LOOKERS PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

COMPANY NO: 00111876

Directors' Report

The Directors are pleased to submit their report which includes the Statements on Corporate Governance and the audited financial statements for the year ended 31 December 2016.

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

2. Strategic And Operational Review
An analysis of the functional performance of the group, is provided on pages 7 to 48. The main financial KPIs of the group are revenue, profit before tax, earnings per share and gearing. The additional information required to be disclosed in the Strategic and Operational Review is detailed below.

Corporate Social Responsibility and Diversity
The group has a long-standing Corporate and Social Responsibility agenda and further details of this are included on page 59 of our annual report. Additional information on which the directors are required by law to report is set out below and in the following:
— Directors' Report
— Chairman's Statement on Corporate Governance
— Corporate Social Responsibility Review
— Audit Committee Report
— Directors' Remuneration Report
— Directors' Responsibility Statement

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

Principal Risks and Uncertainties
The 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 can be cyclical as it follows the general UK economy, 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 several years ago, the group's business has proved to be resilient against this background and has continued to be profitable.

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 £235.0 million, maturing March 2020); (ii) from manufacturer and third party finance houses through uncommitted stocking facilities to fund the purchase of stock; and (iii) from suppliers by way of trade credit. A withdrawal of any of these financing facilities or a failure to renew them as they expire could lead to a significant reduction in the trading ability of the group. However the group's balance sheet has been strengthened significantly over the past five years and this together with the renewal of the group's banking facilities in 2015, provides sufficient liquidity and funding.

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 relationship of the Euro against Sterling is considered to be the primary factor that could impact on this either to a beneficial or negative effect. 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 changed in June 2013. Aftersales agreements continue to be legislated by a Block Exemption, dictating that aftersales businesses meeting manufacturers qualitative standards criteria have an entitlement to represent the brands aftersales service and parts franchise.

2. Strategic And Operational Review (continued)
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 smaller 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 continued to operate 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. The parts business was sold on 4 November 2016.

Government Legislation
In addition to franchise regulation rules noted above, changes to the government's transport policy or other statutory regulations for example in relation to the environment, could adversely affect the group's profitability if, as a result, customers choose to use alternative forms of transport.

Information Systems and Data Security
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. Our IT security team monitors cyber security threats and uses software and processes in place to deal with incidents which may occur. The Board is aware of its obligations to protect confidential data and has taken steps to implement systems and procedures to further improve data security.

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.

3. Dividends and Shares
Ordinary shares of 5p each.
An interim dividend of 1.28p per ordinary share was paid on 25 November 2016 (2015: 1.07p). The directors are recommending a final dividend of 2.36p per ordinary share (2015: 2.05p) which will be payable on 31 May 2017 following approval at the Annual General Meeting, bringing the total dividend for 2016 to 3.64p (2015: 3.12p).

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:

	31.12.16 Number	31.12.15 Number
D. C. A. Bramall	63,487,636	63,487,636
A. C. Bruce	642,086	642,086
N. A. Davis	277,041	277,041
R. A. Gregson	357,815	357,815
W. Holmes	54,666	54,666
N. J. McMinn	160,000	160,000
R. S. Walker	-	-
P. M. White	53,716	53,716
S. J. Cabrini	-	-

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

All holdings are beneficial.

S. J. Cabrini was appointed a director on 1 January 2016.

N. A. Davis resigned as a director on 4 November 2016.

There was no change in the interests of the Directors in shares or share options of the company between 31 December 2016 and 8 March 2017.

The mid-market price of the ordinary shares at 31 December 2016 was £118.0 and the range during the year was £0.925 to £1.85.

As permitted by the Company's articles of association, the Board has decided that all directors will retire from office at the 2016 Annual General Meeting and will seek re-election by the shareholders. Biographical details of all the directors are included on pages 30 to 37. Following formal performance evaluation by the board, the Chairman confirms that each of the directors standing for re-election continues to be effective and demonstrates commitment to the role.

There are no other contracts with the company or its subsidiaries in which a director of the company has any interest, other than service contracts (executive directors) or letters of appointment (non-executive directors).

The company has made qualifying third party indemnity provisions for the benefit of all the directors, such indemnity provisions were in force during the year and remain in force at the date of this report.

5. Approval Of The Directors' Remuneration Report

The company will propose at the 2017 Annual General Meeting an ordinary resolution to seek shareholder approval of the Directors' Remuneration Report for the financial year ended 31 December 2016 (other than the part containing the Directors' remuneration policy which will be covered by a separate resolution). The Directors' Remuneration Report can be found on pages 62 to 81. The vote on the Directors' Remuneration Report is advisory in nature and the directors' entitlement to remuneration is not conditional on it being passed.

The company will also propose at the Annual General Meeting an ordinary resolution to seek shareholder approval of the Directors' remuneration policy set out on pages 64 to 71 of the directors' Remuneration Report for the financial year ended 31 December 2016.

The Companies Act 2006 requires the remuneration policy to be put to shareholders for approval annually unless the approved policy remains unchanged, in which case it need only be put to shareholders for approval at least every three years. As the policy has changed in the year this will be put forward for resolution again. The remuneration policy sets out how the company proposes to pay the directors and includes details of the company's approach to recruitment, remuneration and loss of office payments.

The resolution this year follows extensive consultation with shareholders and further details are included in the Directors Remuneration Report.

The vote on this resolution is binding and, if passed, will mean that the Directors' can only make remuneration payments in accordance with the approved policy unless such payments have been approved by a separate shareholder resolution.

6. Ethical Employment

It is the group's policy to offer equal opportunities to disabled persons applying for vacancies and provide them with the same opportunities for employment, training, career development and promotion as are available to all employees, within the limitations of their aptitude and abilities. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and appropriate arrangements are made.

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

7. Donations
Charitable donations amounted to £34,581 (2015: £38,040). No political donations were made (2015: £nil).

8. Auditor
In the case of each of the persons who are Directors of the company at the date when this report was approved:

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

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

9. Supplier Payment Policy
The group does not formally follow the better payment practice code issued by the Department of Trade and Industry because, in line with industry practice, manufacturers insist upon direct access to our bank accounts and they take funds to pay for both vehicles and parts when they fall due. Other suppliers are generally paid in accordance with their terms of trading. At 31 December 2016, the trade creditors of the group and the company represented 25 and 159 days (2015: 29 and 137 days) purchases respectively.

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

The group finances its operations by a mixture of retained profits, bank borrowings, stock financing and commercial paper. To reduce the group's exposure to movements in interest rates, the group seeks to ensure that it has an appropriate balance between fixed and floating rate borrowings. The group uses interest rate swaps and collars in order to manage its exposure to interest rate risk; all such arrangements are approved by the Board in line with its treasury policies.

The group seeks to ensure continuity of funding by taking out certain borrowings which are repayable in instalments over periods of at least three years. Short-term flexibility is achieved by overdraft facilities.

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

Refer to notes 17, 20, 21 and 31 of the notes to the Financial Statements for further information in this area.

11. Substantial Shareholdings
On 8 March 2017 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 8 March 2017	At 31 December 2016
D. C. A. Bramall and Family	63,487,636 shares (16.01%)	63,487,636 shares (16.01%)
Standard Life Investments	34,984,911 shares (8.82%)	37,916,685 shares (9.56%)
Schroder Investment Management Limited	18,566,701 shares (4.68%)	13,057,308 shares (3.29%)
BAE Systems Pensions	16,486,936 shares (4.16%)	16,957,293 shares (4.28%)
Black Rock	12,119,778 shares (3.06%)	12,248,544 shares (3.09%)

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
8 March 2017

Chairman's Statement on Corporate Governance

Compliance Statement
The Board of directors is collectively accountable to the company's shareholders for good corporate governance and is committed to achieve compliance with the principles of corporate governance set out in the 2014 UK corporate governance code issued by the Financial Reporting Council (the "Code"). Throughout 2016 the company has been in compliance with the provisions set out in the Code.

The company is committed to the principles of corporate governance contained in the 2014 UK Corporate Governance Code issued by the Financial Reporting Council ("the Code") for which the Board is accountable to shareholders.

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

The Board
The Board of directors at the start of the financial year under review comprised four executive directors and five non-executive directors. W. Holmes, R. S. Walker and S. J. Cabrini (appointed 1 January 2016) are considered to be independent non-executive directors.
The Code requires a balance of executive and non-executive directors such that no individual or small group of individuals can dominate the Board's decision-making process. The number and quality of the non-executive directors on the Board, with their combination of diverse backgrounds and expertise, ensures this principle is met.
The Board has a documented schedule of matters reserved for its decision which includes the following:
- agreeing objectives, policies and strategies, and monitoring the performance of the executive management;
- approval of the group's strategic plans and business plans;
- approval of annual and interim results;
- deciding on major changes in organisation and the shape of the group, including entry into new fields of operation and departure from those which are no longer considered to be appropriate; and
- approving major individual capital projects.

The Chairman takes responsibility for ensuring the directors receive accurate, timely and clear information. Monthly financial information is provided to the directors. Regular and ad hoc reports and presentations are circulated, with all Board and committee papers being issued in advance of meetings by the Company Secretary. In addition to formal Board meetings, the Chairman maintains regular contact with the Chief Executive and the other directors to discuss specific issues. In furtherance of their duties, the directors have full access to the services of the Company Secretary and may take independent professional advice at the company's expense. The Chairman believes that given the experience and skills of its particular directors, the identification of general training needs is best left to the individual's discretion. If any particular development need is identified through the Board's formal appraisal process or by an individual director, the company makes the necessary resources available. The Chairman takes overall responsibility for the directors training.

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

W. Holmes is the Senior Independent Director. It is the prime responsibility of the Senior Independent Director to provide a communication channel between the Chairman and the Non-Executive Directors and to ensure that the views of each non-executive director are given due consideration. The Company Secretary would minute any unresolved concerns expressed by any director.

The company maintains appropriate directors' and officers' insurance in respect of legal action against its directors.

Chairman's Statement on Corporate Governance

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

Scheduled meetings held in 2016

	Board	Audit	Remuneration	Nomination
Number held	**11**	**3**	**2**	**1**
Number attended				
D. C. A. Bramall	10	1*	1*	
A. C. Bruce	11	1*	1*	
S. J. Cabrini	11	3	2	1
N. Davis	9			
R. A. Gregson	11	3*	1*	
W. Holmes	11	3	2	1
R. S. Walker	11	3	2	1
N. J. McMinn	11			
P. M. White	11	3**	2	1

*in attendance by invitation of the Committee for all or part of the meeting.
**in attendance by invitation of the Committee for all of 2 meetings.

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, W. Holmes, R. S. Walker and is chaired by P. M. White. The Committee reviews the size, structure and composition of the Board and Committees and makes recommendations to the Board with regard to any changes that are considered necessary. The Committee also reviews the time required of non-executive directors.

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

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

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

Evaluation of Board Performance
A formal independent evaluation exercise in relation to the Board and its Committees was undertaken in 2016 by Aretai Consulting Limited (which has no other connection with the company). This considered the balance of skills, experience, independence and knowledge of the company on the board, its diversity including gender, how the board works together as a unit and other factors relevant to its effectiveness.
The results of that evaluation indicated that the Board (and its Committees), generally, operated effectively. Certain recommendations were made as a result of this evaluation and these either have been or will be subsequently implemented. A follow-up evaluation will be performed in 2019. The evaluation of the effectiveness of individual Directors was, in the case of the non-executive directors, carried out by the Chairman and, in the case of the Chairman, by the non-executive directors, in each case taking account of the views of the executive directors. The evaluation of the effectiveness of the executive directors was carried out as part of the annual appraisal procedure by the Chief Executive in the case of the other executive directors and by the Chairman in the case of the Chief Executive Officer.

Accountability and Audit
Going Concern
After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. In forming this view, the directors have reviewed trading and cash flow forecasts and have also taken into consideration that the group's banking facilities remain available to them and are appropriate given the group's current trading, medium-term plans and conditions in the global economy. For this reason the directors continue to adopt the going concern basis in preparing the financial statements. Further details surrounding the directors' rationale regarding the going concern assumption are included in Principal Accounting Policies on page 91.

Viability Statement
In accordance with provision C.2.2. of the UK Corporate Governance Code, the directors have assessed the viability of the company over a three year period to 31 December 2019. The directors believe this period to be appropriate as the company's strategic plan which has been approved by the board encompasses this period. In making their assessment the directors have considered the company's current financial position and performance, cash flow projections including future capital expenditure, in relation to the availability of finance and funding facilities and have considered these factors in relation to the principal risks and uncertainties which are included in the directors' report.

During 2016, the Board carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity. The directors believe that the group is well placed to manage its business risks successfully, having taken into account the group's principal risks and uncertainties. Accordingly, the Board believes that, taking into account the group's current position, and subject to the principal risks faced by the business, the group will be able to continue in operation and to meet its liabilities as they fall due for the period up to 31 December 2019.

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

Chairman's Statement on Corporate Governance

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 FRC'S Internal Control: Guidance on Risk Management, internal control and related financial and business reporting.

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

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. In the year there have been no significant internal control issues.

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

The board confirms it has performed its annual review of the effectiveness of internal control. The Board has concluded that, as at 31 December 2016, the Group's systems of control over financial reporting were effective.

Relations with Shareholders

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

All company announcements are posted on our website www.lookers.co.uk as soon as they are released. Our website contains a dedicated investor relations section, www.lookersplc.com, with an archive of past announcements and presentations, historical financial performance, share price data and a calendar of events.

The principal communication with private investors is through the Annual Report, the Interim Report and the Annual General Meeting. A presentation is made at the Annual General Meeting to facilitate greater awareness of the group's activities. Shareholders are given the opportunity to ask questions of the Board and of the Chairman of each Board Committee and to meet the Directors informally after the meeting. Separate resolutions are proposed for each item of business and the 'for', 'against' and 'vote withheld' proxy votes cast in respect of each resolution proposed at the Meeting are counted and announced after the shareholders present have voted on each resolution. Notice of the Annual General Meeting is posted to shareholders at least twenty one days before the date of the Annual General Meeting.

P. M. White
Chairman
8 March 2017

Report from the Chairman of the Audit and Risk Committee

Report from the Chairman of the Audit and Risk Committee ("ARC")
The ARC comprises Bill Holmes (chair) Richard Walker and Sally Cabrini. Sally Cabrini joined the ARC in February 2016, replacing Phil White.

The ARC met formally three times during 2016. Each of these meetings were attended by the Board Chairman, the Chief Financial Officer and the Internal Audit Manager. The Deloitte audit team including the engagement partner also attended all three meetings to discuss and evaluate their work and conclusions on the 2015 audit, and to present their audit plan for the 2016 year end.

The ARC also met informally on several occasions to consider the audit tender process and the selection of auditors described in more detail below. In addition to these meetings there is a regular dialogue between the Committee members, and with the Chief Financial Officer and Internal Audit Manager.

The key responsibilities of the ARC are to:
- review critical accounting estimates and their impact on the financial statements,
- monitor the quality and the performance of the internal and external auditors,
- set policy for the use of the external auditor for non-audit work,
- review and evaluate the group's control of risk and its policies for risk management,
- assess the quality of disclosure in the financial statements and other formal documents,
- consider the evidence for the Board's conclusions on the group's long term viability.

Principal areas of focus in 2016
Selection of Auditors
Following discussion within the ARC and with the Board as to which firms should participate, audit and tax proposals were requested from the four largest UK accounting firms.
All participating firms were aware that appointment as auditors would preclude involvement in any tax work and the need for any material non audit work to be approved in advance by the ARC.

We received three audit and four tax proposals; one firm being unwilling to propose for the audit, as it would have required them to cease to act on an ongoing project. The firms proposing were given full access to the wider finance and tax team at Lookers prior to submitting their proposals.

Two members of the ARC and the Chief Financial Officer reviewed all proposal documents, and attended all audit and tax presentations. The views of the selection committee were discussed within the ARC and with the Chairman prior to formal Board recommendation. The ARC recommended to the Board that Deloitte be reappointed as auditors, and confirmed the appointment of Patrick Loftus as audit partner. The audit fee estimate submitted by Deloitte was also recommended for approval. EY's proposal to provide tax advisory and compliance services was recommended by the Finance Director and agreed by the ARC.

Oversight of risk issues and risk management
The Committee has continued to increase its focus on risk and risk issues, in line with the greater attention and visibility they receive in the business as a whole. We have continued our involvement in the development of the risk register, which is now periodically reviewed by the Main Board. The substantial progress mentioned in last year's report in making this a working document has continued, with specific tasks and individual responsibilities clearly identified.

There are now quarterly meetings of the operational risk subcommittee which is chaired by the Chief Financial Officer and attended by a member of the ARC. This subcommittee receives reports from the individuals named as responsible for specific risk issues, and monitors their progress in reducing and responding to them.

Performance of internal audit
The head of internal audit attends ARC meetings and copies all internal audit reports to the ARC chairman. Internal audit results are discussed as part of the ARC's standing agenda. The improvement in internal audit grades noted in 2015 has not continued in 2016, with a small decline in average ratings across the group. The acquisition of several large businesses over the last two to three years partially explains this result, as some of these businesses have taken time to adjust to new procedures and documentation. The ARC is discussing with internal audit ways in which we can capture any declining performance on compliance by individual dealerships more quickly, and flag it for remedial action.

There will be a focus in 2017 on ensuring that follow up procedures involve providing resource and training where needed so that underperformance is eliminated.
The ARC has also continued a discussion with internal audit, and more widely, on understanding and monitoring risks relating to our increasingly complex and critical IT systems, and to risks relating to compliance with financial services regulations and best practice. In part this is already dealt with by the teams responsible for the operational risk concerned, but the ARC believes that there is scope for improvement in the alignment between risk and how internal audit is deployed to monitor it. Evaluating how this can be achieved will be a priority for the ARC this year.

Performance of external audit
As part of the audit selection process we and Deloitte identified the need for better communication between the external auditors and the ARC, including more direct contact between the audit team and ARC members outside formal ARC meetings. This is now happening, and is visible in the way in which this year's audit has been planned and discussed. Deloitte is also providing training opportunities and updates for the ARC.

Report from the Chairman of the Audit and Risk Committee

At the conclusion of the audit selection process we considered the de minimis amount below which our approval would not be required for non audit work carried out by the auditor, and agreed that this should be £10,000 with effect from 1 January 2017.

Details of the non-audit services fees charged for the period have been presented separately in Note 4. In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the company's policy for the supply of non-audit services or any apparent breach of that policy. We note that non-audit fees (£1,277,000) have exceeded audit fees (£385,000). The non-audit fees included £848,000 of one off VAT contingent fees where the work commenced in 2007 and crystallised in 2017, £98,000 of tax compliance services which we have now resigned from, £130,000 working capital report in relation to the disposal of the Parts business and £60,000 in relation to due diligence on the acquisition of Drayton: We have considered the potential threats to independence of the overall non-audit fee level and concluded auditor independence is not impaired. This is due to different partners leading the audit and non-audit workflows, a separate independent partner reviewing the audit, the audit partner is not remunerated on non-audit fees and the quantum of the fees not giving rise to concern on the overall economic dependence of the firm. We note that the new EU Audit Reform guidance in relation to capping non-audit fees as a percentage of audit fees at 70% does not come into force until 31 December 2020. Further, the tax compliance work has now transitioned to the Group's new tax advisors as our auditors are restricted from providing these services from 31 December 2016. The current year tax compliance and advisory fees were in relation to the 31 December 2015 computations, as permitted in the EU Audit Reform Guidance.

Evaluation of ARC work

There has been no specific review of the work undertaken by the ARC during 2016, though the members of the ARC were interviewed and their contribution evaluated as part of the Board effectiveness review carried out by Aretai Consulting Limited in 2016.

Areas of focus identified by the audit and risk committee

Goodwill and intangibles

The ARC considered the carrying value of goodwill and intangibles of the continuing business, and particularly the risk of overstatement in parts of the business which underperformed against budget. We concur with the judgements made, in the light of the action taken to improve or restore performance in poorer performing areas of the business and also with the judgement to impair goodwill by £1m.

