the schemes and reflecting the discounted value of the proportion accrued by the year end in the balance sheet. In order to arrive at these estimates, a number of key financial and non-financial assumptions are made by management, changes to which could have a material impact upon the net deficit and also the net cost recognised in the comprehensive income statement.

The principal assumptions relate to the rate of inflation, mortality and the discount rate. The assumed rate of inflation is important because this affects the rate at which salaries grow and therefore the size of the pension that employees receive upon retirement. Over the longer term, rates of inflation can vary significantly.

The overall benefits payable by the schemes will also depend upon the length of time that members of the schemes live for; the longer they remain alive, the higher the cost of the pension benefits to be met by the schemes. Assumptions are made regarding the expected lifetime of the schemes' members, based upon recent national experience. However, given the rates of advance in medical science, it is uncertain whether these assumptions will prove to be accurate in practice.

The rate used to discount the resulting cash flows is equivalent to the market yield at the balance sheet date on UK government securities with a similar duration to the scheme's liabilities. This rate is potentially subject to significant variation. The net cost recognised in the Income Statement is also affected by the return on the schemes' assets. The impact of the pension estimates on the group's accounts can be seen in note 26.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation and uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities are discussed below.

Goodwill and Intangible Assets

The group reviews the goodwill arising on the acquisition of subsidiaries or businesses and any intangible assets with an indefinite life for impairment at least annually or when events or changes in economic circumstances indicate that impairment may have taken place. The impairment review is performed by projecting the future cash flows, excluding finance and tax, based upon budgets and plans and making appropriate assumptions about rates of growth and discounting these using a rate that takes into account prevailing market interest rates and the risks inherent in the business. If the present value of the projected cash flows is less than the carrying value of the underlying net assets and related goodwill, an impairment charge would be required in the Income Statement.

This calculation requires the exercise of significant judgement by management; if the estimates made prove to be incorrect or changes in the performance of the subsidiaries affect the amount and timing of future cash flows, goodwill may become impaired in future periods.

In respect of acquisitions, at the point of acquisition the group is required to assess whether intangible assets need to be separately identified and measured. The measurement and assessment of the useful economic lives of intangible assets requires the use of judgement by management.

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

Principal Accounting Policies

interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of acquired subsidiaries are changed where necessary to ensure consistency with the policies adopted by the group.

5. Revenue recognition

Revenue

The Group is required to adopt IFRS 15 Revenue from Contracts with Customers from 1 January 2018, the impact of this standard on the Group is detailed in note 1.

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 substantially all risks and rewards 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 'property, plant and equipment' at their cost to the Group and are depreciated to their residual values over the terms of the leases. These assets are transferred into inventory at their carrying amount when they cease to be rented and they become available for sale as part of the Group's ordinary course of business.

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. The Group has a significant property portfolio and from time to time they may become vacant and are sublet to mitigate operating losses, until the Group decides upon the appropriate use of the property. These properties are not considered investment properties.

6. Other income

Other income consists of the profit or loss on disposal of property. This represents the consideration received less the carrying value of the property and the associated selling costs. This is recognised once the Directors are satisfied that the transaction is substantially complete including the assessment that there will be no further amends of substance to the associated formal legal documents.

7. 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.

8. Operating profit
Operating profit is stated before net interest costs and debt issue costs.

9. Goodwill arising on Consolidation
All business combinations are accounted for by applying the purchase method. Goodwill and intangible licences 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 on acquisitions of subsidiaries is shown separately on the balance sheet. The goodwill is allocated to cash generating units (CGUs), which are franchise groups and other business units. Goodwill arising on acquisitions is tested annually for impairment and is carried at cost less accumulated impairment losses.

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 and intangible licences, the Directors recognise the group's Cash Generating Units ("CGU") to be connected groupings of dealerships. The recoverable amount of each CGU's goodwill and intangible assets is based on value in use using Board approved budget projections over the next year and projected following four years for each CGU to calculate each CGU's discounted cash flows to perpetuity, where individual budgets are produced for all businesses within the group.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year and the impairment calculation is sensitive to these key assumptions. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. An annual growth rate of 1.6% (2016: 1.6%) (UK GDP) is assumed and a risk adjusted discount rate applied. The discount rates are estimated based on the group's cost of capital which is calculated after consideration of market information and risk adjusted for individual circumstances. A single pre-tax discount rate of 9.71% (2016: 9.71%) has been applied.

10. Intangible Assets
Intangible assets are stated at cost less accumulated amortisation and any impairment losses. This category of asset includes purchased computer software licences, computer software and internally generated intangible assets which are amortised by equal instalments over five years. 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. All other expenditure is expensed as incurred.

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. Development expenditure is capitalised only if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use the asset to generate sales. The expenditure capitalised includes the costs of labour and overhead costs that are directly attributable to preparing the asset for its intended use. Any development expenditure that does not meet the above criteria is expensed in the year it is incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and is amortised over a period of five years.

Principal Accounting Policies

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

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 and recorded 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.

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.

Property, plant and equipment are transferred to "Assets held for sale" when management expect their disposal to be completed within one year from the balance sheet date. Non-current assets classified as held for sale are stated at the lower of net book value or expected proceeds.
All costs in relation to the maintenance of property, plant and equipment are recognised in the income statement as an expense as incurred.

13. 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.

14. 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.

15. Inventories
Motor vehicle inventories are stated at the lower of 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 bench marking 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.

16. Rental fleet vehicles

Motor vehicles hired to customers under short term rental agreements less than 1 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.

17. Taxation

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

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

18. Pension Costs

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 2017 by a qualified independent actuary to take account of IAS 19 (Revised). 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 2017 by a qualified independent actuary to take account of IAS 19 (Revised).

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.

As a result of the amendments to IAS 19 Employee Benefits, the group has changed its accounting policy with respect to determining the income or expense related to its defined benefit pension scheme. The standard prescribes that an 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.

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.

In common with sector practice vehicle stocking loans are included within trade creditors rather than cash equivalents.

20. Share Based Payments

The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments 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 equity-settled share-based payments 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 the 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.

21. Derivative Financial Instruments

The group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts and an interest rate collar. Further details of derivative financial instruments are disclosed in note 20 to the financial statements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the Income Statement immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in the income statement depends on the nature of the hedge relationship.

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability.

22. Effective interest method

The effective interest method is a method of calculating the amortised cost of financial liabilities and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Debt instruments that are held-to-maturity, are available for sale or are loans and receivables recognised in income on an effective interest rate basis.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For loans and receivables the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

23. Financial Instruments

Debt Instruments

Debt instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

24. 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.

25. 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.

26. Commercial income

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

The amount of commercial income receivable at 31 December 2017 was £41.6m (2016: £50.9m).

27. Other items including exceptional items

Other items have been separately identified to provide a better indication of the group's underlying business performance. They are not considered to be business as usual items and have a varying impact on different businesses and reporting periods. They have been separately identified as a result of their magnitude, incidence or unpredictable nature.

These separately identified items are presented as a separate box within their related consolidated income statement category. Their separate identification results in the calculation of an underlying profit measure in the same way as it is presented and reviewed by management.

Items that may be separately identified include, but are not limited to, the amortisation of acquired intangible assets, pension costs, debt issue costs, share based payments, impairment of goodwill and exceptional items.

Exceptional items are those items that are unusual because of their size, nature or incidence, or that the directors consider should be disclosed separately to enable a full understanding of the group's results. This includes non-recurring transaction costs.

Exceptional items have been presented separately on the face of the income statement. The directors consider that this presentation gives a fairer presentation of the results of the group.

Consolidated Income Statements

	Note	Total 2017 £m	Continuing Operations £m	Discontinued Operations £m	Total 2016 £m
Revenue	1	4,696.3	4,088.2	193.5	4,281.7
Cost of sales		(4,192.2)	(3,638.7)	(138.8)	(3,777.5)
Gross Profit		**504.1**	**449.5**	**54.7**	**504.2**
Distribution costs		(292.5)	(254.5)	(27.8)	(282.3)
Administration expenses		(136.7)	(94.2)	(14.7)	(108.9)
Other operating income		2.5	0.5	-	0.5
Profit from operations		**77.4**	**101.3**	**12.2**	**113.5**
Profit from operations before amortisation, share based payments, impairment of goodwill and exceptional items		84.7	82.5	12.2	94.7
Amortisation of intangible items		(5.6)	(1.7)	-	(1.7)
Impairment of goodwill	8	-	(1.0)	-	(1.0)
Share based payments		(1.7)	(1.8)	-	(1.8)
Exceptional items		-	23.3	-	23.3
Profit from operations		**77.4**	**101.3**	**12.2**	**113.5**
Interest payable	2	(16.6)	(17.6)	-	(17.6)
Interest receivable	2	0.3	-	-	-
Net interest		(16.3)	(17.6)	-	(17.6)
Net interest on pension scheme obligation		(4.2)	(3.7)	-	(3.7)
Fair value on derivative instrument		1.9	-	-	-
Debt issue costs		(0.4)	(0.4)	-	(0.4)
Profit on ordinary activities before taxation	3	**58.4**	**79.6**	**12.2**	**91.8**
Profit before taxation, amortisation, exceptional items, debt issue costs, pension costs, impairment of goodwill and share based payments		68.4	64.9	12.2	77.1
Amortisation of intangible items		(5.6)	(1.7)	-	(1.7)
Share based payments		(1.7)	(1.8)	-	(1.8)
Fair value on derivative instrument		1.9	-	-	-
Net interest on pension scheme obligation	3	(4.2)	(3.7)	-	(3.7)
Exceptional items		-	23.3	-	23.3
Impairment of goodwill		-	(1.0)	-	(1.0)
Debt issue costs		(0.4)	(0.4)	-	(0.4)
Profit on ordinary activities before taxation		**58.4**	**79.6**	**12.2**	**91.8**
Tax charge	4	(10.5)	(7.9)	(2.6)	(10.5)
Profit for the year		**47.9**	**71.7**	**9.6**	**81.3**
Attributable to:					
Shareholders of the company		47.9	71.7	9.6	81.3
Earnings per share:					
Basic earnings per share	6	12.06p			20.51p
Diluted earnings per share	6	11.70p			20.10p

