Lookers plc

2022 Annual Report & Accounts

Lookers Head Office Manchester

Contents

Strategic Review

Governance

Financial Statements

Strategic Review

Chair's statement

Another excellent performance

This, my first Chair's statement, looks back on another year of excellent financial results and operational progress. The trading performance was impressive and ahead of the Board's expectations at the start of the year, despite the well-documented headwinds in our sector. We have had to deal with supply chain disruption limiting new car availability and an increasingly uncertain outlook for the UK consumer. We have built on the extensive work completed during 2021 to refocus the Group on our strategic priorities and laid good foundations to make further strides in the year ahead.

Revenues increased to £4.30 billion (2021: £4.05 billion) and profit before tax decreased to £84.4 million (2021: £90.0m, including £9.8m of COVID support), reflecting extremely strong comparatives from our record performance in 2021. Last year we benefited from an unprecedented environment in which supply issues strongly drove up margins across both new and used vehicles.

Although we are still operating in a far-from-normal environment, the strong performance in 2022 is a result of Lookers' outperformance of the new and used car markets in the UK, despite a backdrop of increasing inflationary pressures, including both employment and utility costs. Our financial position was considerably improved by the sale and leaseback of the freehold dealership property in Battersea, London. The sale generated £28.0m in cash with the proceeds used to invest in the Group's strategic priorities and further strengthen the balance sheet. The Group now holds property assets with a net book value of approximately £290.5m and net funds of £66.5m, representing 92p per share as at 31 December 2022.

The strength of our financial and operational performance leaves Lookers in a strong position to pursue and progress our strategic growth strategy as we invest in new avenues for growth.

Significant strategic progress

This trading outperformance demonstrates the positive progress made against our six strategic priorities to grow the business, the most important being our focus on operational optimisation. We've also made significant inroads in expanding our proposition through new OEM partnerships, particularly in the EV market, new offerings for customers, such as cosmetic repairs, and further progress with our omnichannel experience. Ultimately, we are adapting at pace to an evolving industry landscape, ensuring that we are best placed with our OEM brand partners, suppliers, and customers, to provide the best experience.

Together, the Board believes the strategy will maintain Lookers' position as a leading player in the industry. We want the business to capture growth opportunities and to create a sustainable model which delivers long-term value for all stakeholders. We are excited by the considerable progress we made during 2022 and the platform this gives us to develop these projects into 2023.

A focus on all our stakeholders

We are proud to be a business that cares about the various communities we deal with. It is because of our incredible people across the business, that we are in the position of strength that we are in today. We have spent time over the last 12 months looking at how we can be an industry leader in investing in and retaining our people.

In the summer, we introduced the Lookers Living Wage, a scheme that ensures all full-time employees earn more than the National Living Wage. We also recognised the importance of rewarding our apprentices and now offer pay packages at around 35% more than the minimum level required in year one of their training.

We are also investing in training and learning & development programmes across all areas and levels of the business so that we ensure Lookers is a place where our people can grow their skills during their career.

We remain focused on driving great customer outcomes through our regulated activities and we continued to invest in new systems, controls, and processes to ensure we have strong regulatory compliance. We have seen an improvement in our customer review ratings showing tangible reputational gains with our customers. I am also delighted that Robin Churchouse took up the position as Chair of the Board of our FCA regulated entity, Lookers Motor Group Limited, in September. Under his guidance, we will continue to make significant progress in this field.

We encourage our colleagues to volunteer in our communities and support this by offering all employees paid volunteering days. During the year the Group's flagship charitable initiative was a 400-mile cycle challenge from Birmingham to Belfast, which raised almost £160,000.

While we are delighted with the progress we have made in 2022, we know that there is still much to do in 2023 and we will continue to build a strong and sustainable business that delivers value for all stakeholders. Next year, our focus will be on continuing our progress on operational optimisation, and further embedding technology and digitisation across the Group. We have also introduced a formal strategy regarding the utilisation of our expansive property portfolio which will principally focus on operational usage; we hope that this will lead to further value generation for our stakeholders.

Paul Van der Burgh

“Together, the Board believes the strategy will position Lookers as a leading player in the industry. We want the business to capture growth opportunities and to create a sustainable model which delivers long-term value for all stakeholders.”


Audi


Lookers

Shareholder returns

The Board is proposing a final dividend for 2022 of 2.0p per share (2021: 2.5p) to be paid in June 2023. This, combined with the interim dividend of 1.0p (2021: nil p) per share, brings the total dividend for the year to 3.0p (2021: 2.5p). We will continue to operate under our progressive dividend policy, underpinned by a capital structure aimed at providing long-term sustainable returns to shareholders.

On 18 October 2022, we announced the commencement of a share buyback programme of up to £15m. The Board concluded that repurchasing the Company's shares at the current discount to our cash and property portfolio was an attractive investment opportunity and the decision remains in line with our capital allocation framework. The purpose of the Share Buyback Programme is to reduce the capital of the Company and increase earnings per share. At the year end, we have bought back 5.7m shares at an average of 78p per share at a total cost of £4.5m.

The basic earnings per ordinary share increased by 20.6% to 18.87p (2021: 15.65p).

Board composition

In a year of significant progress for the business, we have taken further steps to optimise the Board to ensure Lookers has the right mix of skills and experience.

On 1 September 2022, Sue Farr, a highly experienced professional with experience in marketing, branding and consumer issues, joined as a Non-Executive Director and chair of the Remuneration Committee, as well as joining the Audit and Risk and Nomination Committees. Sue is also now the Interim Senior Independent Director.

Robin Churchouse was appointed Chair of the Board of Lookers Motor Group Limited, the Group's FCA regulated entity on 13 September 2022.

On 31 December 2022, Ian Bull stepped down from his role of Independent Non-Executive Chair. Ian was instrumental in helping us develop and implement our strategic priorities.

On 31 December 2022, Victoria Mitchell and Deborah Sherry stepped down from the Board. The Board thanks them both for their valuable contributions to Lookers and wishes them the best for the future.

Outlook

The Company continues to make rapid progress in the delivery of its strategic priorities and the hard work that has already been completed leaves the business in a position of strength.

We are optimistic and excited for the future with a robust order bank, and encouraging early trading results in Q1 2023.

Against this backdrop, we are confident in the future success of Lookers, but we must be mindful of the impact of upward inflationary pressures and interest rate rises on both consumer confidence and the Group's operating costs.

The war in Ukraine continues to be deeply concerning and the new car supply challenges are only just beginning to ease after 12 months of serious disruption. Taken together, this means there is a degree of uncertainty for the business and our customers in the coming months.

Lookers has strong relationships with its manufacturers and the past 12 months has seen the business undergo an extensive improvement programme to its operations meaning the business is in a strong position despite the concerns raised by the macroeconomic backdrop.

To conclude, the Group has a strong balance sheet, supported by £290.5m of property assets and robust cash flows which will enable further execution of the strategy that will support the Group as it navigates the current challenges, drives future expansion and delivers value for all our stakeholders. I would like to thank our colleagues, OEM brand partners, suppliers, and banking club for their support and collaboration throughout 2022.

Paul Van der Burgh
Interim Non-Executive Chair
4 April 2023

2022 at a glance

£4.30 billion revenue

(2021: £4.05bn)

147 franchise dealerships*

(2021: 144)

35 manufacturer brands*

(2021: 32)

Sold more than

163,000

new & used cars,
light commercial vehicles, and motorbikes

(2021: more than 173,000)

*Cars and light commercial vehicles.

NOTE: Throughout the Annual Report & Accounts, alternative performance measures (APMs) have been used which are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management. Definitions of APMs are made within the Glossary of Terms on pages 197 to 198.

12.8%
gross profit margin
(2021: 12.8%)

£82.7m
underlying profit before tax
(2021: £90.1m)

£73.9m
profit after tax
(2021: £61.2m)

18.87p
basic earnings per share
(2021: 15.65p per share)

£66.5m**
net funds
(2021: £3.0m)

**Cash and cash equivalents less bank loans and overdrafts. Lease liabilities, vehicle rental liabilities and stocking loans are not included in net funds.


dkers
for you, for life

Our business...

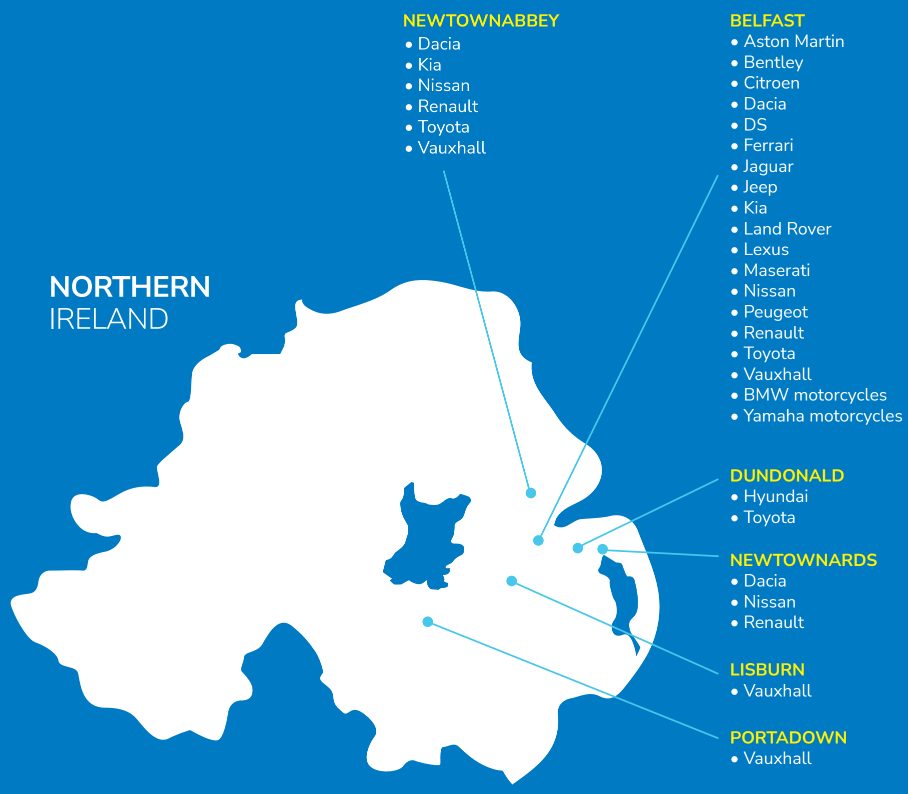
Car & commercial vehicles

ASTON MARTIN	1
AUDI	13
BENTLEY	1
BMW	3
BYD	New in 2023
CITROËN	1
CUPRA	1
DACIA	7
DS	1
FERRARI	1
FORD	16
GWM ORA	2
HYUNDAI	1
JAGUAR	4
JEEP	1
KIA	5
LAND ROVER	10
LEXUS	1
LOTUS	New in 2023
MASERATI	1
MERCEDES-BENZ	13
MG	New in 2023
MINI	3
NISSAN	8
PEUGEOT	1
POLESTAR	1
RENAULT	7
SEAT	2
SKODA	4
SMART	3
TOYOTA	3
VAUXHALL	13
VOLKSWAGEN	12
VW COMMERCIALS	4
VOLVO	3

Motorcycles

BMW	1
YAMAHA	1

Our locations...




GLASGOW
• Audi
• Jaguar
• Land Rover (North)
• Land Rover (South)
• Volvo
• VW CV
HAMILTON
• Audi
AYR
• Audi
STIRLING
• Audi
EDINBURGH
• Audi
MOTHERWELL
• Land Rover
TYNESIDE • Audi
NEWCASTLE • Audi • Dacia • Kia • Nissan • Renault • Skoda • VW (x2) • VW CV
SOUTH SHIELDS • Ford
GATESHEAD • Ford • Nissan
WEARSIDE • Audi
CARLISLE
• Dacia
• Nissan
• Renault
• VW
DARLINGTON • VW
BLACKBURN • VW
BLACKPOOL • VW
PRESTON • VW
MIDDLESBROUGH • Ford
TEESSIDE • Audi • VW • VW CV
NORTHALLERTON • VW
MANCHESTER
• Polestar • Seat • Skoda
ST HELENS • Vauxhall
LIVERPOOL • Vauxhall
STOCKPORT
• Cupra
• Dacia
• Kia
• Renault
• Seat
• Skoda
• Volvo
ELLESMERE PORT • Vauxhall
CHESTER
• Dacia
• Kia
• Nissan
• Renault
• Vauxhall
CREWE • BMW • Mini
STOKE-ON-TRENT
• BMW • Mini
• Mercedes-Benz
SHREWSBURY
• Mercedes-Benz
STAFFORD
• BMW
• Mini
• Mercedes-Benz
WOLVERHAMPTON
• Mercedes-Benz
• Smart
• GWM ORA
LEEDS • Ford • Nissan
SHEFFIELD • Ford
BIRMINGHAM • Vauxhall
SELLY OAK • Vauxhall
ASTON CLINTON • Jaguar • Land Rover
BISHOP'S STORTFORD • Land Rover
SUDBURY • Ford
BRAINTREE • Ford • GWM ORA
COLCHESTER • Ford • Land Rover • Volvo
CHELMSFORD • Ford • Land Rover
WEST LONDON • Jaguar • Land Rover
SW FERRERS • Ford
BATTERSEA • Land Rover • VW
CANTERBURY • Mercedes-Benz
MAIDSTONE • Mercedes-Benz • Smart
ASHFORD • Mercedes-Benz
TONBRIDGE • Mercedes-Benz
WALTON-ON-THAMES • VW
GATWICK • Mercedes-Benz
EASTBOURNE
• Mercedes-Benz
STOURBRIDGE
• Mercedes-Benz
WORCESTER
• Mercedes-Benz
BASINGSTOKE
• Audi
FARNBOROUGH
• Audi
GUILDFORD
• Audi • Skoda
• VW • VW CV
BRIGHTON
• Mercedes-Benz
• Smart

Business model and strategy – **Lookers business model**

The business model is designed to deliver profitability from the Group's new and used vehicle sales, aftersales services, and fleet and leasing operations, providing our customers with what they need when they want it, and subsequently generating value for our shareholders via capital growth and dividends. We are a significant employer with over 6,500 people who are all critical in delivering the strategic priorities of the Group. Fundamentally, the success of the Group relies on obtaining **'Customers for Life'**, and we strive to achieve the best customer experience and highest customer satisfaction scores. Our business model seeks to drive the implementation of our strategic priorities.

1 New, Used, Fleet, Leasing & Rental

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

2 Servicing & Maintenance

With 147 franchise locations supported by dedicated fixed and mobile units with advanced equipment, our highly trained staff provide market leading servicing capabilities, whether scheduled maintenance, vehicle diagnostics, or repair. Including tyres, batteries, exhausts, wheel alignment and maintenance plans.

3 Accident & Cosmetic Repairs

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

4 Parts Distribution

With 147 franchise locations and as a trusted OEM parts supplier for both in-house repair of vehicles and the provision of parts to our customers, it is essential that we manage our inventory effectively. We seek to ensure that the complex supply process is optimised, with efficient processes and robust planning, ensuring that we have parts where and when we need them and to the quality we expect.

5 Property Portfolio Management

We strategically manage our extensive property portfolio (made up of 230 sites), fully utilising properties to primarily facilitate core operations, and secondly to provide complementary revenue streams. We consolidate assets where it can benefit the Group, while also remaining agile in order to take advantage of opportunities around strategic acquisitions or disposals of property.

LOOKERS BUSINESS MODEL

Trend & Business Model Planning 6

We continuously monitor the market to generate accurate and valuable insight, ensuring that we can plan and prepare for emerging trends and structure our business model and value chain to support this. We are agile when it comes to new operating models, with agency providing an opportunity to redefine the operating model with a view to further enhancing the customer experience. Data and intelligence are key in adapting and evolving our business to operate effectively and efficiently within our changing environment.

Electric Vehicles & Charging 7

Robust demand in the new and used vehicle market is expected to remain, although there is a continued shift away from Internal Combustion Engines (ICE) to Electric Vehicles (EV) and we are continuing to target further traction towards EVs and the associated charging and battery revenue opportunities.

Vehicle Inventory Management 8

We focus on stock profile, speed to website, ageing profile, and price; strengthening our overall provision capabilities whilst ensuring quality, consistency, and transparency. Stock control is a priority in ensuring that we have the right vehicles at the right locations.

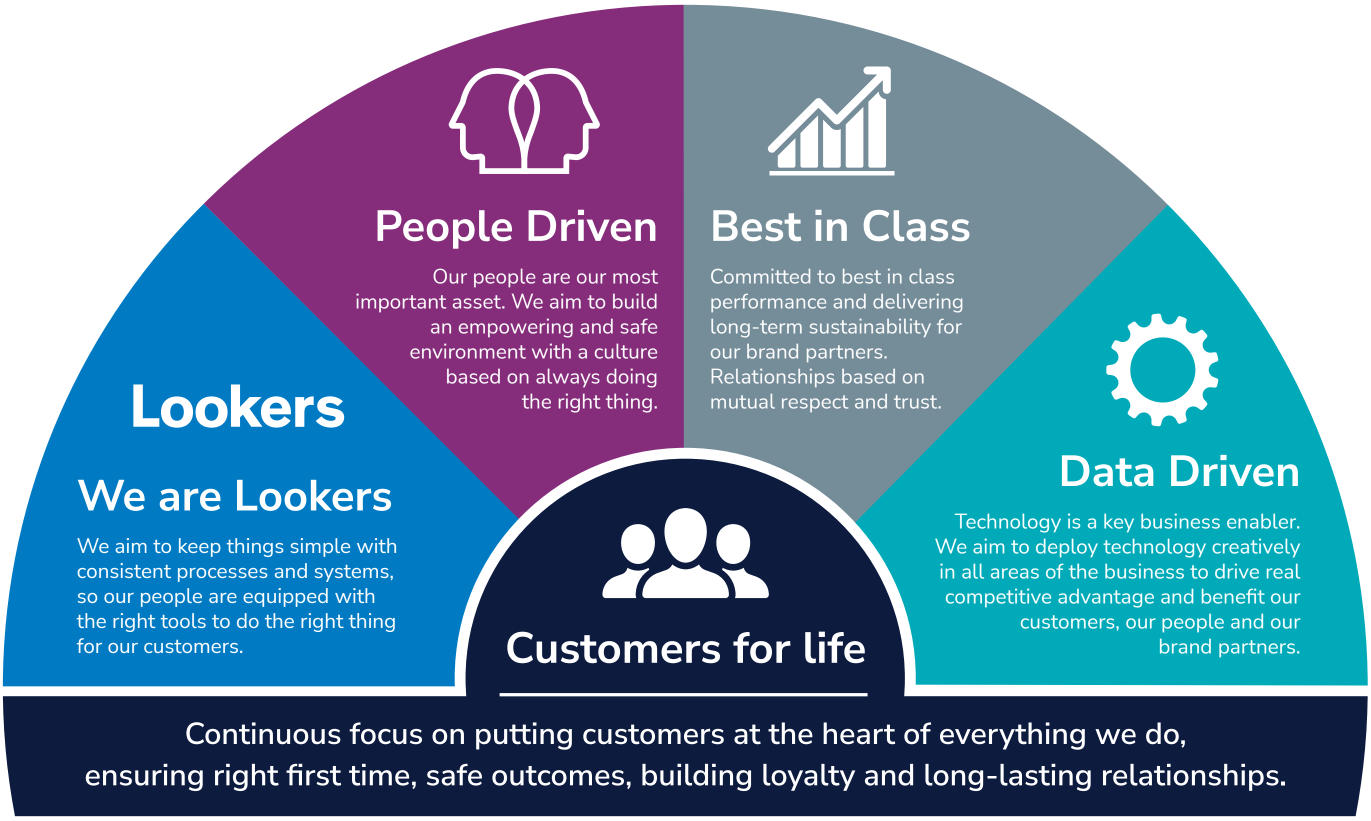
Marketing 9

We adapt our marketing approach to support changing customer preferences through the ongoing digital evolution, capitalising on the growth of online and mobile applications, whilst maintaining more traditional approaches. We seek to promote our products in various marketing channels with a compelling and attractive proposition for our customers, offering new and existing products. Our approach focuses on meeting the current needs whilst laying foundations for emerging trends and remaining versatile.

