

Lookers plc

Financial Statements 2012



Directors' Report

The Directors have pleasure in submitting their report which includes the Statements on Corporate Governance and the audited financial statements for the year ended 31 December 2012

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 ENHANCED BUSINESS REVIEW AND BUSINESS MODEL

An analysis of the functional performance of the group, along with an analysis of financial Key Performance Indicators ("KPIs") is provided on pages 5 to 19. The main financial KPIs of the group are revenue, profit before tax, earnings per share, gearing and cash flow from operations. The additional information required to be disclosed in the Enhanced Business Review is shown below

Lookers plc Business Model

Lookers is one of the leading motor retail and aftersales service groups in the UK. Our operations are carried out across the UK where we operate in all four countries with a presence in most of the major population centres. The level of group turnover of just over two billion pounds per annum makes us the fifth largest motor retail group in the UK and we sell approximately 100,000 new and used cars per year. We also have a very significant independent parts distribution business which is a market leader in its sector of the market.

As noted above the group operates through two distinct divisions, the motor division and the parts division and details of each division are explained in greater detail below. However by operating in two distinctly separate sectors within the UK motor retail market, we have a unique and diverse business structure. This differentiates Lookers in the motor retail sector with the parts business providing a high quality earnings stream that has greater stability than the fluctuating new and used car markets.

Motor division

The motor division consists of 121 franchised dealerships representing 32 marques from 70 locations. The business generates revenue from the sale of new and used cars and aftersales activities. Aftersales represents the servicing, repair and sale of franchised parts to customers' vehicles. The new car market in the UK has been approximately 2 million new cars sold per annum during the past four years and our share of the retail sector of this market is just over 4%. The used car market in the UK has annual transactions of approximately 6.7 million vehicles and represents a major opportunity for us to increase volumes in this part of the market. The aftersales market applies to the overall number of cars in use on UK roads, which is referred to as the UK car parc. This consists of approximately 30 million vehicles where approximately 20% or six million vehicles are under three years old and these vehicles are primarily the market which is catered for by the franchised motor dealers, including our motor division.

Parts division

Our parts division operates in the independent aftermarket sector of the UK motor retail market, where we operate through three distinct operating companies which supply automotive parts to the independent automotive aftermarket where we operate from 22 locations which provides a national network to cover the whole of the UK. This typically means that our customers are predominantly motor factors who are the final part of the distribution chain and who distribute parts to the independent non-franchised repairers. The parts division is typically supplying parts to the 80% of the UK vehicle parc where the vehicles are over three years old and therefore operates in a different part of the market to the franchised dealerships. This represents a market of approximately 24 million cars in the UK and each of the three companies in our parts division are market leaders in their sector of the market.

Principle risks and uncertainties

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 principal risks or uncertainties:

Global Economy

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 is cyclical, which in some years will lead to reduced margins caused by oversupply. 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, the group's business has proved to be resilient against this background.

Directors' Report

2 ENHANCED BUSINESS REVIEW AND BUSINESS MODEL (continued)

Manufacturers' Financial Stability

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. 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.

Liquidity and Financing

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 £103.75 million, maturing March 2016), (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. However the group's balance sheet has been strengthened significantly over the past four years and this together with the renewal of the group's banking facilities in 2011, provides sufficient liquidity and funding.

Exchange Rates

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 fluctuation of the Euro against Sterling has meant that most manufacturers have had to adjust prices despite the current market conditions. 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.

Block Exemption Aftersales / General Exemption Sales

The franchise agreement legislation for the automotive sector changes in June 2013. Aftersales agreements will 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.

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 sales 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.

Competitive Nature of the Market

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 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 small independent provider. 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.

The parts distribution business operates in a very competitive market place, dominated by a few large players. The differentiator in this market is the quality of customer service offered by the group's businesses, which continues to give the competitive edge where price differences would not be enough.

Government Legislation

In addition to franchise regulation rules noted above, changes to the Government's transport policy could adversely affect the group's profitability if, as a result, customers choose to use alternative forms of transport.

Information Systems

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. 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.

Manufacturers' Influence

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

Directors' Report

3 DIVIDENDS AND SHARE

Ordinary shares of 5p each

An interim dividend of 0.8p per ordinary share was paid on 30 November 2012 (2011: 0.8p). The Directors are recommending a final dividend of 1.55p per ordinary share (2011: 1.38p) which will be payable on 4 June 2013 following approval at the Annual General Meeting, bringing the total dividend for 2012 to 2.35p (2011: 2.18p).

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 12 Number	31 12 11 Number
D C A Bramall	94,337,637	94,337,637
J E Brown	98,318	98,318
A C Bruce	367,086	349,271
R A Gregson	217,815	200,000
W Holmes	36,666	36,666
P Jones	3,020,253	3,020,253
P M White	53,716	53,716
N A Davis	63,345	-

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

All holdings are beneficial.

There was no change in the interests of the Directors in shares or share options of the company between 31 December 2012 and 6 March 2013.

The mid-market price of the ordinary shares at 31 December 2012 was 75.5p and the range during the year was 49.5p to 79.0p.

Directors retiring by rotation are J E Brown and P M White and being eligible, offer themselves for re-election. D C A Bramall, W Holmes, P Jones, A C Bruce, R A Gregson and N A Davis will all retire in accordance with paragraph D of Article 67 of the Articles of Association and being eligible, offer themselves for re-election.

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 its Directors which were made during the year and remain in force at the date of this report.

5 APPROVAL OF THE DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report will be laid before the Annual General Meeting for adoption as a separate resolution from the Auditor's Report and the company's accounts for the year ended 31 December 2012.

6 CAPITAL STRUCTURE

Details of the authorised and issued share capital, together with details of the movements in the company's issued share capital during the year are shown in note 24. The company has one class of ordinary shares which carry no right to fixed income.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of Directors, the company is governed by its Articles of Association, the 2010 UK Corporate Governance Code, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Main Board Terms of Reference, copies of which are available on request, and the Corporate Governance Statement on page 29.

Directors' Report

6 CAPITAL STRUCTURE (continued)

Under its Articles of Association, the company has authority to issue 480,000,000 ordinary shares

There are also a number of other agreements that take effect, alter or terminate upon a change of control of the company such as commercial contracts, bank loan agreements, property lease arrangements and employees' share plans. None of these are considered to be significant in terms of their likely impact on the business of the group as a whole

7 EMPLOYEES

Employees are encouraged to discuss with management any matters which they are concerned about and factors affecting the group. In addition, the Board takes account of employees' interests when making decisions. Suggestions from employees aimed at improving the group's performance are welcomed

A significant number of employees are remunerated partly by profit-related bonus schemes

The group has a dedicated Intranet site "Insight" which keeps employees up to date with group developments and activities. Communicating in this manner ensures a consistent message

Long service awards were made during the year to those staff with 25 years' continuous service. Special awards were also made to those staff reaching 40 and 50 years' service

All employment policies have been updated to conform with current legislation

It is the group's policy to encourage career development for all employees and to help staff achieve job satisfaction and increase personal motivation

8 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, creed or political opinion

9 SPECIAL BUSINESS OF THE ANNUAL GENERAL MEETING

(a) Renewal of Directors' power to allot shares

The Special Business of the Annual General Meeting includes an Ordinary Resolution (Resolution 14) which seeks to renew the authority conferred on the Directors at last year's Annual General Meeting to allot shares

This authority, which will expire on 29 November 2014 or, if earlier, at the conclusion of the company's next Annual General Meeting, is to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares up to an aggregate nominal value equal to £6,466,108 (representing 128,028,940 ordinary shares), being approximately 33% of the company's issued ordinary share capital as at 6 March 2013 (being the latest practicable date prior to the printing of this document). As at 6 March 2013, the company did not hold any shares in the company in treasury

The Directors have no present intention of exercising this authority. The purpose of giving the Directors this authority is to maintain the company's flexibility to take advantage of any appropriate opportunities that may arise

(b) Disapplication of statutory pre-emption rights

The Special Business of the Annual General Meeting includes a Special Resolution (Resolution 15) which seeks to renew the authority conferred on the Directors at last year's Annual General Meeting to issue equity securities of the company for cash without first offering them to existing shareholders in proportion to their existing shareholdings

The Companies Act 2006 requires that, subject to certain exceptions, before directors of a company can issue any new shares for cash, the new shares must be offered first to the existing shareholders proportionately. This provision can create considerable administrative difficulty, particularly if a rights issue is made, because of the entitlements to fractions of shares which may arise and because of the restrictions imposed on the company's ability to offer new shares to certain overseas shareholders by the laws of relevant overseas jurisdictions

This resolution seeks authority to disapply such statutory pre-emption rights. Other than in connection with a rights issue or other similar issue, the authority contained in this resolution will be limited to an aggregate nominal value of £969,916 (representing 19,398,320 ordinary shares), being 5% of the company's issued ordinary share capital as at 6 March 2013 (being the latest practicable date prior to the printing of this document)

Directors' Report

9 SPECIAL BUSINESS OF THE ANNUAL GENERAL MEETING (continued)

This authority will continue to provide the Directors with flexibility to act in the best interests of the shareholders when opportunities arise

The authority the Directors are seeking will expire on 29 November 2014 or, if earlier, at the conclusion of the company's next Annual General Meeting

The Board confirms its intention to adhere to the provisions in the Pre-Emption Group Statement of Principles regarding cumulative usage of authorities of no more than 7.5% of the issued ordinary share capital within a rolling three year period

(c) Purchase of own shares

The Special Business of the Annual General Meeting includes a Special Resolution (Resolution 16) which seeks to renew the authority granted to the Directors at last year's Annual General Meeting and to give the company authority to make market purchases of its own ordinary shares as permitted by the Companies Act 2006

The resolution limits the number of ordinary shares the company can buy to a maximum of 38,796,651 shares representing 10% of the company's issued ordinary share capital as at 6 March 2013 (being the latest practicable date prior to the printing of this document). The authority also sets maximum and minimum prices

As at 6 March 2013, the company does not have any outstanding warrants or options to subscribe for equity shares

The company would only buy shares on the London Stock Exchange. The authority to repurchase ordinary shares will, if approved by the shareholders, only be exercised after careful consideration by the Board, and if such exercise would result in an increase in earnings per share and would be in the best interests of the shareholders generally. Shares so purchased would be cancelled and the number of shares in issue reduced accordingly.

The Directors have no present intention to exercise this authority but wish to retain the flexibility to do so in the future.

The authority sought will expire on 29 November 2014 or, if earlier, at the conclusion of the company's next Annual General Meeting.

(d) Notice of General Meetings

The Special Business of the Annual General Meeting includes a Special Resolution (Resolution 17) which seeks to renew the authority given at the last Annual General Meeting to call general meetings on 14 days' notice instead of 21 days.

The company currently has power under its Articles of Association to call general meetings (other than an annual general meeting) on 14 clear days' notice and would like to preserve this ability. In order to be able to do so, shareholders must first approve the calling of meetings on 14 days' notice. This resolution seeks such approval. The approval will be effective until the company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

The shorter notice period would not be used as a matter of routine for general meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of the shareholders as a whole.

(e) Change of Name

The Special Business of the Annual General Meeting includes a Special Resolution (Resolution 18) which seeks to change the name of the company from Lookers Public Limited Company to Lookers plc.

Section 58(1) of the Companies Act 2006 requires the name of a public limited company to end with "public limited company" or "plc".

Trading disclosures require the company's current registered name of Lookers Public Limited Company to be stated.

The change of name of the company will therefore enable the company to take advantage of a commonly used abbreviation.

10 DONATIONS

Charitable donations amounted to £12,780 (2011: £13,745). No political donations were made (2011: £nil).

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 2010 UK corporate governance code issued by the Financial Reporting Council (the "Code"). Throughout 2012 the company has been in compliance with the provisions set out in the Code.

The Board

The Board of Directors at the start of the financial year under review comprised five Executive Directors and four Non-Executive Directors. T. M. Wainwright retired from the Board on 3 January 2012. J. E. Brown, P. M. White and W. Holmes 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 Board 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.

Director Roles

P. M. White is the Non-Executive Chairman and P. Jones is the Chief Executive. The Chairman leads the Board and the Chief Executive 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 has been set out in writing.

J. E. Brown is the Senior Independent Director and his prime responsibility is 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.

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 2012

	Board	Audit	Remuneration	Nomination
Number held	11	3	2	1
Number attended				
D. C. A. Bramall	8	3*	2*	-
J. E. Brown	11	3	2	1
A. C. Bruce	11	-	-	-
R. A. Gregson	11	3*	-	-
W. Holmes	11	3	2	1
P. Jones	11	3*	2*	-
P. M. White	11	3	2	1
N. Davis	11	-	-	-

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

Chairman's Statement on Corporate Governance

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 applying the company's Articles of Association. These require that at each Annual General Meeting not less than one-third of the Directors who are subject to retirement by rotation must retire, and that any Director, who was not appointed at either of the two previous Annual General Meetings and who has served as a Director for more than two years since appointment or last re-appointment, has to retire.

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, J. E. Brown, W. Holmes, 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 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.

In choosing new Non-Executive Directors, the Committee starts by obtaining the views of its professional advisors. 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 new 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 2012 by Ffion Hague Independent Board Evaluation (which has no other connection with the company). 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. 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.

Chairman's Statement on Corporate Governance

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 uncertainty 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 41.

Audit Committee

The Audit Committee comprises J. E. Brown and W. Holmes and throughout 2012 was chaired by J. E. Brown. The Committee met three times during 2012, with the Chief Executive, Finance Director and the internal and external auditors attending as required. The Audit Committee has reviewed the effectiveness of the system of internal control during the year ended 31 December 2012. This has included consideration of group-wide risk assessment and of internal audit and internal control exercises undertaken throughout the group. The Audit Committee has also considered reports from internal and external auditors. The Audit Committee has reported the results of its work to the Board. The Board has considered these reports when undertaking its review of the effectiveness of the group's system of internal control.

The Audit Committee is responsible for reviewing a wide range of financial matters including the interim and year end financial statements, matters relating to the external audit, corporate governance matters and monitoring the group's internal and operational controls. The Audit Committee's terms of reference are available from the Company Secretary.