Consolidated and Company Statements of Comprehensive Income

	Note	Group 2017 £m	2016 £m	Company 2017 £m	2016 £m
Profit for the financial year		47.9	81.3	114.8	23.2
Items that will be reclassified to profit and loss:					
Actuarial gains/(losses) recognised in post-retirement benefit schemes	26	10.6	(27.2)	9.1	(15.4)
Movement in deferred taxation on pension liability	21	(1.9)	4.1	(1.5)	2.2
Tax rate adjustment		-	(0.5)	-	(0.3)
Items that are or may be reclassified to profit and loss:					
Fair value gains/(losses) on derivative instruments and share based payments		0.2	(2.0)	-	(2.0)
Movement in deferred taxation on derivative instruments and share based payments		(1.0)	(0.8)	-	0.5
Other comprehensive income / (expense) for the year		**7.9**	**(26.4)**	**7.6**	**(15.0)**
Total comprehensive income for the year		**55.8**	**54.9**	**122.4**	**8.2**
Attributable to:					
Shareholders of the company		55.8	54.9	122.4	8.2

Consolidated and Company Statements of Financial Position

	Note	Group 2017 £m	2016 £m	Company 2017 £m	2016 £m
Non-current assets					
Goodwill	8	108.9	107.6	-	-
Intangible assets	9	112.3	109.8	11.3	8.7
Property, plant and equipment	10	342.0	319.1	0.4	0.3
Investment in subsidiaries	11	-	-	57.8	57.8
Deferred tax asset	21	-	-	4.1	8.7
		563.2	**536.5**	**73.6**	**75.5**
Current assets					
Inventories	12	984.1	839.4	-	-
Trade and other receivables	13	242.1	225.0	462.3	405.6
Rental fleet vehicles	15	60.9	67.1	-	-
Cash and cash equivalents	16	45.3	39.8	11.8	30.6
		1,332.4	1,171.3	474.1	436.2
Total assets		**1,895.6**	**1,707.8**	**547.7**	**511.7**
Current liabilities					
Bank loans and overdrafts	19	66.1	25.1	77.2	23.4
Trade and other payables	17	1,227.5	1,087.5	82.9	215.8
Current tax liabilities	18	-	14.7	-	6.4
Derivative financial instruments		0.6	3.0	0.6	3.0
		1,294.2	**1,130.3**	**160.7**	**248.6**
Net current assets		38.2	41.0	313.4	187.6
Non-current liabilities					
Bank loans	19	77.0	88.8	65.0	75.0
Trade and other payables	17	36.8	33.6	-	-
Retirement benefit obligations	26	63.8	78.4	65.6	39.9
Deferred tax liabilities	21	38.8	35.0	-	-
	20	**216.4**	**235.8**	**130.6**	**114.9**
Total liabilities		**1,510.6**	**1,366.1**	**291.3**	**363.5**
Net assets		**385.0**	**341.7**	**256.4**	**148.2**
Shareholders' equity					
Ordinary share capital	22	19.9	19.8	19.9	19.8
Share premium	23	78.4	77.7	78.4	77.7
Capital redemption reserve	24	14.6	14.6	14.6	14.6
Retained earnings	25	272.1	229.6	143.5	36.1
Total equity		**385.0**	**341.7**	**256.4**	**148.2**

The financial statements of Lookers plc registered no. 111876 on pages 79 to 138 were approved by the Directors on 7 March 2018.

Signed on behalf of the Directors.

A. C. Bruce
Director

R. A. Gregson
Director

Consolidated Statements of Changes in Equity

Group	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
New shares issued	0.1	0.7	–	–	0.8
Actuarial gains on defined benefit pension schemes (note 26)	–	–	–	10.6	10.6
Deferred taxation on pension liability	–	–	–	(1.9)	(1.9)
Share based payments	–	–	–	1.7	1.7
Current and deferred taxation on share based payments	–	–	–	(0.8)	(0.8)
Dividends to shareholders	–	–	–	(15.0)	(15.0)
As at 31 December 2017	**19.9**	**78.4**	**14.6**	**272.1**	**385.0**
As at 1 January 2016	19.8	77.7	14.6	185.7	297.8
Profit for the year	–	–	–	81.3	81.3
Actuarial losses on defined benefit pension schemes (note 26)	–	–	–	(27.2)	(27.2)
Deferred taxation on pension liability	–	–	–	3.6	3.6
Share based payments	–	–	–	1.8	1.8
Deferred taxation on derivatives	–	–	–	(0.8)	(0.8)
Current and deferred taxation on share based payments	–	–	–	(1.6)	(1.6)
Dividends to shareholders	–	–	–	(13.2)	(13.2)
As at 31 December 2016	**19.8**	**77.7**	**14.6**	**229.6**	**341.7**

Company Statements of Changes in Equity

Company	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
New shares issue	0.1	0.7	-	-	0.8
Actuarial gain on defined benefit pension schemes (note 26)	-	-	-	9.1	9.1
Deferred tax on pension liability	-	-	-	(1.5)	(1.5)
Dividends to shareholders	-	-	-	(15.0)	(15.0)
As at 31 December 2017	**19.9**	**78.4**	**14.6**	**143.5**	**256.4**
As at 1 January 2016	19.8	77.7	14.6	39.9	152.0
Profit for the year	-	-	-	23.2	23.2
Actuarial gain on defined benefit pension schemes (note 26)	-	-	-	(15.4)	(15.4)
Deferred tax on pension liability	-	-	-	1.6	1.6
Dividends to shareholders	-	-	-	(13.2)	(13.2)
As at 31 December 2016	**19.8**	**77.7**	**14.6**	**36.1**	**148.2**

Consolidated and Company Cash Flow Statements

	Note	Group 2017 £m	2016 £m	Company 2017 £m	2016 £m
Cash flows from operating activities					
Profit for the year		47.9	81.3	114.8	23.2
Adjustments for:					
Tax		10.5	10.5	(0.4)	(0.3)
Depreciation	3	20.7	21.5	0.3	0.1
Dividend received		-		(102.4)	-
Fair value on derivative instruments		(2.4)	-	(2.4)	(17.4)
Loss on disposal of plant and equipment	3	0.4	-	-	-
Profit on disposal of rental fleet vehicles	3	-	(0.2)	-	-
Profit on disposal of business		-	(28.0)	-	-
Amortisation of intangible assets	3	5.6	1.7	5.5	1.5
Share based payments		1.7	1.8	-	-
Interest income		(0.3)	-	(3.2)	(2.6)
Interest payable		16.6	17.6	5.9	6.8
Debt issue costs		0.4	0.4	0.4	0.4
Impairment of goodwill		-	1.0	-	-
Changes in working capital					
Increase in inventories		(144.7)	(23.4)	-	-
(Increase) / Decrease in receivables		(16.1)	27.6	(55.7)	(48.5)
Increase in payables		143.0	93.2	(133.0)	111.5
Impact of net working capital from pension merger		-	-	37.2	-
Impact of net working capital from discontinued businesses		-	(70.2)	-	-
Impact of net working capital of acquisitions		-	6.1	-	-
Cash generated from / (used by) operations		83.3	140.9	(133.0)	74.7
Difference between pension charge and cash contributions		(7.8)	(7.1)	(5.0)	(3.9)
Net interest and costs on pension scheme obligation		4.2	3.7	2.1	1.6
Purchase of rental fleet vehicles	15	(87.1)	(93.7)	-	-
Proceeds from sale of rental fleet vehicles		87.0	87.4	-	-
Interest paid		(16.6)	(17.6)	(5.9)	(6.8)
Interest received		0.3	-	3.2	2.6
Tax paid		(25.5)	(14.2)	(3.7)	-
Net cash inflow / (outflow) from operating activities		37.8	99.4	(142.3)	68.2
Cash flows from investing activities					
Acquisition of subsidiaries		-	(92.6)	-	-
Purchase of property, plant and equipment	10	(46.1)	(36.3)	(0.4)	(0.2)
Purchase of intangibles	9	(8.1)	(9.2)	(8.1)	(8.7)
Purchase of goodwill		(1.3)	-	-	-
Proceeds from sale of property, plant and equipment		8.0	28.9	-	0.7
Net proceeds from sale of business		-	111.5	-	-
Dividends received		-	-	102.4	17.4
Net cash (used) / generated by investing activities		(47.5)	2.3	93.9	9.2
Cash flows from financing activities					
Proceeds from issue of ordinary shares		0.8	-	0.8	-
Repayment of loans		(12.5)	(10.2)	(10.0)	(10.0)
New loans		-	14.0	-	-
Dividends paid to group shareholders	5	(15.0)	(13.2)	(15.0)	(13.2)
Net cash outflow from financing activities		(26.7)	(9.4)	(24.2)	(23.2)
(Decrease) / increase in cash and cash equivalents		(36.4)	92.3	(72.6)	54.2
Cash and cash equivalents at 1 January		28.8	(63.5)	17.2	(37.0)
Cash and cash equivalents at 31 December	16	(7.6)	28.8	(55.4)	17.2

1. Segmental Reporting

At 31 December 2017 the group is organised into one business segment being motor distribution. The parts distribution segment was discontinued on the sale of FPS Distribution Limited on 4 November 2016. All revenue and profits originate in the United Kingdom and the Republic of Ireland.