Going concern

The Chief Financial Officer provides an assessment of the company's ability to continue to trade on a going concern basis for at least the next twelve months. Forecasts are based on financial plans agreed with the Board (budgets or forecasts), the company's most recent trading results and also include a range of possible downside scenarios. The assumptions that underpin the assessments are considered and discussed in detail when the ARC meet. The conclusion of that review is included in the Directors' report section of this report.

Stock valuation

Stock valuation is a critical issue for the business in view of absolute stock levels and the impact of ageing, particularly on new and used car values. Based on our review of management's calculations, we concur with the judgement that stock provisions are sufficient and appropriate.

Commercial income

A significant proportion of the company's profit is derived from the receipt of rebates from manufacturers and the ARC considers the risks and controls over this, so as to be satisfied that this is not likely to be materially mis-stated.

Exceptional items

There are a number of exceptional items disclosed in the accounts. The ARC has generally sought, in line with best practice, to challenge the use of exceptional items where these are simply large amounts which might reasonably be expected to recur in the Lookers business. We have discussed the treatment adopted in the accounts with the Chief Financial Officer and with the external auditor. The scale and nature of the items has led us to conclude that the treatment adopted is appropriate.

Pension scheme liabilities

The group operates three defined benefit schemes which have an excess of liabilities over assets. Details of these schemes are given in note 29 to the accounts. The ARC has discussed the assumptions used in calculating liabilities with the Chief Financial Officer and with the external auditor. We have concluded that the assumptions used are reasonable and appropriate.

Adequacy of disclosure in accounts and other documents The ARC provides advice to the Board on whether the annual report is fair and balanced, and whether it provides the information which shareholders require to assess the company's performance, business model and strategy. The advice is largely based on a review of key strategic risks.

In the course of our dialogue with external and internal auditors, the Committee has considered the arrangements for reporting by employees of concerns about possible improprieties in financial reporting or other matters, as set out in the Employee Handbook. We have concluded that there is a reasonably clear and well defined system for reporting of concerns. This policy and system of reporting will be reviewed annually.

W. Holmes
Chairman of the Audit and Risk Committee
8 March 2017

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
The group is aware that our activities 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.

Mindful of the impact that our business activities may have on the environment, the group embraces initiatives that seek to protect our surroundings.

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

As we construct and refurbish dealership premises we incorporate the latest and most efficient building materials, water management systems, heating & cooling plants and lighting systems.

On an ongoing basis we continue with our electrical testing regime, re-lighting programmes and air leak testing. Our in-house energy management team continues to explore energy saving initiatives as exampled by the large number of solar PV and biomass heating & cooling installations that we have throughout our dealership estate.

The group continues to have in place a variety of initiatives and controls that measure, monitor and seek to reduce energy usage and related carbon emissions. These result from regular energy surveys of our businesses. The reduction of carbon emissions continues to be a high priority for the group and we continue with our reporting responsibilities in respect of energy consumption and management in the following three areas:

1. CRC Energy Efficiency Scheme, whereby we report to the Environment Agency each year. We have been fully compliant for the six years ending 31 March 2016. Like for like CO_2 emissions in 2015 / 2016 reduced by 5.4% compared to the previous year. This statistic does, however, reflect a milder winter year on year
2. Greenhouse Gas Reporting (GHG). This is our third year of reporting and the results are shown at the end of this section.
3. Energy Savings Opportunity Scheme (ESOS). This reporting requirement was introduced by the European Union and we achieved compliance during 2015.

We actively seek to reduce waste within our businesses and can report that:

(a) we continue with our water management processes which monitor and reduce usage. Despite the company's growth in the last year, our like for like water charges increased by only 2.2%.

(b) during 2016 we recycled 62.5% of all waste (2015: 64%)

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

This is our third year of mandatory carbon reporting and covers the period 1st April 2015 to 31st March 2016.

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

We report under Scope 1 and Scope 2 in respect of emissions from diesel and petrol consumed, gas burned and electricity purchased. The information relating to emissions from gas and electricity has been extracted in full from the data that we have reported to the Environment Agency under CRC reporting. This data is collected and collated by an independent supplier to the group. The information relating to emissions resulting from the use of diesel and petrol has been extracted from data supplied by the group's main fuel card provider. The intensity ratio being adopted is emissions (tonnes of CO_2) per million pounds of turnover.

Our mandatory carbon reporting data for the 2015/2016 and 2014/2015 reporting years are summarised as follows:

	2015/2016		2014/2015	
	(tCO_2e)	(tCO_2e/£m)	(tCO_2e)	(tCO_2e/£m)
Scope 1				
Gas	5,074	1.26	4,140	1.27
Vehicle fuels	24,517	6.11	17,762	5.47
Total	29,591	7.37	21,902	6.74
Scope 2				
Electricity	16,471	4.10	15,705	4.84
Statutory Total	**46,062**	**11.47**	**37,607**	**11.58**

*Statutory carbon reporting disclosures required by Companies Act 2006.

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.

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

Human Rights

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

Lookers as an Employer

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

Recruitment and Retention

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

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

Staff Communication

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

Face-to-face dialogue between managers and staff takes place regularly; information is communicated through our group intranet site "Engage", which is used by the majority of our staff on a regular basis. We also use newsletters and updates to keep our staff informed.

Corporate Social Responsibility Review

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

The statistics for the group, under UK Health and Safety regulations for the year ended 31 December 2016, are set out below:

	2016	2015
Number of fatalities	-	-
Injuries resulting in absence over three days	11	3
Major injuries reported under RIDDOR*	11	3
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
Lookers are committed to playing an active role in the communities it serves. All our businesses operate their own community programmes and fund raising charity events. In addition, some charities are supported at a group level such as the motor trades' BEN and our staff choose which charities to support on a group basis where we alternate between different charities every six months.

Directors' Remuneration Report

Annual Statement From The Chairman Of The Remuneration Committee

Introduction
On behalf of your Board, I am pleased to present our Directors' Remuneration Report for the year ended 31 December 2016.

Remuneration outcomes for 2016
In 2016 we had another successful year both in terms of progress against strategic priorities within the existing business and in completion of the sale of the parts business. Lookers has continued its strategy of growth through acquisition by reinvesting proceeds from the sale of the parts division to acquire Knights North West Limited and Warwick Holdings Limited. Turnover for the year increased to £4.3 billion, a 17% increase against 2015. Adjusted profit before tax ("ABPT") increased by 7% to £77.1 million.

The performance target for the annual bonus arrangement for the CEO and FD (now CFO with effect from 1 January 2017) was based on the APBT of the company and the figure for payment of the maximum opportunity of 150% of salary was £84.7 million. Actual performance was £77.2 million, which resulted in a bonus of 100% salary being paid to those executive directors in respect of 2016. The 2016 bonus of the managing director of the motor division (now COO with effect from 1 January 2017) is based on a combination of this APBT target and the performance of the division. The Committee believes that the bonus outcomes are fair in the context of the overall performance of the company. Details of bonus payments for executive directors are set out on page 70.

As part of the long term incentive structure introduced in 2013 which envisaged a three year integrated programme of long term incentives, awards granted in 2014, 2015 and 2016 were due to complete their performance period at the end of the year. The maximum Adjusted EPS targets over the period were met which included meeting the requirements whereby the exercise price reduces to £1 in aggregate. Full details are provided on page 71.

Summary of remuneration committee decisions in 2016
In 2016 we undertook a full review of the Directors' Remuneration Policy. As we communicated last year, we sought in particular to restructure the long term incentive arrangements to simplify remuneration. As a result of the review we are seeking shareholder approval for an amended Directors' Remuneration Policy to be adopted effective from the 2017AGM.
A summary of the main amendments to the policy approved at the 2015AGM are:

- Restructuring awards for 2017 onwards to operate more market-aligned performance share plan awards;
- Introduction of a post-vesting holding period to LTIP awards; and
- Increase to the LTIP opportunity for the CEO from 100% to 150% of salary. There is no change to the LTIP opportunity for the CFO or COO, which remains at 100% of salary.

Based on performance over recent years, the Committee firmly believes that Andy Bruce is the right Chief Executive Officer to lead Lookers into its next growth phase. The Committee seeks to ensure that he is appropriately incentivised and aligned to focus him over the coming years to deliver on that strategy. Whilst recognising that Andy's base salary is low compared to market, the Remuneration Committee continue to take the view that a substantial increase to realign base salary would not be in line with the philosophy of pay for performance at Lookers. Instead, the additional opportunity gives additional incentivisation for Andy to reach stretch targets and aligns the Chief Executive Officer more closely with shareholder value.

The Committee's view is that alongside the increase to share ownership guidelines implemented for 2016, the revised policy increases alignment between executive pay and shareholder value as well as simplifying the way we pay our executives.

Remuneration in 2017
The base salaries of the executive directors were increased by 1% with effect from 1 January 2017 in line with similar increases applied across the company.

The bonus opportunity for executive directors will be up to 150% of salary based on ABPT targets for group APBT.

In 2017 we will have the first grant of awards under the new LTIP structure with awards of 150% of salary for the Chief Executive Officer and 100% of salary for other executive directors. The LTIP awards for 2017 onwards will have standalone three year rolling vesting cycles (i.e. the integrated three year programme from the current LTIP will not be retained).

The Committee has determined that an additional net debt to EBITDA ratio metric will be introduced alongside the existing Adjusted EPS measure and will comprise one- quarter of the LTIP. As well as ensuring that management are incentivised to increase earnings delivered over the long term, a fundamental part of our strategy for the coming years is to focus on operational efficiency with the aim to further strengthen our balance sheet and reduce reliance on external funding and to continue to maintain appropriate levels of cash for capital expenditure including a number of large systems projects that are currently ongoing. The additional net debt to EBITDA metric will incentivise the executive team to manage debt while continuing to grow earnings sustainably.

Directors' Remuneration Report

Annual Statement From The Chairman Of The Remuneration Committee

A two-year holding period will apply to 50% of awards vesting under the award granted in 2017. This seeks to further align executive remuneration with shareholder value.

Contents
This Directors' Remuneration Report has been prepared on behalf of the Board by the Committee in accordance with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and is split into three sections, comprising this statement and the:

Pages 64 to 71	**Directors' remuneration policy** This sets out the Company's proposed policy on directors' remuneration for adoption at the 2017 AGM.
Pages 62 to 81	**Annual report on remuneration** This sets out payments and awards made to the directors and details the link between company performance and remuneration for 2016 and, together with this statement, is subject to an advisory shareholder vote at this year's AGM.

In conclusion
We are proposing a revised directors' remuneration policy that we believe will continue to incentivise the executive directors as we enter a new phase of the business. We hope that we will have your support in favour of the revised remuneration policy and annual report on remuneration at the AGM.

By Order of the Board

R. S. Walker
Chairman of the Remuneration Committee
8 March 2017

Directors' Remuneration Report

This Directors' Remuneration Report has been prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended (the Regulations).

Directors' Remuneration policy
The company's current Directors' Remuneration Policy was approved by shareholders on 29 May 2015 at the company's AGM and became effective from that date. The full policy was disclosed in the 2014 annual report and accounts, which is available within the investor section of the corporate website and located at http://www.lookersplc.com/investors/results-centre.

Remuneration policy
The policy of the Committee is to ensure that the executive directors are fairly rewarded for their individual contributions to the group's overall performance and to provide a competitive remuneration package to executive directors, including long-term incentive plans, to motivate individuals and align their interests with those of shareholders. In addition, the Committee's policy is that a substantial proportion of the remuneration of the executive directors should be performance related and that they be required to build up a significant holding of shares in the company.

The new remuneration policy set out in this section is subject to shareholder approval at the 2017 Annual General Meeting (AGM), and will be effective from immediately after the AGM on 25 May 2017 binding upon the group until the close of the 2020 AGM. There are no planned changes to the policy over the three-year period to which it relates.

Future policy table
The elements of the remuneration package of executive directors are set out below:

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Base Salary			
Attract and retain high calibre executive directors to deliver strategy.	Paid in 12 equal monthly instalments during the year.	Reviewed annually to reflect role, responsibility and performance of the individual and the company, and to take into account rates of pay for comparable roles in similar companies. When selecting comparators, the Committee has regard to the group's revenue, market worth and business sector. Salaries are generally set below market median, with a greater emphasis on performance related pay. There is no prescribed maximum increase. Annual rate set out in the annual report on remuneration for the current year and the following year.	None.

Future policy table (continued)

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Benefits			
Provide benefits consistent with role.	Currently these consist of provision of a company car, health insurance, life assurance premiums and the opportunity to join the company's savings related share option scheme ("SAYE"). The Committee reviews the level of benefit provision from time to time and has the flexibility to add or remove benefits to reflect changes in market practice or the operational needs of the group.	The cost of providing benefits is borne by the company and varies from time to time.	None.
Annual Bonus			
Incentivises achievement of business objectives by providing a reward for performance against annual targets.	Paid in cash after the end of the financial year to which it relates, save that for an executive director who has not met the share ownership requirement any bonus in excess of 110% of salary is deferred into shares. Annual bonus awards are subject to provisions which enable the Committee to recover (clawback) or withhold (malus) value in the event of a misstatement of the accounts for the financial year in respect of which the bonus was paid, an error in the assessment of the extent to which the applicable performance target had been met and misconduct on the part of the executive director, within two years of the payment date of the cash bonus.	Up to 150% of salary.	Performance conditions are determined annually by the Committee and threshold and maximum targets are set for each condition. At least 50% of the bonus is subject to targets based on adjusted profit before tax of the company or divisional targets where appropriate. In general: • 40% of the maximum bonus is payable for meeting the threshold performance level • 67% of the maximum bonus is payable for hitting the target • 100% of the maximum bonus is payable for meeting or exceeding the maximum performance level A sliding scale operates between threshold and maximum performance. No bonus is payable where performance is below the threshold.

Future policy table (continued)

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Annual Bonus (continued)			
			Payment of any bonus is subject to the overriding discretion of the Committee. In exceptional circumstances such that the Committee believes the original measures and/or targets are no longer appropriate, the Committee has discretion to amend performance measures and targets during the year.
Long-term incentives			
Alignment of interests with shareholders by providing long-term incentives delivered in the form of shares.	Grant of nil-cost options under the LTIP, which vest at least 3 years from grant subject to the achievement of performance conditions and may not be exercised after the 10th anniversary of grant. A portion of LTIP awards vesting are subject to a holding period at the discretion of the Committee. LTIP awards are subject to provisions which enable the Committee to recover (clawback) or withhold (malus) value in the event of a misstatement of the accounts for the financial year in respect of which the LTIP award vested, an error in the assessment of the extent to which the applicable performance target had been met and misconduct on the part of the executive director, within two years of the vesting of the LTIP award.	Maximum annual award over shares with a market value of 150% of base salary for the CEO and 100% of base salary for other executive directors.	Targets are based on single or a combination of performance metrics, with the majority being financial measures. Threshold and maximum targets are set at grant. The Committee reserves discretion to: (i) amend the performance conditions/targets attached to outstanding awards granted under this policy in the event of a major corporate event or significant change in economic circumstances, or a change in accounting standards having a material impact on outcomes; (ii) adjust the vesting of LTIP awards and/or the number of shares underlying unvested LTIP awards on the occurrence of a corporate event or other reorganisation.

Future policy table (continued)

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Pension			
Attract and retain executive directors for the long term by providing funding for retirement.	A C Bruce is a member of the group's defined benefit pension arrangement. The scheme closed to future accrual in 2011 and Mr Bruce's pension is no longer linked to his final pensionable salary. This defined benefit pension is payable from age 60. All executive directors are entitled to participate in money purchase arrangements, or to receive a cash allowance in lieu of pension contributions.	20% of salary up to a maximum of the annual allowance with any excess payable as a salary supplement. Any such salary supplements are not counted for the purposes of determining bonus or LTIP levels.	None.
Share ownership			
To ensure alignment between the interests of executive directors and shareholders.	200% of salary for the CEO and CFO effective from 1 January 2016. 100% of salary for other executive directors.	Not applicable.	Not applicable.

Notes to the Policy Table

Performance conditions

The Committee selected the performance conditions as they are central to the company's strategy and are the key metrics used by the executive directors to oversee the operation of the business.

The APBT performance target for the annual bonus is based upon the budgeted APBT for the company, as follows:

The APBT figure is set out in note 7 to the accounts. The Committee is of the opinion the figure for budgeted APBT is commercially sensitive for the company and that it would be therefore be detrimental to the company to disclose details of the targets in advance. The targets will be disclosed after the end of the financial year in the annual report on remuneration.

The targets for any additional bonus measures which the Committee introduces during the life of this policy will be disclosed at the point that these are considered no longer commercially sensitive.

The EPS performance target for the LTIP is based on adjusted EPS as set out in note 7 to the accounts; such measure being stated before the amortisation of intangibles, impairment of goodwill, debt issue costs, pension costs, exceptional items and share based payments, as referred to in note 7 to the accounts. The EPS target is set with reference to the budget and external market conditions, and is intended to represent a considerable level of stretch above budget in order for maximum payout to occur.

Adjusted EPS is considered to be a suitable measure of performance as it is not affected by pension costs, debt issue costs, amortisation or share based payments as these costs are not within the control of the executive directors.

The Committee has the ability to adjust the bonus and LTIP targets or measurement where it considers this is necessary to achieve a fair and consistent measurement of the company's performance.

Changes from previous policy

As set out in the annual statement from the Chairman of the Committee, the Committee undertook a full review of the executive directors' remuneration policy during the course of 2016 and the changes summarised below reflect the changes from the previous policy:

Directors' Remuneration Report

- LTIP awards made from 2017 onwards will be in the form of nil-cost options, whereas awards under the previous policy were in the form of market-value options with a reduction in exercise price subject to meeting Adjusted EPS conditions. The purpose of this change is to simplify *remuneration arrangements and align with typical* market practice on LTIP structure.
- The ability for the Committee to apply a post-vesting holding period has been introduced to further align executive directors' remuneration with shareholder value.
- The annual LTIP opportunity has been increased to 150% of salary (previously 100% of salary) for the CEO. The increase is to increase alignment between the CEO's pay and shareholders, and to ensure that the CEO is appropriately incentivised to deliver the business strategy.
- The policy now allows the Committee to introduce additional metrics to the bonus over the life of the policy, while at least half of the bonus will be based on profit before tax.

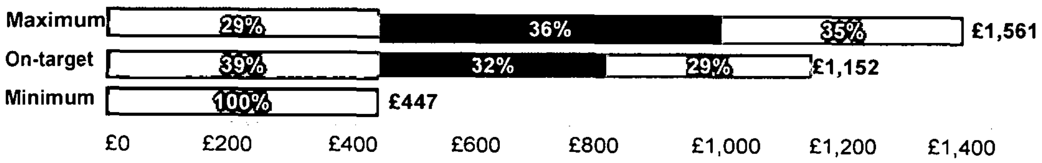
Statement of consideration of employment conditions of employees elsewhere in the group
The Committee receives reports on an annual basis on the level of pay rises awarded across the group and takes these *into account when determining salary increases for executive* directors. In addition, the Committee receives regular reports on the structure of remuneration for senior management in the tier below the executive directors and uses this information to ensure a consistency of approach for the most senior managers in the group. The Committee also approves the award of any long-term incentives. The Committee does not specifically invite employees to comment on the directors' *remuneration policy, but it does take note of any comments* made by employees.

Statement of consideration of shareholder views The Chairman of the Committee consults with major shareholders from time to time to understand their expectations with regard to executive director remuneration and reports back to the Committee. Any other concerns raised by individual shareholders are also considered, and the Committee also takes into account emerging best practice and guidance from major institutional shareholders.