The Audit Committee has considered the arrangements for the reporting by employees of concerns about possible improprieties in financial reporting or other matters, as set out in the Employee Handbook, and has concluded that there is a reasonably clear and adequately defined system for reporting of concerns. This policy and system of reporting will be reviewed annually.

The auditor is permitted to provide non-audit services that are not, or are not perceived to be, in conflict with auditor independence. Part of the Committee's responsibility in relation to external auditor is to review the nature of their independence and the extent of the non-audit services they provide. The report from Deloitte LLP confirming their independence and objectivity was reviewed by the Chairman of the Audit Committee and the Finance Director. The level of fees paid to Deloitte LLP for non-audit services has been considered by the Audit Committee and is not perceived to be in conflict with auditor independence.

Deloitte LLP has been external auditor for seven years. The Audit Committee assesses and considers the frequency of changing auditor based on their assessment of the audit. No contractual obligations exist which restrict the Audit Committee's choice of auditor.

The Committee conducted a formal evaluation of the effectiveness of the external audit process and held independent meetings with the external auditor, and has reported on its conclusions to the Board. The Committee has recommended to the Board the re-appointment of the external auditor. Non-audit services are placed with whichever firm is believed to deliver the best value for money, having regard to our external auditor's independence if Deloitte LLP were to be appointed.

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.

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 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 Turnbull Report.

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.

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.

Chairman's Statement on Corporate Governance

ACCOUNTABILITY AND AUDIT (continued)

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 Review, 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

6 March 2013

Corporate Social Responsibility Review

CORPORATE SOCIAL RESPONSIBILITY MANAGEMENT

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

Lookers and the Environment

Our activities do have an impact on the environment. The group is keen to fulfil its legal obligations on this issue and has a group-wide environmental policy in place. The need to deal with contamination, waste oil and asbestos issues are at the forefront of the group's concerns.

On a wider level, Lookers supports a number of industry initiatives and the group also engages in all environmental issues raised by stakeholders, consumers, suppliers, shareholders and employees.

The group aims to encourage the reduction of energy and water consumption and actively investigates employees' suggestions to help reduce the amount of waste. An electrical testing monitoring regime is in force throughout the group. Use of the latest building materials is made in the construction of new sites and the refurbishment of existing locations. For instance, modern heating controls include both timers and thermostats.

Lookers aims to improve its energy, water and fuel efficiency over the coming year throughout the group's operations. As part of this policy, the group is working in partnership with a major energy management systems company to help create a better environment by reducing the amount of harmful emissions released into the atmosphere for everyone's future benefit. Savings of up to 30% in annual heating spend can be achieved as well as producing a comfortable working environment for staff. The system is recognised for ISO 14001.

Lookers and Ethics

We believe that integrity in its 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.

Lookers makes every effort to ensure its people are aware of these expectations and that they contribute to the high standards required of them. This statement, together with Lookers' 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.

Lookers as an Employer

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

Recruitment and Retention

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

Lookers' Human Resources Manager 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.

Lookers has a comprehensive training programme for its people which has received industry recognition in the form of national awards for the automotive industry.

Staff Communication

We believe that its 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 Lookers' intranet site, which is used by the majority of employees on a regular basis. Lookers also uses newsletters and updates to keep its staff informed.

Health and Safety

We aim to do all that is reasonably practicable to ensure the health, safety and welfare of its people, and others who may be affected by its 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 2012, are set out below.

	2012	2011
Number of fatalities	-	-
Injuries resulting in absence over three days	3	6
Major injuries reported under RIDDOR*	7	17
Dangerous occurrences reported under RIDDOR*	-	-
Number of enforcement notices issued by HSE	-	-
Number of prohibition notices issued by HSE	-	-

*Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995

Lookers and the Community

We are committed to playing an active role in the communities it serves. All Lookers' businesses operate their own community programmes and fund raising charity events. In addition, some charities are supported at a group level such as the motor trades' BEN.

Directors' Remuneration Report

INTRODUCTION

This report has been prepared in accordance with Schedule 8 of the Accounting Regulations under the Companies Act 2006. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to Directors' remuneration in the 2010 UK Corporate Governance Code. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting of the company at which the financial statements will be approved. The Act requires the auditors to report to the company's members on certain parts of the Directors' Remuneration Report and to state whether in their opinion these parts of the report have been properly prepared in accordance with the Accounting Regulations. The report has therefore been divided into separate sections for audited and unaudited information.

The main focus of the Remuneration Committee over the past twelve months has been directed to simplifying and making more transparent our remuneration policies.

We have concluded that no future award will be made under the Performance Share Plan (PSP). As there are no outstanding entitlements under this plan from previous years, the plan has been closed.

Awards under the Executive Share Option Plan were made to Executive Directors in 2011 and selected senior employees in 2012. Under this plan participants are granted options which are exercisable only if certain E P S growth targets are met. The scheme, details of which are given on page 35, provides lower rewards for participants than the PSP plan which has now been closed.

The annual bonus plan for Executive Directors has also been revised to increase the percentage of budgeted profit at which bonus first accrues and to slightly reduce the maximum bonus payable.

We will continue to look closely at all aspects of remuneration to ensure that it rewards and motivates achievement of medium and long term objectives, and aligns the interests of Directors and Shareholders.

UNAUDITED INFORMATION

Remuneration Committee

The Remuneration Committee is responsible for reviewing and recommending the framework and policy for remuneration of the Executive Directors and of senior management. The Remuneration Committee's terms of reference are available from the Company Secretary. The members of the Remuneration Committee during the financial year were W. Holmes (Chairman), J. E. Brown and P. M. White. W. Holmes and J. E. Brown are independent Non-Executive Directors of the Board.

The primary role of the Committee is 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 Directors' interests with those of the shareholders, and
- approve annual incentive payments for Executive Directors.

The Committee's activities during the year included

- finalising the annual incentive payments for 2011,
- reviewing the basic salaries of the executive directors for 2013,
- setting annual performance targets in line with the company's strategic plan for the 2013 annual incentive plan and determining the amounts that may potentially be payable.

Remuneration Policy

The policy of the Committee is to ensure that the 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 and granting of share options to attract, retain and motivate individuals of the calibre required and ensure that the group is managed successfully in the interests of shareholders.

When selecting appropriate comparisons, the Committee has regard to the group's revenue, market worth and business sector.

No Director plays a part in any decision about his own remuneration. Full details of Directors' remuneration, fees and share options are set out on pages 36 and 37. Directors retiring by rotation are shown in the Directors' Report on page 25. None of the Executive Directors currently has any long-term incentives other than the Performance Share Plan ("PSP"), or the executive share option scheme which was approved at the Annual General Meeting in May 2008.

The Remuneration Committee, in determining remuneration policy, has given full consideration to Section B of the best practice provisions annexed to the Listing Rules of the Financial Services Authority.

The company's policy is that a substantial proportion of the remuneration of the Executive Directors should be performance related. The annual bonus scheme enables the Executive Directors to earn annual incentive payments on a sliding scale up to 110% of their basic salary. The main elements of their remuneration package are set out below:

Basic Annual Salary and Benefits in Kind

Each Executive Director's basic salary is reviewed annually by the Committee. In deciding upon appropriate levels of remuneration, the Committee has regard to rates of pay for similar positions in comparable companies.

Directors' Remuneration Report

UNAUDITED INFORMATION (continued)

The Executive Directors received no increase in basic salary between 1 January 2011 and 31 December 2012, except for N A Davis, where his base salary was increased from £180,000 to £200,000 from 1 January 2012. This increase reflected his promotion to take full responsibility for the parts division following the retirement of T M Wainwright from the board.

From 1 January 2013 the basic salary of P Jones was increased to £350,000 and the basic salary for A C Bruce and R A Gregson was increased to £260,000. The basic salary of N A Davis was increased to £215,000. These increases reflect the performance of the Executive Directors and their contribution to the significant increase in profit before tax of the company.

Annual Incentive Payments

All Executive Directors participate in an annual incentive payment scheme payable upon the group exceeding predetermined profit level targets and at the discretion of the Remuneration Committee. These payments are not pensionable.

The payments for 2013 will be calculated based on adjusted profit before tax achieved by the company in the financial year. These are calculated on a sliding scale of amounts equivalent to a payment of 50% of salary where adjusted profit before tax exceeds 85% of budget, up to a maximum of 105% of salary where adjusted profit before tax exceeds 105% of budget.

Pension Arrangements

The group operates a defined benefit scheme for its full-time employees although the scheme closed to future accrual from 31 March 2011. A C Bruce remains a member of this scheme which provides a pension of up to two-thirds of final pensionable salary on retirement at age 60 years, although he now participates in money purchase arrangements. The defined benefit scheme also provides lump sum death-in-service benefit and pension benefits based on final pensionable salary. P Jones, R A Gregson and N A Davis participate in money purchase arrangements.

Share Option Incentives

The company operated three share option schemes under which the Executive Directors and senior executives can be granted discretionary options from time to time by the Board together with a savings related share option scheme ("SAYE") open to employees in general. These three schemes were approved at the Annual General Meeting in May 2008.

Executive Share Option Scheme ("ESOS")

Selected Executive Directors as detailed on page 37 participate in the Executive Share Option Scheme as are approved by the shareholders at the Annual General Meeting in May 2008.

Awards under the Executive Share Option Scheme are in the form of a contingent grant of shares, the vesting of which will be subject to tri-annual performance criteria. For the 2008 award the performance period is for the 3 years to 31 December 2010 based upon adjusted earnings per share growth targets. There was no award in 2009 or 2010.

These options were granted on 5 January 2011 subject to performance criteria based on the company's earnings per share growth over a three year performance period and the options may be exercised where the growth in earnings per share of the company has exceeded the growth in RPI by 10% or more. Participating executives will receive a percentage of the contingent award of options, dependent upon the level of growth over and above RPI. At 10% over RPI, participating executives may earn 10% of the contingent award of options. A stepped scale is then applied up to a maximum of 100% of the contingent award if the increase in earnings per share over the period is 50% over and above RPI. The relevant percentage will be applied to the executive's contingent award at the end of the performance period to calculate the number of options that may be exercised.

The exercise price per share for each option will be the market value of a share at the date of grant, unless the company's earnings per share growth over the three year performance period exceeds 45% plus RPI inflation over that period, in which case the exercise price will be an aggregate sum of £1 in total.

Directors' Contracts

The details of the Directors' individual service contracts are set out in the table below. In the event of termination of an Executive Director's service contract, depending upon the circumstances, the company may be liable to pay compensation to the Executive Director equivalent to the salary that would have been received during the contract period, together with any bonus earned on a pro rata basis to the date of termination. The company's policy in the event of the termination of an Executive Director's service contract is not to make any payment to an Executive Director in excess of their contractual entitlement and so aim to ensure that any liability is mitigated to the fullest extent possible.

	Date of Contract	Notice Period	Contractual Termination Payments
P Jones	22 February 2010	1 Year	Basic salary and benefits for unexpired term
R A Gregson	22 February 2010	1 Year	Basic salary and benefits for unexpired term
A C Bruce	11 May 2006	1 Year	Basic salary and benefits for unexpired term
N A Davis	2 February 2012	1 Year	Basic salary and benefits for unexpired term

All contracts are rolling contracts.

Directors' Remuneration Report

UNAUDITED INFORMATION (continued)

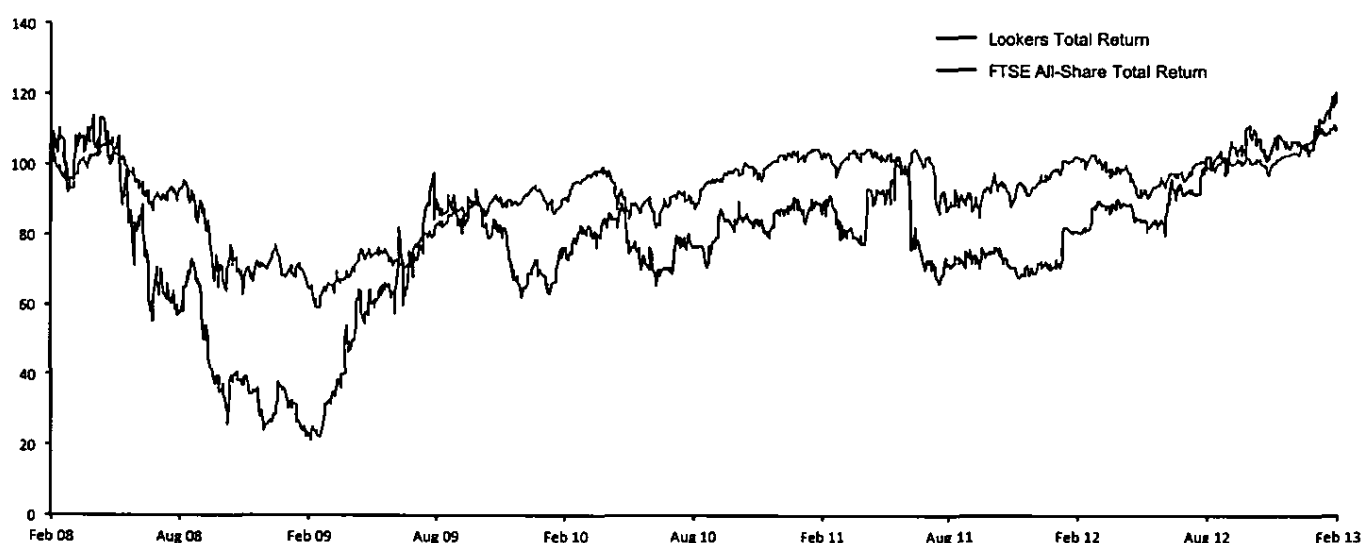
Non-Executive Directors

The remuneration of the Non-Executive Directors is determined by the Board within the limits set out in the Articles of Association and as previously approved by the members. Non-Executive Directors cannot participate in the company's share option schemes and are not eligible for pension arrangements.

Fees payable to the Non Executive Directors were not increased between 1 January 2011 and 31 December 2012. From 1 January 2013, the fees payable to the Chairman have increased to £110,000, the fees payable to the Senior Independent Director have increased to £43,000 and fees payable to the other Non Executive Directors have increased to £38,500.