Primary reporting format - business segments

Year ended 31 December 2017	**Note**	**Motor Division £m**	**Unallocated £m**	**Group £m**
Continuing operations			-	
New Cars		2,476.8	-	2,476.8
Used Cars		1,702.7	-	1,702.7
Aftersales		516.8	-	516.8
Revenue		**4,696.3**	**-**	**4,696.3**
Segmental result before amortisation of intangible assets		84.7	-	84.7
Amortisation of intangible assets	10	-	(5.6)	(5.6)
Interest expense		(13.7)	(2.9)	(16.6)
Interest income		0.3	-	0.3
Share based payments		-	(1.7)	(1.7)
Fair value on derivative instrument		-	1.9	1.9
Net interest and costs on pension scheme obligation		-	(4.2)	(4.2)
Debt issue costs		-	(0.4)	(0.4)
Profit before taxation		71.3	(12.9)	58.4
Taxation				(10.5)
Profit for the financial year attributable to shareholders				47.9
Segmental assets		1,895.6	-	1,895.6
Total assets		**1,895.6**	**-**	**1,895.6**
Segmental liabilities				
Unallocated liabilities		1,367.5	-	1,367.5
- Corporate borrowings		-	143.1	143.1
Total liabilities		**1,367.5**	**143.1**	**1,510.6**
Other segmental items:				
Capital expenditure	11	46.4	0.4	46.8
Expenditure on Rental Fleet Vehicles	16	87.1	-	87.1
Depreciation	11, 16	20.7	-	20.7
Amortisation of intangible assets	10	-	5.6	5.6

1. Segmental Reporting (continued)

Year ended 31 December 2016	Note	Motor Division £m	Parts Distribution (Discontinued) £m	Unallocated £m	Group £m
Continuing operations					
New Cars		2,206.1	-	-	2,206.1
Used Cars		1,437.2	-	-	1,437.2
Aftersales		444.9	193.5	-	638.4
Revenue		**4,088.2**	**193.5**	**-**	**4,281.7**
Segmental result before amortisation of intangible assets		82.6	12.1	-	94.7
Amortisation of intangible assets	9	-	-	(1.7)	(1.7)
Interest expense		(13.4)	-	(4.2)	(17.6)
Share based payments		-	-	(1.8)	(1.8)
Impairment of goodwill		-	-	(1.0)	(1.0)
Exceptional items		-	-	23.3	23.3
Net interest and costs on pension scheme obligation		-	-	(3.7)	(3.7)
Debt issue costs		-	-	(0.4)	(0.4)
Profit before taxation		69.2	12.1	10.5	91.8
Taxation		-	-	-	(10.5)
Profit for the financial year attributable to shareholders		-	-	-	81.3
Segmental assets		1,707.8	-	-	1,707.8
Total assets		**1,707.8**	**-**	**-**	**1,707.8**
Segmental liabilities					
Unallocated liabilities		1,252.2	-	-	1,252.2
- Corporate borrowings		-	-	113.9	113.9
Total liabilities		**1,252.2**	**-**	**113.9**	**1,366.1**
Other segmental items:					
Capital expenditure	10	32.2	4.1	-	36.3
Expenditure on Rental Fleet Vehicles	15	93.7	-	-	93.7
Depreciation	10, 15	20.1	1.4	-	21.5
Amortisation of intangible assets	9	-	-	1.7	1.7

Segment assets include property, plant and equipment, inventories, debtors and operating cash. Segment liabilities comprise operating liabilities and exclude certain corporate borrowings. Capital expenditure comprises additions to property, plant and equipment, including additions resulting from acquisitions through business combinations.

Company

The company's business is to invest in its subsidiaries and, therefore, it operates in a single segment.

2. Finance Costs - Net

	Group 2017 £m	2016 £m	Company 2017 £m	2016 £m
Interest expense				
On amounts wholly repayable within 5 years:				
Interest payable on bank borrowings	(4.9)	(5.6)	(5.9)	(6.8)
Interest on consignment vehicle liabilities and stocking loans	(11.7)	(12.0)	-	-
Interest and similar charges payable	(16.6)	(17.6)	(5.9)	(6.8)
Interest income				
Bank interest	0.3	-	3.2	2.6
Total interest receivable	0.3	-	3.2	2.6
Finance costs - net	(16.3)	(17.6)	(2.7)	(4.2)

3. Profit on Ordinary Activities before Taxation

	Group 2017 £m	2016 £m	Company 2017 £m	2016 £m
The following items have been included in arriving at profit on ordinary activities before taxation:				
Staff costs (note 7)	278.5	272.2	15.6	12.5
Depreciation of property, plant and equipment				
- Owned assets (note 10)	14.5	15.1	0.3	0.1
Depreciation of rental fleet vehicles (note 15)	6.2	6.4	-	-
Amortisation of intangible assets (note 9)	5.6	1.7	5.4	1.6
Loss / (profit) on disposal of plant, equipment and rental fleet vehicles	0.4	(0.2)	-	-
Other operating lease rentals payable:				
- Property	15.9	8.5	-	-
- Plant & equipment	1.5	2.8	-	-
Net finance and debt issue costs	19.9	20.4	5.2	5.9
Profit recognised on property sale and leaseback(**)	2.5	-	-	-
Cost of inventories recognised as an expense	3,887	4,107	-	-
Dividends from subsidiary companies	-	-	-	17.4
Management charges	-	-	(2.1)	(1.1)
Exceptional items:				
Profit on sale of business	-	28.0	-	-
VAT refund	-	4.8	-	4.8
Termination of franchises	-	(9.1)	-	(5.3)
Transaction costs on acquisition	-	(0.4)	-	-
Total exceptional items	**-**	**23.3**	**-**	**(0.5)**

(**) Other income represents the profit on the sale of a property in Glasgow that we developed in 2017 and sold to a third party landlord where these properties are now leased on an operating lease with the third party landlord.

Services provided by the group's auditor

The analysis of auditor's remuneration is as follows:

Group	2017 £m	2016 £m
Fees payable to the company's auditor for the audit of the company's annual accounts	-	-
Fees payable to the company's auditor and their associates for other services to the group	-	
The audit of the company's subsidiaries	0.4	0.4
Total audit fees	**0.4**	**0.4**
Taxation compliance services	-	0.1
Services relating to corporate finance transactions	-	0.2
Other non-audit fee	-	0.2
Other advisory fees	-	0.9
Total non-audit fees	**-**	**1.4**

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 report on page 49.

4. Taxation

	Group 2017 £m	2016 £m	Company 2017 £m	2016 £m
Current tax charge / (credit):				
Current year	12.2	16.3	1.5	2.6
Adjustment in respect of prior years	(2.8)	1.2	(5.0)	(1.1)
	9.4	17.5	(3.5)	1.5
Deferred tax charge / (credit):				
Deferred tax	0.6	(6.2)	0.9	0.1
Adjustment in respect of prior years	0.5	(0.8)	2.2	(1.9)
	1.1	(7.0)	3.1	(1.8)
Total income tax charge / (credit) in Income Statement	10.5	10.5	(0.4)	(0.3)
Tax on items charged to other comprehensive income:				
Rate adjustment	-	0.5	-	0.3
Deferred tax on derivative instruments and share based payments	0.8	0.8	-	0.5
Deferred tax on pension liability	1.9	(4.1)	1.5	(2.2)
Tax on items charged directly to equity: current and deferred tax on share options	-	1.1	-	-
The tax charge / (credit) was affected by the following factors:				
Standard rate of corporation tax	19.2%	20.0%	19.2%	20.0%
Inter group dividend	-	-	(17.1)%	(14.6)%
Items not allowable for taxation	3.0%	1.4%	-	0.2%
Change in rate	(0.1)%	(3.5)%	(0.1)%	2.3%
Exceptional items	-	(7.0)%	-	3.5%
Adjustments to prior years' taxation	(4.1)%	0.5%	(2.2)%	(12.8)%
Effective tax rate	18.0%	11.4%	(0.2)%	(1.4)%

The future tax charge will be affected by the levels of expenditure not deductible for taxation and any profits on sale of properties.

5. Dividends

Group and company	**2017 £m**	2016 £m
Interim dividend for the year ended 31 December 2017 1.41p (2016: 1.28p)	**5.6**	5.0
Final dividend for the year ended 31 December 2016 2.36p (2015: 2.05p)	**9.4**	8.2
	15.0	**13.2**

The Directors propose a final dividend of 2.48p per share in respect of the financial year ending 31 December 2017 (2016: 2.36p). The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

6. 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 £47.9m (2016: £81.3m) and a weighted average number of ordinary shares in issue during the year of 397,305,738 (2016: 396,357,194).

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 12,030,902 (2016: 9,510,213).

Adjusted earnings per share are stated before amortisation of intangible assets, pension costs, debt issue costs, impairment of goodwill, exceptional items, fair value of derivatives and share based payments and are calculated on profits of £57.9m (2016: £62.9m) for the year. These adjustments are net of tax.

Continuing operations	**2017 Earnings £m**	**2017 Earnings per share p**	2016 Earnings £m	2016 Earnings per share p
Basic EPS				
Earnings attributable to ordinary shareholders	47.9	12.06	81.3	20.51
Effect of dilutive securities	-	(0.36)	-	(0.41)
Diluted EPS	47.9	11.70	81.3	20.10
Adjusted EPS				
Earnings attributable to ordinary shareholders	47.9	12.06	81.3	20.51
Amortisation of intangible assets	5.6	1.40	1.7	0.43
Net interest and costs on pension scheme obligations	4.2	1.06	3.7	0.93
Share based payments	1.7	0.43	1.8	0.45
Exceptional items	-	-	(23.3)	(5.88)
Tax on exceptional items	-	-	(3.7)	(0.93)
Impairment of goodwill	-	-	1.0	0.25
Debt issue costs	0.4	0.1	0.4	0.10
Fair value of derivative instrument	(1.9)	(0.48)	-	-
Adjusted EPS	**57.9**	**14.57**	**62.9**	**15.87**

7. Information regarding Employees

	Group 2017 £m	2016 £m	Company 2017 £m	2016 £m
Employee costs during the year (inclusive of Executive Directors)				
Wages and salaries	250.1	244.3	14.1	11.0
Social security costs	24.4	23.6	1.1	1.3
Other pension costs	4.0	4.3	0.4	0.2
	278.5	272.2	15.6	12.5

	2017 No.	2016 No.	2017 No.	2016 No.
Average number employed during the year (including Directors)				
Production	2,268	3,249	-	-
Selling and distribution	3,749	3,233	-	-
Administration	2,582	2,599	258	172
	8,599	9,081	258	172

	2017 £m	2016 £m	2017 £m	2016 £m
Key management compensation				
Salaries and short-term employee benefits	1.5	5.3	1.5	3.1

The key management compensation given above includes Directors and key operational staff.

During the year the aggregate gains made on the exercise of share options by Directors was £nil (2016: £nil). Further details of Directors' remuneration is included in the Directors' Remuneration Report on pages 53 to 68.