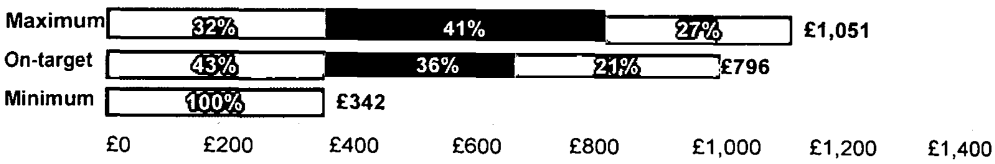
Total remuneration opportunity
The chart below illustrates the remuneration that would be paid to each of the executive directors under three different performance scenarios: (i) Minimum; (ii) On-target; and (iii) Maximum.

The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual variable (annual bonus awards); and (iii) Multiple year (LTIP awards) which are set out *in the future policy table*

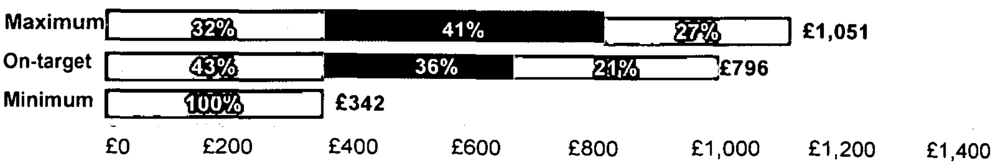
A. C. Bruce



R. A. Gregson



N. J. McMinn



Total remuneration opportunity (continued)

Each element of remuneration is defined in the table below:

Element	Description
Fixed	Base salary for 2017 plus pension and benefits (benefits being taken from the single total figure of remuneration for 2016).
Annual bonus	Annual bonus awards, applied as minimum: 0% of opportunity, on-target: 67% of opportunity (i.e. in line with budget), maximum: 100% of opportunity.
LTIP	LTIP awards. These awards take the form of nil cost options. For the on-target scenario, 60% of the award is assumed to vest. For the maximum scenario, full vesting is assumed.

Approach to recruitment remuneration

The Committee's approach to recruitment remuneration is to offer a market competitive remuneration package sufficient to attract high calibre candidates who are appropriate to the role but without paying any more than is necessary.

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

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

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

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

Directors' service contracts, notice periods and termination payments

Executive directors have service contracts with a 12 month notice period by the company and 6 months by the executive director, with no special arrangements applying following a change of control and with the elements of variable remuneration dealt with in accordance with the rules of the relevant scheme, as more fully described in the table below:

Provision	Policy
Notice periods and compensation for loss of office in executive directors' service contracts.	12 months' notice by the company and 6 months' notice by executive director. Payment in lieu of any part of the notice period not served may be made by the company equal to basic salary, pensions and benefits for that part of the notice period only. For any new appointments, the payment of any sum in lieu of notice will be phased over the notice period and subject to mitigation.
Treatment of annual bonus on termination.	A bonus for the financial year of termination may be paid at the discretion of the Committee having regard to applicable performance conditions and normally with time pro-rating being applied.
Treatment of unvested LTIP awards.	Good leavers (i.e. leavers in circumstances of death, injury, disability, redundancy, retirement or transfer of employing business outside group) will be allowed to retain their LTIP awards. The Committee has discretion to treat any other leaver as a good leaver. The awards of any leaver who is not a good leaver will lapse on cessation of employment.

Directors' service contracts, notice periods and termination payments (continued)

Provision	Policy
Treatment of unvested LTIP awards.	Awards of good leavers will normally vest following the end of the applicable performance period subject to an assessment of the extent to which performance targets have been met and the application of time pro-rating. The Committee has discretion to allow awards to vest immediately on a cessation of employment but subject to an assessment of the extent to which performance targets have been met. The Committee has the discretion to waive the requirement to pro-rata. Good leavers may exercise their LTIP awards within 6 months of vesting (1 year for death). On a change of control, awards will vest immediately subject to an assessment of the extent to which the performance targets have been met. The number of shares subject to LTIP awards is reduced pro-rata to reflect the proportion of the vesting period completed before cessation. The Committee has the discretion to waive the requirement to pro-rata.
Outside appointments.	Board approval must be sought. Executive directors may retain the fees paid in respect of any external appointment.
Non-executive directors.	All non-executives are subject to annual re-election. No compensation is payable if a non-executive is required to stand down.

In the event of the negotiation of a compromise or settlement agreement between the company and a departing director, the Committee may make payments it considers reasonable in settlement of potential legal claims. Such payments may also include reasonable reimbursement of professional fees in connection with such agreements.

The Committee may also include the reimbursement of repatriation costs or fees for professional or outplacement advice in the termination package, if it considers it reasonable to do so. It may also allow the continuation of benefits for a limited period.

Dates of service contracts / letters of appointment

Director	Date of service contract / letter of appointment
A. C. Bruce	11.05.2006
R. A. Gregson	22.02.2010
N. J. McMinn	19.08.2013
P. M. White	04.09.2006
R. S. Walker	04.02.2014
D. C. A. Bramall	30.06.2006
W. Holmes	12.06.2008
S. Cabrini	01.01.2016

Copies of directors' service contracts and letters of appointment are available for inspection at the company's registered office.
The executive directors' notice periods are set out in the service contracts section above.

Directors' Remuneration Report

Non-executive directors fee policy
The policy for the remuneration of the non-executive directors is as set out below. Non-executive directors are not entitled to a bonus, they cannot participate in the company's share option schemes and they are not eligible for pension arrangements.

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

Directors' Remuneration Report

Annual report on remuneration
Save for the performance graph and table, the change in remuneration of the Chief Executive, the relative importance of the spend on pay, the implementation of remuneration policy in 2017, the consideration by the directors of matters relating to directors' remuneration and the statement of shareholder voting, the information set out in this part of the Director's Remuneration Report is subject to audit.

Single total figure of remuneration
The following table shows a single total figure of remuneration in respect of qualifying services for the 2016 financial year for each director, together with the comparative figures for 2015.

	Salary and fees £000		Taxable Benefits £000[1]		Annual bonus £000		LTIP £000[2]		Pension benefits £000		Other £000[3]		Total £000	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Executive Directors														
A. C. Bruce	364	357	1	1	364	464	826	Nil	73	71	1	1	1,629	894
R. A. Gregson	278	273	1	1	278	355	631	Nil	55	55	1	1	1,244	685
N. A. Davis[4]	194	225	1	1	218	275	524	Nil	39	45	-	-	976	546
N. J. McMinn	278	273	1	1	278	355	631	Nil	55	55	-	-	1,243	684
Total	**1,114**	**1,128**	**4**	**4**	**1,138**	**1,449**	**2,612**	**Nil**	**222**	**226**	**2**	**2**	**5,092**	**2,809**
Non-Executive Directors														
P. M. White	123	120	-	-	-	-	-	-	-	-	-	-	123	120
R. S. Walker	41	40	-	-	-	-	-	-	-	-	-	-	41	40
D.C.A. Bramall	41	40	-	-	-	-	-	-	-	-	-	-	41	40
W. Holmes	46	45	-	-	-	-	-	-	-	-	-	-	46	45
S. Cabrini[5]	41	-	-	-	-	-	-	-	-	-	-	-	41	-
Total	**292**	**245**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**292**	**245**
Aggregate directors emoluments[3]	**1,406**	**1,373**	**4**	**4**	**1,138**	**1,449**	**2,612**	**Nil**	**222**	**226**	**2**	**2**	**5,384**	**3,054**

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

2. LTIP figures are in respect of ESOS awards granted in 2014 and LTIP awards granted in 2015 and 2016 whose performance periods ended on 31 December 2016. Further detail is provided in the section titled "LTIP awards completing performance period in 2016".

3. The amounts set out in the "other" column relate to the grant of SAYE options on 4 October 2016 and 6 October 2015. The figure quoted for each executive director was determined by reference to the discount that the exercise price per share represented to the share price immediately preceding grant. For the 2016 SAYE grant, the exercise price was £1.0747 compared to a share price of £1.1575. For the 2015 SAYE grant, the exercise price was £1.449 compared to a share price of £1.663.

4. N. A. Davis left the Board on 4 November 2016 following the sale of the parts division. Further details of his remuneration arrangements are provided in the following sections of the report.

5. S.J. Cabrini joined the Board on 1 January 2016.

6. The aggregate directors' emoluments excluding pension and LTIP awards in 2016 was £2,550,000 (2015 - £2,828,000).

Annual bonus
Bonuses are earned by reference to the financial year and paid in March following the end of the financial year. The bonuses accruing to the executive directors in respect of 2016 are based on figures for adjusted profit before tax (APBT) as shown below:

Executive director	Bonus target	Weighting	Total bonus value as % of salary		Bonus receivable
			Max	Actual	
A.C. Bruce	APBT of the group	100%	150%	100%	£364,100
R.A Gregson	APBT of the group	100%	150%	100%	£278,307
N. A. Davis[1]	APBT of the group APBT of the parts division	33% 67%	150%	114%	£218,432
N. J. McMinn	APBT of the group APBT of the motor division	33% 67%	150%	100%	£278,307

1 - N. A. Davis left the Board on 4 November 2016. The maximum bonus opportunity for FY 2016 was 150% of annual salary of £229,928. Based on the Remuneration Committee's assessment of the performance of Lookers and FPS over the period to termination of employment and pro-rating for the time served during the year, the bonus outcome was 114% of annual salary.

The targets for each element and actual performance against each of these were as set out below:

Measure	Threshold performance required	On-target performance required	Maximum performance required	Actual performance
APBT of the group	£69.3 million	£77.0 million	£84.7 million	£77.1 million
APBT of the parts division	£11.9 million	£13.2 million	£14.5 million	£12.1 million[1]
APBT of the motor division	£58.5 million	£65.0 million	£71.5 million	£65.0 million

1 - Figure is based on 10 months' actual result, rather than full year

Pension entitlements and cash allowances
A. C. Bruce remains a member of the group defined benefit scheme, which closed to future accrual from 31 March 2011. As at 31 December 2016 Mr Bruce's accrued pension was £30,818.

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

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

R.A. Gregson, N. J. McMinn and N. A. Davis participated only in money purchase arrangements during 2016.

LTIP awards granted in 2016

Market value share options were granted under the LTIP to the executive directors in 2016 over a number of shares equal in value to 100% of salary, calculated based on the mid-market closing price of a share on 31 December 2015 of £1.85. The awards were the final set of awards made under the integrated LTIP structure operated for 2014 to 2016 inclusive with performance measured over the period from 1 January 2014 to 31 December 2016. The table below summarises the awards granted to executive directors in 2016:

	Date of Grant	Number of shares subject to award	Exercise price at grant[1]	Share price at grant	Face Value of shares[1]	End of performance period
A. C. Bruce	12.04.2016	196,810	£1.88	£1.501	£295,412	31.12.2016
R. A. Gregson	12.04.2016	150,436	£1.88	£1.501	£225,804	31.12.2016
N. A. Davis	12.04.2016	124,285	£1.88	£1.501	£186,552	31.12.2016
N. J. McMinn	12.04.2016	150,436	£1.88	£1.501	£225,804	31.12.2016

1 - Face value has been calculated using the share price at grant.

The performance target for the awards was growth in Adjusted Earnings Per Share (AEPS).

Provisional vesting was determined based on growth in AEPS measured over 2016. The growth targets give 20% provisional vesting for 5% AEPS growth rising to 100% provisional vesting for 15% AEPS growth relative to the 2015 AEPS.

The final vesting was based on achievement against AEPS performance targets which applied over the 3 year period between 2014 and 2016 i.e. relative to AEPS growth for 2013.

- For AEPS growth over 2014-2016 below 20% the awards lapse (notwithstanding any provisional vesting);
- For AEPS growth over 2014-2016 between 20% and 45% there is no adjustment to the provisional vesting result;
- For AEPS growth over 2014-2016 between 45% and 50% then the provisional vesting will be increased to 80% if it is otherwise below this level; and
- For AEPS growth over 2014-2016 above 50% then the awards will vest in full, if not already applicable.

In addition, if AEPS growth in 2016 exceeds 15%, or if AEPS growth exceeds 45% over the period 2014-2016 then the exercise price of the awards reduces to nil.
Awards vest on the third anniversary of grant.

LTIP awards completing performance period in 2016

LTIP awards granted in 2014 (under the ESOS), 2015 and 2016 all completed their performance period on 31 December 2016.

The awards have AEPS performance conditions measured over the period between 1 January 2014 and 31 December 2016. Vesting of the awards is based on a combination of the growth in AEPS over the year of grant and over the 3 year period to 2016.

If AEPS growth in the year of grant exceeds 15%, or if AEPS growth exceeds 45% over the 3 year period to 2016, then the aggregate exercise price of the awards reduces to £1.

LTIP awards completing performance period in 2016 (continued)

The tables below sets out the AEPS growth achieved for each award and the resulting proportion of each award due to vest as a result of this performance:

Provisional vesting

Award	1 year AEPS growth required for threshold vesting (20% of award)	1 year AEPS growth required for maximum vesting	AEPS growth in year of award relative to previous year	Provisional vesting
2014	5%	15%	30.5%	100%
2015	5%	15%	12.7%	77%
2016	5%	15%	4.1%	0%

Final vesting

Award	3 year AEPS growth to 2016 required for threshold vesting (20% of award)	3 year AEPS growth to 2016 required for maximum vesting	AEPS growth for 2016 relative to 2013	Final vesting
2014	20%	45%[1]	53.2%	100%
2015	20%	50%[2]		
2016	20%	50%[2]		

1 – 45% growth in AEPS was required over the whole performance period given the provisional vesting for the 2014 award was above 80%.

2 – 50% growth in AEPS was required over the over the whole performance period given the provisional vesting for the 2015 and 2016 awards was below 80%.

The growth in AEPS between for 2016 relative to the base AEPS in 2013 was 53.2% and therefore the awards will vest in full on the third anniversary of grant and the aggregate exercise price for each award is reduced to £1.

The table below summarises the value of the LTIP awards as at 31 December based on the vesting result and using the average share price for the final quarter of 2016.

	Number of shares awarded			Value of award (at 31 December 2016)[1]			Total value in single figure table
	2014 award – vesting on 30.6.2017	2015 award – vesting on 25.6.2018	2016 award – vesting on 12.04.2019	2014 award	2015 award	2016 award	
A. C. Bruce	289,256	274,615	196,810	£314,015	£298,121	£213,656	**£825,792**
R. A. Gregson	221,074	209,884	150,436	£239,997	£227,849	£163,312	**£631,158**
N. A. Davis[2]	183,057	173,792	124,285	£200,446[3]	£188,668	£134,923	**£524,047**
N. J. McMinn	221,074	209,884	150,436	£239,997	£227,849	£163,312	**£631,158**

1 – Using the company's average share price of £1.0856 in the three months from 1 October 2016 to 31 December 2016 inclusive and based on 100% final vesting.

2 – N. A. Davis left the company on 4 November 2016. Under the terms of the ESOS, the 2014 award vested in full on leaving employment. The awards granted in 2015 and 2016 will vest on their normal vesting dates.

3 – The 2014 award value for N. A. Davis is calculated using the share price on 4 November 2016 of £1.095.

Payments to past directors
No payments to past directors were made in 2016.

Payments for loss of office
Neil Davis's employment with the company ended on the completion of the sale of the parts division on 4 November 2016. Under the settlement agreement agreed between Neil Davis and the Company there was no payment for loss of office. Treatment of payments under the Annual bonus and long term incentive plans were agreed as detailed in the notes to the single figure table.

Statement of directors' shareholding
The table below summarises the directors' shareholdings as at 31 December 2016. The shareholding as a % of salary is determined by reference to the share price on 31 December 2016 of £1.1725. There were no changes in these shareholdings between that date and the date of approval of this report.

	Number of shares held (including by connected persons)		Vested but unexercised share options		Shareholding on 31 December 2016 as a % of salary[1]	Unvested share options subject to performance conditions	
	2016	2015	2016	2015		2016	2015
A. C. Bruce	642,086	642,086	269,836	269,836	294%	760,681	563,871
R. A. Gregson	357,815	357,815	269,836	269,836	264%	581,394	430,958
N. A. Davis[2]	277,041	277,041	183,057	-	219%[2]	298,077	356,849
N. J. McMinn	160,000	160,000	-	-	67%	581,354	430,958
P. M. White	53,716	53,716	-	-	N/A	-	-
R. S. Walker	-	-	-	-	N/A	-	-
D. C. A. Bramall	63,487,636	63,487,636	-	-	N/A	-	-
W. Holmes	54,666	54,666	-	-	N/A	-	-
S. Cabrini	-	-	-	-	N/A	-	-

1 – The shareholding requirement is 200% of salary for the CEO and CFO, and 100% of salary for other executive directors. The directors' remuneration policy contains provisions for the deferral of elements of annual bonuses into shares and post-vesting holding of shares acquired under LTIP awards for directors who have not met the shareholding requirement, which will apply until this is met.

2 – Shareholdings for N. A. Davis are shown as at his date of leaving the company on 4 November 2016 and based on a share price of £1.095 at that date.

Long term incentive awards

Prior to 2015, long term incentive awards were made under The Lookers Executive Share Option Scheme (ESOS).

The Lookers plc Long Term Incentive Plan (LTIP) was introduced in 2015, under which the company now makes long term incentive awards.