Finance & Insurance 10

We provide our customers extended services through our partnerships with a trusted network of companies. We aim to make the transaction process for our customers simple and transparent, with finance options to suit individual needs.

Business model and strategy



What we are about
Lookers proudly represents 35 manufacturer brands (OEM brand partners) selling new and used vehicles and providing aftersales services including maintenance and repair at 147 franchise locations and via online services, across the UK and Ireland. We also operate a multi-product fleet and leasing business, 12 multi-franchise standalone used car centres, 4 accident repair centres, and a fleet of mobile service and cosmetic repair vehicles.

Strategic priorities
We are pleased with the progress we have made in delivering against our strategic priorities. As such, we now provide an update on our progress against the integration and delivery of the strategic priorities.

1. Operational optimisation
In the most basic terms this is the Group-wide improvement in execution of the core business disciplines. We have set out some relevant examples against this priority below, but in reality, the objectives of operational optimisation permeate across all of our strategic priorities.

Progress in 2022
We have developed the "Lookers Service Core Process" which is a dealership-wide simplified journey for our service customers. The standardisation provides a consistent process improving the customer experience and efficiency of the Group's service operations; this will be rolled out during 2023. Further, the digitisation of our aftersales processes and the resultant enhanced management information will drive performance in this crucial area of the business.

During the year the Group started restructuring its customer contact centres to benefit from economies of scale and to increase standardisation across the Group. At an internal HR level, the Group completed a comprehensive review of employee rewards and incentives and introduced a new benefits and reward scheme platform allowing colleagues to tailor the benefits to their own individual requirements.

2. Leveraging technology and digitisation
Technology and digitisation are critical in supporting the Board's operational optimisation and omni-channel retailing aspirations. Ongoing investment in sales and aftersales will not only further improve our customer experience and customer relationship management (CRM), but it also promotes enhanced productivity, strong regulatory compliance, and enhanced analytical capabilities across our dealerships. The Group will use this as a foundation for future transformations.

Progress in 2022
In the second half of 2021, the Board made the decision to standardise the Group's approach to its Dealer Management System (DMS) with the aim of having the entire portfolio on a

single and standardised platform. At the end of 2022, standardisation of approximately three quarters of the Group's portfolio was complete with work started on the remainder.

In 2022 the Board announced that it had entered an agreement to completely replace its customer facing sales system. A new customer journey has been developed and a visual prototype completed. Additional third-party integrations were identified during the scoping process which will enable further automation. The rollout of the sales system will commence in 2023. The DMS and CRM systems are critical to the Group's transformation in leveraging technology and digitisation.

The Group continues to focus on cyber security with a fully operational detect and respond service, which is supplemented by a third-party incident response function to support our reaction to a significant event.

3. Expanding OEM relationships

The Group remains committed to building upon its OEM relationships. The Board has identified that investment in new and existing OEM brand partners will be key in implementing the Group's strategy. Acquisitions may be considered in the future; however, any opportunity must align with the Group's brand and geographical strategy.

Progress in 2022

During the year the Group was delighted to announce its appointment as a franchise representative for the ORA and Lotus brands. We opened our ORA showrooms in existing properties and expect to open our Lotus showroom in Belfast in Q1 of 2023.

Further, in January of 2023 the Group was appointed as one of the first UK franchise representatives of the Chinese electric vehicle manufacturer BYD (Build Your Dreams); we will utilise existing locations in the Northeast, South Yorkshire, and Northern Ireland to showcase this exciting new entrant to the UK market. We are also pleased to add the iconic MG brand to our OEM relationships and will represent MG from our existing site in Worcester.

The Group has continued to adapt its structure where necessary to implement the agency model for brand partners who have adopted it. We believe that our collaborative and supportive approach has been well received by our OEM brand partners.

4. Increasing used vehicle penetration

The Group has a core franchise position in used car retailing and operates 12 independent multi-franchise used car centres which trade under the Lookers Direct and Lookers Premium brands. The UK used car market was approximately 6.9m units in 2022 with the Group holding a market share of just 1.1%. Therefore, opportunity exists for expansion in the used vehicle market with Lookers already possessing a base on which to grow.

Progress in 2022

The Group has made progress during 2022 regarding its objective to expand its independent multi-franchise used vehicle operations. The location of its first supercentre (Lookers Car Hub) has now been confirmed and the planning process commenced; we expect to open in Q4 2023. The appointment of a used vehicle Franchise Director to lead the used vehicle expansion was made in 2022 and the search for a second location is well progressed with the site identified and plans being developed. The Lookers Car Hub sites will provide full used vehicle operations including servicing and cosmetic repair, EV charging and experience facilities, and the opportunity to showcase new brands.

Business model and strategy

5. Developing aftersales revenue streams
The market share of BEVs is only expected to increase over the next decade with some forecasts projecting that they will make up 45.6% of the UK car parc by the end of 2035. The shift towards BEVs presents some challenges around lower associated repair costs, however we believe we have the right people in place to meet this challenge.

Progress in 2022
We have made significant progress on aftersales retention tools targeted at the older vehicle segment such as used vehicle warranties, and we continue to focus on increasing our service plan penetration across the Group to ensure customers have a compelling reason to return to our aftersales departments.

The Group also remains focussed on alternative aftersales revenue streams such as cosmetic repairs, which is an area unaffected by the electrification agenda. We expect to have 49 fixed facility cosmetic repair operations by the end of 2023 alongside 30 mobile cosmetic repair vans. This represents a significant increase and will be key to aftersales contribution to the Group moving forwards.

6. Leveraging corporate leasing and fleet capabilities
In aggregate the corporate leasing and fleet operations contributed approximately £23.8m of gross profit to the Group's full year 2022 results. We see the corporate leasing sector to be a fundamental and complimentary market for the Group to operate within, providing stable, predictable revenue streams, as well as emerging product opportunities. Further, it is the Group's belief that a number of realistic synergistic benefits are possible, particularly the provision of a valuable integrated supply of used car de-fleets in the Group's used vehicle operations.

Progress in 2022
The fleet and leasing businesses now fall under the umbrella of Lookers Vehicle Solutions as a brand, delivering a multi-product offering to corporate customers. We are one of the leading fleet and leasing companies and sit within the top 25 contract hire companies in the UK. Progress has been made in integrating the businesses, with the contract hire companies having migrated onto one management system. This gives them a robust and expandable platform to support growth. Synergies have been realised within the year with ex-fleet and leasing vehicles feeding into the Group's used vehicle operations.

New products and services have been launched to market, with salary sacrifice and corporate car subscription showing positive early results. Further new services are in late-stage development and scheduled for launch during 2023. New funding providers have been identified and are currently being onboarded; these new providers will be important in supporting our future growth. We continue to monitor customer and market trends and will explore possible new revenue streams to add to our portfolio of products and services.

In conversation:

Mark Raban | Chief Executive Officer

Mark Raban

"Once again, amidst this difficult environment, it is the strength of our vehicle manufacturer partnerships and the tireless dedication of my colleagues which have delivered both excellent financial results and significant progress in our key strategic initiatives."

How would you summarise Lookers' performance in 2022?
I'm delighted with our performance during the year against a very challenging backdrop which included severe disruption to both vehicle and parts supply. Customers and businesses alike don't need reminding of the significant inflationary cost pressures and ongoing cost of living crisis which also impacted the year.

Once again, amidst this difficult environment, it is the strength of our vehicle manufacturer partnerships and the tireless dedication of my colleagues which have delivered both excellent financial results and significant progress in our key strategic initiatives.

In particular, we continued to pursue our operational optimisation agenda and in doing so outperformed both the new car (retail and fleet) and used vehicle markets, delivered strong aftersales revenue growth and further improved productivity and efficiency to minimise the impact of significant cost pressures, resulting in a strong profit performance.

I am particularly excited to welcome our new brand partners to Lookers which includes Great Wall Motors, BYD, MG and Lotus. I look forward to building and growing these new relationships over the coming years as we continue to enhance our proposition for customers.

We finish the year in a good position and our balance sheet has further strengthened, enabling us to invest in our growth initiatives whilst providing shareholder returns through the continued payment of dividends and a share buyback programme. With this strong platform, the accelerating rollout of new EV models, and other exciting developments within the business, I look to the future with increased confidence.

How is the automotive industry evolving?
The last few years have seen some significant changes in our sector. The level and pace of change is set to accelerate as consumer behaviour and preferences continue to develop, new and exciting products and brands enter the market, technology further advances and the relationship with our brand partners evolves and strengthens.

It is clear that consumers want and expect to interact with us flexibly and simply, in a way that works for them. We have continued to invest in our omni-channel capabilities, underpinned by new technology which enables our customers to move seamlessly between our online and offline channels. I was particularly proud of our 2022 'You Choose' TV brand campaign which highlighted the flexible customer journey which we now offer. We aim to build on this success moving forward, to ensure more customers are aware of our enhanced offer.

From 2030, under current UK government policy, the sale of new vehicles powered solely by an internal combustion engine will cease. The adoption of hybrid and fully electric vehicles (BEVs) is gathering significant momentum and currently represents approximately 34.5% (16.6% being BEVs) of the UK new car market and has recently outstripped diesel vehicles. At Lookers, our aim is to be at the forefront of the electric vehicle revolution and already approximately 19.8% of all of our new cars sold were BEVs. We are also delighted to represent a number of newer, electric-only brand partners. The continued adoption of electric vehicles represents a significant and exciting opportunity for Lookers over the next few years and we are well positioned, both through our new and used sales capabilities and the way we are evolving our aftersales services to meet the needs of these vehicles.

Our strong brand partner relationships remain key to our success. As the market landscape continues to develop it is essential that we explore new ways of working with our brand partners to ensure that the customer remains firmly at the centre of everything we do. During the year we entered a new agreement with Mercedes-Benz UK to supply new vehicles under a new commission-based agency agreement which commenced on 1 January 2023. We remain in dialogue with all our brand partners on how best to strengthen our relationship against the backdrop of a rapidly changing landscape and are confident we can drive value through a variety of different operating models.

There is no doubt in my mind that automotive retail is at an exciting time with many opportunities ahead which we are very well placed to capitalise on.

How is the cost of living crisis impacting Lookers?
The current cost of living crisis poses a number of significant challenges for Lookers. With double digit inflation, rising interest rates and geopolitical uncertainty, consumer disposable income and confidence has naturally reduced. Despite the fact that for many consumers their vehicle is a necessity, we are fully cognisant of the pressures being faced and are doing all we can to combat this by ensuring our vehicles and ancillary products are competitively priced. We have also introduced additional flexible payment options to spread the cost of essential repairs, maintenance and servicing where customers wish to.

As a business of considerable scale and a significant employer, we are also experiencing material cost pressures. In 2022 our underlying operating costs increased by 10.1%. Our utility and energy costs have risen sharply, and our inventory financing costs have increased as interest rates have increased. We continue to work hard to offset these headwinds; during 2022 we introduced the 'Lookers Big Switch Off' campaign which proved very successful at reducing our energy consumption across our sites, as well as contributing towards our environmental targets.


Entrance
Lookers
Lookers


HYDROGEN
FUEL CELL
BMW

I have been particularly mindful of the impact of the cost of living crisis on my Lookers colleagues. In 2022 we undertook a comprehensive review of colleagues' rewards and incentives across all areas of the business. As a consequence, we made a number of changes to remuneration schemes and introduced the Lookers Living Wage. I am particularly pleased that we were also able to significantly increase the pay rates for over a thousand of our lowest paid colleagues, which included over 300 apprentices. We also issued a £200 Christmas voucher to over 6,400 colleagues being 98% of our people. In the early part of 2022, we introduced a new benefits and reward scheme allowing colleagues to tailor the benefits to their own individual needs making sure they received the benefits they needed at the right time. Moving forward, we aim to focus our help and support where it is most needed.

Why is technology and digitisation such a key priority for Lookers?

Leveraging technology and digitisation remains a key strategic priority for Lookers. We see technology as a key enabler to fully support our transition to a true omni-channel, digital-based retailer. In this regard we remain committed to harmonising our Dealer Management System (DMS). We remain on track with this initiative with the aim of having the entire portfolio on a single and standardised system over the next 12-18 months, bringing a much simpler and efficient operating platform for the business.

In addition, we are well advanced with our project to completely replace our showroom systems for all customer facing activity. The new system will seamlessly connect the online and in-store customer experience to accelerate a sector-leading customer experience as well as enhancing productivity and strengthening regulatory compliance. This will also unlock improved customer relationship management which will be aided through richer data and analytical capability.

I am excited by both of these transformational digital initiatives. I believe they will provide a strong and robust platform to reduce the timescales to implement future change, give us more insight into data, and enable us to work better with our third parties. This will enable us to further grow the business over coming years.

What does the future hold for Lookers?

I am looking to the future with both excitement and confidence. Our vision remains unchanged and is 'to become the UK's leading integrated automotive retail and services group'. In this regard we have developed six strategic priorities, and are systematically delivering on these, reaching some good early milestones across all of them. Self-help operational optimisation remains the cornerstone of our strategy and although much has already been achieved, there remains a significant incremental opportunity ahead.

In my view, the success of Lookers will be grounded in our ability to embrace and accelerate change successfully over the coming years, in an industry which is also evolving at pace. We have a clear strategy, an experienced team and the drive to fulfil our goals. This is underpinned by enduring relationships with our brand partners and a growing asset-backed financial capacity allowing us to invest for the future, whilst providing shareholder returns.

Above all, my Lookers colleagues represent our biggest asset. I am incredibly proud and grateful for their continued support and effort in making Lookers a stronger and more sustainable business and am confident that they will continue to drive our future success.

Mark Raban
Chief Executive Officer
4 April 2023

Operating review

Market overview

New vehicle sales

In 2022 there were 1.9m (2021: 2.0m) new car and van registrations, which was a 5.3% decrease against the prior year; this was 0.8m registrations behind 2019, being the most recent comparative year prior to the market disruption caused by COVID-19. When looked at in isolation the new car market (retail and fleet) fell by 2.0%; this compares to the Group's equivalent volumes decreasing by 1.1%, meaning that we have outperformed the market by 0.9 percentage points.

Supply challenges remained during 2022 due to continued semiconductor shortages and a lack of logistics resource. This meant that manufacturers prioritised the more profitable retail channel which then impacted supply in the motability, fleet, leasing, and rental channels. New vehicle supply improved slightly in H2 2022 and we remain cautiously optimistic in terms of improved supply for 2023. The latest market outlook is forecasting 2.1m new car and van registrations in 2023, compared to 1.9m in 2022.

New car retail performance was relatively consistent with the market as the Group saw a 1.5% increase in volume. Despite new fleet volumes declining by 4.1% the Group outperformed the market by 1.7 percentage points. Overall, the Group achieved a new car market share of 4.3% which is consistent with the prior year.

Across the market, Battery Electric Vehicles (BEVs) accounted for 16.6% of new car registrations, a 5.0 percentage point increase against 2021. In 2022 Lookers sold 70,116 new retail and fleet units of which 19.8% were BEVs. The additional volume of electric vehicles is attributed to the key strategic partnerships the Group has developed to help support the customer proposition as they look to transition away from petrol and diesel.

The sale of diesel powertrains continued to decline with market share reducing by 4.6 percentage points when compared to 2021. Petrol powertrains retain the largest portion of the market share at 55.9%, although this is down by 2.4 percentage points year on year. Fleet accounted for 67.7% of all BEV registrations due to favourable benefit in kind tax rates for company car drivers and the ESG initiatives of many companies.

The Group recently announced its appointment as official retailer for two new Chinese Electric Vehicle (EV) entrants to the UK market, being Great Wall Motors under the ORA brand, and Build Your Dreams (BYD). ORA launched the "Funky Cat" in Q4 and BYD will commence trading in Q2 2023. This is further to the important additions of Lotus and MG as brand partners.

The Group is optimistic going into 2023 and carries with it a strong vehicle order bank across both retail (17,321) and fleet (23,393) channels.

Looking to the future, we are excited to continue to work with our existing OEM brand partners, and we look forward to welcoming new partners to the Group. We also remain committed to traditional franchise operating models and equally we will embrace new models. Mercedes-Benz introduced agency in January 2023, an operating model that creates new commercial opportunities and ways of working that we look forward to developing throughout 2023.

Used vehicle sales

The volume of used vehicle sales declined by 4.9% in 2022 compared to the prior year, however we outperformed the market which saw a decline of 8.5% (7.5m in 2021 to 6.9m in 2022). The used vehicle market continues to be dominated by petrol and diesel vehicles which accounted for 95.7% of transactions in 2022.

The Group saw a sharper decline in used vehicle sales in H1 2022 of 8.3% due to ongoing supply issues for new vehicles; in H2 performance recovered and was broadly flat when compared to the prior year.

Despite a challenging macroeconomic outlook the Group expects strong margins on used vehicle sales to continue into 2023, and that a slight softening of consumer demand will be countered by the continuation of a limited supply of vehicles in the market.

Duncan McPhee

"Looking to the future, we are excited to continue to work with our existing OEM brand partners, and we look forward to welcoming new partners to the Group. We also remain committed to traditional franchise operating models and equally we will embrace new models. Mercedes-Benz introduced agency in January 2023, an operating model that creates new commercial opportunities and ways of working that we look forward to developing throughout 2023."

Operating review

Aftersales

Overall aftersales revenues were ahead of 2021 by 6.8% which was pleasing despite a reduction in new and used vehicle sales impacting internal aftersales revenues. This was driven in the main by increased parts sales through our trade parts centres and an increase in cosmetic repair revenues.

During 2022 the Group has focused on improving performance of retention product sales (used warranty and service plan), and has worked hard to improve employee retention through a blend of enhancements to remuneration packages and investment in tooling.

In line with the strategic priorities the Group has expanded its cosmetic repair capabilities, preventing leakage of work to third parties and building a service to be offered to other motor retailers and service centres. At the end of 2022 we had established 29 fixed cosmetic repair facilities and have 20 mobile cosmetic repair vans on the road. In 2023 the Group plans to introduce a further 20 cosmetic repair facilities supported by an additional 10 vans.

Leasing

During 2022 we have continued to consolidate our Leasing businesses under our Lookers Vehicle solutions umbrella. Our contract hire, and vehicle rental businesses have been adversely impacted by both the lack of vehicle supply in 2022 resulting in a 7.5% reduction in revenue, as well as the increased cost of financing on the back of interest rate rises.

Operations summary

Total revenue for the year was £4,300.9m (2021: £4,050.7m), which was 6.2% higher than 2021. All revenue streams, apart from leasing and other, increased. This was despite a 5.8% overall reduction in new and used vehicle volumes sold. The revenue increase is attributable to three main factors being: 1) the average selling price of a new vehicle increasing by 12.9% compared to 2021; 2) the supply to the new retail sales channel being prioritised by OEMs in 2022; and 3) the Group increasing its used vehicle finance penetration performance.