8. Goodwill

Group	2017 £m	2016 £m
Cost		
As at 1 January	118.0	105.8
Additions	1.3	-
Disposals	-	(7.5)
Recognised on acquisition of subsidiaries	-	19.7
As at 31 December	119.3	118.0
Aggregate impairment		
As at 1 January	10.4	9.4
Impairment	-	1.0
As at 31 December	10.4	10.4
Net book amount at 31 December	108.9	107.6

Goodwill of £1.3m arose in the year in relation to hindsight adjustments on the acquisition of Warwick Holdings Limited and Knights North West Limited in 2016.

During the year, the acquired goodwill and intangible assets (note 9) were tested for impairment in accordance with IAS 36 as specified in the Group's accounting policies on page 85. Following the impairment test, no impairment charge was deemed necessary (2016: £1.0m).

The two key assumptions made by the Directors are the discount rate used and profitability rates beyond the business plan. Resulting from the impairments review testing, neither a 1% increase in the discount rate nor a 8% reduction in operating profit would result in an impairment being required.

The testing also explored the break-even point sensitivity of the key assumptions which would cause the first 'CGU' to become impaired, excluding first year of ownership considerations, and are as follows:

- The profitability forecast in our base plan assumptions would need to fall by 8.0%

Or

- The growth rate would need to fall by 0.8% to 0.8% from the 1.60% in our assumptions

Or

- The discount rate would need to increase by 0.7% to 10.4% from the 9.7% in our assumptions

From the breakeven point, if we were to reduce the growth rate to 0% from 0.8% this would lead to an impairment of goodwill of £3.7m. From the breakeven point, if we were to increase the discount rate from 10.4% by 1.00% to 11.4%, this would lead to an impairment of £4.5m of goodwill.

9. Intangible Assets

Group	Licences £m	IT Development £m	Customer relationships £m	Brands £m	Total £m
Acquired intangible assets					
Cost	100.1				
As at 1 January 2017	-	15.7	-	2.5	118.3
Additions	-	8.1	-	-	8.1
As at 31 December 2017	**100.1**	**23.8**	**-**	**2.5**	**126.4**
Aggregate amortisation					
As at 1 January 2016	-	7.0	-	1.5	8.5
Charge for the year	-	5.6	-	-	5.6
As at 31 December 2017	**-**	**12.6**	**-**	**1.5**	**14.1**
Net book amount at 31 December 2017	**100.1**	**11.2**	**-**	**1.0**	**112.3**
Cost					
As at 1 January 2016	49.9	6.5	11.5	7.2	75.1
Recognised on acquisition of subsidiaries	50.2	-	-	-	50.2
Additions	-	9.2	-	-	9.2
Disposals	-	-	(11.5)	(4.7)	(16.2)
As at 31 December 2016	**100.1**	**15.7**	**-**	**2.5**	**118.3**
Aggregate amortisation					
As at 1 January 2016	-	5.3	6.4	1.5	13.2
Charge for the year	-	1.7	-	-	1.7
Disposals	-	-	(6.4)	-	(6.4)
As at 31 December 2016	**-**	**7.0**	**-**	**1.5**	**8.5**
Net book amount at 31 December 2016	**100.1**	**8.7**	**-**	**1.0**	**109.8**

Intangible licences relate to the franchise operating licences which are deemed to have been acquired on the acquisition of subsidiary entities. The calculation of the Licence intangible assets is based on the advice of a 3rd party consultants. Impairment is tested in accordance with IAS 36 as specified in the Group's accounting policies on page 85.

The Brands' intangible asset of £1.0m (2016: £1.0m) is deemed by the Directors to have an indefinite useful economic life. These Brands arose on the acquisition of a subsidiary undertaking. The trading activities under these brand names generate a substantial part of the group's revenue and operating profit. The group is continually investing in these brands through promotional activities and advertising. Due to this continued investment these brands are judged to have an indefinite useful economic life and no amortisation is charged.

All amortisation charges in the year have been recognised within administrative expenses. The impairment testing for intangible assets is performed as described in note 8.

9. Intangible Assets (continued)

Company	IT Development and Licences £m
Acquired intangible assets	
Cost as at 1 January 2017	15.3
Additions	8.1
As at 31 December 2017	**23.4**
Aggregate amortisation	
As at 1 January 2017	6.6
Charge for the year	5.5
As at 31 December 2017	**12.1**
Net book amount at 31 December 2017	**11.3**
Acquired intangible assets	
Cost as at 1 January 2016	6.6
Additions	8.7
As at 31 December 2017	**15.3**
Aggregate amortisation	
As at 1 January 2016	5.0
Charge for the year	1.6
As at 31 December 2016	**6.6**
Net book amount at 31 December 2016	8.7

10. Property, Plant and Equipment

Group	Freehold property £m	Assets in course of construction £m	Long leasehold property £m	Short leasehold property £m	Plant & machinery £m	Fixtures, fittings, tools & equipment £m	Total
Cost							
As at 1 January 2017	244.0	1.3	68.6	12.4	32.0	37.9	396.2
Additions	28.8	0.4	1.9	-	8.0	7.0	46.1
Reclassifications	1.2	-	-	(1.4)	3.5	(3.3)	-
Disposals	(6.2)	(0.5)	(1.7)	(1.7)	(5.6)	(3.8)	(19.5)
As at 31 December 2017	**267.8**	**1.2**	**68.8**	**9.3**	**37.9**	**37.8**	**422.8**
Depreciation							
As at 1 January 2017	17.0	-	9.2	7.8	20.5	22.6	77.1
Charge	2.0	-	2.2	0.5	4.6	5.2	14.5
Reclassifications	0.5	-	-	(0.4)	1.9	(2.0)	-
Disposals	(0.9)	-	(0.9)	(1.3)	(4.1)	(3.6)	(10.8)
As at 31 December 2017	**18.6**	**-**	**10.5**	**6.6**	**22.9**	**22.2**	**80.8**
Net book value at 31 December 2017	**249.2**	**1.2**	**58.3**	**2.7**	**15.0**	**15.6**	**342.0**

Assets in the course of construction relate to build costs that have been incurred but the property is not yet in use. These assets are transferred to Freehold property when complete.

10. Property, Plant and Equipment (continued)

Group	Freehold property (Re-stated) £m	(See note on page 105) Assets in course of construction (Re-stated) £m	Long leasehold property £m	Short leasehold property £m	Plant & machinery £m	Fixtures, fittings, tools & equipment £m	Total
Cost							
As at 1 January 2016	208.8	-	67.1	12.4	27.8	44.8	360.9
On acquisition	43.2	-	-	-	3.8	4.1	51.1
Additions	12.4	1.3	7.3	-	7.0	8.3	36.3
Reclassifications	-	-	0.4	-	1.1	(1.5)	-
On disposal of subsidiary	(11.5)	-	-	-	(4.8)	(13.8)	(30.1)
Disposals	(8.9)	-	(6.2)	-	(2.9)	(4.0)	(22.0)
As at 31 December 2016	**244.0**	**1.3**	**68.6**	**12.4**	**32.0**	**37.9**	**396.2**
Depreciation							
As at 1 January 2016	15.0	-	8.5	6.5	18.7	29.3	78.0
On acquisition	2.0	-	-	-	2.6	2.6	7.2
Charge	2.2	-	1.6	1.3	5.3	4.7	15.1
On disposal of subsidiary	-	-	-	-	(3.2)	(10.7)	(13.9)
Disposals	(2.2)	-	(0.9)	-	(2.9)	(3.3)	(9.3)
As at 31 December 2016	**17.0**	**-**	**9.2**	**7.8**	**20.5**	**22.6**	**77.1**
Net book value at 31 December 2016	**227.0**	**1.3**	**59.4**	**4.6**	**11.5**	**15.3**	**319.1**

Assets held under finance leases, capitalised and included in plant & machinery and fixtures and fittings:

	2017 £m	2016 £m
Cost	0.3	0.3
Aggregate depreciation	(0.3)	(0.3)
	-	-

In accordance with IFRS 1 'First time adoption of International Reporting Standards', and IAS 16 'Property, plant and equipment' the group has adopted the cost model, electing to use revaluations made under previous UK GAAP as deemed cost for its freehold and leasehold properties.

The group's freehold and leasehold properties were revalued on 31 December 2003, by independent qualified valuers on the basis of open market value in England and Scotland by Messrs. Donaldsons, Chartered Surveyors, and in Northern Ireland by Messrs. Hamilton Osborne King, Chartered Surveyors. The Directors are satisfied that open market value approximates to fair value.

Company	Fixtures, fittings, tools & equipment £m	Total £m
Cost		
As at 1 January 2017	2.4	2.4
Additions	0.4	0.4
As at 31 December 2017	**2.8**	**2.8**
Accumulated depreciation		
As at 1 January 2017	2.1	2.1
Charge for the year	0.3	0.3
As at 31 December 2017	**2.4**	**2.4**
Net book value at 31 December 2017	**0.4**	**0.4**

10. Property, Plant and Equipment (continued)

Company	Short leasehold property £m	Fixtures, fittings, tools & equipment £m	Total £m
Cost			
As at 1 January 2016	0.7	2.2	2.9
Additions	-	0.2	0.2
Disposals	(0.7)	-	(0.7)
As at 31 December 2016	**-**	**2.4**	**2.4**
Accumulated depreciation			
As at 1 January 2016	-	2.0	2.0
Charge for the year	-	0.1	0.1
As at 31 December 2016	**-**	**2.1**	**2.1**
Net book value at 31 December 2016	**-**	**0.3**	**0.3**

11. Investment in Subsidiaries

Company	2017 £m	2016 £m
Cost		
As at 1 January and 31 December	**57.8**	57.8

Details of the subsidiary undertakings 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 Ltd
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
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 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 plc
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
Motor Trade Centres (UK) Limited
Picking (Liverpool) Limited
Platts Harris Limited
PLP Motors Limited
Radford (Bavarian) Limited
Roadshow Limited
Rosedale Finance & Leasing 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: 61 Boucher Road, Antrim, Belfast, Northern Ireland BT12 6LR
Adelaide Finance Limited
Bairds Cars Limited
Balmoral Motors Ltd
Charles Hurst Holdings Limited
Charles Hurst JV Limited
Charles Hurst Limited
Charles Hurst Motors Ltd
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 with the exception of Lookers Birmingham Limited and Charles Hurst Motors Limited in which 99% shareholdings are held.
*These subsidiaries are directly owned by Lookers plc whilst the remaining are indirectly owned.