Details of long term incentive award share options held by executive directors are as follows:

	Scheme	Date of Grant	Earliest Exercise Date	Expiry Date	Exercise Price (pence)	Number at 1 January 2016	Lapsed in Year	Exercised in Year	Number at 31 December 2016
A. C. Bruce	ESOS	5.1.2011	5.1.2014	5.1.2021	Nil	269,836	-	-	269,836
A. C. Bruce	ESOS	30.6.2014	30.6.2017	30.6.2024	121.0	289,256	-	-	289,256
A. C. Bruce	LTIP	25.6.2015	25.6.2018	25.6.2025	130.0	274,615	-	-	274,615
A. C. Bruce	LTIP	12.4.2016	12.4.2019	12.4.2026	188.0	-	-	-	196,810
R. A. Gregson	ESOS	5.1.2011	5.1.2014	5.1.2021	Nil	269,836	-		269,836
R. A. Gregson	ESOS	30.6.2014	30.6.2017	30.6.2024	121.0	221,074	-	-	221,074
R. A. Gregson	LTIP	25.6.2015	25.6.2018	25.6.2025	130.0	209,884	-	-	209,884
R. A. Gregson	LTIP	12.4.2016	12.4.2019	12.4.2026	188.0	-			150,436
N. J. McMinn	ESOS	30.6.2014	30.6.2017	30.6.2024	121.0	221,074	-	-	221,074
N. J. McMinn	LTIP	25.6.2015	25.6.2018	25.6.2025	130.0	209,844	-	-	209,844
N.J. McMinn	LTIP	12.4.2016	12.4.2019	12.4.2026	188.0	-	-	-	150,436

All-employee share scheme

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

	Scheme	Date of Grant	Earliest Exercise Date	Expiry Date	Exercise Price (pence)	Number at 1 January 2016	Lapsed in Year	Exercised in Year	Number at 31 December 2016
A. C. Bruce	SAYE	8.10.2012	1.12.2015	1.6.2016	58.66	15,340	-	15,340	-
A. C. Bruce	SAYE	6.10.2014	1.12.2017	1.6.2017	108.80	8,272	-	-	8,272
A. C. Bruce	SAYE	6.10.2015	1.12.2018	1.6.2019	144.91	6,210	6,210	-	-
A. C. Bruce	SAYE	4.10.2016	1.12.2019	1.6.2020	107.47	-	-	-	8,374
R. A. Gregson	SAYE	8.10.2012	1.12.2015	1.6.2016	58.66	15,340	-	15,340	-
R. A. Gregson	SAYE	6.10.2014	1.12.2017	1.6.2017	108.80	8,272	-	-	8,272
R. A. Gregson	SAYE	6.10.2015	1.12.2018	1.6.2019	144.91	6,210	6,210	-	-
R. A. Gregson	SAYE	4.10.2016	1.12.2019	1.6.2020	107.47	-	-	-	8,374
N. J. McMinn	SAYE	6.10.2014	1.12.2017	1.6.2017	108.80	16,544	-	-	16,544

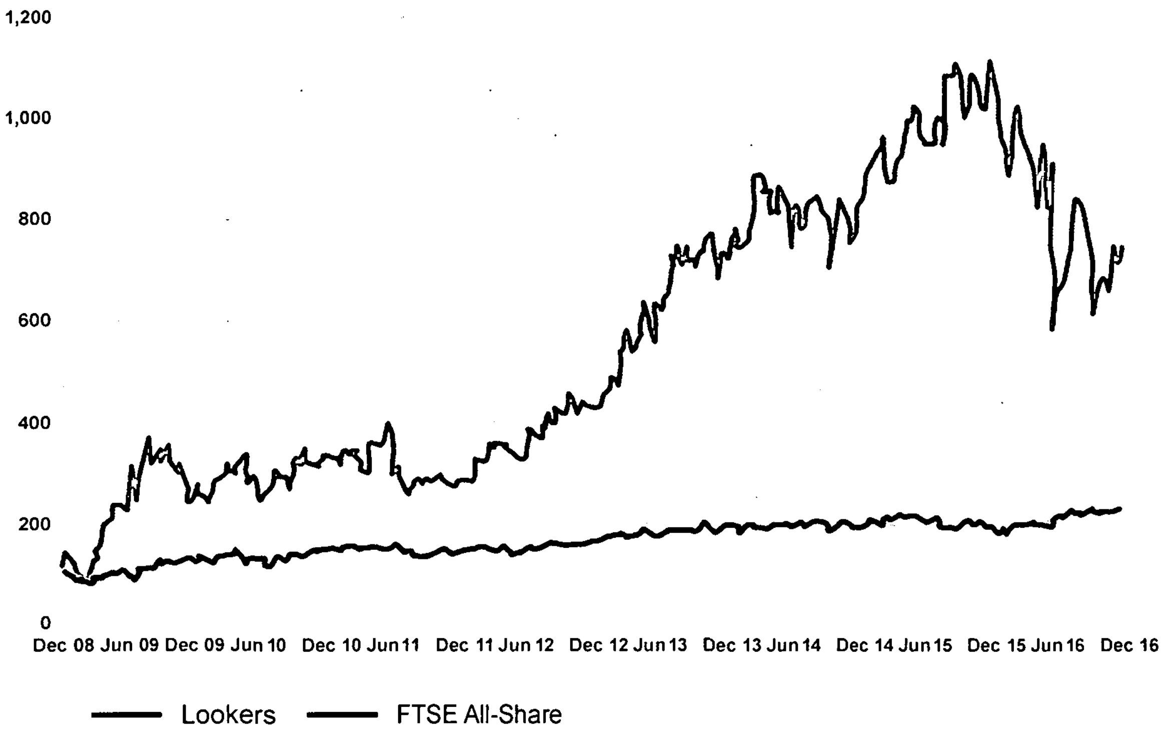
Directors' Remuneration Report

Performance graph and table

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

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

Chief Executive	2009		2010	2011	2012	2013	2014	2015	2016
	H.K. Surgenor[1]	P. Jones[2]	P. Jones	P. Jones	P. Jones	P. Jones	A.C. Bruce[3]	A.C. Bruce	A.C. Bruce
Total single figure (£000)	645	568	692	583	739	1,436	806	894	1,629
Annual bonus % of maximum opportunity	100%	100%	100%	63%	100%	100%	100%	87%	67%
LTIP vesting % maximum opportunity (if applicable)	-	-	-	-	-	100%	-	-	100%



1. H. K. Surgenor retired on 30 September 2009.
2. P. Jones was appointed on 1 October 2009 and retired on 31 December 2013.
3. A. C. Bruce was appointed on 1 January 2014.

Change in remuneration of Chief Executive

The following table sets out the change in the Chief Executive's salary, benefits and bonus between 2015 and 2016 compared with the average percentage change in each of those components for the employees of the group.

	Increase in base salary	Increase in benefits	Increase in bonus
CEO	2%	0%	-22%
Employees	2%	0%	0%

Relative importance of spend on pay
The table below sets out the total spend on pay in 2016 and 2015 year compared with distributions to shareholders and which was the most significant outgoing for the company in the last financial year.

	Spend in 2016 £m	Spend in 2015 £m	% increase
Spend on staff pay (including Directors)	272.2	229.9	18.4%
Profit distributed by way of dividend	13.1	11.6	12.9%

Implementation of directors' remuneration policy in 2017
The salaries and fees to be paid to directors in 2017 are set out in the table below, together with any increases expressed as a percentage.

	2017 salary/fees	2016 salary/fees	Increase %
A. C. Bruce	368,000	364,100	1%
R. A. Gregson	281,250	278,307	1%
N. J. McMinn	281,250	278,307	1%
P. M. White	123,750	122,500	1%
R. S. Walker	42,000	41,500	1%
D. C. A. Bramall	42,000	41,500	1%
W. Holmes	46,500	46,000	1%
S. Cabrini	42,000	41,500	1%

Annual bonus for 2017
The bonus opportunity for 2017 will be 150% of salary for each executive director. The performance targets for the annual bonus are based on budgeted APBT of the company, with payments determined based on the scale set out in the Directors' Remuneration Policy.

The APBT figure for the company is set out annually in note 7 to the accounts. The Committee is of the opinion that budgeted APBT information is commercially sensitive and that it would be therefore be detrimental to the company to disclose details of the targets in advance. The targets will be disclosed after the end of the financial year in the annual report on remuneration.

LTIP for 2017
As set out in the Chairman's statement, the Committee has restructured LTIP awards to be granted from 2017 onwards. In particular LTIP awards will operate in the following way:

- Standalone three year rolling vesting cycles (i.e. the integrated three year programme from the current LTIP will not be retained); and
- Awards will be nil-cost rights to acquire shares.

Subject to approval of the Directors' Remuneration Policy at the 2017 AGM, awards over 150% of salary will be to the Chief Executive and awards over 100% of salary will be made to other executive directors in 2017.

For the 2017 awards:

- An additional Net debt to EBITDA ratio metric will be introduced alongside the existing Adjusted EPS measure and will comprise 25% of the LTIP; and
- A two-year holding period will apply to 50% of vested awards.

The performance target for 75% of the LTIP for 2017 is based on growth in adjusted EPS over a three year period. Adjusted EPS is set out annually in note 7 to the accounts. The figure stated is before the amortisation of intangibles, impairment of goodwill, debt issue costs, pension costs and share based payments, as referred to in note 7 to the accounts.

The table below sets out the adjusted EPS targets that will apply for the 2017 award:

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

The remaining 25% of the LTIP for 2017 is based on the ratio of Net debt to EBITDA over the three year performance period to 31 December 2019.

The table below sets out the Net Debt to EBITDA targets that will apply for the 2017 award:

Performance condition	Weighting	Threshold target (50% vesting)	Mid-point target (75% vesting)	Maximum target (100% vesting)
Net Debt: EBITDA	25%	Less than 2.0 but more than 1.5	Less than 1.5 but more than 1.0	Equal to or less than 1.0

The targets have been set by the Committee in conjunction with the Board, and have been calibrated to have a stretch in excess of previous LTIP awards taking into account forward-looking business plans and external market conditions.

Consideration by the directors of matters relating to directors' remuneration

The Committee

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

The members of the Committee during 2016 were P. M. White, R. S. Walker, W. Holmes and S. J. Cabrini. The Committee met 2 times during 2016, at which all members of the Committee attended.

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

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

Summary of activity during 2016

During 2016 the Committee's primary activities related to the review of remuneration policy for executive directors. This resulted in formalising the plans for restructuring the LTIP arrangements to operate more market-aligned performance share plan awards, including the introduction of a post-vesting holding period. The Committee also undertook a review of performance conditions and their alignment with business strategy, leading to a decision to introduce the Net Debt condition for the LTIP for 2017 awards.

The Committee appointed and received advice over the year from PwC LLP in connection with the review of the remuneration arrangements and the implementation of awards made under the LTIP. PwC is a member of the Remuneration Consultants' group and complies with its Code of Conduct which includes guidelines to ensure that advice is independent and free of undue influence. During the year, PwC was paid fees of £72,400.

Statement of voting
The latest votes in respect of remuneration matters were cast at the 2015 and 2016 AGMs as follows:

Resolution	Votes For	%	Votes Against	%	Abstentions
To approve the directors' remuneration policy	254,151,648	89.69%	29,202,798	10.31%	1,473,974
To approve the 2015 Annual Report on Remuneration (including the Annual Statement from the Chairman of the Remuneration Committee)	247,401,170	86.18%	39,682,850	13.82%	154,515

By Order of the Board

R. S. Walker
Chairman of the Remuneration Committee
8 March 2017

Directors' Responsibilites Statement

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

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

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

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

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

Responsibility statement
We confirm that to the best of our knowledge:
- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic and operational review includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

By Order of the Board

A. C. Bruce	**R. A. Gregson**
Chief Executive Officer	Chief Financial Officer
8 March 2017	8 March 2017

Financial Statements

Independent Auditor's Report to the Members of Lookers plc

Opinion on financial statements of Lookers plc

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 2016 and of the group's and the parent company's profit for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and**
- **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.**

The financial statements that we have audited comprise:

- the Group Income Statements;
- the Group and Parent Company Statements of Comprehensive Income;
- the Group and Parent Company Statements of Financial Position;
- the Group and Parent Company Cash Flow Statements;
- the Group and Parent Company Statements of Changes in Equity;
- the Principal Accounting Policies; and
- the related notes 1 to 32.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Summary of our audit approach

Key risks	
The key risks that we identified in the current year were: • Inventory valuation and provisioning • Commercial income including supplier rebate arrangements (i.e. manufacturer bonuses) • Potential impairment of goodwill and intangible assets	Within this report, any new risks are identified and any risks which are the same as the prior year identified.
Materiality	
The materiality that we used in the current year was £3.2m which was determined on the basis of adjusted pre-tax profit. Pre-tax profit has been adjusted by	removing the effect of exceptional items of income and expense (see note 4 from the pre-tax profit).
Scoping	
Based on our scoping assessment, our audit work covered 96% of the group's profit before tax, 93% of revenue and 92% of the group's net assets.	We have outlined our detailed scoping approach in the scoping section.
Significant changes in our approach	
The group acquired the ordinary share capital of the Knights Group and the Drayton Group; the post-acquisition trading results and balance sheets were subject to a full audit. In addition to this, the group	disposed of the Parts division where we audited the pre-acquisition results included within the consolidation at a component materiality.

Independent Auditor's Report to the Members of Lookers plc

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the group
As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the directors' statement on the longer-term viability of the group contained within corporate governance statement on page 55.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation on page 58 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on page 58 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation on page 55 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Independence
We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards.

Details of the non-audit service fees charged for the year have been presented in Note 4 and discussed in the Report from the Chairman of the Audit and Risk Committee.

We confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement
The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

The risks included within this audit report are consistent with those reported in the year ended 31 December 2015 audit report aside from the removal of the pension scheme valuation risk. We did not consider this a key risk in the current year as it did not have the greatest effect on our audit strategy nor the allocation of resources in the audit and therefore was not an area of focus for our audit.

Inventory valuation and provisioning>>

Risk description

There are a number of risks that can have a material impact on the inventory balance in the financial statements, principally:

- the assessment of net realisable value of inventory, which for used vehicles in particular can fluctuate as a result of market factors and the condition of vehicles;
- manufacturer bonuses, which should be offset against the inventory balance where the vehicle is still recorded as inventory at the balance sheet date; and
- provision requirements for slow-moving inventory.

Inventory has increased to £839.4 million (2015: £816.0 million) due to the acquisition of the Drayton Group and Knights Group in the year and increased inventory levels to support the Group's growth offset by the reduction in parts inventory due to the disposal of the Parts business in the current year

The inventory valuation accounting policy is disclosed on page 96 and the inventory note is disclosed on page 117.

How the scope of our audit responded to the risk

We have:

- assessed the design and implementation of controls in place in relation to the recording of ageing of inventory held across the Group;
- performed substantive procedures (discussed below), including data audit techniques on the Group's vehicle and parts inventory reports, to identify any issues in respect of valuation and slow-moving inventory;
- tested the cost of inventory by reference to a sample of supplier invoices and confirmations;
- assessed whether manufacturer bonuses have been appropriately recorded within the inventory balance where appropriate; and
- assessed the risk around net realisable value of used cars by comparing the carrying value of a sample of vehicles to the industry accepted valuation methodology set out in the Glass' Guide and CAP, and also by reference to a selection of post year-end sales.

Key observations

The results of our test were satisfactory and the value of inventory held is appropriate and in line with the requirements of IAS 2. We are satisfied that the judgements made by management in calculating the provisions in place at year end are reasonable based on the audit evidence obtained.

Independent Auditor's Report to the Members of Lookers plc

Commercial income including supplier rebate arrangements (i.e. manufacturer bonuses)

Risk description

Commercial income £147m (2015: £127m) derived from the Group's manufacturer partners is significant to the overall result.

The principal risk associated with commercial income relates to its recognition as a result of the complex nature of the agreements and hence the interpretation of whether targets have been met. This can make it difficult to prove that the commercial income is correct to be recognised

The commercial income accounting policy is disclosed on page 98.

How the scope of our audit responded to the risk

We have:

- assessed the design and implementation of controls in place in relation to the recognition of commercial income across the Group;
- compared a sample of bonus balances to credits received from the manufacturer and subsequent cash received;
- enquired of management of the results of any audits performed by manufacturers in relation to commercial income in the year;
- reviewed the ageing of amounts due and evaluated management's judgements relating to the recoverability of any aged balances, including considering the need for any provision;
- performed analytical procedures to test the completeness and accuracy of the amounts recorded in the year.

Key observations

We are satisfied with the timing of recognition of commercial income in the year based on the audit evidence received. We consider the disclosures in relation to manufacturer bonuses to adequately describe the types of rebate income received and the recognition within the statement of financial position as at 31 December 2016.

Potential impairment of goodwill and intangible assets

Risk description

The Group has goodwill and intangible assets of £217.4 million (2015: £158.3 million) which arose from a number of acquisitions over several years including £69.9 million on the acquisition of the Drayton group and the Knights Group in the year ended 31 December 2016.

The Group's assessment of impairment is a judgemental process which requires estimates concerning the estimated cash flows, useful economic lives, discount rates and growth rates disclosed in note 9 on page 112 based on management's view of future business prospects.

Should there be low contribution dealerships recognising specific goodwill and intangible balances then there is a risk that those balances might be impaired.

See critical accounting estimates and judgements on page 93.

How the scope of our audit responded to the risk

We have:

- assessed the design and implementation of controls in place in relation to the impairment review and analysis carried out for the Group
- reviewed management's impairment calculation and assessed whether the requirements of IAS 36 'Impairment of Assets' have been followed;
- evaluated the underlying assumptions applied, including key judgements relating to growth in profits, useful economic lives and the discount rates applied;
- compared management's growth assumptions to recent trading performance of the relevant cash generating units and also compared to external growth data provided by the Society of Motor Manufacturers & Traders;
- considered the historical accuracy of management's forecasting;
- benchmarked the discount rates against peer Group businesses; and
- engaged our internal valuation specialists to review the discount rates adopted.

Key observations

We concluded that the assumptions applied in the impairment models were appropriate, including those around low contribution dealerships and no additional impairments were identified from the work performed above. In some circumstances goodwill continues to be recognised in relation to low contribution dealerships. We are satisfied management has reached the conclusion not to impair these based on the audit evidence obtained.

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

Independent Auditor's Report to the Members of Lookers plc

Our application of materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

Group materiality
£3.2 million (2015: £3.2 million)
Basis for determining materiality
5% of adjusted pre-tax profit. Pre-tax profit has been adjusted by removing the effect of exceptional items of income and expense (see note 4 from the pre-tax profit). This basis is consistent with the prior year.
Rationale for the benchmark applied
Adjusted pre-tax profit has been used to take account of the exceptional items within the year which do not accurately reflect the underlying trade of the business. This is also the key performance measure for the Group and receives significant focus from shareholders and analysts.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £162,000 (2015: £60,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. The change in the reporting threshold has been made following our reassessment of what matters require communicating. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

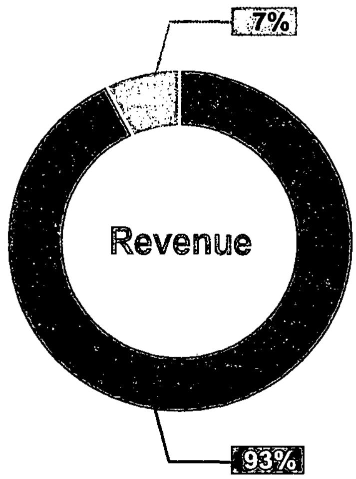
An overview of the scope of our audit
Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

Based on that assessment, we focused our group audit scope primarily on the audit work at 26 (2015: 22) locations which are primarily regional accounting centres. 25 (2015: 16) of these were subject to a full audit, whilst the remaining 1 (2015: 6) was subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the group's operations at this location. The change in the number of locations subject to full audit or specified account balances is due to the acquisition of the Drayton Group and Knights Group in the year. These 25 locations represent the principal business units and account for 93% (2015: 90%) of the group's revenue, 96% (2015: 98%) of the group's profit before tax and 92% (2015: 97%) of the group's total net assets. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the 25 locations was executed at levels of materiality applicable to each individual entity which were lower than group materiality and were capped at £1.7 million (2015: capped at £1.5million).

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team followed a programme of visits that involved a senior member of the Group audit team visiting each of the locations where the Group audit scope was focused. One key component had a separate component audit partner. The component audit partner and team attended the Group team planning briefing led by the Group engagement partner, we discussed their risk assessment, and we also reviewed documentation of the findings from their work. Furthermore, alongside the component audit partner, the Group engagement partner attended the component close meeting.

Independent Auditor's Report to the Members of Lookers plc



- Full audit scope
- Review at group level

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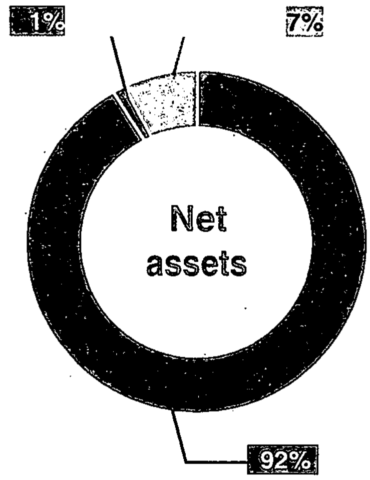
- Review at group level



- Full audit scope
- Specified audit procedures
- Review at group level

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

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

We have nothing to report arising from these matters.

Independent Auditor's Report to the Members of Lookers plc

Corporate Governance Statement
Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code.

We have nothing to report arising from our review.

Our duty to read other information in the Annual Report
Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

We confirm that we have not identified any such inconsistencies or misleading statements.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

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). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Patrick Loftus

Patrick Loftus FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, UK
8 March 2017

Principal Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless stated otherwise.

1. General Information

Lookers plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given in note 12 to these Financial Statements. The nature of the group's operations and its principal activities are set out in section 1 of the Directors' Report.

2. Basis of Preparation

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

The Company has elected to take exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account. The profit for the Company for the year was £23.2million (2015: £29.3million). The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments.

Adoption of new and revised Standards

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28
Investment Entities: Applying the Consolidation Exception

The Group has adopted the amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception for the first time in the current year. The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

As the Company is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity, the adoption of the amendments has had no impact on the Group's consolidated financial statements.

Amendments to IFRS 11
Accounting for Acquisitions of Interests in Joint Operations

The Group has adopted the amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations for the first time in the current year. The amendments provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The adoption of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IAS 1
Disclosure Initiative

The Group has adopted the amendments to IAS 1 Disclosure Initiative for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other IFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

The amendments also address the structure of the financial statements by providing examples of systematic ordering or grouping of the notes.