Analysis of revenue

Revenue	2022 £m	2021 £m	Variance	2022 LFL £m	2021 LFL £m	LFL Variance
New vehicles	1,965.5	1,866.2	5.3%	1,955.1	1,852.2	5.6%
Used vehicles	2,255.2	2,038.7	10.6%	2,240.6	2,018.7	11.0%
Aftersales	458.4	429.2	6.8%	444.9	406.5	9.4%
Leasing and other	126.6	136.9	(7.5%)	126.6	136.8	(7.5%)
Less: intercompany	(504.8)	(420.3)		(498.1)	(411.3)	
Total	**4,300.9**	**4,050.7**	**6.2%**	**4,269.1**	**4,002.9**	**6.7%**

Analysis of gross profit

Gross profit	2022 £m	2021 £m	Variance	2022 LFL £m	2021 LFL £m	LFL Variance
New vehicles	163.6	131.3	24.6%	163.1	128.2	27.2%
Used vehicles	170.1	180.3	(5.7%)	168.8	178.6	(5.5%)
Aftersales	192.7	182.2	5.8%	189.9	176.2	7.8%
Leasing and other	23.8	22.8	4.4%	23.8	22.8	4.4%
Total	**550.2**	**516.6**	**6.5%**	**545.6**	**505.8**	**7.9%**
Gross margin %	12.8%	12.8%		12.8%	12.6%	

Gross profit increased by £33.6m to £550.2m (2021: £516.6m), with gross margin percentage consistent with the prior year at 12.8%. Of the total gross profit increase, £32.3m is attributable to new vehicles where consumer demand continued to exceed supply levels, which in turn has allowed the group to focus on minimising the levels of discount offered. The historic impact of COVID-19 and the contraction within the new car market over recent years has continued to impact on our ability to source used vehicle stock. As a direct consequence used volumes reduced by 4.9%, however margins per unit remained strong.

New vehicles

	2022	2021	Variance	2022 LFL	2021 LFL	LFL Variance
Car retail unit sales	38,750	38,187	1.5%	38,503	37,731	2.0%
Car fleet unit sales	30,916	32,230	(4.1%)	30,842	32,171	(4.1%)
Total car unit sales	**69,666**	**70,417**	**(1.1%)**	**69,345**	**69,902**	**(0.8%)**
Motorbike retail	450	470	(4.3%)	450	470	(4.3%)
Commercial vehicles	13,830	19,080	(27.5%)	13,830	19,080	(27.5%)
Total unit sales	**83,946**	**89,967**	**(6.7%)**	**83,625**	**89,452**	**(6.5%)**
Gross margin %	8.3%	7.0%		8.3%	6.9%	
Finance penetration (retail) %	74.5%	78.0%				

The sale of new vehicles represented 29.7% (2021: 25.4%) of total gross profit.

The new vehicle market in H1 was down by 14.1% year on year; however, there were some encouraging signs in H2 as new vehicle supply constraints showed indications of easing, as the market grew by 5.4% when compared to the same period in 2021. The combination of limited vehicle supply and continued strong consumer demand across the full year allowed the business to exercise strong control over both retail and fleet trading terms whilst exercising discount control. This resulted in new vehicle margins improving by 1.3 percentage points to 8.3%.

The increase in gross margin percentage also included the impact of growth in finance and supplementary products, and the continued simplification of our sales process and customer product offerings, whilst still ensuring regulatory compliance.

In 2022 the OEMs continued to prioritise supply to the more profitable retail channel which resulted in an overall volume reduction within both our fleet and commercial vehicle sales activities. The reduction in our commercial vehicle sales is primarily attributable to OEMs restricting new vehicle supply to the vehicle rental market.

Used vehicles

	2022	2021	Variance	2022 LFL	2021 LFL	LFL Variance
Retail unit sales	79,101	83,141	(4.9%)	78,549	82,324	(4.6%)
Gross margin %	7.5%	8.8%		7.5%	8.8%	
Finance penetration %	50.5%	39.2%				

The sale of used vehicles represented 30.9% (2021: 34.9%) of the total gross profit. The Group's sales volumes have outperformed the market by 3.9 percentage points (like-for-like).

The shortage of supply in the new vehicle market continues to directly impact used vehicle supply and has restricted our ability to source stock throughout the year. Our outperformance of the market was driven by optimising basic principles incorporating:

- Improved speed to market by driving down time taken to prepare used vehicles to retail standards.
- Our Group-wide repatriation scheme which sees us retain as many part exchange vehicles within the Group as possible.
- Improved used vehicle finance penetration.
- Retailing increased volumes of segment 2 & 3 vehicles.
- Enhanced online imagery through the use of new technology and inclusion of video content.

Used vehicle margin per unit in 2022 was broadly flat with the prior year at £2,151 (2021: £2,168). However, the gross margin was 1.3 percentage points behind 2021 at 7.5% (2021: 8.8%), as costs increased more rapidly than sales price. The business achieved exceptional margins in 2021, whereas in 2022 we saw the market start to soften.

Operating review

Aftersales

	2022	2021	Variance	2022 LFL	2021 LFL	LFL Variance
Revenue £m	458.4	429.2	6.8%	444.9	406.5	9.4%
Gross margin %	42.0%	42.5%		42.7%	43.3%	

Aftersales represented 35.0% (2021: 35.3%) of total gross profit. On a like-for-like basis aftersales revenues increased by 9.4% versus 2021.

Within aftersales, service labour sales increased by 6.2%, part sales increased by 6.7%, and bodyshop sales, driven by the introduction of cosmetic repair facilities and mobile vans, increased by 21.0%. Costs in the year increased due to our investment in technicians, with gross margins down by 0.5 percentage points as a result.

The growth within service sales has been driven by a number of factors including:

- Improved staff retention and increased productive headcount. This has helped reduce customer lead times but there is still opportunity to improve this further.
- During the year we commenced a project to consolidate and simplify our customer contact strategy. This project is now delivering improved customer conversion rates across both inbound and outbound enquiries.
- Simplified and improved our aftersales IT platforms which have allowed us to focus on retention of older vehicles and improving our essential maintenance work conversion rates.
- Continued to improve our customer propositions specific to both service plans and the sales of extended warranties, both of which are now contributing towards improved customer retention rates.
- Continued focus on simplifying the customer experience by further digitalising the customer aftersales journey.

One of our key strategic objectives is to increase our aftersales revenues by investing further to grow our cosmetic repair facilities, both mobile and fixed. We have made this investment in order to undertake all cosmetic and alloy wheel repairs internally, serve our customers needing cosmetic works through insurance and aftersales, and to offer cosmetic repair services to other local motor retail and service centres.

Leasing and other

	2022	2021	Variance	2022 LFL	2021 LFL	LFL Variance
Revenue £m	126.6	136.9	(7.5%)	126.6	136.8	(7.5%)
Gross margin %	18.8%	16.7%		18.8%	16.7%	

The leasing and other segment represented 4.3% (2021: 4.4%) of total gross profit.

Leasing and other revenue decreased by 7.5% to £126.6m in 2022. The fall in revenue is due to supply constraints limiting access to new vehicles.

Contrary to the fall in revenue, gross profit increased by 4.4% to £23.8m. Rental margins have improved significantly due to increased rental prices (at lower volumes) combined with lower depreciation expenditure because of increased vehicle residual value. Increased vehicle values also led to improved margins on vehicle de-fleeting. Increases in the base rate in H2 saw increased finance costs in the second half of the year, however the full impact will not be seen until 2023.

Duncan McPhee
Chief Operating Officer
4 April 2023

Financial review

Financial review

The Group's income statement is set out in the table below. Profit before tax in the year is reported as £84.4m (2021: £90.0m, including £9.8m of COVID support). The key elements of this strong financial performance are contained within the operating review of the report.

	2022 £m	2021 £m
Revenue	**4,300.9**	**4,050.7**
Cost of sales	(3,750.7)	(3,534.1)
Gross profit	**550.2**	**516.6**
Net operating expenses	(441.3)	(402.5)
Operating profit	**108.9**	**114.1**
Underlying operating profit*	107.2	114.2
Non-underlying items*	1.7	(0.1)
Finance costs	(24.5)	(24.1)
Profit before taxation	**84.4**	**90.0**

Operating expenses

Net operating expenses, which include central administrative and operating costs, have increased by £38.8m in 2022. However, £9.8m of rates reductions were received in 2021 under the business rates holiday scheme. The remaining increase was the result of the Group facing significant cost pressures including staff costs, utilities, and maintenance costs. The increase in staff costs represents the Group's commitment to its people following a review of rewards and incentives during the year. The increasing cost of utilities relates primarily to energy prices increasing significantly during the year (the rates reductions net off in the comparative line item in the table). The increased maintenance costs stem from our focus of ensuring the property portfolio is well maintained following a period of post COVID-19 cost consolidation for the Group.

	2022 £m	2021 £m
Staff costs	241.6	227.8
Vehicle and valeting costs	45.1	43.4
IT	18.7	19.3
Insurance, legal and professional	15.6	13.3
Utilities and maintenance	48.7	30.4
Depreciation and amortisation	35.6	34.9
Other	37.7	33.3
Net operating expenses before non-underlying items	**443.0**	**402.4**
Non-underlying items:		
Gains on sale and leaseback and property disposals	(7.7)	(2.4)
Sales transformation	2.1	-
Other	3.9	2.5
Net operating expenses	**441.3**	**402.5**

*Alternative performance measures – see Note 27 to the Financial Statements

Non-underlying items

Non-underlying items are items that are not incurred in the core operations of the business and are sufficiently significant and/or irregular to impact the underlying trends in the business. During the year the Group has recognised a net credit of £1.7m of pre-tax non-underlying items against a charge of £0.1m in 2021. The Group recorded net gains of £7.7m (2021: £2.4m) on the sale of a number of properties during the current year, with the largest being the sale and leaseback of a freehold dealership property in Battersea, London. The significant associated cash inflow from the sale and leaseback is already being reinvested, with £2.1m of non-underlying expenditure on the sales transformation project. In addition, the current year credit includes non-cash net impairments (principally property, plant & equipment and right of use assets) amounting to £0.9m (2021: £1.9m), as well as restructuring costs totalling £3.0m (2021: £0.6m).

Cash flow (reconciliation to net funds)

	2022 £m	2021 £m
Profit for the year before tax	84.4	90.0
Depreciation and amortisation	54.6	53.9
Other non-cash items	(4.0)	2.8
Contribution to defined benefit pension scheme	(14.5)	(13.2)
Rental fleet and leasing purchases	(75.7)	(58.9)
Working capital changes	32.1	6.3
Tax paid	(19.8)	(16.3)
Cash inflow from operating activities	**57.1**	**64.6**
Capital expenditure	(19.3)	(17.4)
Finance lease rentals collected	1.5	2.9
Business and property disposals	32.9	11.8
Net investing activities	**15.1**	**(2.7)**
Funding movements for vehicle leasing	29.5	(3.8)
Payment of loan arrangement fees	(1.1)	-
Repayment of lease liabilities	(16.3)	(16.4)
Returns to shareholders	(18.3)	-
Net financing activities	**(6.2)**	**(20.2)**
Non-cash movement in prepaid finance costs	(2.5)	2.0
Total movement in net funds	**63.5**	**43.7**
Net funds/(debt) at 1 January	3.0	(40.7)
Net funds at 31 December	**66.5**	**3.0**

The Group continued to generate cash inflows from operations during the financial year following another pleasing trading performance. Net funds (excluding lease liabilities, vehicle rental liabilities and stocking loans) at 31 December 2022 were £66.5m (2021: £3.0m). The Group remains committed to controlling working capital tightly, which alongside capital expenditure remaining at comfortable levels during the year,

Oliver Laird

"As the Group continues to work towards achieving its strategic priorities, capital expenditure will be focussed on the rollout of our cosmetic repair centres, the development of the Group's first supercentre (Lookers Car Hub), the continued development of our IT infrastructure, and the continuous improvement to our property portfolio which is critical to maintaining our position of strength in the market."

Financial review

and the cash inflow of £28.0m from the sale and leaseback of the freehold dealership property in Battersea, has resulted in an increase in net funds. Inventory levels actually increased by £152.7m, however the impact on working capital was offset by an increase in consignment vehicle creditors of £150.4m. At the balance sheet date stocking loans totalled £247.2m (2021: £248.1m), equivalent to 79.4% of goods for resale (2021: 79.9%). The cash inflow relating to vehicle leasing is the result of a net increase in funding sourced in the year for vehicles leased out by the Group.

Total capital expenditure during the year amounted to £71.9m, of which £52.8m relates to vehicles purchased for long-term leasing, £15.7m relates to improvements to our property portfolio and new equipment, £2.3m investment in IT development, and £1.1m on own-use vehicles. As the Group continues to work towards achieving its strategic priorities, capital expenditure will be focussed on the rollout of our cosmetic repair centres, the development of the Group's first supercentre (Lookers Car Hub), the continued development of our IT infrastructure, and the continuous improvement to our property portfolio which is critical to maintaining our position of strength in the market.

Additionally, the Group showed its commitment to delivering returns to shareholders with £18.2m (£18.3m in the reconciliation to net funds includes commission, PTM levy, and stamp duty) distributed in the form of dividends and a share buyback programme (further details provided below).

Bank funding

The Board remains focussed on maintaining the Group's liquidity, whilst retaining flexibility to implement strategic priorities. The Group's revolving credit facility (RCF) was undrawn as at 31 December 2022, leaving the Group ideally placed to utilise the available capital when the appropriate opportunities arise. As at 31 December 2022 the Group had net funds of £66.5m (2021: £3.0m). This increase has been delivered through the continuation of the Group's exceptional trading performance, working capital focus, and pragmatic approach to capital allocation.

In June 2022, the Group was pleased to renegotiate and extend its RCF, including a refreshment of our banking club (The Bank of Ireland, HSBC, NatWest, and ABN Amro). The updated RCF provides £100.0m of credit with the agreement running until at least 30 September 2025. The new facility offers improved interest rates which are now charged at a margin of 2.5% (above SONIA) (2021: margin between 3.25% and 3.75% (above SONIA)). The facility is subject to less stringent quarterly covenant tests on leverage and interest cover, which is representative of the Group's much improved financial position and outlook.

We would like to take this opportunity to thank our banking club for all their support throughout 2022.

Taxation

The Group's taxation charge for the year is £10.5m (2021: £28.8m), which is a composite of a current year corporation tax charge of £16.6m (2021: £12.2m) and a deferred tax credit of £6.1m (2021: deferred tax charge of £16.6m). The overall reduction in taxation charge is driven by the reflection of the rise in substantially enacted future UK tax rates 19% to 25% in 2021. This increased the prior year taxation charge by £16.9m. The current year effective rate (12.4%) is lower than the standard rate of corporation tax (19%) due to adjustments in respect of prior years, which result from the finalisation of prior year tax positions during the year.

Pension schemes

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

The Lookers Pension Plan received deficit contributions of £12.9m in 2022, plus expenses and PPF Levy of £1.3m. The deficit contributions are subject to increases linked to CPI, which will result in a £13.6m contribution in 2023 (plus expenses and PPF levy). Further, the Group pays additional contributions of 10p for every £1 of returns to shareholders (ordinary dividends and share buyback) in excess of £5.0m. This will result in an additional payment being made in May 2023 relating to 2022 financial year. The triennial valuation date was 31 March 2022, with the deadline for agreement being 15 months after the valuation date. The Trustee of the Lookers Pension Plan and the Group are in the process of agreeing the triennial review valuation prior to the deadline, including the preferred funding strategy.

The Group's most recent triennial valuation of the Benfield Pension Plan as at 31 December 2019 was concluded in February 2021, with the agreed annual deficit contributions of £0.3m plus expenses and PPF levy being paid by the Group during 2022. The next triennial review has now commenced for the valuation date of 31 December 2022.

At 31 December 2022, the aggregate IAS19 pension deficit is £23.5m (2021: £43.2m). The year-on-year decrease arises due to the continued deficit contributions made by the Group and significantly increased discount rate assumptions, which have been driven by increased corporate bond yields. The increase in discount rates has not been offset by increases in inflation, rather the inflation assumption has decreased year on year. The extreme volatility in the long-dated gilt markets following the Government's "mini-budget" in September 2022 resulted in some pension schemes suffering liquidity shortfalls; however, neither of the Lookers defined benefit pension schemes was materially affected, as a reasonable collateral buffer had been maintained.

Relatively small changes in the basis of valuation can have a significant effect on the calculated deficit, hence the movement in the calculated deficit can be subject to high levels of volatility.

Capital allocation policy

Capital allocation is a critical consideration when the Board is making decisions. This remains a priority as we believe that the Group needs to continue to invest in the business to grow revenues and profit. This investment is expected to include capital expenditure within existing operations and the capital expenditure required to pursue the strategic priorities of the Group. The Group aims to maintain a strong balance sheet with low levels of gearing, with long-term debt utilised to ensure the business can withstand the cyclical nature of the retail sector. The Group's objective is to maximise long-term shareholder returns through the disciplined deployment of cash generated, and it continues to adopt the following capital allocation policy:

Capital expenditure

The Board will continue to invest in capital assets to support operations in our chosen markets. Capital expenditure will include maintenance capital expenditure in the range of £10.0m to £15.0m per annum (excluding OEM brand partner requirements for refurbishments and EV capital expenditure). During the year the Group has invested in capital expenditure to begin the implementation of our strategic priorities such as the cosmetic repairs business in aftersales, and the development of our IT infrastructure.

Leverage

The Board is committed to maintaining an efficient balance sheet. To support this, the Group will target net debt in the range of +/- 0.5 times EBITDA depending on working capital requirements throughout the year (although it is prepared to operate outside this if circumstances warrant). At 31 December 2022 the net debt was - 0.41 times EBITDA, and therefore within the target range.

Shareholder returns

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

The Board intends to pay a regular dividend to shareholders, with a policy of progressively growing dividends through the business cycle. A final dividend relating to 2021 of 2.5 pence per share and an interim dividend relating to 2022 of 1.0 penny per share were paid in June 2022 and November 2022 respectively. The total dividend paid to shareholders during 2022 was £13.7m.

The Group commenced a share buyback programme of up to £15.0m in October 2022. As at 31 December 2022 the Group had purchased 5.7m shares at a cost of £4.5m, equivalent to an average price of 78p per share.

Property strategy

During 2022 the Group has developed a strategy on how its substantial property portfolio can be utilised to generate the maximum return for our shareholders. The vision is for the Group property portfolio to be strategically asset managed, with properties being fully utilised, primarily to facilitate Group operations, and secondly to provide complementary revenue streams. A holistic view of the portfolio is taken, consolidating assets where appropriate and identifying the Group's key locations and locations for growth, enabling strategic acquisitions and disposals when market conditions prevail.

Properties shall be compliant, meeting the required regulatory, and health and safety requirements, whilst also providing operational teams with facilities which support the Group's strategy. Properties shall be well maintained providing a high-quality environment for employees and customers, whilst also being energy efficient and sustainable, supporting the Group's Net Zero strategy.

Dividends

The Board has adopted a progressive Dividend Policy. The Board is pleased to be proposing a final dividend of 2.0 pence per share (2021: 2.5 pence per share). This dividend will be paid on 16 June 2023 to shareholders on the register at close of business on 10 May 2023. The Board intends to maintain a capital structure that is conservative, yet efficient in terms of providing long-term sustainable returns to shareholders.

*Alternative performance measures

The Group uses a number of alternative performance measures (APMs) which are non-IFRS (International Financial Reporting Standards) measures in establishing its financial performance. The Group believes the APMs provide useful, historical financial information to assist investors and other stakeholders to evaluate the performance of the business and are measures commonly used by certain investors for evaluating the performance of the Group. APMs should be considered in addition to IFRS measures and are not intended to be a substitute for IFRS measurements. More details of the APMs and a reconciliation of the IFRS measures used in the Annual Report & Accounts to those APMs used for KPI monitoring are included in Note 27 to the Financial Statements.

Oliver Laird
Chief Financial Officer
4 April 2023

Key performance indicators

The Group has a number of financial and non-financial KPIs to monitor the performance of the business against its strategic objectives. The Board's target is to improve performance across all KPIs whilst maintaining a balanced approach to risk and the future development of the business.