12. Inventories

Group	2017 £m	2016 £m
Goods for resale	**542.1**	463.3
Consignment vehicles	**442.0**	376.1
	984.1	839.4

13. Trade and other receivables

	Note	Group 2017 £m	2016 £m	Company 2017 £m	2016 £m
Amounts falling due within one year:					
Trade debtors		142.3	153.7	0.4	0.3
Less: provision for impairment of receivables		(2.5)	(2.2)	-	-
		139.8	151.5	0.4	0.3
Amounts owed by group undertakings		-	-	427.9	389.5
Other debtors		73.9	47.8	30.6	12.9
Corporate taxation		1.0	-	1.0	-
Prepayments		27.4	25.7	2.4	2.9
		242.1	225.0	462.3	405.6

The average credit period on sales of goods is 11 days (2016: 13 days). Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Included in the group's trade receivable balance are debtors with a carrying amount of £23.5m (2016: £33.6m) which are past due at the reporting date for which the group has not provided as there has not been a significant change in credit quality and the group believes that the amounts are still considered recoverable. The group does not hold any collateral over these balances. The average age of these receivables is 45 days (2016: 45 days).

Amounts owed by group undertakings in the company balance sheet are incurred in the normal course of trading and the Directors consider there to be no significant credit risk.

Movement in the allowance for doubtful debts	Group 2017 £m	2016 £m	Company 2017 £m	2016 £m
Balance at beginning of the year	2.2	2.1	-	-
Amounts written off during the year	(0.4)	-	-	-
Increase in allowance recognised in income statement	0.7	0.1	-	-
Balance at the end of the year	2.5	2.2	-	-

In determining the recoverability of the trade receivables, the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are specific trade receivables with a balance of £0.2m (2016: £nil) for the group and £nil (2016: £nil) for the company which have been placed under liquidation. The impairment represents the difference between the carrying amount of the specific trade receivable and present value of the expected liquidation dividend.

	2017 Value of Receivables		2016 Value of Receivables	
Group	**£m**	**%**	£m	%
Not impaired:				
- Neither past due nor impaired	190.2	89.0	165.7	83.1
- Past due up to 3 months but not impaired	21.7	10.1	33.6	16.9
- Past due up to 3 to 6 months but not impaired	1.2	0.6	-	-
- Past due up to 6 to 12 months	0.6	0.3	-	-
	213.7	100.0	199.3	100.0

	2017 Value of Receivables		2016 Value of Receivables	
Company	**£m**	**%**	£m	%
Not impaired:				
- Neither past due nor impaired	455.0	100.0	402.7	100.0

14. Other Financial Assets

	Group 2017 £m	2016 £m	Company 2017 £m	2016 £m
Investments carried at cost:				
Non-current				
Investments in subsidiaries	-	-	57.8	57.8
Loans carried at amortised cost:				
Current				
Loans to subsidiaries	-	-	427.9	389.5
Disclosed in the financial statements as:				
Current other financial assets	-	-	427.9	389.5
Non-current other financial assets	-	-	57.8	57.8

15. Rental Fleet Vehicles

Rental fleet vehicles comprise passenger car vehicles held by the customer on short term hire, of less than 1 year.

	Group 2017 £m	2016 £m	Company 2017 £m	2016 £m
Cost				
As at 1 January	69.9	69.0	-	-
Additions in the year	87.1	93.7	-	-
Disposals	(93.4)	(92.8)	-	-
As at 31 December	63.6	69.9	-	-
Accumulated depreciation				
As at 1 January	2.8	2.0	-	-
Charge for the the year	6.2	6.4	-	-
Disposals	(6.3)	(5.6)	-	-
As at 31 December	2.7	2.8	-	-
Net book value at 31 December	60.9	67.1	-	-

Rental fleet vehicles held under short term finance leases amounted to £60.9 million (2016: £67.1 million).

16. Cash and Cash Equivalents

	Group 2017 £m	2016 £m	Company 2017 £m	2016 £m
Cash at bank and in hand	45.3	39.8	11.8	30.6
Bank overdraft (note 19)	(52.9)	(11.0)	(67.2)	(13.4)
Reconciliation to cash flow statements	(7.6)	28.8	(55.4)	17.2

Cash and cash equivalents comprise cash held by the group and short-term bank deposits. The carrying amount of these assets approximates to their fair value.

17. Trade and other Payables

	Note	Group 2017 £m	2016 £m	Company 2017 £m	2016 £m
Trade payables		299.3	266.7	6.8	8.4
Repurchase commitments and stocking loans		326.4	273.6	-	-
Consignment vehicle creditors		442.0	376.1	-	-
Amounts owed to group undertakings	27	-	-	50.7	49.3
Rental fleet vehicle finance		46.4	53.2		-
Other tax and social security payable		18.2	18.4	5.6	4.3
Other creditors		37.2	38.4	8.6	16.2
Accruals and deferred income		58.0	61.1	11.2	137.6
		1,227.5	1,087.5	82.9	215.8
Repurchase commitments due after more than 1 year		36.8	33.6	-	-

18. Current Tax Liabilities

	Group 2017 £m	2016 £m	Company 2017 £m	2016 £m
Current tax liabilities	-	14.7	-	6.4

19. Borrowings

	Group 2017 £m	2016 £m	Company 2017 £m	2016 £m
Current				
Bank overdraft	52.9	11.0	67.2	13.4
Secured bank loans	13.2	14.1	10.0	10.0
	66.1	25.1	77.2	23.4
Non-current				
Secured bank loans	77.0	88.8	65.0	75.0
Total borrowings	143.1	113.9	142.2	98.4

	Group 2017 £m	2016 £m	Company 2017 £m	2016 £m
Bank loans and overdraft repayable:				
Less than one year	66.1	25.1	77.2	23.4
More than one year and not more than two years	11.4	11.8	10.0	10.0
More than two years and not more than five years	58.4	77.0	55.0	65.0
More than five years	7.2	-	-	-
	143.1	113.9	142.2	98.4

19. Borrowings (continued)

The principal features of the group's borrowings are as follows:
At 31 December 2017 the group had 2 principal bank loans:

(i) A loan of £75.0m which will continue until 31 March 2020. The loan carries an interest rate of between 1.2% and 2.15% above LIBOR.
(ii) A revolving loan facility of £150.0m. The facility can be drawn in whole or part at any time and will continue until 31 March 2020. The drawn down part of the loan carries an interest rate of between 1.2% and 2.15% above LIBOR.

The weighted average interest rate paid during the year on the bank loans was 1.89% (2016: 1.88%).
At 31 December 2016, the group had available £127.2m (2016: £160.9m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The group's current facilities were negotiated on 2 September 2015 and are due for renewal in March 2020.

Of this amount £75.0m (2016: £85.0m) is repayable in instalments up until 2020 (2016: 2020).

20. Financial Instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the Principal Accounting Policy note.

Categories of financial instruments	Group 2017 £m	2016 £m	Company 2017 £m	2016 £m
Financial assets				
Cash	45.3	39.8	11.8	30.6
Receivables	139.8	151.5	427.9	389.5
Financial liabilities				
Derivatives	0.6	3.0	0.6	3.0
Amortised cost	1,242.1	1,060.3	199.7	156.1

Financial Instruments Carried at Fair Value

The fair values of the group's financial instruments are categorised as Level 2, based on the degree to which the fair value is observable. Level 2 fair value measurements are those derived from inputs other than unadjusted quoted prices in active markets (Level 1 categorisation) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Financial Risk Management Objectives

The group's Corporate Treasury function 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 cash flow interest rate risk.

The group seeks to minimise the effects of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

20. Financial Instruments (continued)

Market Risk
The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the purchase of parts;
- forward interest rates; and
- interest rate risk management.

During the course of the year there has been no change to the market risk or manner in which the group manages its exposure.

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 forward foreign exchange contracts.

The carrying amount of the group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2017	2016	**2017**	2016
Group	**£m**	£m	**£m**	£m
Euro	26.5	17.0	30.4	17.3

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. A positive number indicates an increase in profit or loss where pounds sterling strengthens against the respective currency.

	Euro Impact Group	
	2017	2016
	£m	£m
Profit or loss	0.5	0.1

Interest Rate Risk Management
The group and company are exposed to interest rate risk as entities in the group borrow funds at both fixed and floating interest rates. The risk is managed by the group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring strategies to mitigate risks are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

20. Financial Instruments (continued)

The group and company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

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 key management personnel and represents management's assessment of the possible change in interest rates.

	+ 50 Basis Points				- 50 Basis Points			
	Group		**Company**		**Group**		**Company**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Profit or loss	0.7	0.6	0.1	0.1	0.7	0.6	0.1	0.1

Under interest rate swap contracts, the group and company agree to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the group and company to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the year end is determined by discounting the future cash flows using the year end curves and the credit risk inherent in the contract, and is disclosed on the next page. The average interest rate is based on the outstanding balances at the start of the financial year.

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. The group's exposure and the credit ratings of its counterparties are controlled by counterparty limits that are reviewed and approved by the risk management Committee annually.

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.

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. Included in note 28 is a listing of additional undrawn facilities that the group / company has at its disposal to further reduce liquidity risk.

20. Financial Instruments (continued)

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 / company is entitled and intends to repay the liability before its maturity.

Group	Less than 1 Month £m	1-3 Months £m	3 Months to 1 Year £m	1-5 Years £m	Total £m
2017					
Variable interest rate instruments	52.9	1,227.5	13.2	113.7	1,407.3
2016					
Variable interest rate instruments	11.0	1,087.5	14.1	122.4	1,235.0

Included within variable interest rate instruments in the 1 to 3 month column is an amount of £326.4m (2016: £273.6m) 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 1 to 3 months column is an amount of £329.0m (2016: £239.9m) relating to vehicle stocking loans.

Included within variable interest rate instruments in the 1 to 3 month column is an amount of £442.0m (2016: £376.1m) 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.

Company	Less than 1 Month £m	1-3 Months £m	3 Months to 1 Year £m	1-5 Years £m	Total £m
2017					
Variable interest rate instruments	67.2	82.9	10.0	65.0	225.1
2016					
Variable interest rate instruments	13.4	215.8	10.0	75.0	314.2

The objectives, policies and strategies for holding or issuing financial instruments adopted by the Board are given in the Directors' Report. Instruments held at the year end are set out in note 28.