The adoption of these amendments has not resulted in any impact on the financial performance or financial position of the Group.

Amendments to IAS 16 and IAS 38
Clarification of Acceptable Methods of Depreciation and Amortisation
The Group has adopted the amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* for the first time in the current year. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:
a) when the intangible asset is expressed as a measure of revenue; or
b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.
As the Group already uses the straight-line method for depreciation and amortisation for its property, plant and equipment and intangible assets, respectively, the adoption of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 41
Agriculture: Bearer Plants
The Group has adopted the amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* for the first time in the current year. The amendments define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.
The adoption of these amendments has had no impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to IAS 27
Equity Method in Separate Financial Statements
The Group has adopted the amendments to IAS 27 *Equity Method in Separate Financial Statements* for the first time in the current year. The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:
- at cost,
- in accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9), or
- using the equity method as described in IAS 28 *Investments in Associates and Joint Ventures*.

The same accounting must be applied to each category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs.

The adoption of the amendments has had no impact on the Company's separate financial statements as the Company accounts for investments in subsidiaries and associates at cost and is not an investment entity.

Annual Improvements to IFRSs 2012-2014 Cycle
The Group has adopted the amendments to IFRSs included in the *Annual Improvements to IFRSs 2012-2014 Cycle* for the first time in the current year.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The adoption of these amendments has had no effect on the Group's consolidated financial statements.

Principal Accounting Policies

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

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions
IAS 7 (amendments)	Disclosure Initiative
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

- IFRS 9 will impact both the measurement and disclosures of financial instruments;
- IIFRS 15 may have an impact on revenue recognition and related disclosures; and
- IIFRS 16 may have an impact on the reported assets, liabilities, income statement and cash flows of the Group. Furthermore, extensive disclosures will be required by IFRS 16.

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

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

The company and the group meet their day to day working capital requirements through short-term stocking loans, the revolving credit facility and its medium-term funding requirements through a term loan. At the year end the medium-term banking facilities included a revolving credit facility of up to £150.0 million and a term loan totalling £85.0 million, providing total facilities of £235.0 million. These facilities were renewed in September 2015 and are due for renewal in March2020.

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

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

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

3. Critical accounting estimates and judgements
In the process of applying the groups Accounting Policies, which are described above, the directors have made the following judgements that have had the most significant effect on the amounts recognised in the financial statements.

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

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

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

The rate used to discount the resulting cash flows is equivalent to the market yield at the balance sheet date on UK government securities with a similar duration to the schemes liabilities. This rate is potentially subject to significant variation. The net cost recognised in the Income Statement is also affected by the return on the schemes' assets. The impact of the pension estimates on the group's accounts can be seen in note 29.

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

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

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

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

4. Basis of Consolidation
The consolidated financial statements comprise the accounts of the company and its subsidiary undertakings. An undertaking is regarded as a subsidiary if the group has control over its operating and financial policies. The profits and losses of subsidiary undertakings are consolidated as from the effective date of acquisition or to the effective date of disposal.

The group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of completion, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority 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. Where a property transaction is deemed to be exceptional, the profit on sale is recognised when the contract for sale becomes unconditional.

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 and licences vary between 5 years and indefinite life. Intangible assets with indefinite life are tested annually for impairment. A valuation of intangible assets is performed by an independent external specialist to assess their useful lives. 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 at least annually for impairment. Assets subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less disposal costs, and value in use.

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.

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 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", the "Dutton Forshaw Group Pension Plan" and the "Benfield Group Pension Plan" which are defined benefit pension schemes providing benefits based on final pensionable salary. The defined benefit schemes define the amount of pension benefit that an employee will receive on retirement, dependent on one or more factors including age, years of service and salary. All schemes are closed to new members and to future accrual. The last triennial valuation of the "Lookers Pension Plan" was carried out at 31 March 2013 by Aon Hewitt Limited and has been updated to 31 December 2016 by a qualified independent actuary to take account of IAS 19 (Revised). The last triennial valuation of the "Dutton Forshaw Group Pension Plan" was carried out at 31 March 2013 by Aon Hewitt Limited and has been updated to 31 December 2016 by a qualified independent actuary to take account of IAS 19 (Revised).

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

The directors have carried out an assessment of whether there is an unconditional right to a refund of contributions or a reduction in contributions by reference to the schedule of contributions and are satisfied that no further liability is likely to arise.

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

As a result of the amendments to IAS 19 Employee Benefits, the group has changed its accounting policy with respect to determining the income or expense related to its defined benefit pension scheme. The standard prescribes that an interest expense or income is calculated on the net defined benefit liability or asset respectively by applying the discount rate to the net defined benefit liability or asset.

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

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 depends on the nature of the hedge relationship.

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

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

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.

Principal Accounting Policies

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.

25. Commercial income

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

The amount of commercial income receivable at 31 December 2016 was £50.9m (2015: £39.2m).

26. Other items including exceptionals

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

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

Items that may give rise to classification as non-underlying include, but are not limited to, the amortisation of acquired intangible assets, pension costs, debt issue costs, share based payments, impairment of goodwill and exceptional items.

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

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

Consolidated Income Statements

	Note	Continuing Operations £m	Discontinued Operations £m	Total 2016 £m	Continuing Operations £m	Discontinued Operations £m	Total 2015 £m
Revenue	1	4,088.2	193.5	4,281.7	3,430.3	218.8	3,649.1
Cost of sales		(3,638.7)	(138.8)	(3,777.5)	(3,039.6)	(157.3)	(3,196.9)
Gross Profit		**449.5**	**54.7**	**504.2**	**390.7**	**61.5**	**452.2**
Distribution costs		(254.5)	(27.8)	(282.3)	(217.4)	(33.2)	(250.6)
Administration expenses		(94.2)	(14.7)	(108.9)	(105.2)	(15.8)	(121.0)
Other Operating income		0.5	-	0.5	0.5	-	0.3
Profit from operations		**101.3**	**12.2**	**113.5**	**68.6**	**12.5**	**80.9**
Profit from operations before amortisation, share based payments, impairment of goodwill and exceptional items		82.5	12.2	94.7	73.4	12.5	85.9
Amortisation of intangible items	10	(1.7)	-	(1.7)	(1.6)	-	(1.6)
Impairment of goodwill	9	(1.0)	-	(1.0)	(3.6)	-	(3.6)
Share based payments		(1.8)	-	(1.8)	(1.5)	-	(1.5)
Exceptional items	4	23.3	-	23.3	1.7	-	1.7
Profit from operations		**101.3**	**12.2**	**113.5**	**68.4**	**12.5**	**80.9**
Interest payable	3	(17.6)	-	(17.6)	(14.1)	-	(14.1)
Interest receivable	3	-	-	-	0.3	-	(0.3)
Net interest		(17.6)	-	(17.6)	(13.8)	-	(13.8)
Net interest on pension scheme obligation		(3.7)	-	(3.7)	(3.9)	-	(3.9)
Debt issue costs		(0.4)	-	(0.4)	(0.4)	-	(0.4)
Profit on ordinary activities before taxation		**79.6**	**12.2**	**91.8**	**50.3**	**12.5**	**62.8**
Profit before taxation, amortisation, exceptional items, debt issue costs, pension costs, impairment of goodwill and share based payments		64.9	12.2	77.1	59.6	12.5	72.1
Amortisation of intangible items		(1.7)	-	(1.7)	(1.6)	-	(1.6)
Share based payments		(1.8)	-	(1.8)	(1.5)	-	(1.5)
Net interest on pension scheme obligation	4	(3.7)	-	(3.7)	(3.9)	-	(3.9)
Exceptional items	4	23.3	-	23.3	1.7	-	1.7
Impairment of goodwill		(1.0)	-	(1.0)	(3.6)	-	(3.6)
Debt issue costs		(0.4)	-	(0.4)	(0.4)	-	(0.4)
Profit on ordinary activities before taxation		**79.6**	**12.2**	**91.8**	**50.3**	**12.5**	**62.8**
Tax (charge)/credit	5	(7.9)	(2.6)	(10.5)	(9.4)	(2.6)	(12.0)
Profit for the year		**71.7**	**9.6**	**81.3**	**40.9**	**9.9**	**50.8**
Attributable to:							
Shareholders of the company		71.7	9.6	81.3	40.9	9.9	50.8
Earnings per share:							
Basic earnings per share	7			20.51p			12.88p
Diluted earnings per share	7			**20.10p**			**12.58p**

Consolidated and Company Statements of Comprehensive Income

	Note	Group 2016 £m	2015 £m	Company 2016 £m	2015 £m
Profit for the financial year		81.3	50.8	23.2	29.3
Items that will never be reclassified to profit and loss:					
Actuarial (losses) gains recognised in post-retirement benefit schemes	29	(27.2)	(2.1)	(15.4)	0.4
Movement in deferred taxation on pension liability	23	4.1	0.6	2.2	(0.2)
Tax rate adjustment		(0.5)	(0.4)	(0.3)	-
Items that are or may be reclassified to profit and loss:					
Fair value on derivative instruments and share based payments		(2.0)	-	(2.0)	-
Movement in deferred taxation on derivative instruments	23	(0.8)	1.1	0.5	-
Other comprehensive (expense) / income for the year		**(26.4)**	**(0.8)**	**(15.0)**	**0.2**
Total comprehensive income for the year		**54.9**	**50.0**	**8.2**	**29.5**
Attributable to:					
Shareholders of the company		54.9	50.0	8.2	29.5

Consolidated and Company Statements of Financial Position

	Note	Group 2016 £m	2015 £m	Company 2016 £m	2015 £m
Non-current assets					
Goodwill	9	107.6	96.4	-	-
Intangible assets	10	109.8	61.9	8.7	1.6
Property, plant and equipment	11	319.1	282.9	0.3	0.9
Investment in subsidiaries	12	-	-	57.8	57.8
Deferred tax asset	23	-	-	8.7	5.3
		536.5	**441.2**	**75.5**	**65.6**
Current assets					
Inventories	13	839.4	816.0	-	-
Trade and other receivables	14	225.0	252.6	405.6	357.1
Rental fleet vehicles	16	67.1	67.0	-	-
Cash and cash equivalents	17	39.8	8.3	30.6	32.9
		1,171.3	1,143.9	436.2	390.0
Total assets		**1,707.8**	**1,585.1**	**511.7**	**455.6**
Current liabilities					
Bank loans and overdrafts	20	25.1	83.4	23.4	79.9
Trade and other payables	18	1,087.5	982.8	215.8	107.0
Current tax liabilities	19	14.7	13.8	6.4	-
Short-term provisions	22	-	0.6	-	-
Derivative financial instruments		3.0	4.8	3.0	5.0
		1,130.3	**1,085.4**	**248.6**	**191.9**
Net current assets		41.0	58.5	187.6	198.1
Non-current liabilities					
Bank loans	20	88.8	86.6	75.0	85.0
Trade and other payables	18	33.6	34.1	-	-
Retirement benefit obligations	29	78.4	55.3	39.9	26.7
Deferred tax liabilities	23	35.0	25.2	-	-
Long-term provisions	22	-	0.7	-	-
	20	**235.8**	**1.9**	**114.9**	**111.7**
Total liabilities		**1,366.1**	**1,287.3**	**363.5**	**303.6**
Net assets		**341.7**	**297.8**	**148.2**	**152.0**
Shareholders' equity					
Ordinary share capital	24	19.8	19.8	19.8	19.8
Share premium	25	77.7	77.7	77.7	77.7
Capital redemption reserve	26	14.6	14.6	14.6	14.6
Retained earnings	27	229.6	185.7	36.1	39.9
Total equity		**341.7**	**297.8**	**148.2**	**152.0**

The financial statements of Lookers plc registered no. 111876 on pages 91 to 141 were approved by the Directors on 8 March 2017.

Signed on behalf of the Directors.

A. C. Bruce
Director

R. A. Gregson
Director

Consolidated Statements of Changes in Equity

Group	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2016	19.8	77.7	14.6	185.7	297.8
Profit for the year	-	-	-	81.3	81.3
Actuarial losses on defined benefit pension schemes (note 29)	-	-	-	(27.2)	(27.2)
Deferred taxation on pension liability	-	-	-	3.6	3.6
Share based payments	-	-	-	1.8	1.8
Deferred taxation on derivatives	-	-	-	(0.8)	(0.8)
Current and deferred taxation on share based payments	-	-	-	(1.6)	(1.6)
Dividends to shareholders	-	-	-	(13.2)	(13.2)
As at 31 December 2016	**19.8**	**77.7**	**14.6**	**229.6**	**341.7**
As at 1 January 2015	19.7	76.9	14.6	145.7	256.9
New shares issued	0.1	0.8	-	-	0.9
Profit for the year	-	-	-	50.8	50.8
Actuarial losses on defined benefit pension schemes (note 29)	-	-	-	(2.1)	(2.1)
Deferred taxation on pension liability	-	-	-	0.6	0.6
Share based payments	-	-	-	1.5	1.5
Rate adjustment	-	-	-	(0.4)	(0.4)
Foreign exchange gain	-	-	-	0.1	0.1
Deferred taxation on share based payments	-	-	-	1.1	1.1
Dividends to shareholders	-	-	-	(11.6)	(11.6)
As at 31 December 2015	**19.8**	**77.7**	**14.6**	**185.7**	**297.8**

Company Statements of Changes in Equity

Company	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2016	19.8	77.7	14.6	39.9	152.0
Profit for the year	-	-	-	23.2	23.2
Actuarial gain on defined benefit pension schemes (note 29)	-	-	-	(15.4)	(15.4)
Deferred tax on pension liability	-	-	-	1.6	1.6
Dividends to shareholders	-	-	-	(13.2)	(13.2)
As at 31 December 2016	**19.8**	**77.7**	**14.6**	**36.1**	**148.2**
As at 1 January 2015	19.7	76.9	14.6	22.0	133.2
New shares issued	0.1	0.8	-	-	0.9
Profit for the year	-	-	-	29.3	29.3
Actuarial gain on defined benefit pension schemes (note 29)	-	-	-	0.4	0.4
Deferred tax on pension liability	-	-	-	(0.2)	(0.2)
Dividends to shareholders	-	-	-	(11.6)	(11.6)
As at 31 December 2015	**19.8**	**77.7**	**14.6**	**39.9**	**152.0**

Consolidated and Company Cash Flow Statements

	Note	Group 2016 £m	2015 £m	Company 2016 £m	2015 £m
Cash flows from operating activities					
Profit for the year		81.3	50.8	23.2	29.3
Adjustments for:					
Tax		10.5	12.0	(0.3)	2.3
Depreciation	4	21.5	16.7	0.1	0.2
Dividend received			-	(17.4)	(21.7)
Loss on disposal of plant and equipment	4	-	0.6	-	-
Profit on disposal of rental fleet vehicles	4	(0.2)	(0.4)	-	-
Profit on disposal of business		(28.0)	-	-	-
Amortisation of intangible assets	4	1.7	1.6	1.5	1.0
Share based payments		1.8	1.5	-	-
Interest income		-	(0.3)	(2.6)	(2.6)
Interest payable		17.6	14.1	6.8	6.3
Debt issue costs		0.4	0.4	0.4	0.4
Impairment of goodwill		1.0	3.6	-	-
Changes in working capital					
Increase in inventories		(23.4)	(267.2)	-	-
Decrease/(Increase) in receivables		27.6	(73.2)	(48.5)	(136.0)
Increase in payables		93.2	289.9	111.5	4.5
Impact of net working capital from discontinued businesses		(70.2)	-	-	-
Impact of net working capital of acquisitions		6.1	17.8	-	-
Cash generated from / (used by) operations		140.9	67.9	74.7	(116.3)
Difference between pension charge and cash contributions		(7.1)	(6.8)	(3.9)	(3.9)
Net interest and costs on pension scheme obligation		3.7	3.9	1.6	1.6
Purchase of rental fleet vehicles		(93.7)	(83.2)	-	-
Proceeds from sale of rental fleet vehicles		87.4	76.2	-	-
Interest paid		(17.6)	(14.1)	(6.8)	(6.3)
Interest received		-	0.3	2.6	2.6
Tax paid		(14.2)	(11.3)	-	(0.6)
Net cash inflow / (outflow) from operating activities		99.4	32.9	68.2	(122.9)
Cash flows from investing activities					
Acquisition of subsidiaries	28	(92.6)	(104.4)	-	-
Purchase of property, plant and equipment		(36.3)	(35.2)	(0.2)	(0.9)
Purchase of intangibles		(9.2)	(0.8)	(8.7)	(0.8)
Purchase of goodwill		-	(1.8)	-	-
Proceeds from sale of property, plant and equipment		28.9	9.8	0.7	-
Net proceeds from sale of business		111.5	-	-	-
Dividends received		-	-	17.4	21.7
Net cash (used) / generated by investing activities		2.3	(132.4)	9.2	20.0
Cash flows from financing activities					
Proceeds from issue of ordinary shares		-	0.9	-	0.9
Repayment of loans		(10.2)	(11.8)	(10.0)	(8.8)
New loans		14.0	62.2	-	61.3
Dividends paid to group shareholders		(13.2)	(11.6)	(13.2)	(11.6)
Net cash (outflow) / inflow from financing activities		(9.4)	39.7	(23.2)	41.8
Increase / (decrease) in cash and cash equivalents		92.3	(59.8)	54.2	(61.1)
Cash and cash equivalents at 1 January		(63.5)	(3.7)	(37.0)	24.1
Cash and cash equivalents at 31 December	17	28.8	(63.5)	17.2	(37.0)

1. Segmental Reporting

At 31 December 2016 the group is organised into one business segment being the motor distribution segment.
The parts distribution segment was discontinued on the sale of FPS Distribution Limited on 4 November 2016 (see note 2).
All revenue and profits originate in the United Kingdom and the Republic of Ireland.

Primary reporting format - business segments

Year ended 31 December 2016	Note	Motor Division £m	Parts Distribution (Discontinued) £m	Unallocated £m	Group £m
Continuing operations					
New Cars		2,206.1	-	-	2,206.1
Used Cars		1,437.2	-	-	1,437.2
Aftersales		444.9	193.5	-	638.4
Revenue		**4,088.2**	**193.5**	**-**	**4,281.7**
Segmental result before amortisation of intangible assets		82.6	12.1	-	94.7
Amortisation of intangible assets	10	-	-	(1.7)	(1.7)
Interest expense		(13.4)	-	(4.2)	(17.6)
Share based payments		-	-	(1.8)	(1.8)
Impairment of goodwill		-	-	(1.0)	(1.0)
Exceptional items		-	-	23.3	23.3
Net interest and costs on pension scheme obligation		-	-	(3.7)	(3.7)
Debt issue costs		-	-	(0.4)	(0.4)
Profit before taxation		69.2	12.1	10.5	91.8
Taxation					(10.5)
Profit for the financial year attributable to shareholders					81.3
Segmental assets		1,707.8	-	-	1,707.8
Total assets		**1,707.8**	**-**	**-**	**1,707.8**
Segmental liabilities					
Unallocated liabilities		1,252.2	-	-	1,257.2
- Corporate borrowings		-	-	113.9	113.9
Total liabilities		**1,252.2**	**-**	**113.9**	**1,366.1**
Other segmental items:					
Capital expenditure	11	32.2	4.1	-	36.3
Expenditure on Rental Fleet Vehicles	16	93.7	-	-	93.7
Depreciation	11, 16	20.1	1.4	-	21.5
Amortisation of intangible assets	10	-	-	1.7	1.7

1. Segmental Reporting (continued)

Year ended 31 December 2015	Note	Motor Division £m	Parts Distribution £m	Unallocated £m	Group £m
Continuing operations					
New Cars		1,835.3	-	-	1,835.3
Used Cars		1,212.1	-	-	1,212.1
Aftersales		382.9	218.8	-	601.7
Revenue		**3,430.3**	**218.8**	**-**	**3,649.1**
Segmental result before amortisation of intangible assets		74.9	12.6	(1.6)	85.9
Amortisation of intangible assets	10	-	-	(1.6)	(1.6)
Interest expense		(10.4)	-	(3.7)	(14.1)
Interest income		-	-	0.3	0.3
Share based payments		-	-	(1.5)	(1.5)
Impairment of goodwill		-	-	(3.6)	(3.6)
Exceptional items		-	-	1.7	1.7
Net interest and costs on pension scheme obligation		-	-	(3.9)	(3.9)
Debt issue costs		-	-	(0.4)	(0.4)
Profit before taxation		**64.5**	**12.6**	**(14.3)**	**62.8**
Taxation		-	-	(12.0)	(12.0)
Profit for the financial year from continuing operations attributable to shareholders					50.8
Segmental assets		**1,429.4**	**155.7**	**-**	**1,585.1**
Total assets		**1,429.4**	**155.7**	**-**	**1,585.1**
Segmental liabilities		1,037.2	80.1	-	1,117.3
Unallocated liabilities - Corporate borrowings		-	-	170.0	170.0
Total liabilities		**1,037.2**	**80.1**	**170.0**	**1,287.3**
Other segmental items					
Capital expenditure	11	32.8	2.4	-	35.2
Expenditure on Rental Fleet Vehicles	15	91.4	-	-	91.4
Depreciation	11, 16	14.7	2.0	-	16.7
Amortisation of intangible assets	10	-	-	1.6	1.6
Impairment of trade receivables	14	-	0.2	-	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.