Financial KPIs			
KPI	**Definition**	**Performance**	**Link to risk (pages 39 to 43)**
Revenue	Total revenue generated across the Group. This statutory measure is a key metric that shows our business performance and is linked to our long-term strategy.	**2022: £4,300.9m** 2021: £4,050.7m	1,2,3,4
Gross profit	Gross profit generated across the Group. This is a key metric as it shows improvements in our core trading activities. This metric is linked to our long-term strategy.	**2022: £550.2m** 2021: £516.6m	1,2,3,4
Underlying profit before tax*	Profit before tax before the impact of non-underlying items. This is a key metric for our stakeholders and is also linked to remuneration. This metric is linked to our long-term strategy.	**2022: £82.7m** 2021: £90.1m	1,2,3,4
Underlying basic earnings per share*	The ratio of underlying profit after tax to the weighted average number of ordinary shares in issue during the financial year. This metric is linked to our long-term strategy.	**2022: 18.21p** 2021: 20.07p	1,2,3,4
Net debt*	Total borrowings excluding lease liabilities, vehicle rental liabilities and stocking loans less cash and cash equivalents. This is an important metric as the Group has a number of obligations and it is important that we continue to generate cash and manage working capital effectively in order to remain compliant with banking covenants. This KPI supports our operational or shorter-term objectives.	**2022 Net funds: £66.5m** 2021 Net funds: £3.0m	1,2,3

*Alternative performance measures defined in Note 27 of the Financial Statements.

Non-financial KPIs			
KPI Objective	**Definition**	**Performance**	**Link to risk (pages 39 to 43)**
New retail car performance v SMMT	This metric shows the annual performance over the year of the Group's new retail car registrations (in % terms) relative to the market, by comparing to data provided by the Society of Motor Manufacturers and Traders (SMMT). This KPI supports our long-term strategy.	**2022: -0.2 percentage points** 2021: +2.4 percentage points	1,2,3
Group new car sales	Number of new vehicles sold in units. This KPI supports our operational and medium-term objectives. This metric may evolve in the future as OEM brand partner relationships and business models change.	**2022: 83,946** 2021: 89,967	1,2,3
Group used car sales	Number of used vehicles sold in units. This KPI supports our operational and medium-term objectives.	**2022: 79,101** 2021: 83,141	1,2,3
Employee satisfaction	The Group measures response rates to gauge the overall employee engagement with the survey. In 2022 we did not implement an employee engagement survey and took the opportunity to source a new third-party provider with extensive expertise to take this process to the next level and really drive our employee engagement.	**2022: n/a** 2021: 68%	3,4
Customer satisfaction	This metric shows customer reviews from Reputation.com and supports our focus on putting customers at the heart of everything we do.	**2022: Average rating 4.4/5** 2021: Average rating 4.5/5	1,4

The Group continues to track a number of other performance indicators and will review and evolve the externally published KPIs as required.

Other KPIs which the Group may share in the future, but for which consistent data points do not exist at present include enhanced people metrics covering diversity and inclusion and indicators around digitisation and sales of electric vehicles.

Risk overview and management

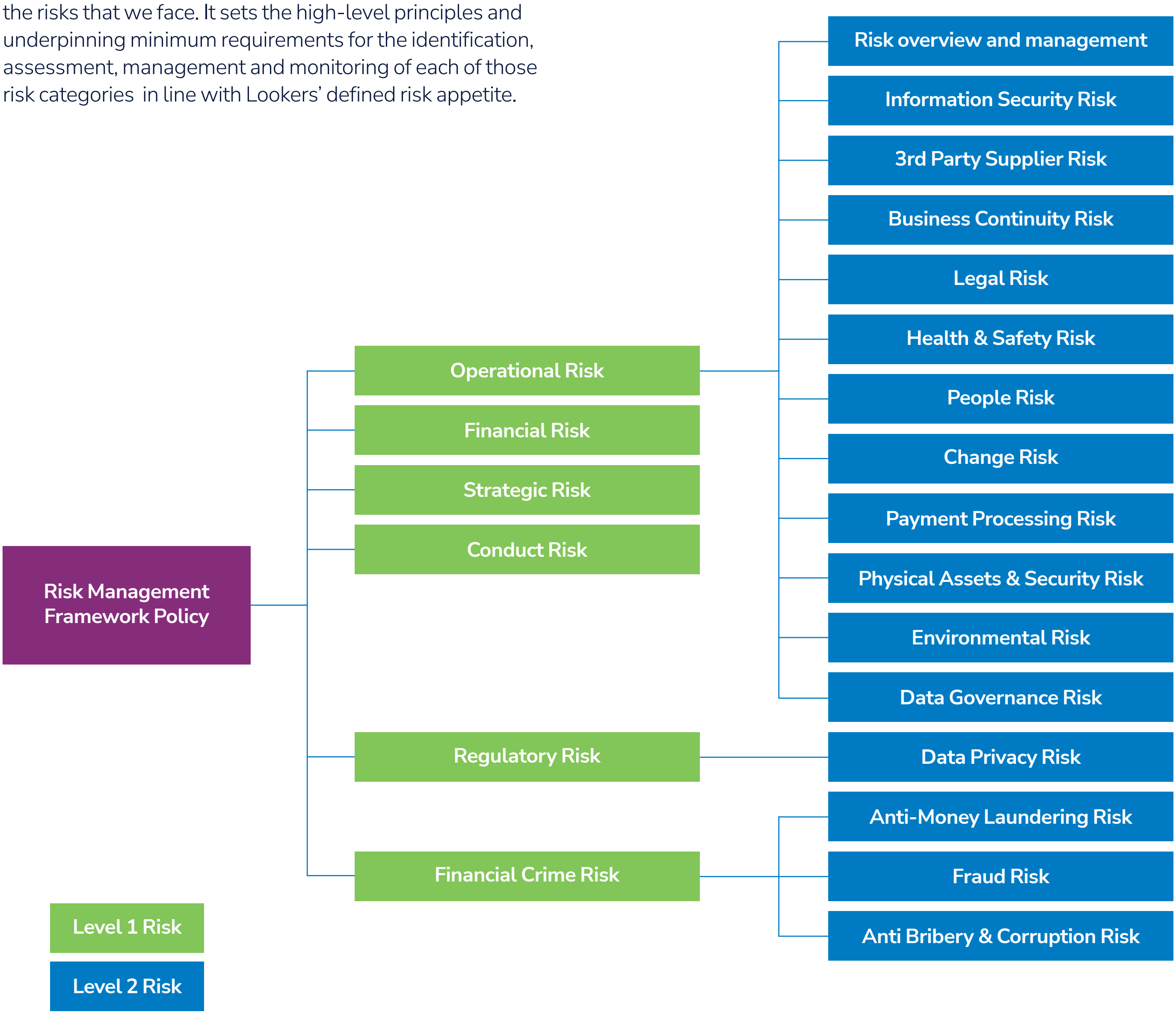
Enterprise risk management framework

As part of the normal course of business the Group is exposed to a wide range of risks, both internal and external. The identification and management of those risks is integral to achieving our strategic priorities which rely on our ability to identify and control those things that can hurt us and exploit opportunities that arise, both within our business and the wider market.

Management identify risks and assess the effectiveness of our control environment on an ongoing basis through robust risk management processes and reporting.

To assist, we have an established Enterprise Risk Management Framework (ERMF). It is designed to deliver a common language that helps us define and categorise the risks that we face. It sets the high-level principles and underpinning minimum requirements for the identification, assessment, management and monitoring of each of those risk categories in line with Lookers' defined risk appetite.

The Risk Management Framework Policy is reviewed annually. This document sets out how we categorise our risks. The risks are set in a hierarchy with 6 Level 1 risks that are then sub-divided into an additional 16 Level 2 risks. For example, Operational Risk is a level 1 risk, and it has a further 12 Level 2 risks beneath it, including, inter alia, Health & Safety, Information Technology, and Business Continuity. This enables us to record our risks at a more granular level that can be aggregated to an Enterprise view of the risk profile. Each of these Level 1 risks and the Level 2 risks has their own risk policy that we use to define what they mean to us, set our appetite for that particular risk, and help the business understand how we expect the risk to be managed and reported on.



Day to day management of risk

The Board expects the management team to own the risk management process, identify emerging risks, maintain ongoing dialogue with the business and our other stakeholders, provide management information to the Executive Committee and the Board, and provide updates on developments in the automotive sector and wider economy.

Three lines of defence

Lookers applies a "three lines of defence" governance model across the Group. The principal aim of this model is to ensure that Lookers exercises ownership of risk in the first line business functions, and independent oversight and challenge of those risks and their management by its second line departments (Risk and Compliance). Internal Audit (the third line) are in place to provide independent assurance to the Board of the effectiveness of our controls. In summary the accountabilities between lines are split as follows:

- **The first line of defence -** Line management and the wider business own the risks and are responsible for the identification, assessment, management, and reporting of those risks
- **The second line of defence -** Risk and Compliance operate independently of the first line. They do not own the risk but instead independently oversee, advise, and challenge the first line activity
- **The third line of defence -** Internal Audit provide independent assurance to the Board on the effectiveness of our controls

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

Risk appetite framework

Our risk appetite framework defines the level of risk we are willing to take across the Lookers Level 1 Risk categories. This allows us to track mitigating action when our tolerance metrics suggest that we are moving away from where we want to be. Aligned to our strategic planning, risk appetite is key for our decision-making process, including ongoing business planning, new product approvals and business change initiatives.

In setting the risk appetite, the Board outlines the "tone from the top" and provides a basis for ongoing dialogue between management and Board with respect to our current and evolving risk profile, allowing strategic and financial decisions to be made on an informed basis. Lookers' risk appetite for its Level 1 Risks in 2022 was as follows:

- **Strategic Risk:** we had appetite to accept risks in pursuing our strategic aims, but implemented controls to minimise the risks around planning and implementation, whilst looking to achieve our strategy without threatening our financial strength and sustainability. In doing so we continuously monitored and reacted to risks associated with our OEM and supplier relationships, competition and product/service developments, and broader economic developments.
- **Financial Risk:** we had no appetite for risks relating to financial control, including financial reporting, funding and liquidity management, banking undertakings and covenants, financial forecasting and planning, general financial control, and tax compliance. We maintained robust controls across these areas, with no appetite for activities being undertaken outside of this control. We will only take financial risks to deliver our strategy and generate returns when suitably assessed, governed and controlled.
- **Regulatory Risk:** we had no appetite for knowingly breaching or failing to adhere to regulatory rules and standards for all our regulators, this includes the Listing Obligations. We operated robust internal processes to ensure that all regulatory expectations were met, whilst maintaining an open and transparent dialogue with all our regulators. We were proactive and performed horizon scanning to react to changing regulation.
- **Conduct Risk:** we have no appetite for knowingly behaving inappropriately in ways that could result in adverse outcomes for our retail customers. Where unintended adverse outcomes arose, we rectified these fairly and promptly, ensuring that the customer was no worse off.
- **Financial Crime Risk:** we managed our financial crime risks in a controlled manner, reducing our risk exposure to all aspects of financial crime, which in turn reduced our net risk exposure to an extreme financial, or other, impact (equivalent of a rare probability). We have no appetite to knowingly breach financial crime regulatory guidance or requirements.
- **Operational Risk:** we accept that, as a part of our day-to-day activity, operational risk will crystallise but we sought to reduce it to a net exposure equivalent of a rare probability of a critical impact. We prioritised the management of our most material operational risks through a robust and proportionate level of control. We focused our monitoring and analysis on the key categories of: Information Technology; Information Security & Cyber; Third Party and Operational Resilience; Change Management; People; Health & Safety; and general operational risk.

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

Risk overview and management

Financial reporting

The Executive Directors oversee the preparation of the Group's annual corporate plan; the Board reviews and approves it and monitors actual performance against it on a monthly basis.

We also produce, and the Board reviews and approves, a three year plan and updates to the annual corporate plan. To ensure that information consolidated into the Group's financial statements is in compliance with relevant accounting standards and the Group's own accounting policies, internal reporting data is reviewed regularly.

The Audit and Risk Committee (ARC) reviews the appropriateness of the Group's accounting policies each reporting period, the application of IFRS, and the reliability of the Group's system of control over financial reporting. The ARC considers reports from the Executive Committee, Internal Audit, the Risk and Compliance teams, and the Group's external auditor.

The drive to improve the Group's financial reporting controls has continued through 2022 with oversight from the ARC. Work will continue to further enhance those controls and ensure that the Group's financial reporting presents a true and fair reflection of the Group's financial performance and position.

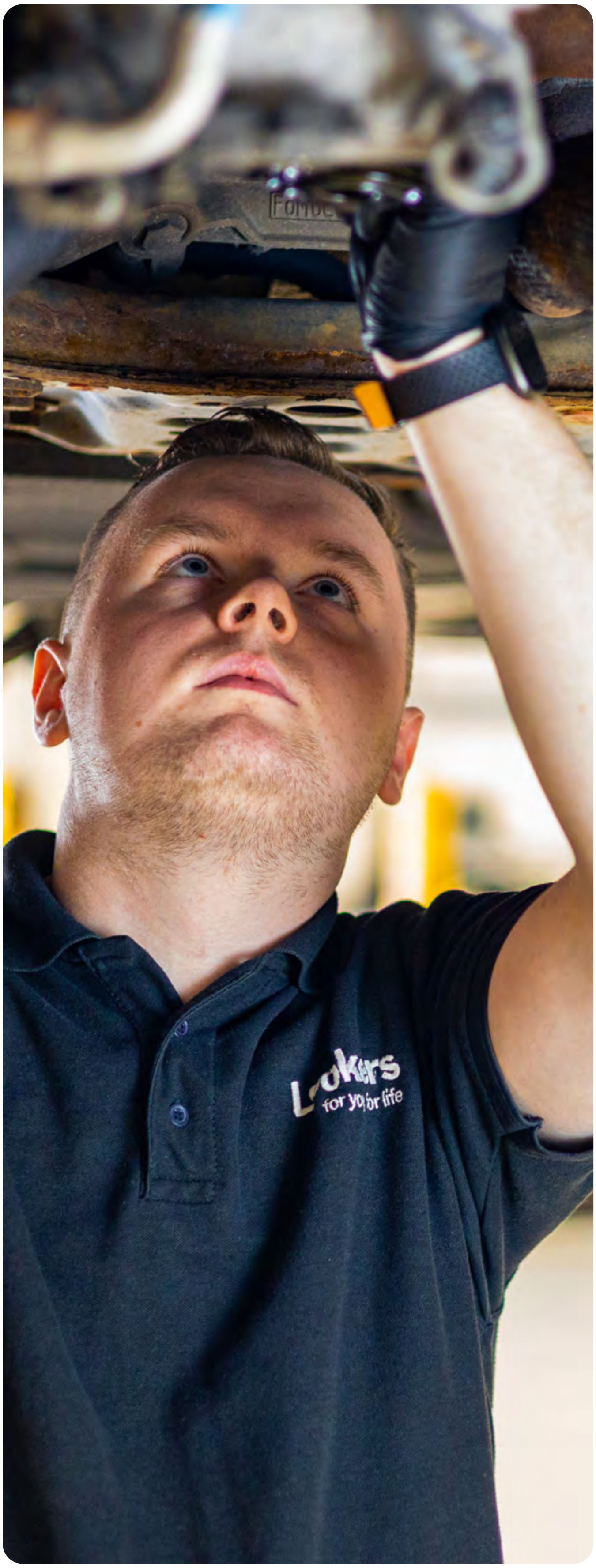
Overview of the risks and uncertainties

Whilst demand and performance remained strong over the reporting period, we continue to be mindful of potential headwinds as we pursue our strategic objectives in FY23.

The upward inflationary pressure, and in particular a significant rise in energy costs, has the potential to impact consumer confidence and the Group's operating costs.

In addition, the strain on supply chains continues with a particular impact on new car and parts supply as a result of the semiconductor shortage, the conflict in Ukraine, and COVID restrictions in China. These disruptions to supply have also seen an impact on used car valuations which will have to be closely managed across the year.

The following tables give an overview of the Group's risks and their impact, aligned to the corresponding controls and mitigating actions. These risks are not intended to represent an exhaustive list of all potential risks and uncertainties, and as we pursue our strategic objectives, we anticipate that the profile will need to be kept under close review.



Summary of Risks and Uncertainties FY22			
Risk Category	**Impact compared to FY21**	**Risk Category**	**Impact compared to FY21**
Strategic Risk	⬆	Operational Risk	⬌
Financial Risk	⬇	Regulatory & Conduct Risk	⬌

Key	
⬆	Increasing
⬌	No change
⬇	Decreasing

Strategic Risk: "The risk of not meeting strategic and business objectives caused by poor decision making including a failure to adapt to external considerations such as economic, competitor, regulatory and environmental factors; and/or caused by suboptimal strategic implementation and internal management".

No.	Risk Summary	Impact	Mitigation
1	**External risks include:** • Pressure on the supply chain (including semiconductors) as a result of COVID (lockdowns in China) and the Ukraine conflict. • Inflationary pressure and the subsequent increase in interest rates and cost challenges. • Cost of living increases and the increase in energy cost. • The adoption of electric vehicles is likely to accelerate, challenging the existing business model. • OEMs may accelerate moving away from a full service dealership model to agency models as they seek to retain distribution margin.	• Strains on the supply of new vehicles and vehicle parts could impact the ability to convert orders taken and maximise aftersales opportunities. • Inflationary pressure on the cost of living could impact consumer confidence and subsequently their propensity to buy. • Product mix that fails to reflect consumer demand for greener vehicles and lower demand for ICE vehicles could impact revenue and profits. • The evolving needs of the manufacturers as they explore alternate routes to market, including a switch from franchise to agency could impact revenue and operating models.	• We closely manage the delivery of our strategic priorities and organisational change programmes. This includes dedicated oversight via an Executive Change Committee and the Board. • We mitigate economic risk by managing a balanced portfolio of new vehicle sales, used vehicle sales, and aftersales; continually optimising our dealerships and operating model. • We continually work on improving existing day-to-day business relationships with manufacturers and consider their needs when setting our own business objectives. This includes proactively working with them on the opportunities that a switch to an agency model presents. • We closely track our performance against strategic objectives allowing dynamic adjustments to be made to inventories, pricing, and procurement processes, in order to respond to market forces.
	The execution of the strategy by its very nature will ask the Group to heighten its change and transformation risk profile: • Competing priorities and demand for investment because of the aggressive change programme may result in the failure to implement the organisational change and operational optimisation that was set out in our strategic priorities.	• The pursuit of an ambitious strategic change programme could place strain on delivery capability and capacity, which if not carefully managed could adversely impact core activities.	• We closely manage the delivery of our strategic priorities and organisational change programmes. This includes dedicated oversight via an Executive Change Committee and the Board. • We have continued to develop our internal change management capability, growing an in-house specialist team. The change delivery function consists of a dedicated pool of portfolio and project managers who operate an approved change management methodology in line with Lookers Change Risk Policy.

Risk overview and management

Financial Risk: "The risk of unexpected monetary loss, asset impairment, insufficient financial liquidity, failure to meet external reporting obligations and potential for material misstatement in the financial statements of Lookers. Such risks may affect the valuation of the business and impact the ability of the business to meet its liabilities as they fall due".

No.	Risk Summary	Impact	Mitigation
2	**Financial risks include:** • **Liquidity & Funding Risk:** the risk that Lookers is unable to meet its objectives as a result of a lack of funding availability.	• Failure of cash management to ensure all financial obligations are met when they fall due or failure to fund the future needs and growth of the business. • Failure of the Group to secure bank funding and vehicle financing arrangements leading to a reduction in profitability. • Reputational damage with external stakeholders.	• The main bank facility (a £100m RCF) was renegotiated at the end of June 2022 and is in place until to 30 September 2025. • Of the four bank lenders, ABN AMRO is a new banking counterparty. In comparison to the previous version, the new RCF facility has improved pricing and less onerous undertakings & reporting requirements. • Furthermore, we have continued open dialogue with our vehicle financing providers to ensure sufficient facilities are available to support the working capital needs of the Group. • We prepare regular financial forecasts to evaluate our funding and liquidity requirements for the foreseeable future. Compliance with covenants is also considered on a regular basis.
	• **Financial Control Risk:** the risk that Lookers operates sub-optimal financial processes that do not deliver consistent outcomes.	• Inconsistent processes could impact Lookers' ability to meet reporting deadlines. • Potential for financial misstatement. • Reputational damage with external stakeholders.	• Significant work was undertaken as part of the restoration of our share listing. • A set of clear finance policies has been developed setting the minimum standards in line with the Board approved appetite. • Mandates have been defined and issued. • The finance function has been redesigned to further enhance capability, oversight, and challenge. • The financial controls and DMS harmonisation projects have rolled out system and process standardisation, further improving control and reducing risk. • Finance risks & controls are subject to independent review and testing in line with the "three lines of defence" governance model.
	• **Pension Risk:** the risk that Lookers does not adequately manage the defined benefit pension liabilities or fails to manage the funding of its pension schemes.	• Failure to manage the defined benefit pension deficit leading to an increase in the deficit which impacts on the level of additional contributions we are required to make to the scheme. Indirectly it may also have an adverse implication on share price and credit rating.	• We maintain a good relationship with the pension trustees and keep both the trustees and regulator informed regarding any relevant business updates. We regularly review investment performance and the defined benefit pension liability. The investment strategy is designed to ensure that assets move in sympathy with liabilities given changing market conditions (interest rates and inflation expectations). The assets held are also well diversified reducing the impact of market volatility.