20. 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 2016.

The capital structure of the group consists of debt, which includes the borrowings disclosed in note 19, cash and cash equivalents and equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 22 and 25.

The group is not subject to any externally imposed capital requirements.

The group's risk management committee 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:

	2017 £m	2016 £m
Debt	143.1	113.9
Cash and cash equivalents	(45.3)	(39.8)
Net Debt	97.8	74.1
Total Equity	385.0	341.7
Net debt to equity ratio	25.4%	21.7%

Debt is defined as long-term and short-term borrowings (excluding derivatives and financial guarantee contracts) as detailed in note 19. 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.

21. Deferred Taxation

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2016: 17%). The movement on the deferred tax account is as shown below:

	Group 2017 £m	2016 £m	Company 2017 £m	2016 £m
As at 1 January	35.0	25.2	(8.7)	(5.3)
Adjustment to Prior Year Deferred Taxation (note 4)	0.5	(0.8)	2.2	-
Change of rate – (credited) / charged to Income Statement	-	(3.2)	-	-
Change of rate – charged to Comprehensive Income	-	0.5	-	-
On acquisition / disposals of subsidiary	-	17.7	-	-
Charged / (Credited) to Income Statement (note 4)	0.6	(3.0)	0.9	(1.8)
Charged / (Credited) to statement of Comprehensive Income in respect of pension scheme liabilities	1.9	(4.1)	1.5	(1.6)
Charged to statement of Comprehensive Income with respect to derivative instruments	-	0.8	-	-
Charged to equity with respect to share based payments	0.8	1.8	-	-
As at 31 December	**38.8**	**35.0**	**(4.1)**	**(8.7)**

The deferred tax credited to equity during the current year related to the deferred tax movement on the pension liability, derivatives and share based payments. The prior year related to the deferred tax movement on the pension liability.

Deferred tax assets have been recognised in respect of other temporary differences giving rise to deferred tax assets because it is probable that there will be future taxable profits available.

The movements on deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balance net.

The Finance Act 2016, which was substantially enacted in September 2016, included provisions to reduce the rate of corporation tax to 17% with effect from 1 April 2020.

21. Deferred Taxation (continued)

Group

Deferred tax liabilities

	Intangible Assets £m	Accelerated tax depreciation £m	Capital gains £m	Total £m
As at 1 January 2017	25.2	20.5	4.7	50.4
Charged to Income Statement	-	1.1	(0.6)	0.5
As at 31 December 2017	25.2	21.6	4.1	50.9

Deferred tax assets

	Share options £m	Employee benefits £m	Provisions £m	Total £m
As at 1 January 2017	(0.9)	(13.2)	(1.3)	(15.4)
(Credited)/charged to Income Statement	(0.6)	0.6	0.6	0.6
Charged to Statement of Comprehensive Income	0.8	1.9	-	2.7
As at 31 December 2017	(0.7)	(10.7)	(0.7)	(12.1)

Net deferred tax liability	
As at 31 December 2017	38.8
As at 31 December 2016	35.0

Company

Deferred tax assets

	Employee benefits £m	Accelerated tax Provisions £m	Accelerated tax depreciation £m	Total £m
As at 1 January 2017	(6.7)	(1.8)	(0.2)	(8.7)
Charged to Income Statement	0.6	1.3	1.2	3.1
Charged to Statement of Comprehensive Income	1.5	-	-	1.5
As at 31 December 2017	(4.6)	(0.5)	1.0	(4.1)
As at 31 December 2016				(8.7)

22. Share Capital

Group and Company	2017 Shares	£m	2016 Shares	£m
Authorised				
Ordinary shares of 5p each	480,000,000	24.0	480,000,000	24.0
Allotted, called up and fully paid ordinary shares of 5p each				
As at 1 January	396,542,308	19.8	396,032,508	19.8
Allotted under share option schemes	1,157,435	0.1	509,800	-
As at 31 December	397,699,743	19.9	396,542,308	19.8

22. Share Capital (continued)

Share-based payments

The Company has a number of share option scheme 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:

Group and Company	**2017 Number of share options**	**Weighted average exercise price (in £)**	2016 Number of share options	Weighted average exercise price (in £)
Outstanding at the beginning of the year	10,974,006	1.12	7,072,092	1.22
Granted during the year	7,619,372	0.87	6,653,118	1.075
Lapsed during the year	(5,585,039)	1.17	(2,564,728)	1.21
Exercised during the year	(595,553)	1.06	(186,476)	0.72
Outstanding at the end of the year	**12,412,786**	**0.97**	**10,974,006**	**1.12**

The 2017 options were granted on 4th October.

The options outstanding at 31 December 2017 have an exercise price in the range of 87 pence to £1.45 and a weighted contractual life of 25 months. All share options are settled via equity.

22. Share Capital (continued)

Executive Share option scheme (ECOS)
The Executive Share option scheme was available to all eligible senior management of the group. Options are exercisable as nil cost options 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:

Group and Company	**2017** Number of share options	Weighted average exercise price (in £)	2016 Number of share options	Weighted average exercise price (in £)
Outstanding at the beginning of the year	4,597,642	0	4,298,999	0
Granted during the year	1,621,104	0	621,967	0
Exercised during the year	(383,121)	0	(323,324)	0
Outstanding at the end of the year	**5,835,625**	**0**	**4,597,642**	**0**

The weighted average option price at the date of exercise for share options exercised during the period was £nil.

The options outstanding at 31 December 2017 had a weighted average exercise price of £nil, and a weighted average remaining contractual life of 7.2 years. In 2017, options were granted in June.

The aggregate of the estimated fair values of the options granted on those dates is £1.7 million. In 2016, options were granted in April. The aggregate of the estimated fair values of the options granted on those dates is £ 0.8 million. 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:

	2017	2016
Weighted average share price	1.0715p	140.64p
Weighted average exercise price	0.0p	0.0p
Expected volatility	Nil	Nil
Expected life	10 years	10 years
Risk-free rate	0.00%	0.00%
Expected dividend yields	3.28%	2.10%

23. Share Premium

Group and Company	£m
As at 1 January 2017	77.7
Arising on issue of new shares	0.7
As at 31 December 2017	78.4
As at 1 January 2016	77.7
Arising on issue of new shares	-
As at 31 December 2016	77.7

24. Capital Redemption Reserve

Group and Company	£m
As at 1 January 2017 and 31 December 2017	14.6

This reserve is non-distributable.

25. Retained Earnings

	Group £m	Company £m
As at 1 January 2016	185.7	39.9
Net profit for the year	81.3	23.2
Actuarial losses on defined benefit pension schemes	(27.2)	(15.4)
Deferred taxation on pension liability	3.6	1.6
Movement in deferred taxation on derivative instruments	(0.8)	-
Dividends to shareholders	(13.2)	(13.2)
Current and deferred taxation on share based payment	(1.6)	-
Share based payments	1.8	-
As at 31 December 2016	**229.6**	**36.1**
Net profit for the year	47.9	114.8
Actuarial gains on defined benefit pension schemes	10.6	9.1
Deferred taxation on pension liability	(1.9)	(1.5)
Dividends to shareholders	(15.0)	(15.0)
Current and deferred taxation on share based payments	(0.8)	-
Share based payments	1.7	-
As at 31 December 2017	**272.1**	**143.5**

Retained earnings include £16.8m (2016: £17.1m) of non-distributable reserves relating to properties which had been revalued under UK GAAP, but treated as deemed cost under IFRS.

26. 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.

	The Lookers Pension Plan	The Dutton Forshaw Group Pension Plan	The Benfield Group Pension Plan	Total	The Lookers Pension Plan	The Dutton Forshaw Group Pension Plan	The Benfield Group Pension Plan	Total
	2017	2017	2017	2017	2016	2016	2016	2016
	£m	£m	£m	£m	£m	£m	£m	£m
Defined benefit obligation	(283.5)	(4.4)	(13.3)	(301.2)	(143.9)	(145.0)	(11.5)	(300.4)
Scheme assets	218.0	6.5	12.9	237.4	104.0	106.5	11.5	222.0
(Deficit)/ surplus	(65.5)	2.1	(0.4)	(63.8)	(39.9)	(38.5)	-	(78.4)
Amounts recognised in the income statement	2.1	1.6	0.5	4.2	1.6	2.1	-	3.7
Total amount of Actuarial gain/(losses) recognised in the statement of comprehensive income in the year	9.1	1.7	(0.3)	10.5	(15.4)	(11.8)	-	(27.2)

During the year the majority of the assets and liabilities of the Dutton Forshaw Group Pension Plan were transferred to the Lookers Pension Plan, so that the Dutton Forshaw Group Pension Plan has now merged with the Lookers Pension Plan. Some assets have been retained in the Dutton Forshaw Group Pension Plan to cover liabilities that remain with the scheme as well as the costs of closing the scheme.

26. Pensions (continued)

Pension Scheme - The Lookers Pension Plan

The pension plan "The Lookers Pension Plan", which is a defined benefit scheme, 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. The group has applied IAS 19 (Revised) to this scheme and the following disclosures relate to this standard. The group recognises any actuarial gains and losses in each period in the Statement of Comprehensive Income.

The pension charge for the scheme for 2017 recognised in the Income Statement was £2.1m (2016: £1.6m).

During the year, the majority of assets and liabilities of the Dutton Forshaw Group Pension Plan were transferred to the Lookers Pension Plan.

A valuation update was made as at 31 December 2016 by a qualified independent actuary, using the projected unit credit method 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.
Based on actuarial advice and using the assumptions below in calculating the scheme's liabilities, the total value of these liabilities under IAS 19 is £283.5m at 31 December 2017 (2016: £143.8m).

The fair value of assets of the scheme on each class of assets are:

	Market value 2017 £m	Market value 2016 £m
Equities	83.5	42.5
Target return funds	70.2	40.3
Corporate bonds	63.0	20.3
Cash	1.3	0.9
Total fair value of assets	218.0	104.0

46.9% 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.