2. Discontinued Operations

On 4 November 2016, the group disposed of FPS Distribution Limited and its subsidiary companies to Alliance Automotive UK Limited. FPS Distribution Limited and subsidiaries operated the company's Parts Division segment.

The disposal was effected in order to generate cash flow for the expansion of the groups other dealership networks.

The results of the discontinued operation are disclosed in the consolidated income statement.

A profit of £28.0 million arose on the sale of the parts division companies being the difference between sale proceeds and the carrying value of the net assets and attributable goodwill. The profit has been disclosed within exceptional items (note 4).

The carrying value of the assets and net cash generated on disposal are detailed below.

Carrying value of assets on disposal	**£m**
Property, plant and equipment	16.2
Deferred tax	2.4
Inventories	63.1
Trade and other receivables	77.0
Cash and cash equivalents	4.5
Trade and other payables	(69.9)
Corporation tax	(4.0)
Provisions	(1.3)
	88.0
Total consideration in cash	116.0
Net profit on disposal	**28.0**

Net cash inflow arising on disposal	**£m**
Consideration received in cash	116.0
Less cash disposed of	(4.5)
	111.5

During the year, FPS Distribution limited used £2.8 million in the groups net operating cash flows, and paid £12.7 million in respect of investing activities.

Cash flow items resulting from discontinued operations:-	**£m**
Decrease in inventories	63.1
Decrease in receivables	77.0
Decrease in payables	(69.9)
Impact of net working capital	70.2

Cash flows from investing activities:	
Disposal of fixed assets	**16.2**

3. Finance Costs - Net

	Group 2016 £m	2015 £m	Company 2016 £m	2015 £m
Interest expense				
On amounts wholly repayable within 5 years:				
Interest payable on bank borrowings	(5.6)	(5.9)	(6.8)	(6.3)
Interest on consignment vehicle liabilities	(12.0)	(8.2)	-	-
Interest and similar charges payable	(17.6)	(14.1)	(6.8)	(6.3)
Interest income				
Bank interest	-	0.3	-	-
Interest received from group companies	-	-	2.6	2.6
Total interest receivable	-	0.3	2.6	2.6
Finance costs - net	(17.6)	(13.8)	(4.2)	(3.7)

4. Profit on Ordinary Activities before Taxation

	Group 2016 £m	2015 £m	Company 2016 £m	2015 £m
The following items have been included in arriving at operating profit from operations:				
Staff costs (note 8)	272.2	229.9	12.5	11.1
Depreciation of property, plant and equipment - Owned assets (note 11)	15.1	11.0	0.1	0.2
Depreciation of rental fleet vehicles (note 16)	6.4	5.7	-	-
Amortisation of intangible assets (note 10)	1.7	1.6	1.6	1.0
(Profit) / loss on disposal of plant, equipment and rental fleet vehicles	(0.2)	0.2	-	-
Other operating lease rentals payable:				
- Property	8.5	8.4	-	-
- Plant & equipment	2.8	2.3	-	-
Net finance and debt issue costs	20.4	15.8	5.9	5.4
Cost of inventories recognised as an expense	4,107	3,298	-	-
Dividends from subsidiary companies	-	-	17.4	21.7
Management charges	-	-	(1.1)	(2.2)
Exceptional items:		-	-	-
Profit on sale of business	28.0	-	-	-
VAT refund	4.8	-	4.8	-
Termination of franchises	(9.1)	-	(5.3)	-
Loss on terminated businesses	-	(1.7)	-	(3.2)
Net profit on property sales	-	6.7	-	7.9
Reorganisation costs	-	(2.7)	-	(1.0)
Transaction costs on acquisition	(0.4)	(0.6)	-	-
Total exceptional items	**23.3**	**1.7**	**0.5**	**3.7**

Services provided by the group's auditor

The analysis of auditor's remuneration is as follows:

Group	2016 £m	2015 £m
Fees payable to the company's auditor for the audit of the company's annual accounts	-	-
Fees payable to the company's auditor and their associates for other services to the group		
The audit of the company's subsidiaries	0.4	0.4
Total audit fees	**0.4**	**0.4**
Taxation compliance services	0.1	0.1
Services relating to corporate finance transactions	0.2	-
Other non-audit fee	0.2	0.1
Other advisory fees	0.9	0.1
Total non-audit fees	**1.4**	**0.3**

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

Details of the company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee report on page 58.

5. Taxation

	Group 2016 £m	2015 £m	Company 2016 £m	2015 £m
Current tax charge / (credit):				
Current year	16.3	12.8	2.6	0.7
Adjustment in respect of prior years	1.2	(0.3)	(1.1)	(0.2)
	17.5	12.5	1.5	0.5
Deferred tax charge / (credit):				
Deferred tax	(6.2)	0.6	0.1	2.3
Adjustment in respect of prior years	(0.8)	(1.1)	(1.9)	(0.5)
	(7.0)	(0.5)	(1.8)	1.8
Total income tax charge / (credit) in Income Statement	10.5	12.0	(0.3)	2.3
Tax on items charged to other comprehensive income:				
Rate adjustment	0.5	0.4	0.3	0.2
Deferred tax on derivative instruments and share based payments	0.8	(1.1)	0.5	-
Deferred tax on pension liability	(4.1)	(0.6)	(2.2)	(0.1)
Tax on items charged directly to equity: current and deferred tax on share options	1.1	-	-	-
The tax charge / (credit) was affected by the following factors:				
Standard rate of corporation tax	20.0%	20.3%	20.0%	20.3%
Inter group dividend	-	-	(14.6)%	(13.6)%
Items not allowable for taxation	1.4%	3.6%	0.2%	2.6%
Change in rate	(3.5)%	(2.9)%	2.3%	0.1%
Exceptional items	(7.0)%	-	3.5%	-
Adjustments to prior years' taxation	0.5%	(2.3)%	(12.8)%	(2.2)%
Effective tax rate	11.4%	19.2%	(1.4)%	7.2%

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

6. Dividends

Group and company	2016 £m	2015 £m
Interim dividend for the year ended 31 December 2016 1.28p (2015: 1.07p)	5.0	4.2
Final dividend for the year ended 31 December 2015 2.05p (2014: 1.87p)	8.2	7.4
	13.2	**11.6**

The Directors propose a final dividend of 2.36p per share in respect of the financial year ending 31 December 2016 (2015: 2.05p). 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.

7. Earnings per share

The calculation of earnings per ordinary share is based on the profit on ordinary activities after taxation attributable to shareholders amounting to £81.3m (2015: £50.8m) and a weighted average number of ordinary shares in issue during the year of 396,357,194 (2015: 394,384,284).

The diluted earnings per share are based on the weighted average number of shares, after taking account of the dilutive impact of shares under option of 9,510,213 (2015: 9,062,088).

Adjusted earnings per share are stated before amortisation of intangible assets, pension costs, debt issue costs, impairment of goodwill, exceptional items and share based payments and are calculated on profits of £62.9m (2015: £60.1m) for the year. These adjustments are net of tax.

Continuing operations	2016 Earnings £m	2016 Earnings per share p	2015 Earnings £m	2015 Earnings per share p
Basic EPS				
Earnings attributable to ordinary shareholders	81.3	20.51	50.8	12.88
Effect of dilutive securities	-	(0.41)	-	(0.30)
Diluted EPS	81.3	20.10	50.8	12.58
Adjusted EPS				
Earnings attributable to ordinary shareholders	81.3	20.51	50.8	12.88
Amortisation of intangible assets	1.7	0.43	1.6	0.41
Net interest and costs on pension scheme obligations	3.7	0.93	3.9	0.99
Share based payments	1.8	0.45	1.5	0.38
Exceptional items	(23.3)	(5.88)	(1.7)	(0.43)
Tax on exceptional items	(3.7)	(0.93)	-	-
Impairment of goodwill	1.0	0.25	3.6	0.91
Debt issue costs	0.4	0.10	0.4	0.10
Adjusted EPS	62.9	15.87	60.1	15.24

8. Information regarding Employees

	Group 2016 £m	2015 £m	Company 2016 £m	2015 £m
Employee costs during the year (inclusive of Executive Directors)				
Wages and salaries	244.3	206.0	11.0	9.9
Social security costs	23.6	19.9	1.3	1.0
Other pension costs	4.3	4.0	0.2	0.2
	272.2	229.9	12.5	11.1

	2016 No.	2015 No.	2016 No.	2015 No.
Average number employed during the year (including Directors)				
Production	3,249	2,283	-	-
Selling and distribution	3,233	2,821	-	-
Administration	2,599	2,183	172	145
	9,081	7,287	172	145

	2016 £m	2015 £m	2016 £m	2015 £m
Key management compensation				
Salaries and short-term employee benefits	5.3	3.1	3.1	3.1

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

During the year the aggregate gains made on the exercise of share options by Directors was £nil (2015: £550,539). Further details of Directors' remuneration is included in the Directors' Remuneration Report on pages 62 to 81.

9. Goodwill

Group	2016 £m	2015 £m
Cost		
As at 1 January	105.8	83.9
Disposals	(7.5)	1.8
Recognised on acquisition of subsidiaries	19.7	20.1
As at 31 December	118.0	105.8
Aggregate impairment		
As at 1 January	9.4	3.3
Disposal	-	2.5
Impairment	1.0	3.6
As at 31 December	10.4	9.4
Net book amount at 31 December	107.6	96.4

During the year, the acquired goodwill was tested for impairment in accordance with IAS 36. Following the impairment test, a goodwill impairment charge of £1.0m was deemed necessary (2015: £3.6m). This impairment was in relation to various franchise dealerships following deterioration in trading.

Goodwill arose in the year on the acquisition of Warwick Holdings Limited and Knights North West Limited (note 28).

On 10 August 2016, the company disposed of the entire issued share capital of FPS Distribution Limited, which comprised the parts division of the group, to Alliance Automotive UK Limited. The goodwill relating to FPS Distribution Limited has been disposed of as part of the sale agreement.

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. The recoverable amount of each CGU's goodwill and intangible assets is based on value in use using Board approved budget projections over the next year and projected following four years for each CGU to calculate each CGU's discounted cash flows to perpetuity, where individual budgets are produced for all businesses within the group. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year and the impairment calculation is sensitive to these key assumptions. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. An annual growth rate of 1.6% (2015: 1.6%) (UK GDP) is assumed and a risk adjusted discount rate applied. The discount rates are estimated based on the group's cost of capital which is calculated after consideration of market information and risk adjusted for individual circumstances 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 9.71% (2015: 9.44%) 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.

10. Intangible Assets

Group	Licences £m	Customer relationships £m	Brands £m	Total £m
Acquired intangible assets				
Cost				
As at 1 January 2016	56.4	11.5	7.2	75.1
Recognised on acquisition of subsidiaries	50.2	-	-	50.2
Additions	9.2	-	-	9.2
Disposals	-	(11.5)	(4.7)	(16.2)
As at 31 December 2016	**115.8**	**-**	**2.5**	**118.3**
Aggregate amortisation				
As at 1 January 2016	5.3	6.4	1.5	13.2
Charge for the year	1.7	-	-	1.7
Disposals	-	(6.4)	-	(6.4)
As at 31 December 2016	**7.0**	**-**	**1.5**	**8.5**
Net book amount at 31 December 2016	**108.8**	**-**	**1.0**	**109.8**
Cost				
As at 1 January 2015	26.5	11.5	7.2	45.2
Additions	0.8	-	-	0.8
Recognised on acquisition of subsidiary	29.1	-	-	29.1
As at 31 December 2015	**56.4**	**11.5**	**7.2**	**75.1**
Cost				
Aggregate amortisation				
As at 1 January 2015	4.3	5.8	1.5	11.6
Charge for the year	1.0	0.6	-	1.6
As at 31 December 2015	**5.3**	**6.4**	**1.5**	**13.2**
Net book amount at 31 December 2015	51.1	5.1	5.7	61.9

£50.2 million of franchise licences were acquired as part of the acquisition of Knights North West Limited and Warwick Holdings Limited (note. 28). A valuation of these intangible assets has been performed by Globalview Advisors, an independent external specialist. These intangible assets have been assigned indefinite lives on the basis that these arrangements are expected to be renewed for the foreseeable future.

The Brands intangible asset of £1.0m (2015: £5.7m) is deemed by the Directors to have an indefinite useful economic life. These Brands arose on the acquisition of a subsidiary undertaking. The trading activities under these brand names generate a substantial part of the group's revenue and operating profit. The group is continually investing in these brands through promotional activities and advertising. Due to this continued investment these brands are judged to have an indefinite useful economic life and no amortisation is charged.

All amortisation charges in the year have been recognised within administrative expenses. The impairment testing for intangible assets is performed as described in note 9.

10. Intangible Assets (continued)

Company	Licences £m
Acquired intangible assets	
Cost as at 1 January 2016	6.6
Additions	8.7
As at 31 December 2016	**15.3**
Aggregate amortisation	
As at 1 January 2016	5.0
Charge for the year	1.6
As at 31 December 2016	**6.6**
Net book amount at 31 December 2016	**8.7**
Acquired intangible assets	
Cost as at 1 January 2015	5.8
Additions	0.8
As at 31 December 2015	6.6
Aggregate amortisation	
As at 1 January 2015	4.0
Charge for the year	1.0
As at 31 December 2015	5.0
Net book amount at 31 December 2015	1.6

11. Property, Plant and Equipment

Group	Freehold property £m	Long leasehold £m	Short leasehold £m	Plant & machinery £m	Fixtures £m	Total £m
Cost						
As at 1 January 2016	208.8	67.1	12.4	27.8	44.8	360.9
On acquisition (see note 28)	43.2	-	-	3.8	4.1	51.1
Additions	13.7	7.3	-	7.0	8.3	36.3
Reclassifications	-	0.4	-	1.1	(1.5)	-
On disposal of subsidiary	(11.5)	-	-	(4.8)	(13.8)	(30.1)
Disposals	(8.9)	(6.2)	-	(2.9)	(4.0)	(22.0)
As at 31 December 2016	**245.3**	**68.6**	**12.4**	**32.0**	**37.9**	**396.2**
Depreciation						
As at 1 January 2016	15.0	8.5	6.5	18.7	29.3	78.0
On acquisition	2.0	-	-	2.6	2.6	7.2
Charge	2.2	1.6	1.3	5.3	4.7	15.1
On disposal of subsidiary	-	-	-	(3.2)	(10.7)	(13.9)
Disposals	(2.2)	(0.9)	-	(2.9)	(3.3)	(9.3)
As at 31 December 2016	**17.0**	**9.2**	**7.8**	**20.5**	**22.6**	**77.1**
Net book value at 31 December 2016	**228.3**	**59.4**	**4.6**	**11.5**	**15.3**	**319.1**

11. 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
As at 1 January 2015	149.7	56.4	11.5	20.8	31.7	270.1
On acquisition (note 28)	51.8	5.5	-	5.8	7.9	71.0
Additions in year	18.2	5.3	0.9	3.6	7.2	35.2
Disposals	(10.9)	(0.1)	-	(2.4)	(2.0)	(15.4)
As at 31 December 2015	**208.8**	**67.1**	**12.4**	**27.8**	**44.8**	**360.9**
Accumulated depreciation						
As at 1 January 2015	7.0	6.0	5.5	13.8	22.2	54.5
On acquisition	7.9	1.3	-	3.8	4.5	17.5
Charge for the year	1.7	1.2	1.0	3.0	4.1	11.0
Disposals	(1.6)	-	-	(1.9)	(1.5)	(5.0)
As at 31 December 2015	**15.0**	**8.5**	**6.5**	**18.7**	**29.3**	**78.0**
Net book value at 31 December 2015	193.8	58.6	5.9	9.1	15.5	282.9

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

	2016 £m	2015 £m
Cost	0.3	0.3
Aggregate depreciation	(0.3)	(0.3)
	-	-

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

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

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

11. Property, Plant and Equipment (continued)

Company	Short leasehold property £m	Fixtures, fittings, tools & equipment £m	Total £m
Cost			
As at 1 January 2015	-	2.0	2.0
Additions	0.7	0.2	0.9
As at 31 December 2015	**0.7**	**2.2**	**2.9**
Accumulated depreciation			
As at 1 January 2015	-	1.8	1.8
Charge for the year	-	0.2	0.2
As at 31 December 2015	**-**	**2.0**	**2.0**
Net book value at 31 December 2015	0.7	0.2	0.9

12. Investment in Subsidiaries

Company	2016 £m	2015 £m
Cost		
As at 1 January and 31 December	57.8	57.8

Details of the subsidiary undertakings are as follows:

Registered Office: 776 Chester Road, Stretford, Manchester, M32 0QH

Incorporated and registered in England
Addison Motors Limited
Addison TPS Limited
Aston Green Limited
Benfield Motor Group Limited
Benfield Pension Trustees Limited
Billingham Motors Limited
Bluebell (Crewe) Limited
Bolling Investments Limited
Bramall & Jones VW Ltd
Bristol Trade Centre Limited
Burton Trade Centre Limited
Castle Bromwich Motors Limited
Chipperfield Garage Limited
Chipperfield Holdings Limited
Colborne (HGG) 2012 Limited
Colbornes Trade Parts Limited
Colebrook & Burgess (North Shields) Limited
Colebrook & Burgess (Teesside) Limited
Colebrook & Burgess (Wallsend) Limited
Colebrook & Burgess Holdings Limited
Colebrook & Burgess Limited
Cox & Co (Lookers) Limited
Drayton Group Limited
The Dutton-Forshaw Trustee Company Limited
Dutton-Forshaw Holdings Limited
Dutton-Forshaw Limited
*Get Motoring UK Limited
Golf & Turf Machinery Limited
Harpers Carlisle Limited
Howdens of Harrogate Limited
Jackson & Edwards Limited
Kings Langley Land Rover Limited
Knights North West Limited
Look 4 Car Credit Limited
Look 4 Car Deals Limited
Lookers (J & S Leaver) Limited
Lookers Bedale Garage Limited
Lookers Birmingham Limited
Lookers Colborne Limited
Lookers Directors Limited
Lookers GB & E Limited
Lookers JV Limited
Lookers Leasing Limited
Lookers Motor Group Limited
*Lookers Motor Holdings Limited
Lookers Motor Market Limited
Lookers Motors Limited
Lookers North West Limited
Lookers Norwich Limited
Lookers of Barnsley Limited
Lookers of Bradford Limited
Lookers of Burton Limited
Lookers of Colwyn Bay Limited
Lookers of Dewsbury Limited
Lookers of Macclesfield Limited
Lookers of Manchester Limited
Lookers of Northwich Limited
Lookers of Rochdale Limited
*Lookers Pension Plan Trustee Limited
Lookers plc
Lookers Property (Warehouse) Limited
Lookers Secretaries Limited
Lookers South East Limited
Lookers Southern Limited
Lookers Thornton Engineering Limited
Martins (Burnley) Limited
Martins (Middlesbrough) Limited
Martins (Stockton) Limited
Martins (Sunderland) Limited
Martins-Wellington Limited
MB South Limited
Motor Trade Centres (UK) Limited
Picking (Liverpool) Limited
Platts Harris Limited
PLP Motors Limited
Radford (Bavarian) Limited
Roadshow Limited
Rosedale Finance & Leasing Limited
The Dovercourt Motor Company Limited
The Dutton-Forshaw Group Limited
The Dutton-Forshaw Motor Company Limited
The Dutton-Forshaw Trustee Company Limited
Truc-Bodies Limited
Vehicle Rental Services Limited
Vikings Canterbury Limited
Warwick Holdings Limited
Town & Country Fuels Limited
Ulster Garages Limited

Incorporated and registered in Northern Ireland
Adelaide Finance Limited
Bairds Cars Limited
Balmoral Motors Ltd
Charles Hurst Holdings Limited
Charles Hurst JV Limited
Charles Hurst Limited
Charles Hurst Motors Ltd
Fleet Financial Limited
Guthrie & Anderson Limited
Hurstco Limited
Lookers Property (NI) Limited
Savilles Auto Village Limited
*The Charles Hurst Corporation Limited
Thompson-Reid Tractors Limited

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

Incorporated in Republic of Ireland
Charles Hurst Dublin Limited

All subsidiary companies are wholly owned with the exception of Lookers Birmingham Limited and Charles Hurst Motors Limited in which 99% shareholdings are held.
*These subsidiaries are directly owned by Lookers plc whilst the remaining are indirectly owned.