Operational Risk: "The risk of loss as a result of inadequate or failed internal processes, people, systems, or from an external event". Operational Risk is the risk that occurs when running an operational business, as such it is divided into a number of Level 2 Risks:			
No.	**Risk Summary**	**Impact**	**Mitigation**
3	• **Health & Safety Risk:** the risk to the health, safety or wellbeing of any person, or non-compliance with health and safety legislative requirements, caused by a lack of governance, risk management, or application of appropriately defined safe working processes and procedures.	• Lookers fails to meet Health and Safety Executive (HSE) legislation leading to the risk of personal injury and/or fines and legal action.	• We operate a robust health and safety system to ensure compliance with HSE legislation. • We ensure that incident reporting including lessons learnt exercises take place to meet health and safety obligations. • We undertake independent health and safety audits with Board oversight of the findings.
	• **Data Privacy Risk:** the risk that Lookers operates ineffective and non-compliant data processing activities.	• The potential for unlawful processing/handling of customer data and the increased risk of poor customer outcomes, increased complaints, regulatory intrusion and ICO fines.	• The internal data privacy function has continued to mature in 2022; this team oversees the internal controls and associated data risks. • The data management project has further enhanced Lookers' data control environment. The project has driven internal control improvements to further enhance the controls over data and monitoring of the internal and external environment. • Robust processes are in place to identify and react to potential data breaches and data complaints and requests.
	• **Information Security Risk:** the risk that operations are susceptible to disruption following unforeseen events such as cyber incidents or extreme business continuity scenarios.	• A cyber-attack could result in operational disruption, customer and colleague impacts, unforeseen costs, regulatory intervention, and reputational damage with external stakeholders.	• Lookers has a dedicated information & cyber security function overseeing Lookers' information security controls and their effectiveness. • Control maturity is measured against the NIST Cyber framework and reported to the Audit & Risk Committee. • NCCs' Managed Detect & Respond service is fully operational, providing continuous cyber defences; supplemented by their Cyber Security incident response service to support our reaction to a significant event. • We have a package of cyber insurance in place. • Backups are ransomware proof, enhancing resilience. It is the Boards agreed policy not to pay ransom demands. • We ensure controls are commensurate with evolving external threats through a process of ongoing review. • Lookers maintains Cyber Essentials certification.

Risk overview and management

Operational Risk: "The risk of loss as a result of inadequate or failed internal processes, people, systems, or from an external event". Operational Risk is the risk that occurs when running an operational business, as such it is divided into a number of Level 2 Risks:			
No.	**Risk Summary**	**Impact**	**Mitigation**
3	• **Change Risk:** the risk that a significant volume of organisational change programmes create a burden on the Group's operations, or that the change programmes fail to be implemented.	• This could result in management and resource stretch. • Project activity is not delivered to budget. • Projects, if not closely governed, could fail to deliver the anticipated benefits or introduce additional risk into the business.	• Dedicated change delivery function in place. • Executive Change Committee oversees the organisational change programmes. This is supported by an embedded change governance structure.
	• **Information Technology Risk:** the risk that Lookers fails to develop, deploy, and maintain technology solutions that are stable, reliable and that deliver to business need.	• A failure to identify, manage and report on our IT risk could result in being unable to meet our current and future business objectives, or keep pace with technological change. • It could also result in a logistical crisis or an inability to recover from a significant failure.	• Lookers operates a dedicated IT Directorate; comprising of a number of dedicated departments who operate Lookers' IT systems. • The transfer to a new disaster recovery data centre has improved resilience. • Significant operational improvements achieved by the IT Service Desk in 2022. • Dedicated IT Risk Manager monitoring the risks and controls.

Regulatory & Conduct Risk: "The risk that Lookers fails to identify all applicable regulatory rules and requirements and does not implement and monitor the systems and controls to adequately manage the associated risks on an ongoing basis".

No.	Risk Summary	Impact	Mitigation
4	• **Regulatory Risk:** the risk that Lookers fails to identify all applicable regulatory rules and requirements and does not implement and monitor the systems and controls to adequately manage the associated risks on an ongoing basis.	• A failure to effectively manage this risk could result in regulatory sanction, financial loss or restriction of the Group's regulatory permissions.	• Lookers has a dedicated independent risk and compliance function and Secretariat function; monitoring and overseeing Lookers' regulatory and customer risks. • All regulatory risks are overseen by the Lookers Motor Group Limited Board. • Robust monitoring in place to ensure regulatory requirements are met. • Proactive horizon scanning of regulatory requirements. • Independent regulatory monitoring reviews are undertaken by the compliance team. • The Lookers' sales process is subject to robust oversight and independent checks: – Established first line of defence quality assurance teams. – Independent mystery shopping. – Independent second line of defence monitoring. – Embedded sales and product governance forum. – Regular conduct risk assessments.
	• **Conduct Risk:** the risk that Lookers, both as an organisation and individuals, fails through its actions and behaviours to deliver fair customer outcomes.	• A culture that does not put the customer at the heart of everything we do. Ineffective governance and monitoring arrangements leading to unfair customer outcomes. • We fail to protect our customers and our business from breaching obligations designed to prevent and deter the risk of financial crime, including internal and external fraud against the Group or its customers.	

Going concern and viability statement

Going concern and viability statement

At the time of approving the Financial Statements, the Board of Directors is required to formally assess that the business has adequate resources to continue in operational existence for a period of at least 12 months from the date of the approval of the 2022 financial statements and as such can adopt the 'Going Concern' basis of accounting. The Board is also required to state that it 'has reasonable expectations that the Group will continue in operation and meet its longer-term liabilities as they fall due (the Viability Statement). To support this statement, the Board is required to consider the Group's current financial position, its strategy, the market outlook, and its principal risks. The Board have assessed the viability and prospects of the Group over the three-year period to 31 December 2025. This is aligned to the Group's 'Base Case'. The Base Case has been subjected to sensitivity analysis, in which a number of the main underlying assumptions have been adjusted and tested to consider several 'severe but plausible' downside scenarios which are detailed below.

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

Key judgements and mitigating actions

In assessing whether the Group is a going concern the Board have considered the potential impact on future revenues, profits, and cashflows of worsening macroeconomic conditions reducing consumer demand alongside rising inflation and interest rates, a supply shortage of vehicle components (e.g. semiconductors), a potential steep decline in gross profit margins, and the impact of a targeted cyber-attack.

Over the longer-term viability period, the Board have considered the impact of continued worsening macroeconomic conditions reducing demand alongside rising costs and inflation, the potential downside risk of automotive technological change, and finally the potential business model changes of our key suppliers.

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

Modelling potential downside scenarios

In their consideration of going concern and future viability of the Group, the Board have reviewed the future profit forecasts and cash projections, and debt and other key financial ratios over the period including compliance with existing covenant arrangements. These metrics are subject to sensitivity analysis, in which a number of the main underlying assumptions are adjusted and tested to consider alternative risk-based scenarios.

As detailed in the Risk Overview and Management section on pages 36 to 43, the Group identifies risks on an ongoing basis through a robust risk management process. We have stress tested our detailed plan, considering several severe but plausible scenarios which are aligned to the Group's risk appetite and principal risks as documented on pages 36 to 43. The Board has also considered the availability of the Group's banking facility, which runs until 30 September 2025, and the likelihood of securing a new facility thereafter.

The Board have used their experience to model four different downside scenarios to ascertain the Group's ability to continue as a going concern. The scenarios modelled are as follows:

Macroeconomic (linked to risk 1) – As the economy recovers from the COVID-19 pandemic the domestic market has seen elevated inflation due to global supply issues and other global events, such as the war in Ukraine, these factors may contribute to a contraction in consumer demand. Management have modelled a potential scenario whereby retail volumes fall by 2% compared to the Base Case and continue to reduce by an additional 2% each year. This scenario assumed that aftersales margins remain at the same levels achieved in FY22. All costs have been increased by a further 2% compared to the Base Case and an additional percentage point has been added to the Group's interest rate assumption.

Supply constraints (linked to risk 1) – Management have modelled a volume reduction scenario, where potential stock restrictions reduce Base Case new (including agency), fleet, and motability volumes by 50% between February and September 2023, gradually building back to Base Case levels by March 2024. In this scenario, all non-variable direct and indirect expenditure has remained in line with Base Case.

Margin reduction (linked to risk 1) – This scenario models a decline in new, motability, and used margins by 15% compared to the Base Case in FY23 and an additional 15% in FY24. All costs have remained in line with Base Case.

Cyber security (linked to risk 3) – The increasing sophistication and occurrence of cyber-attacks could result in a significant disruption to the Group's business activities. The final scenario modelled assumes that a cyber incident occurs significantly reducing the Group's ability to trade, whilst retaining the existing cost base.

Under all of the scenarios tested, the Group would not breach any of its financial covenants and no additional financing is required.

The Board's assessment of the Group's viability over the period to 31 December 2025 has extended the macroeconomic modelling discussed as part of the going concern assessment, along with modelling two additional downside scenarios:

Automotive technological change (linked to risk 1)
The UK Government has set out a clear plan to phase out internal combustion engines (ICE) and transition to electric vehicles (EVs) by 2030. EVs have fewer moving parts and serviceable items when compared to ICE vehicles, meaning revenue generated through parts and service departments could be significantly impacted. This scenario models a significant reduction in aftersales revenues should the Group not respond appropriately to this strategic risk.

Key supplier changes (linked to risk 1) – As a number of OEMs move towards a 'direct-to-consumer' sales strategy, referred to as the agency model, there is a risk the Group fails to adapt to this new way of working. This scenario models a significant reduction in new vehicle and associated aftersales revenues should key OEM relationships be adversely impacted.

The Group's current banking facility expires in September 2025. In modelling the scenarios noted above we have assumed that any new facility would have covenants consistent with the existing facility.

Under all the scenarios modelled, the Group would not breach any of its financial covenants.

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

- Rise in interest rates required to breach interest cover;
- Increase in stock levels, and the associated financing, needed to breach interest cover; and
- Reduction in EBITDA to breach interest cover.

For the Group to breach interest cover over the going concern period as a direct consequence of rising interest rates an additional 5.2 percentage points is required in order to generate an additional £21m interest charge expenditure. Alternatively, if interest rates remain in line with the Base Case, average stock levels would need to increase by c. £260m for interest cover to be breached. In respect of EBITDA, a reduction of 55% is required to breach Interest Cover, this equates to a 15% reduction in all retail and aftersales volumes over a 12-month period.

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

Financing
The Group's banking agreements and associated covenants are set out in the Financial Review and include a £100.0m RCF (maturing in September 2025). The Group ended the year with net funds of £66.5m (2021: £3.0m). The financial covenants are tested quarterly in line with December year-end reporting. The covenants throughout 2022 have been met with headroom to spare. In all of the downside scenarios discussed above, the Group continues to forecast compliance with all financial covenants for the next 12 months. In addition to the RCF, the Group has stocking funding lines which were utilised at £247.2m at 31 December 2022 (2021: £248.1m).

Going concern
In all the scenarios, the Group has sufficient liquidity to continue trading, including payment of dividends. The reverse stress test modelling demonstrated that a prolonged period of volume and sales decline is required to breach covenants, however we would maintain material liquidity headroom.
If the Group was at risk of breaching one or more of its financial covenants, management would take mitigating actions, which include but are not limited to:

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

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

Viability statement
Having assessed the current position of the Group, its prospects, principal risks and considering the assumptions above, the Board has determined that it has a reasonable expectation that the Group is financially sound and stable, therefore will be able to continue in operation and meet its liabilities as they fall due over a period of three years from 1 January 2023.

Section 172 statement

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

(i) the likely consequences of any decision in the long term;
(ii) the interests of the Company's employees;
(iii) the need to foster the Company's business relationships with suppliers, customers and others;
(iv) the impact of the Company's operations on the community and the environment;
(v) the desirability of the Company maintaining a reputation for high standards of business conduct; and
(vi) the need to act fairly as between members of the Company.

The Board understands that the long-term prosperity and success of the Group is dependent on understanding and respecting the views and needs of our stakeholders. The business model and strategy, as set out on pages 14 to 19, describes how the Group operates with the customer at the centre of everything we do and how we seek to create value for our customers, our shareholders and our people. Depending on the subject matter, the relevance of each stakeholder group during decision making may differ and decisions will not always result in a positive outcome for all stakeholders. But, through engagement with our key stakeholders we are able to make better decisions on the issues that impact them to promote the long-term success of the Company.

We consider 'principal decisions' to be those decisions linked with our strategy or those that entail significant implications for our stakeholders and the Company's future.

The Board makes principal decisions and delegates specific decisions to its Committees or executive management with the appropriate oversight of the Non-Executive Directors to ensure that decisions taken are conducive to the success of the Company and that stakeholders are being considered appropriately.

Stakeholders

The ability to engage effectively with our stakeholders and understand their expectations and the impact of the Group's operations and decisions on these groups is critical to the success of the Group. The tables on pages 47 to 58 of this report provide details on the engagement processes and outcomes during 2022.

our **customers**

our **shareholders**

our **people**

Lookers

OEM brand partners

suppliers

financing partners

wider **community**

The tables below provide key information on two principal decisions taken by the Board in 2022 and demonstrate the considerations given to the impact on various stakeholder groups during the Board's decision-making process. Our strategic report provides further narrative on these key decisions and our sustainability report provides information on how we engaged with our stakeholders and took their views into consideration when developing our ESG strategy and should be read in conjunction with this section 172 statement.

Decision	Sale and leaseback of freehold dealership property in Battersea, London
Context	The Group received an offer from Urban Logistics, a real estate investment trust to purchase the property for £28 million in cash and offering the Company a 20-year lease for the property at an initial rent of £1.25m per annum.
Decision-making process	The offer was reviewed by the Executive Committee before being recommended to the Board. Due to the nature of the transaction the Board was mindful of: • the obligation to release details of the transaction to the market; and • the obligation to seek approval from the Company's financing partners.
Stakeholder considerations	• Ensuring fair value for the Company's shareholders. • Potential to use the site for multi-franchising purposes. • Potential uses for the site, including sub-letting part of the site for other uses that would benefit the local community. • The impact on the balance sheet and the Company's negotiating position for refinancing credit facilities. • Views of the Pension Trustee and finance partners.
Strategic pillars supported by the decision	Proceeds from the sale are being used to support delivery of the Company's strategic objectives as set out on pages 14 to 19.
Impact on the long-term success of the Company	Supporting delivery of the Group's strategic objectives will address a number of long-term market trends including changing consumer behaviour, the impact of electric vehicles, the competitive landscape, developing relationships with OEMs, changing technology and the regulatory environment in which the Group operates.
Outcome	The Board Approved the sale and leaseback of the freehold dealership property in Battersea, London in February 2022.

Section 172 statement

Decision	Sales Transformation: approving a software licence agreement with Salesforce
Context	In line with the Company's strategy to invest in technology and digitisation the Board considered a proposal to implement new software to transform the sale process.
Decision-making process	Consideration was given to customer feedback and expectations, regulatory requirements and the output from an exercise undertaken by the CIO to understand the options available to enable the Company to gain the underlying systems capability required to deliver a robust and compliant sales process. The options were considered by the Executive Committee before a recommendation was made to the Board.
Stakeholder considerations	• The customer journey and ensuring the right outcomes for customers. • The expertise and capabilities of third-party providers supporting the transformation. • OEM expectations and the Company's relationship with existing and new OEM partners. • Cost savings, representing better value for shareholders. • Employee training requirements, and possible redundancies.
Strategic pillars supported by the decision	• Operational optimisation. • Investment in technology and digitisation.
Impact on the long-term success of the Company	Investing in technology and improving operational optimisation will address a number of long-term market trends including changing consumer behaviour, the competitive landscape and the regulatory environment in which the Group operates.
Outcome	The Board agreed that the software would allow better data management and analytics, reduce costs and ultimately deliver the right outcome for customers and approved a new software licence agreement.

our **customers**

Engagement method	2022 outcomes
Manufacturer feedback, customer satisfaction measures and manufacturer balanced scorecard metrics	We monitor manufacturer feedback, customer satisfaction measures and manufacturer balanced scorecards as a way of rating performance for many key business metrics, including customer satisfaction, sales and aftersales performance and profitability. We regularly had representation in the top quartile performance of manufacturer balanced scorecards in every division that has this measure, particularly in relation to the OEM brand partner customer satisfaction ratings component of the scorecard.
Reputation.com performance scoring	Through our partner, Reputation.com, we have received almost 190,000 responses from customers on their views of our service, with an average survey rating across all interactions of 4.4 out of 5 stars for recommendation; this places us 4th in our industry for 2022. We have also seen an increase on our Google customer review volume and star rating, with 20,000 reviews in 2022 with an average star rating of 4.7 out of 5, up from 17,000 and average 4.5 rating in 2021. We now have over 72,000 positive Google reviews, which is 86% of our total customer reviews. Over 61,000 of which were 5-star Google reviews.

our **customers**

Engagement method	2022 outcomes
Online surveys	As well as providing us a score, the Reputation.com platform allows customers to provide feedback on their experiences with us, which if they select the option to publish on Google is available to other potential customers. We use this feedback as a way of understanding our strengths and weaknesses, mainly at location level in order to understand the specific concerns of our customers. At a Group level, our strengths have been highlighted as customer service, sales and staff; not all of these are ahead of industry average yet so will continue to be a focus area in 2023. Pricing, service and vehicle appearance / cleanliness were some of the weaker areas. This is in line with the industry generally, but offers an opportunity to set new standards in these areas. As part of our customer experience strategy we will be redesigning our surveys in order to gather greater insights from our customers and introducing new touch points to the programme so that we can see where in the journey improvements can be made.
Mystery shopping exercises and quality assurance scores	We undertake mystery shopping exercises, varying the methodology to imitate customer behaviour, and review quality assurance scores to gain insights into the sales process and ensure that we are obtaining good customer outcomes. We enhanced a number of aspects of our customer journey within our integrated sales process system to make it easier for our customers to understand and simpler for our sales teams to use in the delivery of the experience.
Retail website	Our retail website provides a mechanism for people to contact us. Key themes of engagement through the website in 2022 related to customer queries, complaints and HR matters which were passed to the relevant teams to be actioned.

Board and management priorities

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

Board oversight

- The Board receives internal and external data on customer satisfaction and complaints metrics and discusses issues with the Executives to improve customer outcomes and ensure corrective action is taken promptly when things go wrong. Data on customer satisfaction and complaints helps shape Board decisions, such as the decision on sales transformation outlined above.