Performance Graph

The following graph shows the group's performance, measured by total shareholder return. The group has been benchmarked against the FTSE All-Share Total Return Index which is considered to be an appropriate comparison to other public companies of a similar size.



AUDITED INFORMATION

	Fees £000	Salary £000	Annual Incentive Payment £000	Benefits- in-kind £000	2012 Total £000	2011 Total £000	Pension Contributions 2012 £000	Pension Contributions 2011 £000
P. M. White	107	-	-	-	107	107	-	-
P. Jones	-	320	352	1	673	533	50	50
A. C. Bruce	-	250	275	1	526	470	50	52
N. A. Davis (1)	-	200	207	1	408	151	36	17
R. A. Gregson	-	250	275	1	526	463	50	50
J. E. Brown	42	-	-	-	42	42	-	-
D. C. A. Bramall	37	-	-	-	37	37	-	-
W. Holmes	37	-	-	-	37	37	-	-
Total	223	1,020	1,109	4	2,356	1,840	186	169

(1) Appointed to the Board on 1 July 2011

Benefits-in-kind include items such as a company car, fuel and life assurance premiums. Details of Directors' shareholdings are shown in the Directors' Report on page 25. The relative importance of performance and non-performance elements of remuneration are set out within the Remuneration Policy.

Directors' Remuneration Report

AUDITED INFORMATION (continued)

Directors' Pension Entitlement

Set out below are details of the pension benefits to which each of the Executive Directors is entitled

	Additional accrued benefits earned in the year £000	Accrued entitlement £000	Transfer value 31 December 2012 or date of transferring out of the scheme £000	Transfer value 31 December 2011 £000	Increase/(decrease) in transfer value £000
A C Bruce	2	33	624	525	99

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%. The accrued pension entitlement is the amount that the Director would receive if he retired at the end of the year. The increase in the transfer value, net of contributions, is the difference between the accrued benefit at the year end and that at the previous year end. All transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. The transfer values disclosed above do not represent a sum paid or payable to the individual Director. Instead they represent a potential liability of the pension scheme.

	year (excluding inflation) £000	benefits earned in the accrued benefits £000	Additional accrued increase in	Transfer value of
A C Bruce			2	33

Directors' Share Options

Aggregate emoluments disclosed do not include any amounts for the value of options to acquire ordinary shares in the company granted to, or held by, the Directors. Details of the Directors' share options are as follows:

	Scheme	Date of Grant	Earliest Exercise Date	Expiry Date	Exercise price (pence)	Number at 1 January 2012	Lapsed In Year	Number at 31 December 2012
A C Bruce	ESOS	5 1 2011	5 1 2014	5 1 2021	61 0	409,836	-	409,836
R A Gregson	ESOS	5 1 2011	5 1 2014	5 1 2021	61 0	409,836	-	409,836
P Jones	ESOS	5 1 2011	5 1 2014	5 1 2021	61 0	524,590	-	524,590
N A Davis	ESOS	29 3 2012	29 3 2015	29 3 2022	62 75	346,820	-	346,820

The only options outstanding at 31 December 2012 are in respect of the PSP and Executive Share Option Scheme. Details of performance conditions attaching to both schemes are set out on pages 34 and 35.

The mid-market price of the ordinary shares at 31 December 2012 was 75 5p and the range during the year was 49 5p to 79 0p.

Gains made by Directors on Share Options

There were no gains made by Directors during 2012 (2011: £nil).

Directors' interests in the Executive Share Option Scheme

Bonuses under the ESOS are payable in shares, with a conditional award of shares capable of being made annually, based on the Executive's salary at the start of each performance period. Details of the performance condition of the ESOS can be found on pages 35 and 36. Details of the conditional awards to the Executive Directors under the ESOS are shown in the table of Directors' share options above.

The Company's Register of Directors' Interests contains full details of Directors' shareholdings and options to subscribe.

By Order of the Board

W Holmes

Chairman of the Remuneration Committee

6 March 2013

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 (IFRSs) 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 IFRSs 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 group and parent company and of the profit or loss of the group and parent 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 IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the company's ability to continue as a going concern

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 as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the company and the undertakings included in the consolidation taken as a whole, and
- the management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

By Order of the Board

P Jones
Chief Executive
6 March 2013

R A. Gregson
Finance Director
6 March 2013

Independent Auditor's Report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOOKERS PLC

We have audited the financial statements of Lookers plc for the year ended 31 December 2012 which comprise the Principal Accounting Policies, the Consolidated Group and Company Income Statements, the Consolidated Group and Company Statements of Comprehensive Income, the Consolidated Group and Company Statements of Financial Position, the Consolidated Group and Company Cash Flow Statements, the Group and Company Statements of Changes in Equity and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's and the parent company's profit for the year then ended,
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, 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.

Opinion 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, and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report

Matters on which we are required to report by exception

We have nothing to report in respect of the following

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Under the Listing Rules we are required to review

- the directors' statement, contained within the Corporate Governance section of the Directors' Report, in relation to going concern,
- the part of the Chairman's Statement on Corporate Governance relating to the company's provisions compliance with the nine provisions of the "code" specified for our review, and
- certain elements of the report to shareholders by the Board on directors' remuneration



Damian Sanders BA ACA (Senior Statutory Auditor)

for and behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Manchester, United Kingdom

6 March 2013

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 at the front of these accounts. 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 group has adopted Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee of the IASB. Individual standards and interpretations have to be adopted by the European Commission (EC) and the process leads to a delay between the issue and adoption of new standards and in some cases amendment by the EC.

International Financial Reporting Standards are subject to ongoing amendment by the IASB and subsequent endorsement by the EC and are therefore subject to change.

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

At the date of authorisation of the financial statements the following standards and interpretations which have not been applied in these financial statements, were in issue but not yet effective:

IAS 27	Separate Financial Statements
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 13	Fair Value Instruments
IAS 19	Revised Employee Benefits
IAS 1	Amended Presentation of Items of Other Comprehensive Income
IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the company.

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, 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 £55.0 million and a term loan totalling £48.75 million, providing total facilities of £103.75 million. These facilities are due for renewal in March 2016.

In addition to the total facility limit, the revised 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

Other than the estimates noted below, there are no other critical judgements.

Principal Accounting Policies

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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 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 schemes liabilities. This rate is potentially subject to significant variation. The net cost recognised in the Income Statement is also affected by the expected return on the schemes' assets. This is determined on the basis of the asset mix within the schemes at the beginning of the year and the market expectations for the return on each asset type. The impact of the pension estimates on the group's accounts can be seen in note 30.

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 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 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.

Principal Accounting Policies

6 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.

7 OPERATING PROFIT

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

8 GOODWILL ARISING ON CONSOLIDATION

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired entity at the date of the acquisition. Goodwill on acquisitions of subsidiaries is shown separately on the balance sheet. Goodwill arising on acquisitions is tested annually for impairment and is carried at cost less accumulated impairment losses.

9 INTANGIBLE ASSETS

Intangible assets acquired on a business combination are capitalised separately from goodwill if the asset is separable and if fair value can be measured reliably on initial recognition. Intangible assets so acquired are carried at cost less accumulated amortisation and any impairment losses. Amortisation is provided on a straight line basis to allocate the cost of the asset over its estimated useful life. The useful life of customer relationships is expected to be up to 20 years, and the useful lives of acquired brands vary between 5 years and indefinite life. The group has no internally generated intangible assets.

10 INVESTMENTS

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

11 PROPERTY, PLANT AND EQUIPMENT

Assets are stated at their deemed cost less depreciation. With the exception of certain properties which were revalued on 31 December 2003, all assets are recorded at historical cost. The basis of the revaluation, being open market value was, in the opinion of the Directors, approximate to fair value and has been adopted as deemed cost on transition to IFRS. The group has adopted the cost model under IAS 16, 'Property, plant and equipment'.

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.

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.

12 IMPAIRMENT OF ASSETS

Assets that have an indefinite life are not subject to amortisation and are tested 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.

13 LEASES

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

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

14 INVENTORIES

Inventories are valued at the lower of purchase price and net realisable value. Deposits paid for vehicles on consignment represent bulk deposits paid to manufacturers. The group recognises consignment stock in its balance sheet when there has been a substantial transfer of the risks and rewards of ownership. The related liabilities are included in trade payables.

15 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.

Principal Accounting Policies

16 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 the 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.

17 PENSION COSTS

The group operates the "Lookers Pension Plan" and the "Dutton Forshaw 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. Both schemes are closed to new members and to future accrual.

The last triennial valuation of the "Lookers Pension Plan" was carried out at 31 December 2007 by Mercer Human Resource Consulting Limited and has been updated to 31 December 2012 by a qualified independent actuary to take account of IAS 19 requirements. The last triennial valuation of the "Dutton Forshaw Group Pension Plan" was carried out at 31 March 2010 by KPMG LLP and has been updated to 31 December 2012 by a qualified independent actuary to take account of IAS 19 requirements.

Under IAS 19, 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.

The current service cost and any past-service costs are included in the Income Statement within operating costs. The expected return on the schemes' assets, net of the impact of the unwinding of the discount on the schemes' liabilities, is included within finance costs.

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.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

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.

18 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.

19 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.

20 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 21 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.

Principal Accounting Policies

20 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

depends on the nature of the hedge relationship. The group designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

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.

Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedge item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

21 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.

22 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.

23 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.

24 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.

Consolidated and Company Income Statements

	Note	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Continuing operations					
Revenue	1	2,056 6	1,898 5	-	-
Cost of sales		(1,784 3)	(1,645 9)	-	-
Gross profit		272 3	252 6	-	-
Distribution costs		(144 3)	(138 6)	-	-
Administrative expenses		(80 1)	(70 2)	(10 4)	(7 9)
Other operating income		0 2	0 1	23 3	21 8
Profit from operations		48 1	43 9	12 9	13 9
Profit from operations before amortisation		49 2	45 2	13 4	14 4
Amortisation of intangible assets	9	(1 1)	(1 3)	(0 5)	(0 5)
Profit from operations		48 1	43 9	12 9	13 9
Interest payable	2	(12 6)	(11 7)	(6 6)	(7 8)
Interest receivable	2	0 2	0 3	2 8	4 3
Net interest		(12 4)	(11 4)	(3 8)	(3 5)
Debt issue costs		(0 4)	(1 1)	(0 4)	(1 1)
Profit on ordinary activities before taxation		35 3	31 4	8 7	9 3
Profit before tax, amortisation and debt issue costs		36 8	33 8	9 6	10 9
Amortisation of intangible assets		(1 1)	(1 3)	(0 5)	(0 5)
Debt issue costs		(0 4)	(1 1)	(0 4)	(1 1)
Profit on ordinary activities before taxation	3	35 3	31 4	8 7	9 3
Tax (charge)/credit	4	(8 2)	(6 2)	(0 2)	0 2
Profit for the year		27 1	25 2	8 5	9 5
Attributable to					
Shareholders of the Company		27 0	25 1	8 5	9 5
Non-Controlling interests		0 1	0 1	-	-
Continuing operations					
Earnings per share					
Basic earnings per share	6	7 00p	6 54p		
Diluted earnings per share	6	6 90p	6 39p		

Consolidated and Company Statements of Comprehensive Income

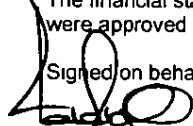
	Note	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Profit for the financial year		27 1	25 2	8 5	9 5
Actuarial losses recognised in post-retirement benefit schemes	30	(15 9)	(6 4)	(7 1)	(0 3)
Movement in deferred taxation on pension liability	23	3 5	2 4	1 9	1 0
Movement in deferred taxation on derivative instruments		-	0 5	-	0 5
Other comprehensive (expense) / income for the year		(12 4)	(3 5)	(5 2)	1 2
Total comprehensive income for the year		14 7	21 7	3 3	10 7
Attributable to					
Shareholders of the Company		14 6	21 6	3 3	10 7
Non-Controlling interests		0 1	0 1	-	-

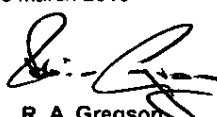
Consolidated and Company Statements of Financial Position

	Note	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
NON-CURRENT ASSETS					
Goodwill	8	61.4	47.7	-	-
Intangible assets	9	14.8	14.5	2.2	2.3
Property, plant and equipment	10	197.1	191.1	0.1	0.2
Investment in subsidiaries	11	-	-	57.8	57.8
Deferred tax asset	23	-	-	6.3	5.7
		273.3	253.3	66.4	66.0
CURRENT ASSETS					
Inventories	12	384.1	320.3	-	-
Trade and other receivables	13	123.8	109.1	189.9	164.7
Rental fleet vehicles	15	39.4	29.3	-	-
Cash and cash equivalents	16	8.7	17.9	7.2	31.1
Assets held for sale	17	3.2	3.5	-	-
		559.2	480.1	197.1	195.8
TOTAL ASSETS		832.5	733.4	263.5	261.8
CURRENT LIABILITIES					
Bank loans and overdrafts	20	15.7	8.6	27.7	9.3
Trade and other payables	18	479.8	407.1	53.2	61.3
Current tax liabilities	19	8.4	8.4	-	1.2
Short-term provisions	22	0.6	0.9	-	-
Derivative financial instruments		8.5	8.5	8.5	8.5
		513.0	433.5	89.4	80.3
NET CURRENT ASSETS		46.2	46.6	107.7	115.6
NON-CURRENT LIABILITIES					
Bank loans	20	41.2	48.8	41.2	48.8
Trade and other payables	18	21.0	9.8	-	-
Retirement benefit obligations	30	44.1	32.0	16.8	11.9
Deferred tax liabilities	23	8.6	11.4	-	-
Long-term provisions	22	0.8	0.8	-	-
		115.7	102.8	58.0	60.7
TOTAL LIABILITIES		628.7	536.3	147.4	141.0
NET ASSETS		203.8	197.1	116.1	120.8
SHAREHOLDERS' EQUITY					
Ordinary share capital	24	19.4	19.3	19.4	19.3
Share premium	25	75.3	75.0	75.3	75.0
Capital redemption reserve	26	14.6	14.6	14.6	14.6
Other reserve	27	(1.4)	(1.4)	(1.1)	(1.1)
Retained earnings	28	95.4	89.3	7.9	13.0
Equity attributable to shareholders of the Company		203.3	196.8	116.1	120.8
Non-controlling interests		0.5	0.3	-	-
TOTAL EQUITY		203.8	197.1	116.1	120.8