13. Inventories

Group	2016 £m	2015 £m
Goods for resale	463.3	470.6
Consignment vehicles	376.1	345.4
	839.4	**816.0**

14. Trade and other receivables

	Note	Group 2016 £m	2015 £m	Company 2016 £m	2015 £m
Amounts falling due within one year:					
Trade debtors		153.7	166.7	0.3	0.5
Less: provision for impairment of receivables		(2.2)	(2.1)	-	-
		151.5	164.6	0.3	0.5
Amounts owed by group undertakings		-	-	389.5	317.6
Other debtors		47.8	69.6	12.9	34.5
Prepayments		25.7	18.4	2.9	4.5
		225.0	252.6	405.6	357.1

The average credit period on sales of goods is 13 days (2015: 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 £1.9m (2015: £17.8m) 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 (2015: 45 days).

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

Movement in the allowance for doubtful debts	Group 2016 £m	2015 £m	Company 2016 £m	2015 £m
Balance at beginning of the year	2.1	2.1	-	-
Amounts written off during the year	-	(0.2)	-	-
Increase in allowance recognised in income statement	0.1	0.2	-	-
Balance at the end of the year	2.2	2.1	-	-

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 £nil (2015: £nil) for the group and £nil (2015: £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	2016 Value of Receivables £m	%	2015 Value of Receivables £m	%
Not impaired:				
- Neither past due nor impaired	165.7	83.7	218.8	93.4
- Past due up to 3 months but not impaired	33.6	16.3	17.4	6.6
	199.3	100.0	234.2	100.0

Company	2016 Value of Receivables £m	%	2015 Value of Receivables £m	%
Not impaired:				
- Neither past due nor impaired	402.7	100.0	352.1	100.0

15. Other Financial Assets

	Group 2016 £m	2015 £m	Company 2016 £m	2015 £m
Investments carried at cost:				
Non-current				
Investments in subsidiaries	-	-	57.8	57.8
Loans carried at amortised cost:				
Current				
Loans to subsidiaries	-	-	389.5	317.6
Disclosed in the financial statements as:				
Current other financial assets	-	-	389.5	317.6
Non-current other financial assets	-	-	57.8	57.8

16. Rental Fleet Vehicles

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

	Group 2016 £m	2015 £m	Company 2016 £m	2015 £m
Cost				
As at 1 January	69.0	59.4	-	-
Additions in year	93.7	91.4	-	-
Disposals	(92.8)	(81.8)	-	-
As at 31 December	69.9	69.0	-	-
Accumulated depreciation				
As at 1 January	2.0	2.3	-	-
Charge for the year	6.4	5.7	-	-
Disposals	(5.6)	(6.0)	-	-
As at 31 December	2.8	2.0	-	-
Net book value at 31 December	67.1	67.0	-	-

Rental fleet vehicles held under short term finance leases amounted to £67 million (2015: £66 million).

17. Cash and Cash Equivalents

	Group 2016 £m	2015 £m	Company 2016 £m	2015 £m
Cash at bank and in hand	39.8	8.3	30.6	32.9
Bank overdraft (note 20)	(11.0)	(71.8)	(13.4)	(69.9)
Reconciliation to cash flow statements	28.8	(63.5)	17.2	(37.0)

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

18. Trade and other Payables

	Note	Group 2016 £m	2015 £m	Company 2016 £m	2015 £m
Trade payables		266.7	265.7	8.4	8.0
Repurchase commitments and stocking loans		273.6	205.9	-	-
Consignment vehicle creditors		376.1	345.4	-	-
Amounts owed to group undertakings	30	-	-	49.3	55.6
Rental fleet vehicle finance		53.2	49.7	-	-
Other tax and social security payable		18.4	15.0	4.3	0.1
Other creditors		38.4	24.3	16.2	8.9
Accruals and deferred income		61.1	76.8	137.6	34.4
		1,087.5	982.8	215.8	107.0
Repurchase commitments due after more than 1 year		33.6	34.1	-	-

19. Current Tax Liabilities

	Group 2016 £m	2015 £m	Company 2016 £m	2015 £m
Current tax liabilities	14.7	13.8	6.4	-

20. Borrowings

	Group 2016 £m	2015 £m	Company 2016 £m	2015 £m
Current				
Bank overdraft	11.0	71.8	13.4	69.9
Secured bank loans	14.1	11.6	10.0	10.0
	25.1	83.4	23.4	79.9
Non-current				
Secured bank loans	88.8	86.6	75.0	85.0
Total borrowings	113.9	170.0	98.4	164.9

	Group 2016 £m	2015 £m	Company 2016 £m	2015 £m
Bank loans and overdraft repayable:				
Less than one year	25.1	83.4	23.4	79.9
More than one year and not more than two years	11.8	10.4	10.0	10.0
More than two years and not more than five years	77.0	76.2	65.0	75.0
	113.9	170.0	98.4	164.9

20. Borrowings (continued)

The principal features of the group's borrowings are as follows:
At 31 December 2016 the group had 2 principal bank loans:

(i) A loan of £85.0m which will continue until 31 March 2020. The loan carries an interest rate of between 1.2% and 2.15% above LIBOR.
(ii) A revolving loan facility of £150.0m. The facility can be drawn in whole or part at any time and will continue until 31 March 2020. The drawn down part of the loan carries an interest rate of between 1.2% and 2.15% above LIBOR.

The weighted average interest rate paid during the year on the bank loans was 1.88% (2015: 1.88%).
At 31 December 2016, the group had available £160.9m (2015: £83.3m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

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

Of this amount £85.0m (2015: £95.0m) is repayable in instalments up until 2020 (2015: 2020).

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 Principal Accounting Policy note.

Categories of financial instruments	Group 2016 £m	2015 £m	Company 2016 £m	2015 £m
Financial assets				
Cash	39.8	8.3	30.6	32.9
Receivables	151.5	164.6	389.5	316.4
Financial liabilities				
Derivatives	3.0	4.8	3.0	5.0
Amortised cost	1,060.3	1,016.6	156.1	228.4

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.

21. Financial Instruments (continued)

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

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

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

Foreign Currency Risk Management
The group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

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

The company had no foreign currency denominated monetary assets or monetary liabilities at the reporting date (2015: same).

	Liabilities		Assets	
	2016	2015	**2016**	2015
Group	**£m**	£m	**£m**	£m
Euro	17.0	12.2	17.3	11.9

The majority of the group's business is carried out in sterling. However for the limited number of transactions in foreign currency the group is mainly exposed to Euros. The following table details the group's sensitivity to a 10% change in pounds sterling against the respective foreign currency. 10% is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis of the group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period. A positive number indicates an increase in profit or loss and other equity where pounds sterling strengthens against the respective currency.

	Euro Impact Group	
	2016	2015
	£m	£m
Profit or loss	0.1	0.1

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

21. Financial Instruments (continued)

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

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date and stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point change is used when reporting interest risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

	+ 50 Basis Points				- 50 Basis Points			
	Group		Company		Group		Company	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Profit or loss	0.6	0.6	0.1	0.1	0.6	0.6	0.1	0.1

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

Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The group's exposure and the credit ratings of its counterparties are controlled by counterparty limits that are reviewed and approved by the risk management Committee annually.

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

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

Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 31 is a listing of additional undrawn facilities that the group/company has at its disposal to further reduce liquidity risk.

21. Financial Instruments (continued)

The following table details the group's and the company's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue to those liabilities except where the group / company is entitled and intends to repay the liability before its maturity.

Group	Less than 1 Month £m	1-3 Months £m	3 Months to 1 Year £m	1-5 Years £m	Total £m
2016					
Variable interest rate instruments	11.0	1,087.5	14.1	122.4	1,235.0
	11.0	**1,087.5**	**14.1**	**122.4**	**1,235.0**
2015					
Variable interest rate instruments	71.8	982.8	11.6	120.7	1,186.9
	71.8	**982.8**	**11.6**	**120.7**	**1,186.9**

Included within variable interest rate instruments in the 1 to 3 month column is an amount of £273.6m (2015: £205.9m) 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 £239.9m (2015: £234.3m) relating to vehicle stocking loans.

Included within variable interest rate instruments in the 1 to 3 month column is an amount of £376.1m (2015: £345.4m) 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
2016					
Variable interest rate instruments	13.4	215.8	10.0	75.0	314.2
	13.4	**215.8**	**10.0**	**75.0**	**314.2**
2015					
Variable interest rate instruments	69.9	107.0	10.0	85.0	271.9
	69.9	**107.0**	**10.0**	**85.0**	**271.9**

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 31.

21. Financial Instruments (continued)

Capital Risk Management
The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The group's overall strategy remains unchanged since 2015.

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 and 27.

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

The group's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

Gearing Ratio
The gearing ratio at the year end is as follows:

	2016 £m	2015 £m
Debt	113.9	170.0
Cash and cash equivalents	(39.8)	(8.3)
Net Debt	74.1	161.7
Total Equity	341.7	297.8
Net debt to equity ratio	21.6%	54.2%

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.

22. Provisions

Group	Dilapidations £m
As at 1 January 2016	1.3
Disposals in the year	(1.3)
As at 31 December 2016	-

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

	2016 £m	2015 £m
Current	-	0.6
Non-current	-	0.7
	-	1.3

Dilapidations

The group disposed of its Parts Division on 4th November 2016. All provisions related to dilapidations for that business were sold to the acquiring business.

23. Deferred Taxation

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2015: 19%). The movement on the deferred tax account is as shown below:

	Group 2016 £m	2015 £m	Company 2016 £m	2015 £m
As at 1 January	25.2	12.3	(5.3)	(7.1)
Adjustment to Prior Year Deferred Taxation (note 5)	(0.8)	(1.1)	-	(0.7)
Change of rate – (credited) / charged to Income Statement (note 5)	(3.2)	(1.3)	-	0.4
Change of rate – charged to Comprehensive Income	0.5	0.4	-	-
On acquisition / disposals of subsidiary	17.7	14.9	-	-
(Credited) / charged to Income Statement (note 5)	(3.0)	1.7	(1.8)	1.9
(Credited) / charged to statement of Comprehensive Income in respect of pension scheme liabilities	(4.1)	(0.6)	(1.6)	0.2
(Credited) / charged to statement of Comprehensive Income with respect to derivative instruments	0.8	-	-	-
(Credited) / charged to equity with respect to share based payments	1.8	(1.2)	-	-
As at 31 December	**35.0**	**25.2**	**(8.7)**	**(5.3)**

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

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

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

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

23. Deferred Taxation (continued)

Group

Deferred tax liabilities

	Intangible Assets £m	Accelerated tax depreciation £m	Capital gains £m	Total £m
As at 1 January 2016	12.3	24.3	3.4	40.0
Credited to Income Statement	(1.2)	(7.0)	1.1	(7.1)
On acquisition of subsidiary	14.1	3.2	0.2	17.5
As at 31 December 2016	25.2	20.5	4.7	50.4

Deferred tax assets

	Share options £m	Employee benefits £m	Provisions £m	Total £m
As at 1 January 2015	(2.5)	(10.8)	(1.5)	(14.8)
Charged (credited) to Income Statement	(0.2)	1.2	(0.9)	0.1
On acquisition / disposal	-	-	0.3	0.3
Credited to statement of changes in equity	1.8	-	-	1.8
Credited to Statement of Comprehensive Income	-	(3.6)	0.8	(2.8)
As at 31 December 2015	(0.9)	(13.2)	(1.3)	(15.4)

Net deferred tax liability	
As at 31 December 2016	35.0
As at 31 December 2015	25.2

Company

Deferred tax assets

	Employee benefits £m	Accelerated tax Provisions £m	Accelerated tax depreciation £m	Total £m
As at 1 January 2016	(5.2)	-	(0.1)	(7.1)
Charged to Income Statement	0.6	(2.4)	(0.1)	(1.8)
Charged to Statement of Comprehensive Income	2.1	0.6	-	(1.5)
As at 31 December 2016	(6.7)	(1.8)	(0.2)	(8.7)
As at 31 December 2015				(5.3)

24. Share Capital

Group and Company	2016 Shares	2016 £m	2015 Shares	2015 £m
Authorised				
Ordinary shares of 5p each	480,000,000	24.0	480,000,000	24.0
Allotted, called up and fully paid ordinary shares of 5p each				
As at 1 January	396,032,508	19.8	392,824,895	19.7
Allotted under share option schemes	509,800	-	3,207,613	0.1
As at 31 December	396,542,308	19.8	396,032,508	19.8

24. Share Capital (continued)

Potential Issues of Ordinary Shares
Options on 3,470,326 ordinary shares in relation to the employee share save scheme lapsed or were forfeited during 2016 and 1,360,852 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	2016 Number (5p Shares)	2015 Number (5p Shares)
2011 ESOS	Nil	2014-2021	539,672	539,672
2012 ESOS	Nil	2015-2022	660,664	983,988
2014 ESOS	Nil	2017-2024	914,461	914,461
2015 ESOS	Nil	2018-2025	1,860,878	1,860,878
2016 ESOS	Nil	2019-2026	621,967	-

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 2016. No further grants have been made under this scheme. Options outstanding under this scheme at 31 December 2016 were 10,974,006 (2015: 7,072,092).

The total expense included within operating profit from continuing operations in respect of share based payments was £1.8m (2015: £1.5m).

25. Share Premium

Group and Company	£m
As at 1 January 2016	77.7
Arising on issue of new shares	-
As at 31 December 2016	77.7
As at 1 January 2015	76.8
Arising on issue of new shares	0.8
As at 31 December 2015	77.7

26. Capital Redemption Reserve

Group and Company	£m
As at 1 January 2016 and 31 December 2016	14.6

This reserve is non-distributable.

27. Retained Earnings

	Group £m	Company £m
Net profit for the year	50.8	29.3
Actuarial losses on defined benefit pension schemes	(2.1)	0.4
Deferred taxation on pension liability	0.6	(0.2)
Movement in deferred taxation on derivative instruments	1.1	-
Foreign exchange gain	0.1	-
Dividends to shareholders	(11.6)	(11.6)
Rate adjustment	(0.4)	-
Share based payments	1.5	-
As at 31 December 2015	**185.7**	**39.9**
Net profit for the year	81.3	23.2
Actuarial losses on defined benefit pension schemes	(27.2)	(15.4)
Deferred taxation on pension liability	3.6	1.6
Movement in deferred taxation on derivative instruments	(0.8)	-
Dividends to shareholders	(13.2)	(13.2)
Current and deferred taxation on share based payments	(1.6)	-
Share based payments	1.8	-
As at 31 December 2016	**229.6**	**36.1**

Retained earnings include £17.1m (2015: £17.1m) of non-distributable reserves relating to properties which had been revalued under UK GAAP, but treated as deemed cost under IFRS.

28. Acquisitions

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

(1) Acquisition of Knights North West Limited

On 22 August 2016, Lookers Motor Group Limited, a wholly owned subsidiary of Lookers plc, acquired the entire issued share capital of Knights North West Limited, a company incorporated in the UK for a total consideration of £26.6m. The acquisition has been accounted for by the acquisition method of accounting.

	Book value at acquisition £m	Fair value adjustment £m	Fair value at acquisition £m
Intangibles	-	22.2	22.2
Tangible fixed assets	19.9	-	19.9
Vehicle and other stocks	38.4	-	38.4
Debtors (gross contractual amounts receivable)	7.5	(0.7)	6.8
Cash and cash equivalents	0.8	-	0.8
Overdraft and loans	(14.0)	-	(14.0)
Payables	(49.4)	-	(49.4)
Deferred tax	(0.7)	(6.2)	(6.9)
	2.5	15.3	17.8
Goodwill			8.8
Consideration in cash			26.6
Cash and cash equivalents			(0.8)
Overdrafts and loans			14.0
Net cash outflow			39.8

The deferred tax adjustment is in relation to the intangible asset acquired on acquisition (note 23) and is calculated in line with IAS 12 Income Taxes. This liability crystallises if the intangible asset is either disposed of or impaired. The Directors do not expect this to be the case in the near future given the external valuation performed which concluded the intangible assets had an indefinite life.

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 changes in equity of Knights North West Limited, are disclosed below, for the year ended 31 December 2016. The transaction costs are disclosed within exceptional items in note 4.

	Period to 22 August 2016 £m	Period from acquisition to 31 December 2016 £m	Total £m
Turnover	143.5	88.5	232.0
Operating profit	1.2	2.0	3.2
Net interest payable	(0.9)	(0.4)	(1.3)
Profit before taxation	0.3	1.6	1.9
Taxation	-	(0.3)	(0.3)
Profit and total recognised gains for the period	0.3	1.3	1.6

The business acquired during the year generated cash resources amounting to £1.3m.

28. Acquisitions (continued)

(2) Acquisition of Warwick Holdings Limited

On 4 November 2016, MB South Limited, a wholly owned subsidiary of Lookers plc, acquired the entire issued share capital of Warwick Holdings Limited, a company incorporated in the UK for a total consideration of £56.3m. The acquisition has been accounted for by the acquisition method of accounting.

	Book value at acquisition £m	Fair value adjustment £m	Fair value at acquisition £m
Intangible assets	-	28.0	28.0
Tangible fixed assets	21.9	2.1	24.0
Vehicle and other stocks	44.6	(0.5)	44.1
Debtors (gross contractual amounts receivable)	28.2	-	28.2
Cash and cash equivalents	5.1	-	5.1
Overdraft and loans	(1.6)	-	(1.6)
Payables	(74.2)	-	(74.2)
Deferred tax	(0.5)	(7.7)	(8.2)
	23.5	21.9	45.4
Goodwill			10.9
Consideration in cash			56.3
Cash and cash equivalents			(5.1)
Overdrafts and loans			1.6
Net cash outflow			52.8

The deferred tax adjustment is in relation to the intangible asset acquired on acquisition (note 23) and is calculated in line with IAS 12 Income Taxes. This liability crystallises if the intangible asset is either disposed of or impaired. The Directors do not expect this to be the case in the near future given the external valuation performed which concluded the intangible assets had an indefinite life.