Section 172 statement

our **shareholders**

Engagement method	2022 outcomes
Announcements to the market	The Company has provided regular updates on: • The trading performance of the Group. • Key appointments and Board resignations. • Progress on the share buyback programme and changes to the issued share capital. The Company also provided an update on the sale and leaseback of the dealership freehold in Battersea, London and the results at the 2022 annual general meeting.
Annual General Meeting	Shareholders were invited to attend the Company's AGM held at the Manchester Airport Marriott Hotel on 31 May 2022 where they had the opportunity to meet the Board and have their questions answered. Shareholders were also given the ability to submit questions in advance of the AGM, with answers published on our website.
Analyst meetings	We presented both our interim and full year results via a webcast platform to analysts, providing a review of the period and an update on strategic plans. Briefings were also held with house analysts in relation to other trading announcements throughout the year. Feedback from these presentations is reported to the Executive Committee (ExCo) and Board.
Feedback from our PR advisers	Our PR advisers, MHP, guide the Board and management through our updates to the market to ensure appropriate information is available to our stakeholders.
Feedback from our corporate brokers	Numis and Peel Hunt, our corporate brokers, are also consulted for advice and feedback relating to significant RNS announcements, elements of strategy and results statements. They also provide updates to the Board on changes to the share register and activity in the sector in which we operate.
Meetings with significant shareholders	The Chair and CEO meet with our significant shareholders throughout the year to obtain an understanding of their views, which are then discussed with the wider Board.
Communication with the Chair and Company Secretary via CoSec@Lookers.co.uk	Shareholders have the ability to ask questions and receive feedback via this channel and the corporate website **www.lookersplc.com**

our **shareholders**

Board and management priorities
• The Company's relationship with shareholders is of critical importance; significant shareholders and investors are consulted on matters of policy. • The Board encourages shareholders to attend the AGM and ask questions.

Board oversight
• Information relating to significant issues raised by our shareholders is provided to the Board and, where appropriate, used to help inform the decision-making process. • The Company's brokers lead interactions with our institutional shareholders and provide feedback and updates to the Board in relation to such matters. • MHP provide written reports following any market announcements made by the Company, with details of the perceptions of analysts and press commentary. They also engage with the financial media and provide updates to the Board on such interactions.

Section 172 statement

our **people**

Engagement method	2022 outcomes
Cultural leadership	We encourage and nurture a culture that is open and supportive and are committed to high levels of engagement with our people. We have a variety of Group policies that set out the standards expected from our employees and what our employees can expect from the Company.
Executive team updates and briefings and our staff seminar	Regular business updates provide a forum to keep our people up to date on important information, provide thanks for their contribution, receive feedback and answer any questions to support and foster an inclusive environment.
Staff consultations	We have consulted employees during 2022 on numerous topics with many new initiatives introduced in response to feedback. These include: • Review & introduction of a new employee survey tool, with further actions in 2023. • Introduction of a new benefit portal, which allows people to self-serve their requirements. • Introduction of a Mental Health Wellbeing App. • Regular business updates via our internal communication channel Workplace by Facebook. Staff exit surveys and talent acquisition surveys help us to identify ongoing improvements to process, service and our customer offering. In 2022 we have reviewed our technology offering in this space and will be launching a new survey tool and talent acquisition software to enhance our offerings in this area to aid better customer experience and reporting.
Quarterly Non-Executive Director hosted workforce listening sessions	Quarterly listening sessions were maintained in the first half of 2022 with the process reviewed in November 2022 to ensure that it generated optimal engagement with our people. Each non-executive was keen to participate in the engagement sessions, meet our people and acquire a deeper understanding of our business and the issues our people face. Quarterly engagement sessions with one Non-Executive Director attending each session will continue in 2023. Following feedback, this initiative is being further developed to include longer sessions with chosen topics for each session to ensure employees are having a voice on relevant topics affecting our business, market, or environment.
Site visits	We hold Board and Board Committee meetings at various Lookers sites throughout the year to provide the Board the opportunity to meet our people and strengthen their knowledge of our business. During 2022, Board and Board Committee meetings were held at Lookers sites in Farnborough and Belfast in addition to the Company's head office in Altrincham.
Whistleblowing	Concerns can be raised via various channels, including a confidential whistleblowing framework which allows concerns to be raised confidentially to our Chief Risk Officer, through our Head of Compliance, or by escalation to a Non-Executive Director.

our **people**

Engagement method	2022 outcomes
Social media	We monitor social media channels such as LinkedIn, Glassdoor and Indeed for feedback relating to recruitment and our employer brand. Any negative feedback is provided to our HR teams to help us improve our processes and systems. We review press reports and commentary on social media about Lookers and have strategies in relation to our profiles on Facebook, Instagram and Twitter, which are developed using social listening tools and help provide insight on how we can develop. We are looking into new social platforms as well as building on the current capabilities by improving internal skillsets in this area and our attitude to paid social and organic campaigns. We also monitor the social media profiles of our competitors to help us ensure experiences with us are in line, or better, than others. As a result of this we have put a bigger focus on creating video content on our social media.

Board and management priorities

- It's the Board's priority to ensure that the right policies and procedures are in place and are being followed so that the right behaviours are demonstrated by the Group's employees. Having the right policies in place creates an open and nurturing culture and encourages our people to speak up if they suspect wrong-doing.

- Our people are central to our business and a culture of diversity and inclusion, with attractive benefits and opportunities for career progression, are seen as key to attracting talent. More information on initiatives around our people and workforce engagement matters are included in our Sustainability Report on pages 100 to 103.

- Succession planning is a key consideration for the Board, ensuring that the business has a strong, diverse talent pipeline to ensure its long-term success.

Board oversight

- The Board approves key Group employment policies.
- The Board is notified of whistleblowing incidents.
- Feedback from staff surveys is communicated to the Board and management.
- The Board receives regular reports from our Chief People Officer which include data on headcount, trends in the number of new starters and leavers and any significant employee issues, both negative and positive.

The Board, through the Nomination Committee, reviews the Board's diversity policy and progress made against it and has oversight of the Board and executive management succession plans.

Section 172 statement

OEM brand partners

Engagement method	2022 outcomes
Regular meetings between executives and representatives of our brands	The Chief Executive Officer and Chief Operating Officer have good relationships with our OEM brand partners and have regular meetings with them. Some of the key topics of engagement in 2022 have included the move to electric vehicles, agency-based distribution models versus franchise models and supply issues. It was important to monitor the impact of these issues on not just our relationship with our brands but also on our customers and people and respond as appropriate. Supply issues and the move to electric vehicles are both covered at some length in other parts of our Annual Report. We are engaging with our OEM brand partners to optimise the opportunities and understand the implications of the potential for some OEM brand partners to pursue an agency-based distribution model.
Feedback from the Franchise Directors	Our Chief Operating Officer uses various communication channels to engage with the Franchise Directors who have more day-to-day operational contact with our OEM brand partners and provide useful insight to guide strategy.
OEM performance metrics	Performance of the dealerships is measured via balanced scorecard metrics. We receive balanced scorecard performance information from a number of our OEM brand partners. We regularly had representation in the top quartile performance from those OEM brand partners who fed back in this way during 2022.
Board visits	We hold Board and Board Committee meetings at the premises of our OEM brand partners to enable the Board to meet the local management team and strengthen our partnership. During the year we held Board and Committee meetings at Volvo's and Aston Martin's facilities . During these visits the Board had the opportunity to tour the OEM's manufacturing sites, meet senior management, including the Volvo CEO and discuss future developments of their business and our partnership with them.
Meetings with potential OEM brand partners	Our OEM brand partnerships are very important to the Group, and as such we continued to look for new opportunities in 2022 and into 2023, with both existing partners and potential new partners, including new entrants to the UK market. For established OEM's we have devised a matrix scoring system looking at several areas of published performance and align the top brands to our acquisition strategy, the core of which is "right brands in the right locations". For OEM's that are new to the UK market, we concentrate on those with a strong reputation in EV technology. Engagement with new brands comes as a result of direct approach either from us or them and as a result of Lookers reputation and networking. Partners acquired in 2022: 1. Great Wall Motors 2. BYD 3. MG 4. Lotus

OEM brand partners

Board and management priorities
• Our OEM brand partners are clearly central to our strategic aims and as such our senior management team work closely with them to ensure a close and continuous dialogue. • Appropriate maintenance of our dealership premises is important to our OEM brand partners. It is also important to us to ensure that they are safe for our people and our customers.

Board oversight
• The Board receives regular updates from the COO which include details on performance metrics and balanced scorecard ratings and how management uses this data to improve processes and dealership KPIs. • Dealership health and safety review concerns are reported to the Board, which monitors the progress of resolving any issues of concern. • During the year the Board received regular updates on some of our OEMs' transition to an agency model operation. • The Board visits OEM sites and meets with their management team to discuss their partnership with the Company.

Section 172 statement

suppliers

Engagement method	2022 outcomes
Meetings with suppliers	Key themes in 2022 include: • The requirements of our new Code of Conduct for our indirect supply chain. • The new robust Due Diligence Questionnaire process introduced in 2022. • Key stakeholder engagement and coordination improved our supplier risk management framework.
Supplier Code of Conduct	During 2022 we established our Code of Conduct for the supply of indirect goods and services to clarify our expectations and the minimum requirements expected of our indirect supply chain regarding their employment conditions, corporate social responsibility, sustainability, and environment.
Due Diligence Questionnaires	During the year we introduced new Due Diligence Questionnaires for new procurement activity and identified the requirement for a retrospective due diligence process for existing strategic suppliers.

Board and management priorities

- Management recognises the importance of the development of a fit-for-purpose strategic Group procurement function to drive value, control costs and minimise risk within our third-party supply base.
- Our key supplier relationships are critical to support the business in achieving its strategy and to allow us to operate efficiently.

Board oversight

- The Chief Executive Officer is overall responsible for the management of the relationships within our most critical suppliers, supported by the Head of Procurement. The Board are kept abreast of any significant issues.
- All material new supplier contracts are considered by ExCo following a detailed RFP process, with any significant appointments considered by the Board in line with the matters reserved for its consideration.

financing partners

Engagement method	2022 outcomes
Negotiation, and subsequent renewal, of the Group's main bank facility with both our current bank syndicate and potential new suitors.	Agreed a £100m revolving credit facility in June 2022, which expires on 30 September 2025. Bank syndicate now consists of three incumbent banks, along with one new member bank.
Face-to-face contact during the respective credit appraisals with OEM Banks and third-party stocking funders.	Increased facility sizes from our funding partners as well as updating and aligning these with the Group's legal entity structure.
Our CFO periodically provided updates and insight on our business, to both our banking syndicate and OEM funding partners. This took place post the announcement of both our annual and our interim results	Strengthened relationships with both the syndicate banks and our OEM funding partners. Appointment as franchise representatives for the ORA and Lotus brands.
The Lookers Board visited OEM locations	Visits to Volvo and Aston Martin in 2022 helped strengthen our relationships with these OEM funding partners.

Board and management priorities

- We look to nurture good, long-term relationships with our key financing partners. Having positive relationships with our funding partners is imperative for the long-term success of the Company. They are our collaborative business partners who support the execution of our strategic aims and business plans. It is important we maintain a regular, open, and constructive dialogue with them.

Board oversight

- Monthly updates to ExCo are provided by the CFO regarding the Group's funding facilities. These are subsequently shared with the Board. Specific updates on other key matters, for example changes to funding providers or available credit facilities, are provided to the Board as required.

Section 172 statement

wider **community**

Engagement method	2022 outcomes
Various sources of information providing views on both Lookers and trends more generally, including press, social media etc.	We review press reports and commentary on social media about Lookers and have strategies in relation to our profiles on Facebook, Instagram and Twitter, which are developed using social listening tools and help provide insight on how we can develop. We also monitor the social media profiles of our competitors to help us ensure experiences with us are in line, or better, than others. As a result of this we have a bigger focus on creating video content on our social media.
Keeping abreast of developments on ESG matters	We engaged an external partner to support us in identifying the views of our stakeholders on ESG matters and inform our ESG strategy. Further details can be found on page 86.
Communication with pensions trustee and our pensions advisers	The corporate pension trustee and the Group, alongside its advisers, are in the process of agreeing the triennial review valuation of the Lookers Pension Plan, including the preferred funding strategy. The next triennial review of the Benfield Pension Plan has now commenced for the valuation date of 31 December 2022. Lookers' management continue to have an open and transparent relationship with the corporate pension trustee, with the primary objective being to reduce the level of risk whilst ensuring members are treated fairly; for example, the Group is currently supporting the introduction of additional member options.

Board and management priorities

- Management recognise the importance of supporting its communities via charitable, social, employment and environmental initiatives, as set out in more detail in our Sustainability Report on pages 86 to 103.

Board oversight

- The Board receives regular reports from the Chief Executive Officer and Chief People Officer on social and environmental matters.
- ESG matters are an important part of the Group's strategy. During 2022 the Board received detailed updates on the output of our engagement with key stakeholders that informed the development of our ESG strategy and approved the ESG strategy in September 2022.
- The Chief Executive Officer is responsible for ESG matters, with work overseen by the Executive Committee.
- The Board periodically receives presentations from the Group's pension adviser.

Non-financial information statement

This section of the Strategic Review constitutes Lookers plc's Non-Financial Information Statement, produced to comply with sections 414CA and 414CB of the Companies Act (for clarity, the Strategic Review on pages 4 to 59 represents the strategic report as defined by the Companies Act). The information listed is incorporated by cross-reference.

Reporting requirement	Policies and standards which govern our approach	Page(s) in the Annual Report & Accounts
Environmental matters and greenhouse gases	Environmental Risk policy* ESG strategy**	Corporate social responsibility review, including mandatory carbon reporting – pages 90 to 99
Employees	Health and Safety policy* Equality and Diversity policy* Code of Conduct policy*	Corporate social responsibility statement, including ethical employment and diversity, human rights, recruiting, retaining and developing our people, communicating with our people – pages 100 to 103 The breakdown showing the number of persons of each gender who were directors of the Company, senior managers of the company and employees of the company can be found on page 81
Social matters and community engagement	Volunteering policy* ESG strategy**	Corporate social responsibility review – pages 100 to 103
Respect for human rights	Data Privacy Risk policy* Information Security Risk Management policy*	Corporate social responsibility review, human rights – pages 101 to 102
Anti-corruption and anti-bribery	Anti-Bribery and Anti-Corruption policy Fraud Prevention policy	Operational and other risks – pages 36 to 43 Modern Slavery – page 101
Description of the business model		Business model and strategy – pages 14 to 19
Description of principal risks and impact of business activity		Risk overview and management - pages 36 to 43
Non-financial key performance indicators		Non-financial key performance indicators - page 35

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

**These policies are published elsewhere and are not contained within this Annual Report & Accounts.

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

Mark Raban
Chief Executive Officer
4 April 2023

Governance

Board of Directors

The Board is committed to delivering the Group's strategy and sustainable value to shareholders. To ensure the Board is appropriately equipped, several key appointments were made to the Board throughout the year; full details of the changes made during 2022 and up to the date of this report are described within the Nomination Committee Report on pages 78 to 81.

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

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

Paul Van der Burgh
Non-Executive Interim Chair

Appointed: **April 2021**

Tenure: 2 years

Membership: PLC, LMGL, NomCo, RemCo

Skills and experience:
- Highly experienced in the global automotive industry
- 35 years' experience, with senior executive positions at leading multinational brands around the world

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

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

External appointments:
- None

Mark Raban
Chief Executive Officer

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

Tenure: 4 years

Membership: PLC, LMGL, ExCo, OpsCo

Skills and experience:
- Over 30 years' retail experience
- Significant experience with acquisitions, integrations and disposals

Mark has over 30 years' retail experience including finance and acquisitions director at Inchcape Retail Limited, finance & commercial director at Care UK and finance director at Selfridges. Mark played a significant role in the IPO of Marshall Motor Holdings and its subsequent growth in his role as chief financial officer.

Mark has significant finance experience including financial planning and analysis; business development initiatives and project management; working capital improvement, cash management and debt financing; turnaround and performance improvement. Mark's deep sector knowledge, alongside his strong finance and transformation background, makes him a strong and invaluable Group Chief Executive Officer and key to the long-term sustainability of the Group.

External appointments:
- None

Oliver Laird
Chief Financial Officer

Appointed: November 2021

Tenure: 2 years

Membership: PLC, LMGL, ExCo

Skills and experience:
- Fellow of the Chartered Institute of Management Accountants
- Substantial plc experience

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

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

Oliver has extensive experience in financial services and has been able to quickly adapt to the retail sector. Oliver's knowledge of financial management systems and processes is critical to the evolution of the Group's internal and external financial reporting.

External appointments:
- Non-executive director of Beverley Building Society

Board of Directors

Duncan McPhee

Chief Operating Officer

Appointed: **January 2021**

Tenure: 2 years

Membership: PLC, LMGL, ExCo, OpsCo

Skills and experience:

- 28 years' retail operations experience

Duncan has extensive experience in the motor retail industry including spending the last 14 years at Lookers in a number of senior management roles, 9 years of which were at Franchise Director level, then Chief Retail Operations Officer with responsibility for the dealership portfolio and OEM brand partners' relationships, before being promoted to his current role in January 2021. Before joining Lookers, he spent 10 years with Arnold Clark in Scotland, including 5 years as general manager.

Duncan's deep sector expertise and insight is of paramount importance to the Board. His strategic thought, customer-centric mindset and pragmatic approach are a real asset to the long-term sustainability of the Group.

External appointments:

- Director of Bryn Edwin Management Company Limited
- Reputation.com advisory board member

Sue Farr

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

Appointed: **September 2022**

Tenure: 7 months

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

Skills and experience:

- Marketing and communications knowledge
- Extensive plc non-executive roles, including in the position of chair of RemCo
- Experience of transformation and managing change

Sue has over ten years' experience as a plc non-executive director, spanning a variety of sectors and scale of business and she has extensive remuneration committee experience, both as a member and as chair of the committee. She was previously a non-executive director of Dairy Crest plc and Millennium & Copthorne Hotels plc (where she also chaired RemCo).

She has considerable experience in marketing, branding and consumer issues from her positions at the BBC and Chime Group, along with automotive experience at General Motors Vauxhall.

Sue's marketing and communications experience, involvement with transformation and managing change and a deep understanding of consumer habits gained over the course of her career are important to the long term-sustainability of the Group and achieving our strategy.

External appointments:

- Non-executive director and chair of the remuneration committee of Helical plc
- Non-executive director of Accsys Technologies plc
- Senior independent director of British American Tobacco plc
- Non-executive director of Unlimited Group Ltd

Robin Churchouse

Independent Non-Executive Director, Chair of ARC and Chair of LMG

Appointed: **December 2020**

Tenure: 2 years

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

Skills and experience:

- Qualified chartered accountant and experienced chief financial officer, with a background in risk and operations management
- Extensive financial services regulatory experience, alongside a track record in mergers and acquisitions and strategic consulting

Robin has over 30 years' financial services experience in leading and advising finance, risk, operational and strategic teams in a wide range of regulated financial services organisations. Most recently, he was chief financial officer of Yorkshire Building Society, having held a variety of senior executive roles there after working as finance and commercial director for a number of mortgage servicing companies, and as both a strategy consultant and financial services regulator. Robin graduated in law at Cambridge and qualified as a chartered accountant with Price Waterhouse.

Robin's experience as an accountant and his strong professional and financial services background are key attributes to the long-term sustainability of the Group.

External appointments:

- Ethos Invest Limited
- Belmont Green Finance Limited

Philip Kenny

General Counsel and Company Secretary

Appointed: **December 2019**

Membership: PLC*, LMGL*, ARC*, NomCo*, RemCo*, ExCo, OpsCo, *as Company Secretary

Skills and experience:

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

Philip graduated from the University of Central Lancashire in 2004 with a Bachelor of Laws. He has 16 years' legal experience as a qualified solicitor including as counsel for the military air and information business of BAE Systems plc and director, general counsel and company secretary at Best Dressed Group Limited (incorporating Jigsaw Clothing).

Philip has significant experience in sitting on and advising both plc and private company boards in all areas of business and commercial/corporate finance law including IPR, IT, general commercial, data, terms and conditions, cross border, employment, litigation, corporate finance and capital markets, company secretarial matters and mergers and acquisitions.