The amounts recognised in the Income Statements are as follows:

	2017 £m	2016 £m
Non investment expenses	0.7	0.6
Interest on obligation	5.0	4.5
Interest income on scheme assets	(3.6)	(3.5)
Total defined benefit expense	2.1	1.6

Changes in the present value of the defined benefit obligation are as follows:

	2017 £m	2016 £m
Opening defined benefit obligation	143.8	118.8
Interest cost	5.0	4.5
Actuarial losses	2.5	26.1
Transfer from The Dutton Forshaw Group Pension Plan	141.0	-
Benefits paid	(8.8)	(5.6)
Closing defined benefit obligation	283.5	143.8

Demographic changes were a saving of £3.1m and other actuarial experience from financial assumptions was a loss of £5.6m.

26. Pensions (continued)

Changes in the fair value of scheme assets are as follows:

	2017 £m	2016 £m
Opening fair value of scheme assets	104.0	92.1
Interest income	3.6	3.5
Actuarial gains/(losses)	11.6	10.7
Contributions by employer	4.7	3.9
Transfer from The Dutton Forshaw Group Pension Plan	103.6	-
Benefits paid	(8.8)	(5.6)
Non-investment expenses paid	0.7	(0.6)
Closing fair value of scheme assets	219.4	104.0

None of the scheme's assets were invested in Lookers plc or property occupied by Lookers plc. The company contributed an additional £4.7m in 2017 (2016: £3.9m) to fund accruing pensions and expects to maintain a similar level of pension contributions in 2018.

Since the defined benefit scheme is closed to future accrual there is no funding required for future service, the funding required will be in relation to any current deficit and highly dependent on the future performance of the fund. Any agreed contributions will be reconsidered at each triennial valuation.

The most recent actuarial valuation of the Lookers Pension Plan was carried out as at 31 March 2016. This was agreed between the trustees and the company and includes annual contributions of £4.1 million, 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.

26. Pensions (continued)

	2017 £m	2016 £m
Total amount of actuarial gains/(losses) recognised in the Statement of Comprehensive Income in the year	9.1	(15.4)

The major categories of scheme assets as a percentage of total scheme assets are as follows:		
Equities	38.3%	40.9%
Target return funds	32.2%	38.7%
Bonds	28.9%	19.5%
Cash	0.6%	0.9%

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

	2017	2016
Discount rate	2.65%	2.85%
Future pension increases	2.05%-3.05%	2.05 - 3.2%
Life expectancy at age 65 for:		
current pensioners - males	86.9	87.1
current pensioners - females	89.2	89.5
future pensioners - males	87.7	89.0
future pensioners - females	90.1	90.6

Sensitivity analysis

For information, the table below gives a broad indication of the impact on the IAS 19 valuation for changes in the key assumptions:

Change in assumption	Approximate impact on current deficit
Reduce discount rate by 0.1% p.a.	+ £4.9m
Increase inflation assumptions by 0.1% p.a.	+ £3.0m
Change mortality assumption to SAPS SINA (-1 year) CMI 2011 (1%)	+ £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.

Amounts for the current and previous year are as follows:

	2017 £m	2016 £m
Defined benefit obligation	(283.5)	(143.9)
Scheme assets	218.0	104.0
Deficit	65.5	(39.9)
Experience gains on plan assets	11.6	10.7

26. Pensions (continued)

Defined Contribution Scheme
The group and company provide pension arrangements for certain Directors and employees under defined contribution schemes and have a defined contribution Stakeholder Pension Scheme for employees. The Income Statement account charge for the year in respect of defined contribution schemes was £4.0m (2016: £3.9m).

Pension Scheme - The Dutton Forshaw Group Pension Plan
The Dutton Forshaw Group's pension plan "The Dutton Forshaw Group Pension Plan", which is a defined benefit scheme 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.

The group has applied IAS 19 (Revised) to this scheme and the following disclosures relate to this standard. The group recognises any actuarial gains and losses in each period in the Statement of Comprehensive Income.

A valuation update was made as at 31 December 2016 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.

During the year the majority of the assets and liabilities of the Dutton Forshaw Group Pension Plan were transferred to the Lookers Pension Plan. Some assets have been retained in the Dutton Forshaw Group Pension Plan to cover liabilities that remain with the scheme as well as the costs of closing the scheme.

The pension charge for 2017 recognised in the Income Statement was £1.6m (2016: £2.1m)

Based on actuarial advice and using the assumptions below in calculating the scheme's liabilities, the total value of these liabilities under IAS 19 is £4.4m at 31 December 2017 (2016: £145.0m).

The fair value of assets of the scheme on each class of assets are:

	Market value 2017 £m	Market value 2016 £m
Absolute / target Return Funds	-	27.9
Equities	-	38.9
Corporate Bonds	6.0	38.9
Cash	0.5	0.7
Total fair value of assets	6.5	106.4

91.9% of the assets of the scheme are quoted investments. the balance of 8.1% is represented by cash.

26. Pensions (continued)

Pension Scheme - The Dutton Forshaw Group Pension Plan (continued)

The amounts recognised in the Income Statements are as follows:

	2017 £m	2016 £m
Non investment expenses	0.8	1.0
Total included in administrative expenses	0.8	1.0
Interest on obligation	3.1	4.6
Interest income on scheme assets	(2.3)	(3.5)
Total included in finance costs	(0.8)	(1.1)
Total defined benefit expenses	1.6	2.1

Changes in the present value of the defined benefit obligation are as follows:

	2017 £m	2016 £m
Opening defined benefit obligation	145.0	120.3
Interest cost	3.1	4.6
Actuarial losses	0.6	25.0
Transferred to the Lookers Pension Plan	(141.0)	-
Benefits paid	(3.3)	(4.9)
Closing defined benefit obligation	4.4	145.0

Actuarial losses all relate to other actuarial experience from financial assumptions and there was no gain or loss from demographic changes

Changes in the fair value of scheme assets are as follows:

	2017 £m	2016 £m
Opening fair value of scheme assets	106.4	91.7
Interest income	2.3	3.5
Actuarial gains	2.3	13.2
Contributions by employer	3.2	3.9
Transferred to the Lookers Pension Plan	(103.6)	-
Benefits paid	(3.3)	(4.9)
Non investment expenses paid	(0.8)	(1.0)
Closing fair value of scheme assets	6.5	106.4

None of the scheme's assets were invested in Lookers plc or property occupied by Lookers plc. The company contributed an additional £3.2m in 2017 (2016: £3.9m) to fund accruing pensions but expects to make a minimal level of pension contribution in 2017 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. 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:

26. Pensions (continued)

- 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.

	2017 £m	2016 £m
Total amount of actuarial gains / (losses) recognised in the Statement of Comprehensive Income in the year	1.7	(11.8)

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2017	2016
Equities	-	36.5%
Absolute / Target Return Funds	-	26.3%
Corporate Bonds	91.9%	36.5%
Cash	8.1%	0.7%

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

	2017	2016
Discount rate	2.65%	2.85%
Future pension increases	2.05%-3.05%	3.2%
Life expectancy at age 65 for:		
current pensioners - males	86.9	87.1
current pensioners - females	89.2	89.5
future pensioners - males	87.7	88.0
future pensioners - females	90.1	90.6

26. Pensions (continued)

Sensitivity analysis

For information, the table below gives a broad indication of the impact on the IAS 19 valuation for changes in the key assumptions:

Change in assumption	Approximate impact on current deficit
Reduce discount rate by 0.1% p.a.	+ £0.1m
Increase inflation assumptions by 0.1% p.a.	+ £0.1m
Change mortality assumption to SAPS SINA (-1 year) CMI 2011 (1%)	+ £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.

Where investments are held in bonds and cash, the expected long-term rate of return is taken to be the yields generally prevailing on such assets at the balance sheet date. A higher rate of return is expected on equity investments, which is based more on realistic future expectations than on the returns that have been available historically. The overall expected long-term rate of return on assets is then the average of these rates taking into account the underlying asset portfolio of the pension plan.

Amounts for the current period are as follows:

	2017 **£m**	2016 £m
Defined benefit obligation	(4.4)	(145.0)
Scheme assets	6.5	106.5
Deficit	2.1	(38.5)
Experience gains on plan assets	2.3	13.2

26. Pensions (continued)

Pension Scheme - The Benfield Group Pension Plan

"The Benfield Motor Group Pension Plan" which is a defined benefit scheme 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. The group has applied IAS 19 (Revised) to this scheme and the following disclosures relate to this standard. The group recognises any actuarial gains and losses in each period in the Statement of Comprehensive Income.

The pension charge for the scheme for 2017 recognised in the Income Statement was £0.5m (2016: £nil).

A valuation update was made as at 31 December 2017 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.

Based on actuarial advice and using the assumptions below in calculating the scheme's liabilities, the total value of these liabilities under IAS 19 is £13.3m at 31 December 2017 (2016: £11.5m).

The fair value of assets of the scheme and the expected rates of return on each class of assets are:

	Market value 2017 £m	Market value 2016 £m
Equities	9.2	8.5
Corporate Bonds	3.6	3.4
Total fair value of assets	12.8	11.9

All assets are quoted investments.

The amounts recognised in the Income Statements are as follows:

	2017 £m	2016 £m
Interest on obligation	0.3	-
Non investment expenses	0.5	0.3
Interest income on scheme assets	(0.3)	(0.3)
Total defined benefit expenses	0.5	-

Changes in the present value of the defined benefit obligation are as follows:

	2017 £m	2015 £m
Opening defined benefit obligation	11.5	9.8
Interest cost	0.3	0.3
Actuarial losses	2.1	1.7
Benefits paid	(0.6)	(0.3)
Closing defined benefit obligation	13.3	11.5

Demographic changes were a saving of £0.15m and other actuarial experience from financial assumptions was a loss of £2.23m

26. Pensions (continued)

Pension Scheme - The Benfield Group Pension Plan (continued)

Changes in the fair value of scheme assets are as follows:

	2017 £m	2016 £m
Opening fair value of scheme assets	11.9	10.5
Interest income	0.3	0.3
Actuarial gains	1.7	1.4
Contributions by employer	-	-
Benefits paid	(0.6)	(0.3)
Non investment expenses paid	(0.5)	-
Closing fair value of scheme assets	12.8	11.9

None of the scheme's assets were invested in Lookers plc or property occupied by Lookers plc. The company made no contribution to fund accruing pensions and expects to make no pension contribution in 2017.