The financial statements of Lookers plc registered no 111876 on pages 41 to 77 were approved by the Directors on 6 March 2013

Signed on behalf of the Directors


P. Jones
Director


R. A. Gregson
Director

Consolidated and Company Statements of Changes in Equity

Group	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Equity distributable to shareholders of Company £m	Non Controlling Interest £m	Total Equity £m
As at 1 January 2012	19.3	75.0	14.6	(1.4)	89.3	196.8	0.3	197.1
New shares issued	0.1	0.3	-	-	-	0.4	-	0.4
Profit for the year	-	-	-	-	27.0	27.0	0.1	27.1
Actuarial losses on defined benefit pension schemes (note 30)	-	-	-	-	(15.9)	(15.9)	-	(15.9)
Deferred taxation on pension liability	-	-	-	-	3.5	3.5	-	3.5
Non-controlling interest in subsidiary undertaking	-	-	-	-	(0.1)	(0.1)	0.1	-
Dividends to shareholders	-	-	-	-	(8.4)	(8.4)	-	(8.4)
As at 31 December 2012	19.4	75.3	14.6	(1.4)	95.4	203.3	0.5	203.8
As at 1 January 2011	19.2	73.6	14.6	(1.4)	75.6	181.6	-	181.6
New shares issued	0.1	1.4	-	-	-	1.5	-	1.5
Profit for the year	-	-	-	-	25.1	25.1	0.1	25.2
Actuarial losses on defined benefit pension schemes (note 30)	-	-	-	-	(6.4)	(6.4)	-	(6.4)
Deferred taxation on pension liability	-	-	-	-	2.4	2.4	-	2.4
Deferred taxation on derivatives	-	-	-	-	0.5	0.5	-	0.5
Non-controlling interest in subsidiary undertaking	-	-	-	-	(0.2)	(0.2)	0.2	-
Dividends to shareholders	-	-	-	-	(7.7)	(7.7)	-	(7.7)
As at 31 December 2011	19.3	75.0	14.6	(1.4)	89.3	196.8	0.3	197.1

Company	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Total Equity £m	Non Controlling Interest £m	Total Equity £m
As at 1 January 2012	19.3	75.0	14.6	(1.1)	13.0	120.8	-	120.8
New shares issued	0.1	0.3	-	-	-	0.4	-	0.4
Profit for the year	-	-	-	-	8.5	8.5	-	8.5
Actuarial losses on defined benefit pension schemes (note 30)	-	-	-	-	(7.1)	(7.1)	-	(7.1)
Deferred tax on pension liability	-	-	-	-	1.9	1.9	-	1.9
Dividends to shareholders	-	-	-	-	(8.4)	(8.4)	-	(8.4)
As at 31 December 2012	19.4	75.3	14.6	(1.1)	7.9	116.1	-	116.1
As at 1 January 2011	19.2	73.6	14.6	(1.1)	10.0	116.3	-	116.3
New shares issued	0.1	1.4	-	-	-	1.5	-	1.5
Profit for the year	-	-	-	-	9.5	9.5	-	9.5
Actuarial losses on defined benefit pension schemes (note 30)	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Deferred taxation on pension liability	-	-	-	-	1.0	1.0	-	1.0
Deferred taxation on derivatives	-	-	-	-	0.5	0.5	-	0.5
Dividends to shareholders	-	-	-	-	(7.7)	(7.7)	-	(7.7)
As at 31 December 2011	19.3	75.0	14.6	(1.1)	13.0	120.8	-	120.8

Consolidated and Company Cash Flow Statements

	Note	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Cash flows from operating activities					
Profit for the year		27 1	25 2	8 5	9 5
Adjustments for					
Tax		8 2	6 2	0 2	(0 2)
Depreciation	3	10 8	9 3	0 1	0 1
Dividend received		-	-	(9 5)	(7 9)
(Profit) / loss on disposal of plant and equipment	3	(0 3)	0 1	-	-
(Profit) / loss on disposal of Rental Fleet Vehicles	3	(0 4)	0 4	-	-
Amortisation of intangible assets	3	1 1	1 3	0 5	0 5
Interest income		(0 2)	(0 3)	(2 8)	(4 3)
Interest payable		12 6	11 7	6 6	7 8
Debt issue costs		0 4	1 1	0 4	1 1
Changes in working capital					
Increase in inventories		(63 9)	(28 0)	-	-
(Increase) / decrease in receivables		(14 8)	(23 3)	(25 1)	28 8
Increase / (decrease) in payables		83 5	55 8	(8 1)	(10 4)
Impact of net working capital of acquisitions		2 0	(1 5)	-	-
Cash generated from operations		66 1	58 0	(29 2)	25 0
Difference between pension charge and cash contributions		(4 5)	(4 1)	(2 9)	(2 8)
Purchase of rental fleet vehicles		(52 0)	(39 3)	-	-
Proceeds from sale of rental fleet vehicles		38 8	26 2	-	-
Interest paid		(12 6)	(11 7)	(6 6)	(7 8)
Interest received		0 2	0 3	2 8	4 3
Tax paid		(7 8)	(6 7)	-	(2 0)
Net cash inflow / (outflow) from operating activities		28 2	22 7	(35 9)	16 7
Cash flows from investing activities					
Acquisition of subsidiaries		(17 2)	(1 0)	-	0 1
Purchase of property, plant and equipment		(15 3)	(10 9)	-	(0 1)
Purchase of intangibles		(1 4)	(0 1)	(0 4)	-
Proceeds from sale of property, plant and equipment		3 7	12 5	-	-
Proceeds from sale of business		1 2	1 2	-	-
Dividends received		-	-	9 5	7 9
Net cash (used) / generated by investing activities		(29 0)	1 7	9 1	7 9
Cash flows from financing activities					
Proceeds from issue of ordinary shares		0 4	1 5	0 4	1 5
Repayment of loans		(7 5)	(25 5)	(7 5)	(25 5)
New loans		-	0 9	-	0 9
Debt issue costs		-	(1 1)	-	(1 1)
Dividends paid to group shareholders		(8 4)	(7 7)	(8 4)	(7 7)
Net cash outflow from financing activities		(15 5)	(31 9)	(15 5)	(31 9)
Decrease in cash and cash equivalents		(16 3)	(7 5)	(42 3)	(7 3)
Cash and cash equivalents at 1 January		16 8	24 3	29 3	36 6
Cash and cash equivalents at 31 December		0 5	16 8	(13 0)	29 3

Notes to the Consolidated Financial Statements

1 SEGMENTAL REPORTING

At 31 December 2012 the group is organised into two main business segments (2011 same), motor distribution and parts distribution. All revenue and profits originate in the United Kingdom.

Primary reporting format - business segments

Year ended 31 December 2012	Note	Motor Division £m	Parts Distribution £m	Unallocated £m	Group £m
Continuing operations					
New Cars		953.5	-	-	953.5
Used Cars		646.6	-	-	646.6
Aftersales		269.9	186.6	-	456.5
Revenue		1,870.0	186.6	-	2,056.6
Segmental result before amortisation of intangible assets and exceptional items					
	9	38.6	11.2	(0.6)	49.2
Amortisation of intangible assets		-	-	(1.1)	(1.1)
Interest expense		(6.9)	(0.1)	(5.6)	(12.6)
Interest income		-	-	0.2	0.2
Debt issue costs		-	-	(0.4)	(0.4)
Profit before taxation		31.7	11.1	(7.5)	35.3
Taxation		-	-	(8.2)	(8.2)
Profit for the financial year from continuing operations attributable to shareholders					27.1
Segmental assets					
		706.9	125.6	-	832.5
Total assets		706.9	125.6	-	832.5
Segmental liabilities					
		506.6	65.2	-	571.8
Unallocated liabilities		-	-	-	-
- Corporate borrowings		-	-	56.9	56.9
Total liabilities		506.6	65.2	56.9	628.7
Other segmental items					
Capital expenditure	10	14.5	0.8	-	15.3
Expenditure on Rental Fleet Vehicles	15	52.0	-	-	52.0
Depreciation	10, 15	9.2	1.6	-	10.8
Amortisation of intangible assets	9	-	-	1.1	1.1
Impairment of trade receivables	13	-	0.4	-	0.4

Notes to the Consolidated Financial Statements

1 SEGMENTAL REPORTING (continued)

Year ended 31 December 2011	Note	Motor Division £m	Parts Distribution £m	Unallocated £m	Group £m
Continuing operations					
New Cars		942.7	-	-	942.7
Used Cars		530.8	-	-	530.8
Aftersales		238.5	186.5	-	425.0
Revenue		1,712.0	186.5	-	1,898.5
Segmental result before amortisation of intangible assets and exceptional items					
	9	34.3	12.4	(1.5)	45.2
Amortisation of intangible assets		-	-	(1.3)	(1.3)
Interest expense		(6.9)	(0.1)	(4.7)	(11.7)
Interest income		-	-	0.3	0.3
Debt issue costs		-	-	(1.1)	(1.1)
Profit before taxation		27.4	12.3	(8.3)	31.4
Taxation		-	-	(6.2)	(6.2)
continuing operations attributable to shareholders					25.2
Segmental assets					
		607.5	125.9	-	733.4
Total assets		607.5	125.9	-	733.4
Segmental liabilities					
		409.6	69.3	-	478.9
Unallocated liabilities		-	-	-	-
- Corporate borrowings		-	-	57.4	57.4
Total liabilities		409.6	69.3	57.4	536.3
Other segmental items					
Capital expenditure	10	9.7	1.2	-	10.9
Expenditure on Rental Fleet Vehicles	15	39.3	-	-	39.3
Depreciation	10	7.5	1.8	-	9.3
Amortisation of intangible assets	9	-	-	1.3	1.3
Impairment of trade receivables	13	0.1	0.1	-	0.2

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.

Notes to the Consolidated Financial Statements

2 FINANCE COSTS - NET

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Interest expense				
On amounts wholly repayable within 5 years				
Interest payable on bank borrowings	(6 2)	(6 8)	(6 2)	(7 7)
Interest on consignment vehicle liabilities	(5 2)	(4 4)	-	-
Net interest on pension schemes (note 30)	(1 2)	(0 5)	(0 4)	(0 1)
Interest and similar charges payable	(12 6)	(11 7)	(6 6)	(7 8)
Interest income				
Bank interest	0 2	0 3	-	-
Interest received from Group companies	-	-	2 8	4 3
Total interest receivable	0 2	0 3	2 8	4 3
Finance costs - net	(12 4)	(11 4)	(3 8)	(3 5)

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
The following items have been included in arriving at operating profit from operations				
Staff costs (note 7)	148 7	146 6	6 4	6 6
Depreciation of property, plant and equipment				
- Owned assets (note 10 and note 15)	7 4	7 4	0 1	0 1
Depreciation of rental fleet vehicles	3 4	1 9	-	-
Amortisation of intangible assets	1 1	1 3	0 5	0 5
(Profit) / Loss on disposal of plant, equipment and Rental Fleet Vehicles	(0 7)	0 5	-	-
Other operating lease rentals payable				
- Property	8 8	8 8	-	-
- Plant & equipment	1 7	1 4	-	-
Net finance and debt issue costs	12 8	12 5	4 2	4 6
Cost of inventories recognised as an expense	1,800	1,700	-	-
Dividends from subsidiary companies	-	-	9 5	7 9
Management charges	-	-	2 0	2 0

Notes to the Consolidated Financial Statements

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)

Services provided by the group's Auditor

The analysis of auditor's remuneration is as follows

Group	2012 £m	2011 £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	0.3	0.2
Total audit fees	0.3	0.2
Taxation compliance services	0.1	0.1
Other taxation and pensions advisory services	0.1	-
Total non-audit fees	0.2	0.1

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

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 Audit Committee report on page 31. Further the group has agreed to the auditor receiving a percentage of the contingent gain referred to in note 34. This agreement pre-dates the appointment of Deloitte LLP as auditors. Both the Audit Committee and auditor have considered this agreement and concluded that it doesn't constitute a threat to auditor independence.