External appointments:

- None

Group executive team

Mark Raban
Chief Executive Officer

See page 63
for full profile

Oliver Laird
Chief Financial Officer

See page 63
for full profile

Duncan McPhee
Chief Operating Officer

See page 64
for full profile

Philip Kenny
General Counsel and Company Secretary

See page 65
for full profile

Andy Garrett
Chief Information Officer

Appointed: **Joined May 2016 and became CIO in October 2020**

Membership: ExCo & OpsCo

Skills and experience:
- Over 10 years' experience driving technology-enabled change and transformation in major omni-channel retailers
- Proven C-suite IT professional in all aspects of IT strategy, delivery and day-to-day operations
- Has led significant technology changes to stabilise and modernise the Lookers business
- Leading the digital transformation at Lookers including key strategic projects across the business

Andy started his career in technology at Fujitsu and has worked for several big retailers over the years, such as B&Q, Screwfix and Travis Perkins, holding a range of senior roles in both technology & business change.

Now as Chief Information Officer the purpose of his role is to lead on the digital transformation of the organisation and deliver the technology that underpins it.

External appointments:
- None

Chris Whitaker
Chief People Officer

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

Membership: ExCo & OpsCo

Skills and experience:
- 25 years of HR leadership experience gained at a leading listed technology services business, and within the public sector
- Deep expertise in reward, change management, governance, and leadership
- Significant experience of attending and advising plc boards and both remuneration and nomination committees on all people-related issues

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

External appointments:
- None

Marcus Kenny
Chief Risk Officer

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

Membership: LMGL, ExCo, OpsCo

Skills and experience:
- Extensive regulatory and strategic change expertise having led a number of regulatory and strategic remediation programmes and high profile acquisitions and disposals
- Multi-channel retail and plc experience
- Proven regulatory relationship management experience with both the FCA (authorisations, supervision and primary market oversight) and PRA
- Developed and implemented contemporary enterprise risk management frameworks appropriate for the varying size and complexity of firms and their varied markets
- Successful track record in developing and leading risk and compliance teams with the right levels of capability and capacity

Marcus is a senior governance, risk and compliance professional with a unique blend of capability and experience across a variety of sectors including retail, insurance, consumer credit and banking.

External appointments:
- None

Corporate governance statement

Dear Shareholder,

The Group's long-term success depends on our commitment to high corporate governance standards to underpin value creation for our stakeholders and the delivery of our strategy. Good governance is ingrained in the way we behave and behind every decision we take as a Board.

The Company faced challenging headwinds during 2022, including continued global supply chain disruption, inflationary pressures and a cost of living increase impacting consumer confidence. However, the strategic priorities we announced in January 2022 are working. We delivered a strong performance during the year, and we are confident that we are well positioned to face the challenges and opportunities that lie ahead.

Role of the Board

Our role as a Board is to promote the long-term sustainable success of the Group. We do this by:

- establishing its purpose;
- setting the strategy to achieve its purpose;
- agreeing the budget and ensuring the necessary resources are in place to achieve strategic objectives;
- approving Group policies to embed the Company's values in the business and clarify the standards of behaviour expected from the workforce and wider stakeholders;
- implementing and overseeing frameworks for governance and risk management; and
- receiving regular updates from the businesses and functions throughout the year to monitor the company's culture, assess performance against the strategy and provide additional direction if needed.

Day-to-day responsibility for the business lies with the executive management team, however we maintain a schedule of matters reserved for the Board which we review regularly to ensure that key decisions that are of the utmost importance to our shareholders and other key stakeholders are taken by the Board as a whole. The matters that we have reserved for Board decision can be found on our website.

As a Board we are responsible for generating and preserving value over the long term. We do this by approving the Group strategy, ensuring adequate resources are in place, and monitoring performance against the strategic objectives that we set. Our business model on pages 14 to 15 summarises how we create value for our shareholders and wider stakeholder groups.

In support of preserving shareholder value, we set the Group's risk appetite to define the level of risk the business is prepared to take in pursuance of its strategic objectives and set the risk management framework policy.

To perform our role effectively, it is essential that we have a good understanding of the views of our shareholders and other key stakeholders. Details of shareholder and other stakeholder engagement activities, including the Board's process for workforce engagement, can be found on pages 46 to 58. Output from these engagement activities is reported to the Board and its committees to help shape the decisions that we make.

Culture

To achieve our vision of becoming the UK's leading integrated automotive retail and services group, we need to embed the right values, culture, and behaviours throughout our organisation. Our values are the foundation of our success: they establish what we believe as a company and determine how we interact with each other, our customers, partners, stakeholders and in the communities in which we operate.

These values, and the behaviours that they require from us, are relevant to all our people from front-line colleagues to Board members. They support our culture, empowering our people to be the best they can be - with a clear understanding of what makes Lookers different from other companies. We want all employees to understand and embrace this culture, feel proud to work at Lookers, and make our business better every day.

Our Purpose

We're a highly ambitious company, with one overarching purpose: to become the best at what we do - 'Driven to be the best. Trusted with every journey'. We can make the biggest impact when our purpose is embedded within everything we do.

In an ever-changing business environment, our purpose - what we stand for and what inspires us to be successful - is a compass that guides both how we go about achieving our goals and the goals themselves.

Our Values

Regardless of the role we play in Lookers our values are what unite us. They capture our shared goals and expectations, and guide how we make decisions and treat others.

Our values inspire us to be the best we can be, act with integrity, and take personal responsibility for our actions. They guide how we care for customers and each other.

- **Simple:** We keep things simple and consistent.

> We know that making it easy for our people, customers, and partners to interact with us is important, so we make sure that every interaction is as consistent and simple as possible.

- **Engaging:** We engage our people, our customers, and our partners.

> We believe that by listening to what others have to say and responding with care, we create a sense of connection with them - and ultimately lasting relationships.

- **Transparent:** We are transparent in everything we do.

> We believe that the best way to build trust is through openness, honesty, and reliability. That's why we strive to be as open and straightforward as possible with our people, our customers, and our partners.

Our Culture

Our values and behaviours are what make us who we are and ignite our passion for the work that we do.

We have a strong sense of community and place high value on collaboration and respect. Our culture is supportive, inclusive, and responsible. We want to create an environment where everyone feels welcomed, safe and secure, and can be their best.

We as a Board are ultimately responsible for the Company's culture and believe in the importance of leading by example and that tone should be set from the top and cascade down throughout the Group.

We recognise that strong governance standards are central to achieving fair treatment of our customers and long-term value for our shareholders, in addition to making Lookers a great place for our people to work. Our values are embedded in our Group policies which we as a Board review and approve on a rolling basis to ensure that they remain appropriate and clearly articulate the behaviours expected from our workforce. During the year we reviewed and approved policies on conduct risk, operational risk, strategic risk, risk management, financial crime and whistleblowing to strengthen the alignment of the Company's practices and behaviour with its purpose, values and strategy.

Corporate governance statement

We monitor the culture of the Company and act where appropriate to strengthen alignment of the Group's policies, practices and behaviour with the Company's purpose and values, for example by amending our policies to reinforce and clarify expectations, mandate additional training in key areas or amending our remuneration framework to reward the right behaviours as well as strategic achievements.

How we monitor culture	
Updates from the CPO	The CPO provides the Board with regular updates on our culture, diversity & engagement matters, pay gaps, employee engagement initiatives and training completion rates.
Employee engagement feedback session updates	Our non-executive directors conduct face-to-face listening sessions with our employees to get direct feedback on the Company's culture and the matters of importance to our colleagues.
Quality assurance and mystery shopping results	The COO provides regular updates on mystery shopping and reviews quality assurance scores to give the Board valuable insight into our sales culture and practices.
Health & Safety updates	The CRO provides a detailed report to the Board each year on our safety culture and leading and lagging indicators.
Site visits	Executive management visit sites on a regular basis and the Board as a whole had 2 site visits during 2022. The Chair also visited a number of sites during the year to meet local management and acquire a good understanding of the Company's culture.
Whistleblowing reports	The Audit & Risk Committee monitor if there are any systemic issues and how they are being addressed.

The Board has three committees that derive their authority from the Board and are accountable to it. The committees play a key role in promoting our values and strategic objectives.

Remuneration Committee: structures remuneration schemes to reward the right behaviours as well as strategic achievements.

Nomination Committee: ensures that those appointed to the Board and Executive committee are aligned with our purpose and live our values.

Audit and Risk Committee: ensures that our values are embedded in our financial reporting process and risk management framework. Reviews the whistleblowing policy and whistleblowing reports to ensure that arrangements are in place for a proportionate and independent investigation of allegations and for follow-up action.

Details of the membership of the committees and of their activities during the year can be found in the reports from the Chair of each of the committees on pages 78 to 85.

The Terms of Reference for each Committee can be found on our website.

Division of responsibilities

Interim Chair Paul Van der Burgh	**Executive Directors** Mark Raban, Oliver Laird, and Duncan McPhee
• Leads the Board and sets the agenda. • Promotes a culture of openness and debate. • Ensures the Board is effective. • Facilitates the contribution of non-executive directors and oversees the relationship between them and the executive directors. • Ensures there is an effective system for communication with shareholders.	• Responsible for successful delivery of the Group's objectives and strategy. • Manage various functions and operations across the Group.
Interim Senior Independent Non-Executive Sue Farr	**Independent Non-Executive Directors** Robin Churchouse and Sue Farr
• Available to shareholders if they have concerns which cannot be resolved through the normal channels. • Chair of the Nomination Committee when it is considering the Chair of the Board's succession. • Appraises the Chairman's performance annually with the non-executive directors. • Acts, if necessary, as a focal point and intermediary for the other Directors.	• Constructively challenge management and scrutinise their performance. • Contribute to the development of the Group's strategy. • Monitor the Group's performance. • Satisfy themselves on the integrity of financial information and the effectiveness of financial controls and risk management. • Determine appropriate levels of remuneration for the executive directors and participate in the selection and recruitment of new directors and succession planning. • Engage with employees through informal quarterly discussion sessions. • Chair key sub committees and ensure they exercise appropriate oversight and challenge. • Regularly review whistleblowing reports.
Chief Executive Mark Raban	**General Counsel & Company Secretary** Philip Kenny
• Leads the executive directors and the senior executive team in the day-to-day running of the Group's business. • Ensures effective implementation of Board decisions. • Regularly reviews the strategic direction and operational performance of the Group's business. • Keeps the Chair informed on all important matters.	• Acts as secretary to the Board and its committees. • Ensures compliance with Board procedures and advises on governance issues. • Facilitates the induction process for new directors. • Ensures good information flow within the Board and between non-executive directors and senior management.

Corporate governance statement

Documents setting out the responsibilities of the Board, the Chair, Chief Executive and Senior Independent Director, can be found on our website.

Directors in office throughout the financial year ended 31 December 2022 and up to the date of this report:

- Ian Bull (resigned on 31 December 2022)
- Mark Raban
- Oliver Laird
- Duncan McPhee
- Sue Farr (appointed 1 September2022)
- Paul Van der Burgh
- Robin Churchouse
- Victoria Mitchell (resigned 31 December 2022)
- Deborah Sherry (appointed 6 April 2022 and resigned 31 December 2022)

The biographies of the directors in office as at the date of this report are set out on pages 62 to 65 and provide details of their roles and skillset to contribute to the long-term sustainable success of the Company.

The Chief Executive Officer is supported by the executive directors and other members of the Executive Committee, in implementing the strategy and ensuring the adoption of policies approved by the Board. The division of responsibilities between the role of Chair and Chief Executive Officer is clear and set out in writing.

Board composition and independence

The composition of the Board is closely monitored by the Nomination Committee to ensure that it remains appropriately balanced and is regularly refreshed to safeguard its independence and ensure that the skills, knowledge, and experience of Board members align with those needed to deliver against the business strategy and promote the long-term sustainable success of the Company.

The Board has a balance of Executive and non-executive directors such that no individual or small group of individuals can dominate the Board's decision-making process. As required by the Corporate Governance Code, during the year 50% of the Board, excluding the Chair, were independent non-executive directors. Following the resignation of Ian Bull, Victoria Mitchell, and Deborah Sherry on 31 December 2022, 40% of the Board excluding the Chair are independent non-executive directors.

Board administration

The Chair and the Chief Executive Officer work together to set the Board's agenda, supported by the Company Secretary who maintains an annual agenda planner to ensure that all matters reserved for the Board are given due consideration.

The Company Secretary ensures that the directors receive accurate, timely and clear information, provides advice and support in relation to regulatory and governance matters and, if necessary, minutes any unresolved concern of any director. All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for advising on all governance matters. The Board allows all directors to take external independent professional advice at the Group's expense.

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

Time commitment and external appointments

The minimum time commitment expected from the non-executive directors is set out in their letters of appointment. We monitor the external time commitments of our directors closely to ensure that they have the capacity to discharge their responsibilities effectively. Prior to appointment, all existing commitments are considered against the overboarding guidance issued by the institutional investors and shareholder advisory organisations, and all additional appointments are subject to Board approval following consideration of potential conflicts of interest, additional time commitment and the overboarding risk.

During the year we strengthened our oversight of external appointments and the time commitments of our non-executive directors by adopting a formal process for reviewing and approving additional external appointments and recording time commitments of external appointments in our conflicts of interest register.

Details of the Board's external appointments can be found on pages 62 to 65.

Appointments, induction, and training

We have a formal, rigorous, and transparent procedure for the appointment of new directors, further details of our appointment process can be found on page 80.

The Company Secretary works with the Chair to oversee an appropriate director induction and ongoing Board training programme. On appointment, new Board members are provided with tailored, comprehensive induction programmes to fit with their individual experiences and needs. The process includes introductory sessions and formal briefings with the Chair of the Board and Board Committee Chairs, the Company Secretary, senior management, and other key individuals from

around the business and visits to a range of dealerships. The induction enables directors to acquire a detailed understanding of the Group's business, strategy, and the key risks and issues, allowing them to contribute meaningfully to Board discussions from appointment. Throughout the year, updates on developments in legal, regulatory, and governance matters are provided to all directors and they are required to complete e-learning modules, which mirror training undertaken by all employees and senior management. The topics covered include management of risk under the enterprise risk management framework, data privacy and the protection of our customers' and colleagues' data, combating financial crime, and our values and conduct, including workplace harassment and speaking up. The Board as a whole receives specific training on the obligations, responsibilities, and liabilities of directors of a premium listed company and the non-executive directors receive briefings on strategic matters relevant to the automotive retail and services sector to facilitate their contribution to strategic discussions.

Evaluation

The Board believes that a formal and rigorous annual evaluation of its performance and that of its committees, the Chair, and individual directors is a key part of the governance process. During the year a formal evaluation process was conducted, facilitated by Value Alpha Limited (Value Alpha) an independent external firm with no connection to the Company or its directors.

The evaluation found the Board to be performing well in critical areas that create long-term value for the Company, and was particularly strong in understanding its legal, regulatory, and compliance obligations; protecting the

THE **EVALUATION** PROCESS

1. Interviews with Board directors to establish the views of members on the effectiveness of the Board in terms of its ability to make high-quality strategic decisions. This also included a peer review exercise, where directors were asked to comment on colleagues' performance.
2. Interviews with key stakeholders.
3. Observation of a Board meeting and an Audit & Risk Committee meeting.
4. Peer review commentary was collated, and each director received their individual feedback summary. The Chair also received a copy of each director's individual feedback summary and held one to one meetings with them to discuss their performance. Paul Van der Burgh as Senior Independent director at the time received Ian Bull's individual feedback summary, discussed his performance with the other non-executive directors, and met with him to discuss his performance as Chair.
5. Value Alpha fed back the output from the evaluation during a dedicated Board session and facilitated a discussion between Board members on performance and areas for improvement.

Corporate governance statement

Company's franchise; managing the Company's risk; demonstrating ethical leadership; and thinking carefully about its governance arrangements. Overall, the Board was found to be functioning well, and performing in the high-performing quadrant of Value Alpha's Board effectiveness model.

Areas for further focus included: continuing to build a strongly bonded Board, accelerating the strategic initiatives, Board skillset, talent development and succession planning, and Board meeting efficiency.

Output from the evaluation and the facilitated Board discussion was considered by the Nomination Committee who proposed objectives to strengthen the Board's performance and put forward recommendations to the Board as to how to implement and achieve the objectives. Output from the Board evaluation and the Nomination Committee recommendations were discussed by the Board who agreed the following objectives:

a. Increasing interaction between Board members outside of formal meetings.
b. Scheduling additional briefing sessions to review strategic priorities, trends, and resource requirements.
c. Continuing to monitor the Board's composition, skills base, and the ongoing development of directors.
d. Continuing to focus on developing Lookers key talent, and enhance NED interactions with senior management.
e. Rationalising the meeting structure of the ARC and LMG committees.
f. Introducing a new suite of management KPIs.

Details of the progress against these objectives will be given in the Company's 2023 Annual Report.

High level internal reviews were conducted to evaluate the performance of the Remuneration, Nomination, and Audit & Risk Committees. Further details can be found in the reports of the Chairs of the respective committees.

Board and Committee attendance

The following table shows the attendance of directors at scheduled Board meetings and at meetings of the Audit and Risk Committee (ARC), Remuneration Committee, and Nomination Committee during 2022.

Director	Board		ARC		Remuneration		Nomination	
Meetings held	**14**		**6**		**10**		**5**	
Director	**Meetings attended** [1]							
	No.	% [1]	**No.**	% [1]	**No.**	% [1]	**No.**	% [1]
Ian Bull	**13**	93	**N/A**	N/A	**9**	90	**4**	80
Paul Van der Burgh	**14**	100	**6**	100	**10**	100	**5**	100
Robin Churchouse	**14**	100	**6**	100	**10**	100	**5**	100
Victoria Mitchell	**6**	43	**3**	50	**8**	80	**1**	20
Deborah Sherry	**4**	36	**1**	25	**4**	67	**2**	50
Sue Farr	**5**	83	**1**	50	**2**	100	**2**	100
Mark Raban	**14**	100	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Duncan McPhee	**14**	100	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Oliver Laird	**14**	100	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A

[1] Percentages calculated using total number of meetings held during each director's tenure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Corporate governance statement

Succession planning, election, and diversity
The Board recognises the importance of effective succession to ensure non-executive composition of the Board is regularly refreshed to safeguard its independence and ensure that the skills, knowledge, and experience of the Board as a whole aligns with those needed to deliver against the business strategy and deliver long-term value for our shareholders.

Succession planning, rotation of directors and the process of appointing new directors is managed by the Nomination Committee which makes recommendations to the Board. Lookers recognises and embraces the benefits of having a diverse Board and sees diversity at Board level as an essential element of maintaining competitive advantage.

Further information about the succession planning process, including the consideration of diversity in succession plans and gender diversity metrics is detailed in the report of the Nomination Committee Chair on pages 78 to 81.

More information on workforce diversity is included in the Sustainability Report on page 100.