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 2013. 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.

26. Pensions (continued)

	2017 £m
Total amount of actuarial losses recognised in the Statement of Comprehensive Income in the year	(0.3)

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2017
Equities	71.7%
Corporate Bonds	28.3%

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

	2017 £m	2016 £m
Discount rate	2.65%	2.85%
Future pension increases	2.05%-3.05%	3.2%
Life expectancy at age 65 for:		
current pensioners - males	86.9	87.1
current pensioners - females	89.2	89.5
future pensioners - males	88.2	88.7
future pensioners - females	90.7	91.4

Sensitivity analysis

For information, the table below gives a broad indication of the impact on the IAS 19 valuation for changes in the key assumptions:

Change in assumption	Approximate impact on current deficit
Reduce discount rate by 0.1% p.a.	+ £0.2m
Increase inflation assumptions by 0.1% p.a.	+ £0.1m
Change mortality assumption to SAPS SINA (-1 year) CMI 2011 (1%)	+ £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.

Amounts for the current period are as follows:

	2017 £m	2016 £m
Defined benefit obligation	(13.3)	(11.5)
Scheme assets	12.8	11.5
Deficit	(0.5)	-
Experience gains on plan assets	1.7	1.4

27. Related Party Transactions

The company bears certain administrative costs and interest costs centrally which are recharged to the group. In addition, the company charges management charges and receives dividends from its subsidiaries. The balances with group undertakings are summarised in the table below.

	Amounts owed by Group undertakings (Note 13)		Amounts owed to Group undertakings (Note 17)	
	2017	2016	**2017**	2016
	£m	£m	**£m**	£m
Bolling Investments Limited	31.5	28.7	-	-
Lookers Motor Holdings Limited	48.4	80.5	-	-
Charles Hurst Limited	16.7	10.0	-	-
Charles Hurst (Dublin) Limited	12.5	3.8	-	-
Platts Harris Limited	0.1	0.5	-	-
Lookers Motor Group Limited	190.5	6.0	33.7	28.8
Lookers Birmingham Limited	0.6	8.2	-	-
MB South Limited	52.2	51.5	-	-
Dutton Forshaw Motor Company Limited	59.2	-	12.8	16.4
Knights North West Limited	9.7	5.8	-	-
Lookers Colborne Limited	3.3	6.6	-	-
Lomond Motors Limited	-	186.4	0.1	0.1
Addison Motors Limited	0.4	0.9	0.2	-
Lookers Leasing Limited	0.3	-	2.9	3.0
Drayton Group Limited	1.4	-	-	-
Warwick Holdings Limited	0.5	-	-	-
Dormant Companies	0.6	0.6	1.0	1.0
	427.9	389.5	50.7	49.3

Key management compensation is included in note 7.

Trading Transactions

During the year, the company entered into a number of re-charging activities for centrally incurred costs with related parties. Purchases of goods to related parties were made at market value. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

The values of the recharges made with group undertakings are summarised in the table below:

	2017	**2016**
	£m	**£m**
Lookers Motor Group Limited	9.4	5.8
MB South Limited	1.9	1.5
Lookers Birmingham Limited	0.5	0.6
Dutton Forshaw Motor Company Limited	2.5	1.9
Lookers Colborne Limited	1.2	1.2
Lookers Leasing Limited	0.1	0.1
Charles Hurst Limited	1.9	2.8
Ferraris Piston Services Limited	-	0.1
Platts Harris Limited	0.1	0.1
Lomond Motors Limited	1.3	1.3
Charles Hurst (Dublin) Limited	0.1	0.1
Addison Motor Company limited	3.4	-
Fleet Financial Limited	-	0.1
	22.4	**15.6**

28. Financial Assets and Liabilities

The objectives, policies and strategies for holding or issuing financial instruments adopted by the Board are given in the Directors' Report. Details regarding the group's derivative financial instruments at 31 December 2017 and 2016 are given in note 20. The group's other financial assets and liabilities are detailed below.

Fair Values

The fair values of the group's trade receivables, cash and cash equivalents, trade payables (which include liabilities in respect of interest-bearing consignment stock), short-term provisions and loans and overdrafts with a maturity of less than one year are assumed to approximate to their book value. The fair value of the group's non-current provisions is not materially different from its fair value.

The group's other non-current financial liabilities are all subject to floating interest rates and so their fair value also approximates to book value. The treatment of Fair Value of derivatives is discussed in section 20 of the Principal Accounting Policies.

Maturity of Financial Liabilities

The maturity profile of the carrying amount of the group's non-current financial liabilities at 31 December 2017 and 2016 are given in note 20.

Borrowing Facilities

The group has the following undrawn committed borrowing facilities available at 31 December 2017 and 2016 which expire:

	2017 **£m**	2016 £m
Within two to five years	127.2	160.9

The above facilities represent loans and overdrafts, for which the facilities have been confirmed.

Interest Rate Profile

Financial assets comprise cash of £45.3m (2016: £39.8m).

An analysis of the group's loans and overdrafts between fixed and floating rates is given below.

	2017 **Financial liabilities** **£m**	2016 Financial liabilities £m
Floating Rate	**143.1**	113.9

Interest rates on the group's floating rate liabilities are based on the London Interbank Rate. At 31 December 2017 all of the group's bank loans and overdrafts are potentially exposed to re-pricing within 12 months of the balance sheet date (2016: 12 months).

29. Operating Lease Commitments - Minimum Lease Payments

Group	**2017** **Property** **£m**	**Plant & equipment** **£m**	2016 Property £m	Plant & equipment £m
Commitments under non-cancellable operating leases expiring:				
Within one year	14.2	0.8	8.0	0.8
Within two to five years	46.7	0.2	29.0	0.6
After five years	76.0	-	58.8	-
	136.9	1.0	95.8	1.4

Trading Outlets and Interests in Major Subsidiary Companies

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

Ferrari
Belfast

Ford
Braintree
Chelmsford
Colchester
Guiseley
Harrogate
Leeds
Sheffield
South Woodham Ferrers
Sudbury
Sunderland

Hyundai
Dundonald
Motherwell

Jaguar
Amersham
Belfast
Glasgow
London - Park Royal
Motherwell

Jeep
Belfast

Kia
Belfast
Newcastle
Stockport

Land Rover
Belfast
Bishop's Stortford
Chelmsford
Chipperfield
Colchester
Glasgow - North
Glasgow - South
London - Battersea
London - Park Royal
Motherwell

Lexus
Belfast

Maserati
Belfast

Mercedes-Benz
Ashford
Brighton
Canterbury
Eastbourne
Gatwick
Maidstone
Stafford
Shrewsbury
Stoke-on-Trent
Stourbridge
Tonbridge
Walsall
Wolverhampton
Worcester

Mini
Crewe
Stafford
Stoke-on-Trent

Nissan
Belfast
Carlisle
Chester
Gateshead
Leeds
Motherwell
Newcastle
Newtownabbey
Newtownards

Peugeot
Belfast

Renault
Belfast
Carlisle
Chester
Newcastle
Newcastle (Commercial)
Newtownabbey
Newtownards
Stockport

Seat
Manchester
Stockport

Trading Outlets and Interests in Major Subsidiary Companies

Skoda
Eccles
Guildford
Harrogate
Manchester
Newcastle
Stockport
West London

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smart
Brighton
Gatwick
Maidstone
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
Warrington
Yardley

Volkswagen
Battersea
Blackburn
Blackpool
Carlisle
Dumfries
Darlington
Guildford

Volkswagen (continued)
Morden
Newcastle
Northallerton
Preston
Silverlink
Teesside
Walton-on-Thames

Volkswagen – Commercial Vehicles
Carlisle
Darnley
Glasgow
Guildford
Newcastle
Teesside

Volvo
Colchester
Glasgow
Motherwell
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

Major Subsidiary Companies
Lookers Motor Holdings Limited
Bolling Investments Limited
Charles Hurst Limited
Charles Hurst Motors Limited
Fleet Financial Limited
Lookers Motor Group Limited
Lookers Birmingham Limited
Dutton Forshaw Motor Company Limited
Lookers Leasing Limited
Lomond Motors Limited
Platts Harris Limited
GET Motoring UK Limited
Charles Hurst Dublin Limited
Shields Automotive Limited
Lookers Colborne Limited
Addison Motors Limited
Colebrook and Burgess Limited
Knights North West Limited
Warwick Holdings Limited

Website: www.lookers.co.uk

Five Year Record

	Year ended 31 December 2013 £m	Year ended 31 December 2014 £m	Year ended 31 December 2015 £m	Year ended 31 December 2016 £m	**Year ended 31 December 2017 £m**
Turnover	2,464.5	3,042.9	3,649.1	4,281.7	4,696.3
Profit before tax, amortisation, exceptional items, debt issue costs and pension costs	48.1	65.0	72.1	77.1	68.4
Amortisation	(1.1)	(1.2)	(1.6)	(1.7)	(5.6)
Net interest on pension scheme obligation	(2.7)	(3.1)	(3.9)	(3.7)	(4.2)
Debt issue costs	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Impairment of goodwill	-	-	(3.6)	(1.0)	-
Exceptional items	-	-	1.7	23.3	-
Fair value on derivative instrument	-	-	-	-	1.9
Share based payments	-	(1.1)	(1.5)	(1.8)	(1.7)
Profit before taxation	43.9	59.2	62.8	91.8	58.4
Taxation	(7.7)	(12.4)	(12.0)	(10.5)	(10.5)
Profit attributable to shareholders	36.0	46.8	50.8	81.3	47.9
Non-controlling interests	0.2	-	-	-	
Equity dividend per share†	2.58p	2.84p	3.12p	3.64p	3.89p
Basic earnings per ordinary share	9.28p	12.03p	12.88p	20.51p	12.06p
Adjusted earnings per ordinary share	10.36p	13.52p	15.24p	15.87p	14.57p
As at year end					
Shareholders' interests					
Share capital	19.4	19.7	19.8	19.8	19.9
Reserves					
- non-distributable	106.4	107.7	109.5	109.5	109.8
- distributable	102.2	129.5	168.5	212.4	255.3
Net assets	228.0	256.9	297.8	341.7	385.0

† Dividends per share are based on interim dividend paid and final dividend declared for the year.

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