4 TAXATION

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Current tax expense/(income)				
Current year	7.2	6.9	(1.1)	(0.8)
Adjustment in respect of prior years	0.3	(1.3)	-	(0.9)
	7.5	5.6	(1.1)	(1.7)
Deferred tax expense/(income)				
Deferred tax	0.7	0.8	1.3	1.5
Adjustment in respect of prior years	-	(0.2)	-	-
	0.7	0.6	1.3	1.5
Total income tax expense/(income) in Income Statement	8.2	6.2	0.2	(0.2)

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Tax on items charged to other comprehensive income				
Deferred tax on derivative instruments	-	0.5	-	0.5
Deferred tax on pension liability	3.5	2.4	1.5	1.0

The tax charge was affected by the following factors

Standard rate of corporation tax	24.5%	26.5%	24.5%	26.5%
Inter group dividend	-	-	(26.7%)	(22.9%)
Items not allowable for taxation	1.3%	1.6%	0.2%	-
Change in rate	(2.9%)	(3.4%)	4.3%	4.3%
Adjustments to prior years' taxation	0.9%	(5.4%)	0.6%	10.4%
	23.8%	19.3%	2.9%	(2.5%)

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

Notes to the Consolidated Financial Statements

5 DIVIDENDS

Group and company		2012 £m	2011 £m
Interim Dividend for the year ended 31 December 2012	0.8p (2011: 0.8p)	3.1	3.1
Final Dividend for the year ended 31 December 2011	1.38p (2010: 1.2p)	5.3	4.6
		8.4	7.7

The Directors propose a final dividend of 1.55p per share in respect of the financial year ending 31 December 2012 (2011: 1.38p)

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 £27.0m (2011: £25.1m) and a weighted average number of ordinary shares in issue during the year of 387,108,185 (2011: 383,750,120)

The diluted earnings per share is based on the weighted average number of shares, after taking account of the dilutive impact of shares under option of 8,404,347 (2011: 9,281,938)

Adjusted earnings per share is stated before amortisation of intangible assets, impairment of goodwill and debt issue costs and is calculated on profits of £28.5m (2011: £27.5m) for the year

	2012 Earnings £m	2012 Earnings per share p	2011 Earnings £m	2011 Earnings per share p
Continuing operations				
Basic EPS				
Earnings attributable to ordinary shareholders	27.0	7.0	25.1	6.54
Effect of dilutive securities	-	(0.1)	-	(0.15)
Diluted EPS	27.0	6.9	25.1	6.39
Adjusted EPS				
Earnings attributable to ordinary shareholders	27.0	7.0	25.1	6.54
Amortisation of intangible assets	1.1	0.3	1.3	0.34
Debt issue costs	0.4	0.1	1.1	0.29
Adjusted EPS	28.5	7.4	27.5	7.17

Notes to the Consolidated Financial Statements

7 INFORMATION REGARDING EMPLOYEES

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Employee costs during the year (inclusive of executive Directors)				
Wages and salaries	133.4	131.8	5.6	5.8
Social security costs	12.9	12.5	0.6	0.6
Other pension costs	2.4	2.3	0.2	0.2
	148.7	146.6	6.4	6.6
	2012 No	2011 No	2012 No	2011 No
Average number employed during the year (including Directors)				
Productive	1,042	995	-	-
Selling and distribution	2,709	2,597	-	-
Administration	1,652	1,678	81	82
	5,403	5,270	81	82
	2012 £m	2011 £m	2012 £m	2011 £m
Key management compensation				
Salaries and short-term employee benefits	2.6	2.6	2.6	2.3
	2.6	2.6	2.6	2.3

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 (2011 £nil). Further details of Directors' remuneration is included in the Directors' Remuneration Report on pages 34 to 37

8 GOODWILL

Group	2012 £m	2011 £m
Cost		
As at 1 January	51.0	48.1
Recognised on acquisition of subsidiaries	13.7	2.9
As at 31 December	64.7	51.0
Aggregate impairment		
As at 1 January and at 31 December	3.3	3.3
Net book amount at 31 December	61.4	47.7

During the year, the acquired goodwill was tested for impairment in accordance with IAS 36. Following the impairment test, no goodwill impairment charge was deemed necessary (2011 £nil).

Goodwill arose in the year on the acquisition of Lomond Motors Limited and Fleet Financial (NI) Limited (note 29).

Notes to the Consolidated Financial Statements

8 GOODWILL (continued)

For the purposes of impairment testing of goodwill and intangible assets, the Directors recognise the group's Cash Generating Units ("CGU") to be connected groupings of dealerships and each subsidiary comprising the Parts Division. The recoverable amount of each CGU's goodwill and intangible assets is based on value in use using Board approved budgeted projections over the next five years for each CGU to calculate each CGU's discounted cashflows, 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 period and the impairment calculation is sensitive to these key assumptions. Goodwill is represented by £56.1m applicable to the Motor Division and £5.3m applicable to the Parts Division. 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 3.0% (2011: 4.2%) (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 with all units carrying a goodwill value operating in the UK and the motor retail or related sector a single pre-tax discount rate of 9.8% (2011: 9.6%) has been applied.

The two key assumptions made by the Directors are the discount rate used and profitability rates beyond the business plan. Neither a 1% increase in the discount rate or a 10% reduction in operating profit would result in any impairment being required.

9 INTANGIBLE ASSETS

Group	Licences £m	Customer relationships £m	Brands £m	Total £m
Acquired intangible assets				
Cost				
As at 1 January 2012	5.0	11.5	6.2	22.7
Additions on business combination	0.4	-	1.0	1.4
As at 31 December 2012	5.4	11.5	7.2	24.1
Aggregate amortisation and impairment				
As at 1 January 2012	2.6	4.2	1.4	8.2
Charge for the year	0.5	0.5	0.1	1.1
As at 31 December 2012	3.1	4.7	1.5	9.3
Net book amount at 31 December 2012	2.3	6.8	5.7	14.8
Acquired intangible assets				
Cost				
As at 1 January 2011	4.9	11.5	6.2	22.6
Disposals	0.1	-	-	0.1
As at 31 December 2011	5.0	11.5	6.2	22.7
Aggregate amortisation and impairment				
As at 1 January 2011	2.1	3.6	1.2	6.9
Charge for the year	0.5	0.6	0.2	1.3
As at 31 December 2011	2.6	4.2	1.4	8.2
Net book amount at 31 December 2011	2.4	7.3	4.8	14.5

Notes to the Consolidated Financial Statements

9 INTANGIBLE ASSETS (continued)

Within Brands, intangible assets of £4.8m (2011: £4.7m) are deemed by the Directors to have an indefinite useful economic life. These Brands arose on the acquisition of subsidiary undertakings. 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.

Through the acquisition of Lomond Motors Ltd, the group has provisionally allocated a Brand value of £1m to the trading name 'Lomond'. This is deemed to have a useful economic life of 20 years.

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.

Company	Licences £m
Acquired intangible assets	
Cost as at 1 January 2012	4.6
Additions	0.4
As at 31 December 2012	5.0
Aggregate amortisation and impairment	
As at 1 January 2012	2.3
Charge for the year	0.5
As at 31 December 2012	2.8
Net book amount at 31 December 2012	2.2
Acquired intangible assets	
Cost	4.6
As at 1 January 2011 and at 31 December 2011	4.6
Aggregate amortisation and impairment	
As at 1 January 2011	1.8
Charge for the year	0.5
As at 31 December 2011	2.3
Net book amount at 31 December 2011	2.3

10 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold property £m	Long leasehold property £m	Short leasehold property £m	Plant & machinery £m	Fixtures, fittings, tools & equipment £m	Total £m
Cost						
As at 1 January 2012	131.0	47.5	10.3	14.3	25.4	228.5
On acquisition (note 29)	0.6	0.4	-	0.4	0.4	1.8
Additions in year	10.6	1.0	0.3	1.8	1.6	15.3
Disposals	(3.6)	(0.1)	(0.4)	(1.7)	(3.7)	(9.5)
As at 31 December 2012	138.6	48.8	10.2	14.8	23.7	236.1
Accumulated depreciation						
As at 1 January 2012	4.6	3.1	3.1	9.9	16.7	37.4
Charge for the year	0.8	0.8	1.1	2.1	2.6	7.4
Disposals	(0.1)	-	(0.2)	(2.0)	(3.5)	(5.8)
As at 31 December 2012	5.3	3.9	4.0	10.0	15.8	39.0
Net book value at 31 December 2012	133.3	44.9	6.2	4.8	7.9	197.1

Notes to the Consolidated Financial Statements

10 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold property £m	Long leasehold property £m	Short leasehold property £m	Plant & machinery £m	Fixtures, fittings, tools & equipment £m	Total £m
Cost						
As at 1 January 2011	133.1	48.0	10.1	14.9	24.9	231.0
On acquisition	-	-	0.3	0.3	0.2	0.8
Additions in year	2.4	3.5	0.3	1.6	3.1	10.9
Disposals	(4.5)	(4.0)	(0.4)	(2.5)	(2.8)	(14.2)
As at 31 December 2011	131.0	47.5	10.3	14.3	25.4	228.5
Accumulated depreciation						
As at 1 January 2011	4.0	3.4	2.7	9.8	16.5	36.4
Charge for the year	0.8	0.7	0.8	2.4	2.7	7.4
Disposals	(0.2)	(1.0)	(0.4)	(2.3)	(2.5)	(6.4)
As at 31 December 2011	4.6	3.1	3.1	9.9	16.7	37.4
Net book value at 31 December 2011	126.4	44.4	7.2	4.4	8.7	191.1

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

	2012 £m	2011 £m
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
Cost	
As at 1 January and 31 December 2012	1.7
Accumulated depreciation	
As at 1 January 2012	1.5
Charge for the year	0.1
As at 31 December 2012	1.6
Net book value at 31 December 2012	0.1

Notes to the Consolidated Financial Statements

10 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Fixtures, fittings, tools & equipment £m
Cost	
As at 1 January 2011	1 6
Additions in year	0 1
As at 31 December 2011	1 7
Accumulated depreciation	
As at 1 January 2011	1 4
Charge for the year	0 1
As at 31 December 2011	1 5
Net book value at 31 December 2011	0 2

11 INVESTMENT IN SUBSIDIARIES

Company	2012 £m	2011 £m
Cost		
As at 1 January	57 8	53 7
Additions in year (note 29)	-	4 1
As at 31 December	57 8	57 8

Details of the principal subsidiary undertakings are as follows

* Lookers Motor Holdings Limited	Bolling Investments Limited
Charles Hurst Limited	Charles Hurst Motors Limited
Lookers Motor Group Limited	Ferraris Piston Service Limited
Lookers Birmingham Limited	MB South Limited
FPS Distribution Limited	Apec Limited
Dutton Forshaw Motor Company Limited	BTN Turbocharger Service Limited
Lookers Leasing Limited	Platts Harris Limited
* Get Motoring UK Limited	Charles Hurst Dublin Limited
Lomond Motors Limited	Fleet Financial (NI) Limited

All subsidiaries are incorporated and registered in England and operate in England and Wales with the exception of Fleet Financial (NI) Limited, Charles Hurst Limited and Charles Hurst Motors Limited which are incorporated, registered and operate in Northern Ireland and Scotland. Charles Hurst Dublin Limited is incorporated, registered and operates in the Republic of Ireland. All subsidiary companies are wholly owned with the exception of Lookers Birmingham Limited and Charles Hurst Motors Limited in which 99% shareholdings are held and Get Motoring UK Limited in which a 90% holding is held.

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

A full list of subsidiary undertakings will be annexed to the company's next Annual Return.

12 INVENTORIES

Group	2012 £m	2011 £m
Goods for resale	252 4	213 9
Bulk deposits paid for vehicles on consignment	-	0 1
Consignment vehicles	131 7	106 3
	384 1	320 3

Notes to the Consolidated Financial Statements

13 TRADE AND OTHER RECEIVABLES

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Amounts falling due within one year				
Trade debtors	91 5	85 6	-	0 2
Less provision for impairment of receivables	(1 7)	(1 5)	-	-
	89 8	84 1	-	0 2
Amounts owed by group undertakings	-	-	181 8	158 3
Other debtors	18 0	12 1	5 5	3 0
Prepayments	16 0	12 9	2 6	3 2
	123 8	109 1	189 9	164 7

The average credit period on sales of goods is 16 days (2011 17 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 £9 6m (2011 £8 9m) 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 (2011 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

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Movement in the allowance for doubtful debts				
Balance at beginning of the year	1 5	1 4	-	-
Amounts written off during the year	(0 4)	(0 2)	-	-
Increase in allowance recognised in income statement	0 6	0 3	-	-
Balance at the end of the year	1 7	1 5	-	-

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 £224,400 (2011 £202,474) for the group and £nil (2011 £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

Group	2012 Value of Receivables £m %		2011 Value of Receivables £m %	
Not impaired				
- Neither past due nor impaired	98 1	91 0	87 3	90 7
- Past due up to 3 months but not impaired	9 7	9 0	8 9	9 3
	107 8	100 0	96 2	100 0

Company	2012 Value of Receivables £m %		2011 Value of Receivables £m %	
Not impaired				
- Neither past due nor impaired	187 3	100 0	161 5	100 0

Notes to the Consolidated Financial Statements

14 OTHER FINANCIAL ASSETS

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Investments carried at cost				
Non-current				
Investments in subsidiaries	-	-	57.8	57.8
Loans carried at amortised cost				
Current				
Loans to subsidiaries	-	-	181.8	158.3
Disclosed in the financial statements as				
Current other financial assets	-	-	181.8	158.3
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 2012 £m	2011 £m	Company 2012 £m	2011 £m
Cost				
As at 1 January	29.8	-	-	-
On acquisition (note 29)	-	18.2	-	-
Acquisitions in year	52.0	39.3	-	-
Disposals	(40.4)	(27.7)	-	-
As at 31 December	41.4	29.8	-	-
Accumulated depreciation				
As at 1 January	0.5	-	-	-
Charge for the year	3.4	1.9	-	-
Disposals	(1.9)	(1.4)	-	-
As at 31 December 2012	2.0	0.5	-	-
Net book value at 31 December	39.4	29.3	-	-

16 CASH AND CASH EQUIVALENTS

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Cash at bank and in hand	8.7	17.9	7.2	31.1
Bank overdraft	(8.2)	(1.1)	(20.2)	(1.8)
Reconciliation to cash flow statements	0.5	16.8	(13.0)	29.3

Cash and cash equivalents comprise cash held by the group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

17 ASSETS HELD FOR SALE

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
As at 1 January 2012	3.5	7.8	-	-
Disposals	(0.3)	(4.3)	-	-
At 31 December 2012	3.2	3.5	-	-

Assets held for sale comprise several freehold and long leasehold properties which are currently being marketed for resale. These properties are stated at the lower of net resaleable value or net book value and in the Directors' opinion are likely to be realised during 2013. All assets held for sale relate to the Motor Division.

Notes to the Consolidated Financial Statements

18 TRADE AND OTHER PAYABLES

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Trade payables	149.2	130.6	3.2	2.7
Repurchase commitments	103.7	84.8	-	-
Consignment vehicle creditors	131.7	106.3	-	-
Amounts owed to group undertakings	-	-	31.0	42.6
Rental Fleet Vehicle finance	32.9	25.9	-	-
Other tax and social security payable	7.8	11.8	0.1	0.1
Other creditors	9.6	7.7	4.7	4.3
Accruals and deferred income	44.9	40.0	14.2	11.6
	479.8	407.1	53.2	61.3
Repurchase commitments due after more than 1 year	21.0	9.8	-	-

19 CURRENT TAX LIABILITIES

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Current tax liabilities	8.4	8.4	-	1.2

20 BORROWINGS

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Current				
Bank overdraft	8.2	1.1	20.2	1.8
Secured bank loans	7.5	7.5	7.5	7.5
	15.7	8.6	27.7	9.3
Non-current				
Secured bank loans	41.2	48.8	41.2	48.8
Total borrowings	56.9	57.4	68.9	58.1
	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Bank loans and overdraft repayable				
Less than one year	15.7	8.6	27.7	9.3
More than one year and not more than two years	7.5	7.5	7.5	7.5
More than two years and not more than five years	33.7	41.3	33.7	41.3
	56.9	57.4	68.9	58.1

The principal features of the group's borrowings are as follows

At 31 December 2012 the group had 2 principal bank loans

- (i) A loan of £48.75m which will continue until 31 March 2016. The loan carries an interest rate of between 1.4% and 2.35% above LIBOR.
- (ii) A revolving loan facility of £55.0m. The facility can be drawn in whole or part at any time and will continue until 31 March 2016. The drawn down part of the loan carries an interest rate of between 1.4% and 2.35% above LIBOR.