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 changes in equity of Warwick Holdings Limited, are disclosed below, for the year ended 31 December 2016. The transaction costs are disclosed within exceptional items in note 4.

	Period to 4 November 2016 £m	Period from acquisition to 31 December 2016 £m	Total £m
Turnover	252.4	42.9	295.3
Operating profit	3.8	2.2	6.0
Net interest payable	(0.9)	(0.2)	(1.1)
Profit before taxation	2.9	2.0	4.9
Taxation	(0.8)	(0.4)	(1.2)
Profit and total recognised gains for the period	2.1	1.6	3.7

The business acquired during the year generated cash resources amounting to £nil.

29. 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 and is administered by Aon Hewitt Limited. The scheme has been registered with the Registrar of Pensions. The assets of the scheme are held separately from those of the group, being held in separate funds by the Trustees of the Lookers Pension Plan.
The group has applied IAS 19 (Revised) to this scheme and the following disclosures relate to this standard. The group recognises any actuarial gains and losses in each period in the Statement of Comprehensive Income.

The pension charge for the scheme for 2016 recognised in the Income Statement was £1.6m (2015: £1.6m).

A valuation update was made as at 31 December 2016 by a qualified independent actuary, using the projected unit credit method to take account of the IAS 19 requirements. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the scheme's assets at their 31 December market value.

Based on actuarial advice and using the assumptions below in calculating the scheme's liabilities, the total value of these liabilities under IAS 19 is £143.8m at 31 December 2016 (2015: £118.8m).

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

	Market value 2016 £m	Market value 2015 £m
Equities	42.5	39.4
Target return funds	40.3	34.5
Corporate bonds	20.3	17.4
Cash	0.9	0.8
Total fair value of assets	104.0	92.1

The amounts recognised in the Income Statements are as follows:

	2016 £m	2015 £m
Non investment expenses	0.6	0.5
Interest on obligation	4.5	4.5
Interest income on scheme assets	(3.5)	(3.4)
Total defined benefit expense	1.6	1.6

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

	2016 £m	2015 £m
Opening defined benefit obligation	118.8	120.7
Interest cost	4.5	4.5
Actuarial losses/(gains)	26.1	(1.3)
Benefits paid	(5.6)	(5.1)
Closing defined benefit obligation	143.8	118.8

29. Pensions (continued)

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

	2016 £m	2015 £m
Opening fair value of scheme assets	92.1	91.3
Interest income	3.5	3.4
Actuarial gains/(losses)	10.7	(0.9)
Contributions by employer	3.9	3.9
Benefits paid	(5.6)	(5.1)
Non-investment expenses paid	(0.6)	(0.5)
Closing fair value of scheme assets	104.0	92.1

None of the scheme's assets were invested in Lookers plc or property occupied by Lookers plc. The company contributed an additional £3.9m in 2016 (2015: £3.9m) to fund accruing pensions and expects to maintain a similar level of pension contributions in 2017.

	2016 £m	2015 £m
Total amount of actuarial losses/(gains) recognised in the Statement of Comprehensive Income in the year	(15.4)	0.4
Cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income at the year end	(53.9)	(38.5)
The major categories of scheme assets as a percentage of total scheme assets are as follows:		
Equities	40.9%	42.8%
Target return funds	38.7%	37.5%
Bonds	19.5%	18.9%
Cash	0.9%	0.8%

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

	2016	2015
Discount rate	2.85%	3.9%
Future pension increases	2.05 - 3.2%	1.9% - 3.05%
Life expectancy at age 65 for:		
current pensioners - males	87.1	87.0
current pensioners - females	89.5	89.4
future pensioners - males	89.0	88.0
future pensioners - females	90.6	90.6

Sensitivity analysis

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

Change in assumption	Approximate impact on current deficit
Reduce discount rate by 0.1% p.a.	+ £2.5m
Increase inflation assumptions by 0.1% p.a.	+ £1.5m
Change mortality assumption to SAPS SINA (-1 year) CMI 2011 (1%)	+ £4.5m

A change in more than one of these assumptions in the same direction would clearly have a more significant and potentially materially adverse impact on the deficit of the scheme.

29. Pensions (continued)

Amounts for the current and previous year are as follows:

	2016 £m	2015 £m
Defined benefit obligation	(143.9)	(118.8)
Scheme assets	104.0	92.1
Deficit	(39.9)	(26.7)
Experience gains/(losses) on plan assets	10.7	(0.9)

Defined Contribution Scheme
The group and company provide pension arrangements for certain Directors and employees under defined contribution schemes and have a defined contribution Stakeholder Pension Scheme for employees. The Income Statement account charge for the year in respect of defined contribution schemes was £3.9m (2015: £3.9m).

Pension Scheme - The Dutton Forshaw Group Pension Plan
The Dutton Forshaw Group's pension plan "The Dutton Forshaw Group Pension Plan", which is a defined benefit scheme provides benefits based on final pensionable salary and is administered by Aon Hewitt Limited. The scheme has been registered with the Registrar of Pensions. The assets of the scheme are held separately from those of the group, being held in separate funds by the Trustees of the Dutton Forshaw Group Pension Plan.

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

A valuation update was made as at 31 December 2016 by a qualified independent actuary to take account of the IAS 19 requirements. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the scheme's assets at their 31 December market value.

The pension charge for 2016 recognised in the Income Statement was £2.1m (2015: £2.3m)

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 £145.0m at 31 December 2016 (2015: £120.3m).

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

	Market value 2016 £m	Market value 2015 £m
Absolute / target Return Funds	27.9	25.2
Equities	38.9	31.6
Corporate Bonds	38.9	34.3
Cash	0.7	0.6
Total fair value of assets	106.4	91.7

29. Pensions (continued)

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

The amounts recognised in the Income Statements are as follows:

	2016 £m	2015 £m
Non investment expenses	1.0	1.3
Total included in administrative expenses	1.0	1.3
Interest on obligation	4.6	4.4
Interest income on scheme assets	(3.5)	(3.4)
Total included in finance costs	1.1	1.0
Total defined benefit expenses	2.1	2.3

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

	2016 £m	2015 £m
Opening defined benefit obligation	120.3	119.4
Interest cost	4.6	4.4
Actuarial losses	25.0	0.8
Benefits paid	(4.9)	(4.3)
Closing defined benefit obligation	145.0	120.3

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

	2016 £m	2015 £m
Opening fair value of scheme assets	91.7	91.2
Interest income	3.5	3.4
Actuarial gains/(losses)	13.2	(1.7)
Contributions by employer	3.9	4.4
Benefits paid	(4.9)	(4.3)
Non investment expenses paid	(1.0)	(1.3)
Closing fair value of scheme assets	106.4	91.7

None of the scheme's assets were invested in Lookers plc or property occupied by Lookers plc. The company contributed an additional £3.9m in 2016 (2015: £4.4m) to fund accruing pensions and expects to make a similar level of pension contribution in 2017.

	2016 £m	2015 £m
Total amount of actuarial losses recognised in the Statement of Comprehensive Income in the year	(11.8)	(2.5)
Cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income at the year end	**(36.5)**	(24.7)

29. Pensions (continued)

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

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

	2016	2015
Equities	36.5%	34.4%
Absolute / Target Return Funds	26.3%	27.5%
Corporate Bonds	36.5%	37.4%
Cash	0.7%	0.7%

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

	2016	2015
Discount rate	2.85%	3.9%
Future pension increases	3.2%	3.05%
Life expectancy at age 65 for:		
current pensioners - males	87.1	87.0
current pensioners - females	89.5	89.4
future pensioners - males	88.0	88.0
future pensioners - females	90.6	90.6

Sensitivity analysis

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

Change in assumption	Approximate impact on current deficit
Reduce discount rate by 0.1% p.a.	+ £2.5m
Increase inflation assumptions by 0.1% p.a.	+ £1.4m
Change mortality assumption to SAPS SINA (-1 year) CMI 2011 (1%)	+ £4.5m

A change in more than one of these assumptions in the same direction would clearly have a more significant and potentially materially adverse impact on the deficit of the scheme.

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:

	2016 £m	2015 £m
Defined benefit obligation	(145.0)	(120.3)
Scheme assets	106.5	91.7
Deficit	(38.5)	(28.6)
Experience gains on plan assets	13.2	(1.7)

29. Pensions (continued)

Pension Scheme - The Benfield Group Pension Plan

"The Benfield Motor Group Pension Plan" which is a defined benefit scheme provides benefits based on final pensionable salary. The Plan, which is a funded scheme, is administered by Deloitte. The scheme has been registered with the Registrar of Pensions. The assets of the scheme are held separately from those of the group, being held in separate funds by the Trustees of the Benfield Motor Group Pension Plan. The group has applied IAS 19 (Revised) to this scheme and the following disclosures relate to this standard. The group recognises any actuarial gains and losses in each period in the Statement of Comprehensive Income.

The pension charge for the scheme for 2016 recognised in the Income Statement was £nil (2015: £nil).

A valuation update was made as at 31 December 2016 by a qualified independent actuary to take account of the IAS 19 requirements. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the scheme's assets at their 31 December market value.

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 £11.5m at 31 December 2016 (2015: £9.8m).

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

	Market value 2016 £m	Market value 2015 £m
Equities	8.5	7.4
Corporate Bonds	3.4	3.0
Cash	-	-
Total fair value of assets	11.9	10.4

The amounts recognised in the Income Statements are as follows:

	2016 £m	2015 £m
Interest on obligation	0.3	0.35
Interest income on scheme assets	(0.3)	(0.35)
Total included in finance costs	-	-
Total defined benefit expenses	-	-

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

	2016 £m	2015 £m
Opening defined benefit obligation	9.8	10.1
Interest cost	0.3	0.4
Actuarial losses	1.7	(0.3)
Benefits paid	(0.3)	(0.4)
Closing defined benefit obligation	11.5	9.8

29. Pensions (continued)

Pension Scheme - The Benfield Group Pension Plan (continued)

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

	2016 £m
Opening fair value of scheme assets	10.5
Interest income	0.3
Actuarial gains	1.4
Contributions by employer	-
Benefits paid	(0.3)
Closing fair value of scheme assets	11.9

None of the scheme's assets were invested in Lookers plc or property occupied by Lookers plc. The company made no contribution to fund accruing pensions and expects to make no pension contribution in 2016.

	2016 £m
Total amount of actuarial losses recognised in the Statement of Comprehensive Income in the year	(0.3)
Cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income at the year end	(0.3)

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

	2016
Equities	71.1%
Corporate Bonds	28.9%

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

	2016 £m	2015 £m
Discount rate	2.85%	3.9%
Future pension increases	3.2%	3.05%
Life expectancy at age 65 for:		
current pensioners - males	87.1	87.0
current pensioners - females	89.5	89.4
future pensioners - males	88.7	88.7
future pensioners - females	91.4	91.4

Sensitivity analysis

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

Change in assumption	Approximate impact on current deficit
Reduce discount rate by 0.1% p.a.	+ £0.2m
Increase inflation assumptions by 0.1% p.a.	+ £0.1m
Change mortality assumption to SAPS SINA (-1 year) CMI 2011 (1%)	+ £0.3m

A change in more than one of these assumptions in the same direction would clearly have a more significant and potentially materially adverse impact on the deficit of the scheme.

29. Pensions (continued)

Pension Scheme - The Benfield Group Pension Plan (continued)

Amounts for the current period are as follows:

	2016	2015
	£m	£m
Defined benefit obligation	11.5	9.8
Scheme assets	11.5	10.4
Deficit surplus	-	0.6
Experience gains/(losses) on plan assets	1.4	(0.2)

30. 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 14)		Amounts owed to Group undertakings (Note 18)	
	2016	2015	**2016**	2015
	£m	£m	**£m**	£m
Bolling Investments Limited	28.7	46.1	-	-
Lookers Motor Holdings Limited	80.5	80.5	-	-
Charles Hurst Limited	10.0	4.3	-	-
Charles Hurst (Dublin) Limited	3.8	0.5	-	-
Platts Harris Limited	0.5	0.3	-	-
FPS Distribution Limited	-	-	-	0.2
Apec Braking Limited	-	1.1	-	-
BTN Turbocharger Service Limited	-	0.5	-	-
Lookers Motor Group Limited	6.0	167.6	28.8	25.8
Lookers Birmingham Limited	8.2	2.8	-	-
MB South Limited	51.5	-	-	5.7
Dutton Forshaw Motor Company Limited	-	-	16.4	19.9
Knights North West Limited	5.8	-	-	-
Lookers Colborne Limited	6.6	5.2	-	-
Lomond Motors Limited	186.4	0.1	0.1	0.1
Addison Motors Limited	0.9	8.0	-	-
Lookers Leasing Limited	-	-	3.0	2.9
Dormant Companies	0.6	0.6	1.0	1.0
	389.5	317.6	49.3	55.6

Key management compensation is included in note 8.

30. Related Party Transactions (continued)

Trading Transactions

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

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

	2016 £m	2015 £m
Lookers Motor Group Limited	5.8	7.0
MB South Limited	1.5	1.5
Lookers Birmingham Limited	0.6	0.6
Dutton Forshaw Motor Company Limited	1.9	1.9
Lookers Colborne Limited	1.2	1.2
Lookers Leasing Limited	0.1	0.1
Charles Hurst Limited	2.8	2.8
Ferrari Piston Services Limited	0.1	0.1
Platts Harris Limited	0.1	0.1
Lomond Motors Limited	1.3	1.3
Charles Hurst (Dublin) Limited	0.1	0.1
Fleet Financial	0.1	0.1
	15.6	**16.8**

31. 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 2016 and 2015 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. The treatment of Fair Value of derivatives is discussed in section 20 of the Principal Accounting Policies.

Maturity of Financial Liabilities
The maturity profile of the carrying amount of the group's non-current financial liabilities at 31 December 2016 and 2015 are given in note 21.

31. Financial Assets and Liabilities (continued)

Borrowing Facilities
The group has the following undrawn committed borrowing facilities available at 31 December 2016 and 2015 which expire:

	2016 £m	2015 £m
Within two to five years	160.9	83.3

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

Interest Rate Profile
Financial assets comprise cash of £8.8m (2015: £8.3m).
An analysis of the group's loans and overdrafts between fixed and floating rates is given below.

	2016 Financial liabilities £m	2015 Financial liabilities £m
Floating Rate	113.9	170.0

Interest rates on the group's floating rate liabilities are based on the London Interbank Rate. At 31 December 2016 all of the group's bank loans and overdrafts are potentially exposed to re-pricing within 12 months of the balance sheet date (2015: 12 months).

Foreign Currencies
The majority of the group's activities are transacted in sterling although some of its purchases are made in 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.

32. Operating Lease Commitments - Minimum Lease Payments

Group	2016 Property £m	Plant & equipment £m	2015 Property £m	Plant & equipment £m
Commitments under non-cancellable operating leases expiring:				
Within one year	8.0	0.8	9.9	2.2
Within two to five years	29.0	0.6	33.1	1.2
After five years	58.8	-	45.5	-
	95.8	1.4	88.5	3.4

Trading Outlets and Interests in Major Subsidiary Companies

Franchises

Alfa Romeo
Cardiff

Aston Martin
Belfast

Audi
Ayr
Basingstoke
Camberley
Dublin
Edinburgh
Glasgow
Guildford
Hamilton
Newcastle
Stirling
Teesside
Tyneside
Wearside

Bentley
Belfast

BMW
Crewe
Stafford
Stoke-on-Trent

Citroën
Belfast
Newport

Dacia
Belfast
Carlisle
Chester
Newcastle
Newtownabbey
Newtownards
Stockport

Ferrari
Belfast

Fiat
Stockport

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

Honda
Orpington

Hyundai
Dundonald
Motherwell

Jaguar
Amersham
Belfast
Glasgow
London - Park Royal
Motherwell

Jeep
Belfast
Cardiff

Kia
Belfast
Newcastle
Sheffield
Stockport

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

Lexus
Belfast

Maserati
Belfast

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

Mini
Crewe
Stafford
Stoke-on-Trent

Nissan
Belfast
Carlisle
Chester
Gateshead
Leeds
Motherwell
Newcastle
Newtownabbey
Newtownards

Peugeot
Belfast
Cardiff
Newport

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

Seat
Manchester
Stockport

Trading Outlets and Interests in Major Subsidiary Companies

Skoda
Eccles
Guildford
Harrogate
Manchester
Newcastle
Stockport
West London

smart
Brighton
Gatwick
Maidstone
Stoke-on-Trent
Stourbridge
Tonbridge
Wolverhampton
Worcester

Toyota
Belfast
Dundonald
Newtownabbey

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

Volkswagen
Battersea
Blackburn
Blackpool
Carlisle
Dumfries
Darlington
Guildford
Morden
Newcastle
Northallerton
Preston

Volkswagen (continued)
Silverlink
Teesside
Walton-on-Thames

Volkswagen – Commercial Vehicles
Carlisle
Darnley
Glasgow
Guildford
Newcastle
Teesside

Volvo
Colchester
Glasgow
Motherwell
Stockport

Used Car Supermarkets
Belfast
Dublin

Motorcycles
BMW - Belfast
Honda - Belfast
Yamaha - Belfast

TPS
Edinburgh
Glasgow
Newcastle
Teesside

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

Service Centres
Renault Chelmsford
Volvo Chelmsford
Vauxhall Dundonald

Lookers Leasing
Harrogate

Fleet Financial
Belfast

Vehicle Rental Services
Beaconsfield

Agricultural Division
Darley Dale
New Holland
Tuxford

Major Subsidiary Companies
Lookers Motor Holdings Limited
Bolling Investments Limited
Charles Hurst Limited
Charles Hurst Motors Limited
Fleet Financial Limited
Lookers Motor Group Limited
Lookers Birmingham Limited
MB South Limited
FPS Distribution Limited
Apec Limited
BTN Turbocharger Service Limited
Dutton Forshaw Motor Company Limited
Lookers Leasing Limited
Lomond Motors Limited
Platts Harris Limited
Ferraris Piston Service Limited
GET Motoring UK Limited
Charles Hurst Dublin Limited
Shields Automotive Limited
Lookers Colborne Limited
Addison Motors Limited
Colebrook and Burgess Limited
Knights North West Limited
Warwick Holdings Limited

Website: www.lookers.co.uk

Five Year Record

	Year ended 31 December 2012 £m	Year ended 31 December 2013 £m	Year ended 31 December 2014 £m	Year ended 31 December 2015 £m	**Year ended 31 December 2016 £m**
Turnover	2,056.6	2,464.5	3,042.9	3,649.1	4,281.7
Profit before tax, amortisation, exceptional items, debt issue costs and pension costs	38.0	48.1	65.0	72.1	77.1
Amortisation	(1.1)	(1.1)	(1.2)	(1.6)	(1.7)
Net interest on pension scheme obligation	(2.2)	(2.7)	(3.1)	(3.9)	(3.7)
Debt issue costs	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Impairment of goodwill	-	-	-	(3.6)	(1.0)
Exceptional items	-	-	-	1.7	23.3
Share based payments	-	-	(1.1)	(1.5)	(1.8)
Profit before taxation	34.3	43.9	59.2	62.8	91.8
Taxation	(8.0)	(7.7)	(12.4)	(12.0)	(10.5)
Profit attributable to shareholders	26.2	36.0	46.8	50.8	81.3
Non-controlling interests	0.1	0.2	-	-	-
Equity dividend per share†	2.35p	2.58p	2.84p	3.12p	3.64p
Basic earnings per ordinary share	6.77p	9.28p	12.03p	12.88p	20.51p
Adjusted earnings per ordinary share	7.37p	10.36p	13.52p	15.24p	15.87p
As at year end					
Shareholders' interests					
Share capital	19.4	19.4	19.7	19.8	19.8
Reserves					
- non-distributable	105.8	106.4	107.7	109.5	109.5
- distributable	78.6	102.2	129.5	168.5	212.4
Net assets	203.8	228.0	256.9	297.8	341.7

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