Notes to the Consolidated Financial Statements

20 BORROWINGS (continued)

The weighted average interest rate paid during the year on the bank loans was 1.93% (2011: 3.94%)

At 31 December 2012, the group had available £46.8m (2011: £55.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met

The group's current facilities were negotiated on 28 November 2011

Of this amount £48.75m (2011: £56.25m) is repayable in instalments up until 2016 (2011: 2016)

The company is jointly liable under cross guarantees within the group for bank loans and overdrafts which amounted to £nil (2011: £nil)

21 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 accounting policy note

Categories of financial instruments	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
Financial assets				
Cash	8.7	17.9	7.1	31.1
Receivables	89.8	84.1	179.2	158.5
Financial liabilities				
Amortised cost	459.8	388.8	103.2	103.4

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.

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

Notes to the Consolidated Financial Statements

21 FINANCIAL INSTRUMENTS (continued)

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	
	2012 £m	2011 £m	2012 £m	2011 £m
Euro	8.3	4.9	8.1	4.9

The company had no foreign currency denominated monetary assets or monetary liabilities at the reporting date (2011: same).

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 US Dollars and Euros. The following table details the group's sensitivity to a 10% change in pounds sterling against the respective foreign currencies. 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 and other equity where pounds sterling strengthens against the respective currency.

	2012 £m	Euro Impact Group	2011 £m
Profit or loss	0.1		0.5

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.

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.

	Group 2012 £m	+ 50 Basis Points		Group 2012 £m	2011 £m	- 50 Basis Points		Group 2012 £m	2011 £m
		2011 £m	Company 2012 £m			2011 £m	Company 2012 £m		
Profit or loss	0.5	0.1	-	-	0.5	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.

Notes to the Consolidated Financial Statements

21 FINANCIAL INSTRUMENTS (continued)

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

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
2012					
Variable interest rate instruments	-	235.4	36.8	65.8	338.0
Fixed interest rate instruments	70.5	149.2	-	-	219.7
	70.5	384.6	36.8	65.8	557.7
2011					
Variable interest rate instruments	-	188.1	27.0	58.6	273.7
Fixed interest rate instruments	-	132.2	-	-	132.2
	-	320.3	27.0	58.6	405.9

Included within variable interest rate instruments in the 1 to 3 month column is an amount of £103.7m (2011: £84.8m) relating to repurchase commitments 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 £126.4m (2011: £103.3m) relating to vehicle stocking loans.

Notes to the Consolidated Financial Statements

21 FINANCIAL INSTRUMENTS (continued)

Included within variable interest rate instruments in the 1 to 3 month column is an amount of £131.7m (2011: £106.3m) 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
2012					
Variable interest rate instruments	-	3.2	3.8	49.5	56.5
Fixed interest rate instruments	38.7	-	-	-	38.7
	38.7	3.2	3.8	49.5	95.2
2011					
Variable interest rate instruments	-	-	23.5	48.8	72.3
Fixed interest rate instruments	-	-	-	-	-
	-	-	23.5	48.8	72.3

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 32.

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 stakeholders through the optimisation of the debt and equity balance. The group's overall strategy remains unchanged from 2011.

The capital structure of the group consists of debt, which includes the borrowings disclosed in note 20, cash and cash equivalents and equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 24 to 28.

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 capital.

Gearing Ratio

The gearing ratio at the year end is as follows:

	2012 £m	2011 £m
Debt	56.9	57.4
Cash and cash equivalents	(8.7)	(17.9)
Net Debt	48.2	39.5
Total Equity	203.8	197.1
Net debt to equity ratio	23.7%	20.0%

Debt is defined as long-term and short-term borrowings (excluding derivatives and financial guarantee contracts) as detailed in note 20.

Equity includes all capital and reserves of the group that are managed as capital.

Notes to the Consolidated Financial Statements

22 PROVISIONS

Group	Dilapidations £m	Closure costs £m	Total £m
As at 1 January 2012	1.1	0.6	1.7
Utilised in the year	(0.3)	-	(0.3)
As at 31 December 2012	0.8	0.6	1.4

Provisions have been allocated between current and non-current as follows

	2012 £m	2011 £m
Current	0.6	0.9
Non-current	0.8	0.8
	1.4	1.7

Dilapidations

The group operates from a number of leasehold premises under full repairing leases. The provision recognises that repairs are required to put the buildings back into the state of repair required under the leases. Currently, these leases are expected to expire between 2013 and 2018.

Closure Costs

The group terminates specific trading units when they are not deemed viable to continue. The provision recognises the expected costs associated with these closures and are expected to be utilised during 2013.

23 DEFERRED TAXATION

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 23% (2011: 25%).

The movement on the deferred tax account is as shown below:

	Group 2012 £m	2011 £m	Company 2012 £m	2011 £m
As at 1 January 2012	11.4	13.3	(5.7)	(5.7)
Adjustment to Prior Year Deferred Taxation (note 4)	-	(0.2)	-	-
Change of rate (note 4)	(1.0)	(0.9)	0.4	0.4
On acquisition of subsidiary	-	0.4	-	-
Charged to Income Statement (note 4)	1.7	1.7	0.9	1.1
(Credited)/charged to statement of Comprehensive Income in respect of pension scheme liabilities	(3.5)	(2.4)	(1.9)	(1.0)
Credited to statement of Comprehensive Income with respect to prior year derivative instruments	-	(0.5)	-	(0.5)
As at 31 December 2012	8.6	11.4	(6.3)	(5.7)

The deferred tax credited to equity during the current and prior year related to the deferred tax movement on the pension liability.

Deferred tax assets have been recognised in respect of all tax losses and 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.

Finance Act 2012, which was substantively enacted in July 2012, included provisions to reduce the rate of corporation tax to 24% with effect from 1 April 2012 and 23% with effect from 1 April 2013. Accordingly, deferred tax balances have been revalued to the lower rate of 23% in these accounts, which has resulted in a credit to the profit & loss account of £1.0m.

The government has announced that it intends to further reduce the rate of corporation tax to 21% with effect from 1 April 2014. As this legislation was not substantively enacted by 31 December 2012, the impact of the anticipated rate change is not reflected in the tax provisions reported in these accounts. If the deferred tax assets and liabilities of the group were all to reverse after 1 April 2014, the effect of the future changes from 23% to 21% would be to reduce the net deferred tax liability by £0.7m. To the extent that the deferred tax reverses more quickly than this the impact on the net deferred tax liability will be reduced.

Notes to the Consolidated Financial Statements

23 DEFERRED TAXATION (continued)

Group

Deferred tax liabilities

	Accelerated tax depreciation £m	Capital gains £m	Total £m
As at 1 January 2012	20.2	2.9	23.1
Credited to Income Statement	(1.7)	(0.3)	(2.0)
As at 31 December 2012	18.5	2.6	21.1

	Losses £m	Employee benefits £m	Short term timing differences £m	Total £m
As at 1 January 2012	(1.0)	(8.0)	(2.7)	(11.7)
Charged to Income Statement	1.0	1.4	0.3	2.7
Credited to Statement of Comprehensive Income	-	(3.5)	-	(3.5)
As at 31 December 2012	-	(10.1)	(2.4)	(12.5)

Net deferred tax liability	
As at 31 December 2012	8.6
As at 31 December 2011	11.4

Company

Deferred tax assets

	Employee benefits £m	Provisions £m	Accelerated tax depreciation £m	Total £m
As at 1 January 2012	(2.8)	(2.8)	(0.1)	(5.7)
Charged to Income Statement	0.7	0.6	-	1.3
Credited to Statement of Comprehensive Income	(1.9)	-	-	(1.9)
As at 31 December 2012	(4.0)	(2.2)	(0.1)	(6.3)
As at 31 December 2011				(5.7)

24 SHARE CAPITAL

Group and Company	2012 Shares	£m	2011 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	386,641,830	19.3	383,579,906	19.2
Allotted under share option schemes	1,201,100	0.1	3,061,924	0.1
As at 31 December	387,842,930	19.4	386,641,830	19.3

Potential Issues of Ordinary Shares

Options on 4,621,267 ordinary shares in relation to the employee share save scheme lapsed or were forfeited during 2012 and 4,368,895 options were exercised during the year.

The number of shares subject to options, the periods in which they were granted and the periods in which they may be exercised are given below.

Year of grant	Exercise price pence	Exercise period	2012 Number (5p Shares)	2011 Number (5p Shares)
2011 ESOS	61.00	2014-2021	1,672,130	1,672,130
2012 ESOS	62.75	2015-2022	346,820	-

Notes to the Consolidated Financial Statements

24 SHARE CAPITAL (continued)

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. The latest grant under the ShareSave scheme was made in the year ended 2012. No further grants have been made under this scheme. Options outstanding under this scheme at 31 December 2012 were 6,385,397 (2011 7,609,808).

The total expense included within operating profit from continuing operations in respect of share based payments was £nil (2011 £nil).

25 SHARE PREMIUM

Group and Company	£m
As at 1 January 2012	75.0
Arising on issue of new shares	0.3
As at 31 December 2012	75.3
As at 1 January 2011	73.6
Arising on issue of new shares	1.4
As at 31 December 2011	75.0

26 CAPITAL REDEMPTION RESERVE

Group and Company	£m
As at 1 January 2012 and 31 December 2012	14.6

27 OTHER RESERVE

	Group £m	Company £m
As at 1 January 2012 and 31 December 2012	(1.4)	(1.1)

28 RETAINED EARNINGS

	Group £m	Company £m
As at 1 January 2011	75.6	10.0
Net profit for the year	25.2	9.5
Actuarial losses on defined benefit pension schemes	(6.4)	(0.3)
Dividends to shareholders	(7.7)	(7.7)
Adjustment to deferred taxation on derivative instruments	0.5	0.5
Non-controlling interest in subsidiary undertaking	(0.3)	-
Deferred taxation on pension liability	2.4	1.0
As at 31 December 2011	89.3	13.0
Net profit for the year	27.0	8.5
Actuarial losses on defined benefit pension schemes	(15.9)	(7.1)
Deferred taxation on pension liability	3.5	1.9
Dividends to shareholders	(8.4)	(8.4)
Non-controlling interest in subsidiary undertaking	(0.1)	-
As at 31 December 2012	95.4	7.9

Group retained earnings include £17.1m (2011 £17.1m) of non-distributable reserves relating to properties which had been revalued under UK GAAP, but treated as deemed cost under IFRS.

Notes to the Consolidated Financial Statements

29 ACQUISITIONS

In line with the group strategy of growth by selective acquisition the following companies were acquired during the year

(a) Acquisition of Lomond Motors Limited and its subsidiaries

On the 5th July 2012 Lookers Motor Group Limited, a wholly owned subsidiary of Lookers Plc, acquired the entire issued share capital of Lomond Motors Limited, a company incorporated in Scotland for a total cash consideration of £14.8m. The acquisition has been accounted for by the acquisition method of accounting

	Book value at acquisition £m	Revaluation £m	Fair value at acquisition £m
Intangibles	-	1.0	1.0
Tangible fixed assets	1.2	-	1.2
Vehicle and other Stocks	27.6	-	27.6
Debtors (gross contractual amounts receivable)	10.5	-	10.5
Payables	(35.3)	(0.2)	(35.5)
	4.0	0.8	4.8
Goodwill			10.0
Consideration in cash			14.8

The fair value adjustments above principally arise from the recognition of unprovided amounts in respect of other liabilities and a provisional allocation of £1.0m to the 'Lomond' brand name

The goodwill arising on the acquisitions of the above company is attributable to the anticipated profitability of the distribution of the group's products in new markets and the anticipated operating synergies derived from the combination. The summarised income statement and statement of changes in equity of Lomond Motors Limited, are disclosed below, for the year ended 31 December 2012

	Period to 5th July 2012 £m	Period from acquisition to 31 December 2012 £m	Total £m
Turnover	93.0	91.6	184.6
Operating profit	(1.0)	0.2	(0.8)
Net interest payable	(0.2)	(0.4)	(0.6)
Loss before taxation	(1.2)	(0.2)	(1.4)
Taxation	-	-	-
Loss for the period	(1.2)	(0.2)	(1.4)

The business acquired during the year used cash resources amounting to £0.1m from the group's cash resources

(b) Acquisition of Fleet Financial (NI) Limited

On the 7th June 2012 Charles Hurst Limited, a wholly owned subsidiary of Lookers plc, acquired the entire issued share capital of Fleet Financial (NI) Limited, a company incorporated in Northern Ireland for a total consideration of £4.2m. The acquisition has been accounted for by the acquisition method of accounting

	Book and fair value at acquisition £m	Revaluation £m	Fair value at acquisition £m
Tangible fixed assets	1.0	(0.4)	0.6
Stocks	0.8	-	0.8
Other assets (gross contractual amounts receivable)	1.7	-	1.7
Cash	0.3	-	0.3
Payables	(2.9)	-	(2.9)
	0.9	(0.4)	0.5
Goodwill			3.7
Consideration in cash			3.7
Deferred Consideration			0.5
Total Consideration			4.2

The fair value adjustments above arise from the revaluation of the property held in relation to the operating site at Mallusk, Newtownabbey

The goodwill arising on the acquisition of the above company is attributable to the anticipated profitability of the distribution of the group's products in new markets and the anticipated operating synergies derived from the combination. The summarised income statement and statement of change in equity of Fleet Financial (NI) Limited, are disclosed below, for the year ended 31 December 2012

Notes to the Consolidated Financial Statements

29 ACQUISITIONS (continued)

	Period to 7th June 2012 £m	Period from acquisition to 31 December 2012 £m	Total £m
Turnover	7.8	9.6	17.4
Operating profit	0.5	0.5	1.0
Net interest payable	-	-	-
Profit before taxation	0.5	0.5	1.0
Taxation	-	(0.1)	(0.1)
Profit and total recognised gains for the period	0.5	0.4	0.9

The business acquired during the year contributed £0.4m to the Group's net operating cash flows

30 PENSIONS

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. The Lookers Pension Plan, which is a funded scheme, is administered by William M Mercer 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 2004) 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 / (gain) for the scheme for 2012 was £0.4m (2011: (£0.9m)).

A valuation update was made as at 31 December 2012 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 £90.1m at 31 December 2012 (2011: £79.9m).

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

	Expected rate of return 2012 %	Market value 2012 £m	Expected rate of return 2011 %	Market value 2011 £m
Equities	5.8	45.0	6.0	43.4
Bonds	4.5	11.4	5.0	11.0
Corporate Gilts	2.3	15.5	2.5	13.0
Cash	0.5	1.4	0.5	0.7
Total fair value of assets		73.3		68.1

The overall net deficit between the assets of the group and company defined benefit scheme and the actuarial liabilities of the scheme which has been recognised on the balance sheet are as follows:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Fair value of scheme assets	73.3	68.1	68.7	61.4	55.5
Actuarial value of scheme liabilities	(90.1)	(79.9)	(80.4)	(79.6)	(71.6)
Deficit in the scheme	(16.8)	(11.8)	(11.7)	(18.2)	(16.1)
Related deferred tax asset	3.5	2.8	3.1	5.1	4.5
Net pension liability	(13.3)	(9.0)	(8.6)	(13.1)	(11.6)
Experience adjustments in plan liabilities	-	-	-	-	(4.6)
Experience adjustments in plan assets	2.3	(4.9)	2.6	5.1	(17.1)

Notes to the Consolidated Financial Statements

30 PENSIONS (continued)

The amounts recognised in the Income Statements are as follows

	2012 £m	2011 £m
Current service cost	-	0.2
Net gains on curtailments and settlements	-	(1.2)
Total included in administrative expenses	-	(1.0)
Interest on obligation	3.9	4.3
Expected return on scheme assets	(3.5)	(4.2)
Total included in finance costs (note 2)	0.4	0.1
Total defined benefit expense / (income)	0.4	(0.9)

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

	2012 £m	2011 £m
Opening defined benefit obligation	79.9	80.4
Service cost	-	0.2
Contributions by employees	-	0.1
Interest cost	3.9	4.3
Actuarial losses / (gains)	10.2	(0.4)
Gains on curtailments and settlement	-	(1.2)
Benefits paid	(4.1)	(3.5)
Closing defined benefit obligation	90.1	79.9

Changes in the fair value of scheme assets are as follows

	2012 £m	2011 £m
Opening fair value of scheme assets	68.1	68.7
Expected return	3.5	4.2
Actuarial gains / (losses)	2.5	(4.9)
Contributions by employer	3.3	3.5
Contributions by employees	-	0.1
Benefits paid	(4.1)	(3.5)
Closing fair value of scheme assets	73.3	68.1

The actual return on scheme assets was £6.0m (2011 £(0.7)m). None of the scheme's assets were invested in Lookers plc or property occupied by Lookers plc. The company contributed an additional £3.3m in 2012 (2011 £3.0m) to fund accruing pensions and expects to maintain a similar level of pension contributions in 2013.

	2012 £m	2011 £m
Total amount of actuarial losses recognised in the Statement of Comprehensive Income in the year	(7.1)	(0.3)
Cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income at the year end	(21.8)	(14.7)

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

	2012	2011
Equities	61.4%	63.8%
Bonds	15.5%	16.1%
Gilts	21.2%	19.1%
Cash	1.9%	1.0%

Notes to the Consolidated Financial Statements

30 PENSIONS (continued)

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

	2012	2011
Discount rate	4.6%	5.0%
Expected return on assets	4.8%	5.1%
Future salary increases	-	-
Future pension increases	1.7% - 2.75%	1.5% - 2.5%
Life expectancy at age 65 for		
current pensioners - males	87.2	86.5
current pensioners - females	89.5	89.4
future pensioners - males	88.2	87.3
future pensioners - females	90.7	90.2

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, based 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.

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.	+ £1.6m
Increase inflation assumptions by 0.1% p.a.	+ £1.4m
Change mortality assumption to SAPS SINA (-1 year) CMI 2011 (1%)	+ £2.0m

Amounts for the current and previous year are as follows

	£m	£m
Defined benefit obligation	90.1	79.9
Scheme assets	73.3	68.1
Deficit	16.8	11.8
Experience (gains) / losses on plan assets	(2.6)	4.8

Defined Contribution Scheme

The group and company provide pension arrangements for certain Directors and employees under defined contribution schemes and has a defined contribution Stakeholder Pension Scheme for employees. The Income Statement account charge for the year in respect of defined contribution schemes was £2.4m (2011: £2.3m).

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. The Dutton Forshaw Group Pension Plan, which is a funded scheme, is administered by Equiniti Financial Services 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 2004) 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 2012 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 £105.2m at 31 December 2012 (2011: £94.7m).

Notes to the Consolidated Financial Statements

30 PENSIONS (continued)

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

	Expected rate of return 2012 %	Market value 2012 £m	Expected rate of return 2011 %	Market value 2011 £m
Absolute / Target Return Funds	5.8%	21.7	6.0	20.5
Equities	5.8%	26.0	6.0	24.4
Corporate Bonds	4.6%	14.8	5.0	14.5
Gilts	2.3%	15.2	2.5	14.7
Cash	0.5%	0.2	0.5	0.4
Total fair value of assets		77.9		74.5

The overall net deficit between the assets of the group's defined benefit scheme and the actuarial liabilities of the scheme, which has been recognised on the balance sheet is as follows

	2012 £m	2011 £m	2010 £m	2009 £m
Fair value of scheme assets	77.9	74.5	73.1	67.2
Actuarial value of scheme liabilities	(105.2)	(94.7)	(88.4)	(84.5)
Deficit in the scheme	(27.3)	(20.2)	(15.3)	(17.3)
Related deferred tax asset	6.0	5.2	4.1	4.9
Net pension liability	(21.3)	(15.0)	(11.2)	(12.4)
Experience adjustments in plan liabilities	-	-	-	-
Experience adjustments in plan assets	2.9	(1.1)	3.9	5.5

The amounts recognised in the Income Statements are as follows

	2012 £m	2011 £m
Current service cost	-	0.1
Total included in administrative expenses	-	0.1
Interest on obligation	4.5	4.8
Expected return on scheme assets	(3.7)	(4.4)
Total included in finance costs (note 2)	0.8	0.4
Total defined benefit expenses	0.8	0.5

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

	2012 £m	2011 £m
Opening defined benefit obligation	94.7	88.4
Service cost	-	0.1
Contributions by employees	-	0.1
Interest cost	4.5	4.8
Actuarial losses	10.4	4.4
Benefits paid	(4.4)	(3.1)
Closing defined benefit obligation	105.2	94.7

Notes to the Consolidated Financial Statements

30 PENSIONS (continued)

Changes in the fair value of scheme assets are as follows

Opening fair value of scheme assets	74.5	73.1
Expected return	3.7	4.4
Actuarial gains / (losses)	2.9	(1.1)
Contributions by employer	1.2	1.1
Contributions by employees	-	0.1
Benefits paid	(4.4)	(3.1)
Closing fair value of scheme assets	77.9	74.5

The actual return on scheme assets was £6.6m (2011: £3.3m). None of the scheme's assets were invested in Lookers plc or property occupied by Lookers plc. The company contributed an additional £1.2m in 2012 (2011: £1.0m) to fund accruing pensions and expects to make a similar level of pension contribution in 2013.

	2012 £m	2011 £m
Total amount of actuarial losses recognised in the Statement of Comprehensive Income in the year	(8.8)	(6.1)
Cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income at the year end	(20.0)	(11.2)

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

	2012	2011
Equities	33.4%	32.8%
Absolute / Target Return Funds	27.8%	27.5%
Corporate Bonds	19.0%	19.4%
Gilts	19.5%	19.8%
Cash	0.3%	0.5%

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

	2012	2011
Discount rate	4.6%	5.0%
Expected return on assets	5.1%	6.1%
Future salary increases	-	2.5%
Future pension increases	2.8%	2.5%
Life expectancy at age 65 for		
current pensioners - males	87.3	86.4
current pensioners - females	89.5	89.3
future pensioners - males	88.2	87.3
future pensioners - females	90.7	90.1

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.	+ £1.8m
Increase inflation assumptions by 0.1% p.a.	+ £1.1m
Change mortality assumption to SAPS SINA (-1 year) CMI 2011 (1%)+	£1.8m

Notes to the Consolidated Financial Statements

30 PENSIONS (continued)

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

	£m	£m
Defined benefit obligation	105.2	94.7
Scheme assets	77.9	(74.5)
Deficit	27.3	20.2
Experience (gains) / losses on plan assets	(2.9)	1.1

31 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 18)	
	2012 £m	2011 £m	2012 £m	2011 £m
Bolling Investments Limited	41.1	41.6	-	-
Lookers Motor Holdings Limited	65.5	65.5	-	-
Charles Hurst Limited	5.5	4.3	-	-
Charles Hurst Motors Limited	-	0.2	-	-
Platts Harris Limited	1.2	0.7	-	-
FPS Distribution Limited	5.3	5.3	-	-
Ferraris Piston Service Limited	1.8	1.8	-	-
Apec Braking Limited	2.5	2.5	-	-
BTN Turbocharger Service Limited	1.5	1.5	-	-
Lookers Motor Group Limited	38.3	27.5	21.7	35.0
Lookers Birmingham Limited	-	0.7	0.9	-
MB South Limited	-	0.3	0.6	0.7
Dutton Forshaw Motor Company Limited	18.5	5.8	6.8	5.9
Dormant Companies	0.6	0.6	1.0	1.0
	181.8	158.3	31.0	42.6

Key management compensation is included in note 7.

32 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 2012 and 2011 are given in note 21. 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.

Maturity of Financial Liabilities

The maturity profile of the carrying amount of the group's non-current financial liabilities at 31 December 2012 and 2011 are given in note 21.

Notes to the Consolidated Financial Statements

32 FINANCIAL ASSETS AND LIABILITIES (continued)

Borrowing Facilities

The group has the following undrawn committed borrowing facilities available at 31 December 2012 and 2011 which expire

	2012 £m	2011 £m
Within one to two years	-	-
Within two to five years	46.8	53.9

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

Interest Rate Profile

Financial assets comprise cash of £8.7m (2011 £17.9m)

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

	2012 Financial liabilities £m	2011 Financial liabilities £m
Floating Rate	56.9	57.4

Interest rates on the group's floating rate liabilities are based on the London Interbank Rate. At 31 December 2012 all of the group's bank loans and overdrafts are potentially exposed to re-pricing within 12 months of the balance sheet date (2011 12 months)

Foreign Currencies

The majority of the group's activities are transacted in sterling although some of its purchases are made in US Dollars and Euros. The group manages the foreign currency risk associated with these foreign currency purchases through the use of forward contracts as a commercial hedge. The group has not sought hedge accounting under IAS 39 in respect of these contracts.

33 OPERATING LEASE COMMITMENTS - MINIMUM LEASE PAYMENTS

Group	2012 Property £m	Plant & equipment £m	2011 Property £m	Plant & equipment £m
Commitments under non-cancellable operating leases expiring				
Within one year	8.6	1.7	8.5	0.9
Within two to five years	35.6	0.5	35.5	0.9
After five years	40.1	-	42.0	-
	84.3	2.2	86.0	1.8

34 CONTINGENT GAIN

Additional amounts may be receivable from HM Revenue & Customs in respect of overpayments of VAT in previous years. These will not be recognised until they have been agreed. It is not practical to estimate the potential gain at the year end.

Trading Outlets and Interests in Major Subsidiary Companies

FRANCHISES

Alfa Romeo
Cardiff
Sheffield

Aston Martin
Belfast

Audi
Ayr
Dublin
Edinburgh
Glasgow
Stirling

Bentley
Belfast

Chevrolet
Chester
Liverpool
Yardley

Chrysler & Jeep
Belfast

Citroen
Belfast
Blackpool
Liverpool
Newport
Preston

Dacia
Belfast
Chester
Colchester
Newtownabbey
Newtownards
Stockport

Ferrari
Belfast

Fiat
Stockport

Ford
Braintree
Chelmsford
Colchester
Sheffield North
Sheffield South
South Woodham Ferrers
Sudbury
Witham

Honda
Bexleyheath
Derby
Nottingham

Hyundai
Dundonald
Motherwell
Preston

Jaguar
Belfast
Glasgow
London - Park Royal
Motherwell

Kia
Belfast
Colchester
Sheffield
Stockport

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

Lexus
Belfast
Hatfield

Maserati
Belfast

Mercedes-Benz
Ashford
Brighton
Eastbourne
Gatwick
Maidstone
Redhill
Tonbridge

Nissan
Belfast
Chester
Motherwell
Newtownabbey
Newtownards

Peugeot
Belfast
Cardiff
Motherwell
Newport

Renault
Belfast
Chester
Colchester
Newtownabbey
Newtownards
Stockport

Seat
Manchester
Stockport

Skoda
Manchester
Stockport

Smart
Brighton
Gatwick
Maidstone
Tonbridge

Toyota
Belfast
Dundonald
Newtownabbey

Vauxhall
Belfast
Birkenhead
Birmingham
Chester
Ellesmere Port
Lisburn
Liverpool
Portadown
Selly Oak
Speke
St Helens
Warrington
Yardley

Volkswagen
Battersea
Blackburn
Blackpool
Boston
Darlington
Lincoln
Morden
Northallerton
Preston
Teesside

Volvo
Colchester
Glasgow
Motherwell

**USED CAR
SUPERMARKETS**
Bristol
Burton-on-Trent
Belfast
Newtownabbey

MOTORCYCLES
BMW - Newtownabbey
Yamaha - Belfast

TYRES
Belfast - Boucher Road
Belfast - Sydenham Road
Coleraine
Omagh
Portadown

SERVICE CENTRES
Renault Chelmsford
Volvo Chelmsford
Mercedes Canterbury
Vauxhall Dundonald

LOOKERS LEASING
Harrogate
Manchester

FLEET FINANCIAL
Belfast

**VEHICLE RENTAL
SERVICES**
Beaconsfield
PARTS DISTRIBUTION

FPS
Barking
Birmingham
Bristol
Cardiff
Charlton
Colchester
Glasgow
Leeds
Leicester
Liverpool
Luton
Maidstone
Manchester
Newcastle
Nottingham
Preston
Reading
Sheffield
Southampton
Staples Corner

Apec
Bristol

**BTN Turbocharger
Services**
Uxbridge

**AGRICULTURAL
DIVISION**
Darley Dale
Tuxford

Golf & Turf Machinery
Wakefield

**Major Subsidiary
Companies**
Lookers Motor Holdings
Limited
Bolling Investments Limited
Charles Hurst Limited
Charles Hurst Motors
Limited
Fleet Financial (N I) Limited
Lookers Motor Group
Limited
Lookers Birmingham Limited
MB South Limited
FPS Distribution Limited
Apec Limited
BTN Turbocharger
Service Limited
Dutton Forshaw Motor
Company Limited
Lookers Leasing Limited
Lomond Motors Limited
Platts Harns Limited
Ferraris Piston Service
Limited
GET Motoring UK Limited
Charles Hurst Dublin Limited

Website
www.lookers.co.uk

Five Year Record

	Year ended 31 December 2008 £m	Year ended 31 December 2009 £m	Year ended 31 December 2010 £m	Year ended 31 December 2011 £m	Year ended 31 December 2012 £m
Turnover	1,775.9	1,749.0	1,883.8	1,898.5	2,056.6
Profit before tax, amortisation, exceptional items and debt issue costs	14.0	28.3	33.6	33.8	36.8
Amortisation/impairment	(4.5)	(1.7)	(1.3)	(1.3)	(1.1)
Net exceptional items	(20.0)	(14.2)	-	-	-
Fair value on derivative instruments	(4.0)	-	-	-	-
Debt issue costs	(0.4)	(0.9)	(1.2)	(1.1)	(0.4)
Profit/(loss) before taxation	(14.9)	11.5	31.1	31.4	35.3
Taxation	(1.1)	(3.5)	(8.2)	(6.2)	(8.2)
Profit/(loss) attributable to shareholders	(16.0)	8.0	22.9	25.1	27.0
Non-controlling interests	-	-	-	0.1	0.1
Equity dividend per share*	1.60p	-	1.8p	2.18p	2.35p
Basic earnings/(loss) per ordinary share***	(7.68)p	2.79p	5.97p	6.54p	7.00p
Adjusted earnings per ordinary share***	4.66p	7.32p	6.63p	7.17p	7.40p
As at year end					
Shareholders' interests					
Share capital	9.1	19.2	19.2	19.3	19.4
Reserves					
- non-distributable	36.8	**103.9	103.9	105.4	105.8
- distributable	37.0	**37.0	58.5	72.4	78.6
Net assets	82.9	160.1	181.6	197.1	203.8

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

**Represented to more accurately reflect the underlying records

***The 2008 numbers have not been re-stated for the bonus element of the share issues in 2009

Notice of Meeting

Incorporated in England under the Companies Act 1985 Registered No 111876

NOTICE IS HEREBY GIVEN that the one hundred and third Annual General Meeting of Lookers Public Limited Company (the "Company") will be held at FPS Distribution Limited, 5 Parkway Rise, Sheffield, S9 4WQ on Thursday 30 May 2013 at 10 00 am to transact the business set out below. Resolutions 1 to 14 below will be proposed as ordinary resolutions and resolutions 15 to 18 will be proposed as special resolutions.

- 1 To receive the financial statements for the year ended 31 December 2012 together with the reports thereon of the Directors and the Auditor
- 2 To approve the Directors' Remuneration Report for the year ended 31 December 2012
- 3 To declare a final dividend of 1 55p per ordinary share
- 4 To re-elect as a Director J E Brown, who retires by rotation in accordance with paragraphs (B) and (C) of Article 67 of the Articles of Association
- 5 To re-elect as a Director P M White, who retires by rotation in accordance with paragraphs (B) and (C) of Article 67 of the Articles of Association
- 6 To re-elect as a Director D C A Bramall, who retires in accordance with paragraph (D) of Article 67 of the Articles of Association
- 7 To re-elect as a Director W Holmes, who retires in accordance with paragraph (D) of Article 67 of the Articles of Association
- 8 To re-elect as a Director P Jones, who retires in accordance with paragraph (D) of Article 67 of the Articles of Association
- 9 To re-elect as a Director A C Bruce, who retires in accordance with paragraph (D) of Article 67 of the Articles of Association
- 10 To re-elect as a Director R A Gregson, who retires in accordance with paragraph (D) of Article 67 of the Articles of Association
- 11 To re-elect as a Director N A Davis, who retires in accordance with paragraph (D) of Article 67 of the Articles of Association
- 12 To re-appoint Deloitte LLP as Auditor
- 13 To authorise the Directors to determine the remuneration of the Auditor

Ordinary resolution – authority to allot shares

- 14 That the Directors are generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 to exercise all the powers of the company to allot shares in the company and to grant rights to subscribe for or to convert any security into such shares ("Allotment Rights"), but so that
 - (a) the maximum amount of shares that may be allotted or made the subject of Allotment Rights under this authority are shares with an aggregate nominal value of £6,466,108
 - (b) this authority shall expire on 29 November 2014 or, if earlier, on the conclusion of the next Annual General Meeting of the company,
 - (c) the company may make any offer or agreement before such expiry which would or might require shares to be allotted or Allotment Rights to be granted after such expiry, and
 - (d) all authorities vested in the Directors on the date of the notice of this meeting to allot shares or to grant Allotment Rights that remain unexercised at the commencement of this meeting are revoked

Notice of Meeting

Special resolution – disapplication of pre-emption rights

15 That the Directors are empowered to allot equity securities (as defined in Section 560 of the Companies Act 2006) pursuant to the authority conferred on them by resolution 14 in the notice of this meeting or by way of a sale of treasury shares as if Section 561 of that Act did not apply to any such allotment, provided that this power shall be limited to

- (i) the allotment of equity securities in connection with any rights issue or open offer (each as referred to in the Financial Services Authority's listing rules) or any other pre-emptive offer that is open for acceptance for a period determined by the Directors to the holders of ordinary shares in the capital of the company on the register of members at such fixed record date as the Directors may determine in proportion to their holdings of ordinary shares in the capital of the company, subject in each case to such exclusions or other arrangements as the Directors may deem necessary or appropriate in relation to fractions of such securities, treasury shares, any legal or practical problems in relation to any territory or the requirements of any regulatory body or stock exchange, and

Special resolution – disapplication of pre-emption rights (continued)

- (ii) the allotment (otherwise than pursuant to paragraph (i) above) of equity securities having an aggregate nominal value of £969,916

and shall expire when the authority conferred on the Directors by resolution 14 in the notice of this meeting expires, save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry

Special resolution – authority to purchase own shares on market

16 That the company is generally and unconditionally authorised pursuant to Section 701 of the Companies Act 2006 to make market purchases (as defined in Section 693 of that Act) of ordinary shares of 5p each in its capital, provided that

- (i) the maximum aggregate number of such shares hereby authorised to be purchased is 38,796,651,
- (ii) the minimum price (exclusive of expenses) which may be paid for such a share is 5p,
- (iii) the maximum price (exclusive of expenses) which may be paid for such a share is the maximum price permitted under the Financial Service Authority's listing rules or, in the case of a tender offer (as referred to in those rules), five per cent above the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the date on which the terms of the tender offer are announced,
- (iv) this authority shall expire on 29 November 2014 or, if earlier, on the conclusion of the next Annual General Meeting of the company, and
- (v) before such expiry the company may enter into such a contract to purchase shares which will or may require a purchase to be completed after such expiry

Special resolution – calling of general meetings on 14 clear days' notice

17 That any general meeting of the company that is not an Annual General Meeting may be called by not less than 14 clear days' notice

18 That the name of the company be changed from Lookers Public Limited Company to Lookers plc

Registered Office
776 Chester Road
Stretford
Manchester
M32 0QH

By order of the Board
G MacGeekie
Company Secretary
6 March 2013

Notice of Meeting

Notes

- 1 The right of a member of the company to vote at the Meeting will be determined by reference to the register of members. A member must be registered on that register as the holder of ordinary shares by 6 00 pm on 28 May 2013 in order to be entitled to attend and vote at the Meeting as a member in respect of those shares.
- 2 A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A member may nominate a proxy of his/her choice who need not be a member of the company.
- 3 A member may appoint more than one proxy to attend the Meeting, provided that each proxy is appointed to exercise rights in respect of different shares held by the member.
- 4 Appointment of a proxy will not preclude a member from attending, speaking and voting at the Meeting should he/she wish to do so.
- 5 In accordance with Section 325 of the Companies Act 2006, the right to appoint proxies does not apply to persons nominated by a member of the company to receive information rights under Section 146 of that Act. Nominated persons who have been sent a copy of this notice of meeting may have a right under an agreement between him/her and that member to be appointed, or to have someone else appointed, as a proxy for the Meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.
- 6 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures in the CREST manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time for receipt of proxy appointments specified in this notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

- 7 The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertified Securities Regulations 2001.
- 8 Capita Registrars maintain the company's share register. They also provide a telephone helpline service on 0871 664 0300 calls cost 10p a minute plus network extras. Lines are open from 8 30am to 5 30pm, Monday to Friday. If you have any queries about voting or about your shareholding, please contact Capita Registrars.

Notice of Meeting

- 9 Members have the right to ask questions relating to the business being dealt with at the Meeting, which in accordance with Section 319A of the Companies Act 2006, and subject to certain exceptions, the company must cause to be answered
- 10 It is possible that, pursuant to requests made by shareholders under Section 527 of the Companies Act 2006, the company may be required to publish on its website a statement setting out any matter that such shareholders propose to raise at the Meeting relating to the audit of the company's latest audited accounts. The company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 and 528 of the Companies Act 2006. Where the company is required to place a statement on its website under Section 527 of that Act, it must forward the statement to the company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the company has been required under Section 527 of the Companies Act 2006 to publish on its website
- 11 Members have the right (i) to require the company to give notice of a resolution to be moved at the meeting in accordance with section 338 of the Companies Act 2006 and (ii) to require the company to include a matter in the business to be dealt with at the meeting in accordance with section 338A of that Act
- 12 A Form of Proxy is enclosed for use by shareholders
- 13 To be valid, a Form of Proxy must be lodged with the company's Registrars, Capita Registrars' Proxy Department, PXS, 34 Beckenham Road, Beckenham, BR3 4TU not later than 10 00am on 28 May 2013. Please note that 27 May 2013 is a public holiday in the UK
- 14 The company's issued share capital on 6 March 2013 (the latest practicable date prior to the printing of this document) was 387,966,517 ordinary shares of 5p each, such shares carrying one vote each, such that the total voting rights in the company on that date were 387,966,517
- 15 Information relating to the Meeting which the company is required by the Companies Act 2006 to publish on a website in advance of the Meeting may be viewed at www.lookersplc.co.uk. A member may not use any electronic address provided by the company in this document or with any proxy appointment form or in any website for communicating with the company for any purpose in relation to the Meeting other than as expressly stated in it

Shareholders, Bankers and Professional Advisors

Share Quotes

Share prices of the ordinary shares are shown in the *Financial Times* and also appear in several other newspapers

Shareholder Benefits

We operate a scheme which provides all registered private shareholders holding a minimum of 5,000 ordinary shares with an additional £100 discount off the price of any new motor vehicle purchased from any of the group's dealerships. The private registered shareholder negotiates his/her purchase of the new vehicle in the normal way and the £100 is an additional discount obtained from the Company Secretary

Electronic Communication

Capita Registrars provide a share portal service, which allows shareholders to access a variety of services online, including viewing shareholdings, buying and selling shares online, registering change of address details and bank mandates to have dividends paid directly into your bank account

In addition, shareholders can register an email address and elect to receive future company reports and accounts in electronic form

Any shareholder who wishes to register with Capita to take advantage of this service should visit www.capitaregistrars.com/shareholders

Barclays Bank PLC
HSBC Bank plc
Lloyds Banking Group
Svenska Handelsbanken AB (publ)
The Royal Bank of Scotland plc
Yorkshire Bank

Registrars and Transfer Office

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Auditor

Deloitte LLP
P O Box 500
2 Hardman Street
Manchester M60 2AT

Stockbrokers

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Financial Advisors

NM Rothschild & Sons Limited
82 King Street
Manchester M2 4WQ

Directors' Report

11 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 ought to have taken as a Director to make himself 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. Deloitte LLP have expressed their willingness to continue in office and, in accordance with the Companies Act 2006, their re-appointment will be proposed at the Annual General Meeting.

12 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 2012, the trade creditors of the group and the company represented 29 and 50 days (2011: 29 and 28 days) purchases respectively.

13 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 significant exposure to foreign currency, nor does it undertake any trading in financial instruments.

Refer to notes 16, 20, 21 and 32 of the notes to the Financial Statements for further information in this area.

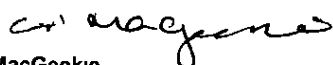
14 SUBSTANTIAL SHAREHOLDINGS

On 6 March 2013 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 6 March 2013		At 31 December 2012	
D C A Bramall and Family	94,337,637 shares	(24.32%)	94,337,637 shares	(24.32%)
Odey Asset Management LLP	35,052,240 shares	(9.04%)	35,052,240 shares	(9.04%)
J O Hambro Capital Management	25,733,620 shares	(6.63%)	23,834,319 shares	(6.16%)
Soros Fund Management	17,578,000 shares	(4.53%)	17,578,000 shares	(4.53%)
Schroders Investment Management Limited	14,078,469 shares	(3.63%)	14,078,469 shares	(3.63%)
Black Rock	12,726,174 shares	(3.28%)	12,612,249 shares	(3.25%)
Legal & General Investment Management	12,121,605 shares	(3.13%)	12,121,605 shares	(3.13%)

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
6 March 2013