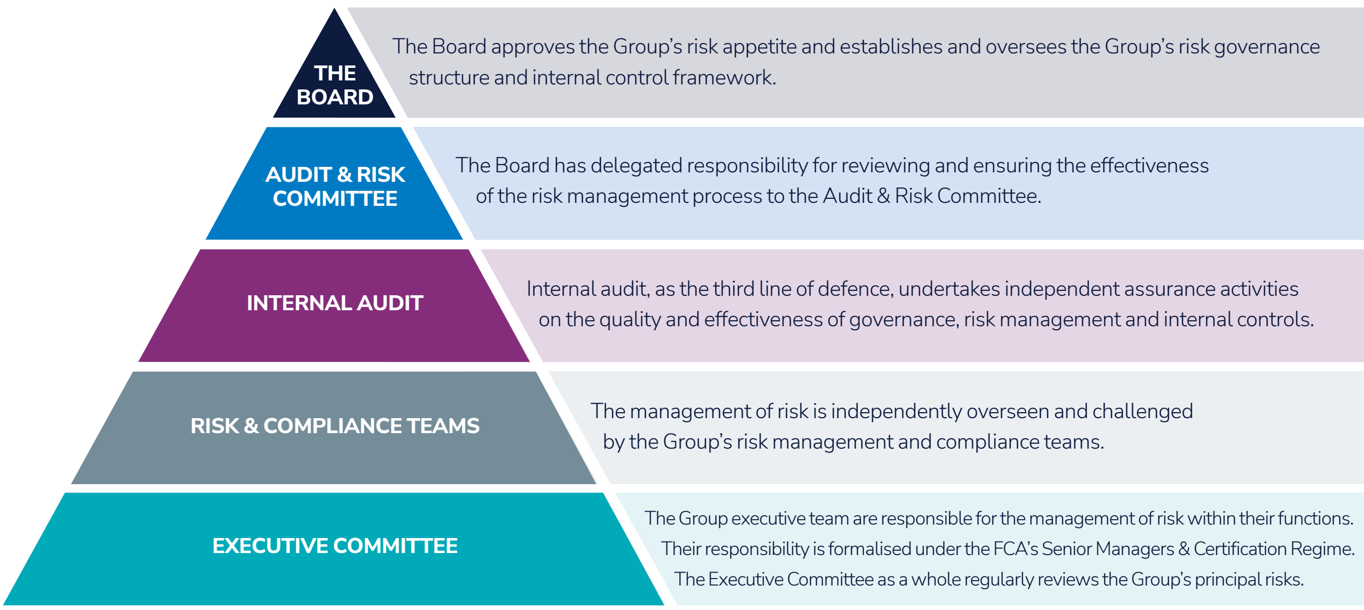
Risk management and internal control accountability
The Board recognises the importance of maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets. The Board is responsible for establishing procedures to manage risk and oversees the work of management to establish the appropriate internal control framework to enable the Group to fulfil its long-term strategic objectives. A system of control has been established that addresses the mitigation of business and operational risks as well as risks to financial reporting. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide reasonable assurance against material misstatement or loss. The Board expects the management team to own the risk management process, implement appropriate policies for its approval, and provide relevant information on the risk environment to the Board to enable it to fulfil its duties.

How risk is managed
The Board retains overall responsibility for how the Group manages risk, and for the Group's systems of risk management and internal controls. The Board determines its appetite with respect to the Group's principal risks and, via the Audit & Risk Committee, assesses on an annual basis the effectiveness of the systems of risk management and internal control which are designed to mitigate the impact of those risks on the Group's operations.

During the year, the Board, with assistance from the Audit and Risk Committee, undertook an assessment of the Group's emerging and principal risks, together with its appetite, and extent of the risks that the Group is willing and able to take. This included those that would threaten its business model, future performance, solvency, or liquidity, so as to inform the parameters within which the business is authorised to operate.

Further details on the Group's risk management framework and how risks are evaluated and mitigated are detailed on pages 36 to 43. We operate a three lines of defence model, which provides a framework of responsibilities and accountabilities across the organisation.

Responsibility for risk management operates at all levels of the Company:



Review of risk management and internal controls during the year

In 2022, the Group continued to review and improve its processes for identifying, evaluating, managing, and monitoring the risks faced by the Group. The key focus of the risk strategy was to continue to embed the enterprise risk management framework to strengthen controls over the business operations.

Identifying, evaluating and managing risks, including emerging risks

There is a process in place for the identification, assessment, and management of risk, which is covered in further detail in the Risk Overview and Management section on pages 36 to 43. This includes consideration of the principal risks to the Group and any emerging risks identified, with the input of management and Internal Audit. This includes a robust assessment, at least annually, by the Audit and Risk Committee of the probability and potential impact of the risks which the Group may face.

Reporting has been developed to track the Group's performance against Board-agreed risk appetite and escalate new and emerging risks to the Audit and Risk Committee and the Board as appropriate.

There is an increasing focus on climate change and the risks to the business associated with external events and regulation in this area. During the year the Audit & Risk Committee reviewed the risks and opportunities to the Company associated with climate change. See pages 92 to 95 for further details.

Financial reporting

The executive directors oversee the preparation of the Group's annual corporate plan; the Board reviews and approves it and monitors actual performance against it on a regular basis. When deemed appropriate, revised forecasts are prepared and presented for Board review and approval.

To ensure that the information consolidated into the Group's Financial Statements is compliant with relevant accounting standards and the Group's own accounting policies, internal reporting data is reviewed regularly. The Audit and Risk Committee reviews the appropriateness of the Group's accounting policies for each reporting period. The Audit and Risk Committee considers reports from executive management, internal audit, the risk and compliance teams, and the Group's external auditor on the application of IFRS and the reliability of the Group's system of control over financial reporting.

Internal control effectiveness

The Board confirms it has, via the Audit & Risk Committee, performed its annual review of the effectiveness of internal control. Controls have been designed to ensure that the Group's financial reporting presents a true and fair reflection of the Group's financial position.

Fair, balanced, and understandable

The Board consider that the Annual Report and Accounts, taken as a whole, is fair, balanced, and understandable and provides the information necessary for shareholders to assess the Group's and Company's position, performance, business model, and strategy. The Board has made this assessment on the basis of a discussion on the content of the Annual Report assessing its fairness, balance and understandability, together with the confirmation from executive management that the Annual Report is fair, balanced and understandable.

Compliance with the UK Corporate Governance Code

The UK Corporate Governance Code published by the Financial Reporting Council in July 2018 (the Code) sets out principles for good corporate governance. The Code is available on the FRC website, www.frc.org.uk. In 2022, the Group complied with the provisions of the Code other than:

- Provision 5 in relation to the methods used to engage with the workforce. The Board has used an alternative method to engage with our workforce opposed to those recommended by the Code. The Board agreed that the non-executive directors should have collective responsibility for workforce engagement through a quarterly listening session programme whereby via rotation, a non-executive director meets with different groups of employees to gather views. The Board believes that, as well as providing the ability to receive a wider range of feedback from a large and geographically diverse range of employees, this method of engagement also aids visibility of the Board across the workforce. Further details can be found on page 52.

- Provision 11 in relation to the proportion of non-executive directors on the Board. Following the resignation of Ian Bull, Victoria Mitchell, and Deborah Sherry on 31 December 2022, 40% of the Board excluding the Chair are independent non-executive directors. A search is underway to appoint an additional non-executive director to increase the independent proportion of our Board, further details can be found in the Nomination Committee report on pages 78 to 81.

Paul Van der Burgh
Interim Chair
4 April 2023

Report from the Chair of the Nomination Committee

Dear Shareholder,

Committee members as at the date of these accounts
Paul Van der Burgh – Chair
Sue Farr
Robin Churchouse

The Nomination Committee (or the Committee) is composed solely of non-executive directors. *The General Counsel and Company Secretary also attends all meetings of the Committee. The Chief Executive Officer and the Chief People Officer are invited to join meetings of the Committee as appropriate.*

The attendance at meetings by each member of the Committee during the year under review is set out on page 74.

Having been appointed in the first quarter of 2023 as the Interim Chair, I am pleased to present my first report as Chair of the Nomination Committee which summarises the activities undertaken in 2022 in relation to the ongoing refreshment of the Board and leadership team.

The past few years have been periods of considerable change for the Company. Throughout the year under review, we have continued the work to enhance our governance and oversight arrangements and the further changes to the Board, as described below, have been crucial in this regard.

The Committee met 5 times during 2022 to consider a number of standing and ad-hoc items including matters such as the:

- Annual election and re-election at our Annual General Meeting;
- Changes to the Board alongside Board structure, size, and composition review;
- Appointment and terms of reference for our external Board evaluation provider;
- Output and suggested objectives resulting from that Board evaluation;
- Board skills matrix;
- 2023 training schedule;
- Committee's terms of reference review;
- Recruitment of a new Remuneration Chair;
- Review of the Company's succession plan (see pages 78 to 81);
- Non-executive directors' time commitments, external appointments, and the process for approving new external appointments; and
- Progress made against the Group's diversity policy/targets.

The role of the Nomination Committee

The role of the Nomination Committee is to establish a framework for appointments of executive and non-executive directors and senior management. The Nomination Committee further assists the Board in considering the skills, knowledge, independence, diversity, and experience requirements for the Board, ensuring its size, structure and composition is regularly reviewed and refreshed and makes recommendations to the Board when it believes changes are necessary. In addition, the Nomination Committee oversees the development of a diverse pipeline for succession to Board and senior management roles.

Succession planning and Board composition

Throughout 2022 the Committee continued the work undertaken during 2021 in relation to Board and senior management succession, as provided for in the Company's succession plan. The succession plan is an integral tool which supports the Nomination Committee in recommending appointments which will help drive the business forwards.

As a committee we review the succession plan for the Board, Executive Committee, and senior management to ensure that appointments are effective, based on merit and objective criteria, promote a diverse talent pool, and take into account the Group's strategic priorities and the challenges and opportunities that it faces.

As reported in the 2021 Annual Report and Accounts, the Committee recognised the need to strengthen the Board's expertise on remuneration matters. Following a recruitment exercise undertaken by an independent search consultant (Hedley May), the Nomination Committee agreed to recommend to the Board that Sue Farr, who is both a highly experienced plc non-executive director and also a specialist in remuneration matters, be appointed as an Independent Non-Executive Director and Chair of the Remuneration Committee. The Board believes that her experience and knowledge on executive remuneration will help create a leadership and performance culture that drives value creation without exposing the Company to excessive risk. Sue Farr was appointed on 1 September 2022 as Chair of the Remuneration Committee; she also joined the Audit and Risk Committee and Nomination Committee.

As noted in our 2021 Annual Report and Accounts, Deborah Sherry was appointed on 6 April 2022. On 14 September 2022, we announced that Deborah would be stepping down from the Board on 31 December 2022. We also announced that Victoria Mitchell, on completion of her three-year term, would step down on the same date. The Board thanks them both for their valuable contributions to Lookers and wishes them the very best for the future.

On the recommendation of the Committee, Robin Churchouse was appointed as Chair of Lookers Motor Group Limited, the Group's FCA regulated entity, on 13 September 2022.

Also, during the year, Ian Bull tendered his resignation as Chair of Lookers plc and he stepped down from the Board, for personal reasons, on 31 December 2022. I would like to thank him on behalf of the Board and wish him every success for the future.

Following recommendations of the Committee, as Senior Independent Director, I was asked to assume the role of Interim Non-Executive Chairman on 1 January 2023. Also on that date, Sue Farr assumed the role of Interim Senior Independent Director alongside her other current duties.

In December 2022, we reviewed the Board, Executive Committee, and senior management succession plans, which identified short term contingency replacements and potential successors in the next 12 to 24 months for orderly succession of Board and key executive roles and considered activities to strengthen and develop the talent pipeline in the Group. December 2022 also saw the Committee review the Board skills matrix and the 2023 training schedule to ensure skills and capabilities of the Board remain aligned to the Company's requirements as our strategy develops. The skills matrix is a key tool in ensuring that the Board has the necessary range of skills and experience to discharge its responsibilities, oversee management and respond to emerging trends. As noted on page 78, the Company undertook an external Board evaluation during the year under review. To reiterate, the main themes arising from that evaluation were to continue to build a strongly bonded Board, accelerate the successful strategic initiatives, board skillset, talent development and succession planning, and board meeting efficiency. The Committee has

Report from the Chair of the Nomination Committee

noted the output of this evaluation exercise and will incorporate this into its wider assessment of matters under its remit.

Following this review, and subsequent to Ian Bull's resignation, the Committee has resolved that the current interim arrangement in place (me acting as Interim Chair and Sue Farr as Interim Senior Independent Director) is working well and inspiring trust and confidence from the wider Board and senior management team. It is the Committee's view, also shared by the Board, that these arrangements should be given sufficient time to mature and develop ahead of making any firm decisions regarding any potential Chair or non-executive director search. We will provide updates on our plans in this regard as they develop, and as we know more. We recognise that this will, in the short term at least, maintain an insufficient number of non-executive directors insofar as the Code is concerned (at least half the Board excluding the Chair needing to be independent non-executive directors). However, we feel it is important to take time to ensure our next steps are fully considered, effective, and to ensure that the Group's strategic priorities and the challenges and opportunities that it faces are taken into account fully.

Appointment process

Board appointments are subject to approval by the Board, and the Nomination Committee will make recommendations to support the Board in its considerations and lead the process as appropriate. As a committee we determine:

- Where external candidates are sought, whether a search agency will be used and the process for their appointment;
- Specification for the role (including a definition of the role and capabilities required), taking into account the current balance of skills and experience on the Board;
- Whether there is internal talent available to fill any vacancy;
- Other ways to access a diverse pool of candidates including a wide range of backgrounds;
- The content of the role specification and usage of open advertising where appropriate;
- The structure of the interview process;
- The interview panel;
- Referencing requirements and candidate checks;
- Shareholder consultation; and
- Engagement with the Remuneration and other Board committees as appropriate.

Once the above are agreed, a timetable for the appointment is approved and the process commences. During 2022 appointments to the Board were facilitated exclusively via search agencies. Both Deborah Sherry and Sue Farr were recruited via a search agency (Hedley May), which has no connection with the Company or individual directors and their respective appointments were subject to interviews by the non-executive directors and the wider Board.

Shareholders are asked to vote annually on resolutions proposing each director for re-election at the Annual General Meeting (AGM) (or election if they have joined the Board since the last AGM).

Details of the directors standing for election/re-election at the 2023 AGM, with supporting information on their contribution to the Group, will be included in the Notice of AGM. The Committee has recommended to the Board that each director should stand for election or re-election by the Company's shareholders at the AGM.

Diversity

Lookers recognises the benefits of having a diverse Board and sees diversity at Board level as an essential element of maintaining both a competitive advantage and good corporate governance. Appointments to the Board are based on merit and objective criteria reflecting the skills, knowledge, experience, diversity, and independence needed to ensure a balanced and effective Board. As a Group, we have made real progress on our wider diversity initiatives across all levels within the Group. The Committee and the Board are determined to ensure that diversity is a key agenda item as we move through 2023. The Company's diversity policy set a target of ensuring that the proportion of women on the Board is not less than 20% by 2022 and not less than 33% by 2024. Whilst we met our target in 2022 (with 33.3% representation during much of H2), Deborah Sherry and Victoria Mitchell's resignations from the Board with effect from 31 December 2022 means that we are behind target as we enter 2023 (with 16.7% representation as at the date hereof). Whilst the Committee recommendations to the Board will always be based on merit and objective criteria the Committee is cognisant of the need to make real progress against these targets on any future recommendations it may make.

More information on the considerations in relation to diversity of the workforce is given in the Sustainability Report on page 100.

In addition to gender diversity, a diverse range of experience and backgrounds is also important. Further, the Committee has noted the Parker Review in relation to Ethnic Diversity of UK Boards and confirms that it is compliant with its recommendations in relation to Board membership. Details of the experience of the directors in situ as at the date of this report and the key attributes they bring to the Board are detailed on pages 62 to 65.

The gender balance as at 31 December 2022 was:

	2022			
	Male		Female	
	Number	%	Number	%
Board*	6	67	3	33
Senior Manager**	32	73	12	27
Senior Manager***	35	73	13	27
All Employees	4,970	76	1,592	24

*Includes Ian Bull, Deborah Sherry and Victoria Mitchell who resigned from the Board on 31 December 2022
** Executive Committee (excluding the Executive Directors) and their direct reports
*** Executive Committee (excluding the Executive Directors), their direct reports, and subsidiary directors as per the requirements of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013

Committee effectiveness

The Committee reviewed its own effectiveness via a questionnaire. The questionnaire focused on the remit of the Committee, the effectiveness of Committee meetings, the interaction between Committee members and executive management, and the Committee's effectiveness in discharging its responsibilities. Overall, the results were very positive with universal support for the Committee's remit, effectiveness of meetings, interaction with management, and the level of rigour and transparency in the Board appointment process. Succession plans were highlighted as an area for further consideration and would be a key focus of the Committee in 2023.

Objectives for 2023

Throughout 2023, the Nomination Committee will continue to review Board and senior management succession plans for the short, medium, and long-term progress against the objectives set following on from the Board evaluation, the Board skills matrix, and training plan to ensure that the Board remains positioned to deliver the Company's strategy. The Committee's review of the succession plan and skills matrix identified non-executive awareness of certain strategic and operational matters as an area for development. To address this the Board training programme for 2023 was reviewed and updated to include non-executive briefing sessions on key strategic topics to strengthen insight and contribution to Board discussions.

As noted above, the Committee will keep the Chair position and number of non-executive directors under review and will make a recommendation in this regard over the coming months. Further updates will be provided as appropriate.

Paul Van der Burgh
Chair of the Nomination Committee
4 April 2023

Report from the Chair of the Audit and Risk Committee

Dear Shareholder,

I am pleased to present my report as Chair of the Audit and Risk Committee (the Committee) for 2022, including our activities during the year and how we have looked to manage developments in the business and the wider environment.

2022 saw the Group deliver another strong performance against the backdrop of an external environment that remains volatile, with further progress made in enhancing the Group's systems of control.

Role and responsibilities

The Committee is an essential part of the Group's governance framework. Its fundamental purpose is to oversee and advise the Board on the Group's financial reporting, risk management, internal audit, external audit, and internal controls.

The Committee is specifically responsible for:

1. Monitoring the integrity of the financial statements and advising the Board as to whether they present a fair, balanced and understandable view of the Group's performance and position;
2. Reviewing, and challenging, the Group's accounting and financial reporting processes;
3. Advising the Board in assessing material accounting judgements, estimates and issues;
4. Advising the Board in assessing the Group's going concern and viability statements;
5. Overseeing the Group's overall risk profile, risk strategy, risk appetite and risk management framework – including the review of risk management arrangements, key risk policies, reports on risk positions, and activity by the Group's risk and compliance functions;
6. Monitoring the risk culture throughout the Group, and how effectively it supports good risk management;
7. Reviewing the role and effectiveness of the Group's risk and compliance functions, including the adequacy of the resources available to these functions;
8. Monitoring the scope, adequacy and effectiveness of the Group's internal operational controls, internal financial control and risk management systems, as well as the implementation of any remediation and improvement programmes;
9. Reviewing the arrangements in place to deal with whistleblowing, fraud, bribery and anti-money laundering;
10. Reviewing the role and effectiveness of the Group's internal audit function, including the adequacy of the resources available to the function;
11. Reviewing the annual workplan for the Group's internal audit function, as well as the results of the function's work and resolution of any identified issues;
12. Reviewing the role, effectiveness, and independence of the Group's external audit arrangements.

The Committee's terms of reference were reviewed and updated by the Committee and approved by the Board on 28 January 2022.

Composition and attendance

The Committee's membership is composed solely of independent Non-Executive Directors. During 2022 membership consisted of:

Robin Churchouse	(Chair)
Deborah Sherry	(appointed 6 April 2022, resigned 31 December 2022)
Paul Van der Burgh*	
Sue Farr	(appointed 1 September 2022)
Victoria Mitchell	(resigned 31 December 2022)

As a qualified chartered accountant and experienced chief financial officer with over 30 years' experience in leading and advising finance, risk, operational and strategic teams, I bring recent and relevant financial and accounting experience to the Committee. The Committee members have, through their current and previous business activities, broad experience in financial, risk, and commercial matters relevant to the automobile dealership sector in which the Company operates. Biographies of all members are shown on pages 62 to 65.

The Committee met 6 times during the year. Attendance of individual members is shown on page 74.

By invitation throughout the year, a broad range of management attended the Committee including the Chief Executive Officer, Chief Financial Officer, .Chief Operating Officer, Chief Risk Officer, Head of Internal Audit, General Counsel and Company Secretary, Group Chair, Group Financial Controller and Group Head of Risk.

Key matters impacting the Committee

During 2022, the Committee was focussed on a number of key areas, including the continued:

- normalisation of our financial reporting, with an aim of bringing our financial reporting timetable within market norms over the next few years;
- monitoring, embedding and enhancing our Group-wide risk management framework and processes;

*Paul Van der Burgh was a member of the Committee throughout 2022 and stepped down as a Committee member with effect from 5:30 pm on 31 December 2022 in light of his appointment as Interim Chair of the Board of Directors. He will continue to attend meetings by invitation.

- monitoring, embedding and enhancing our Group-wide financial controls and processes; and
- monitoring, developing and embedding our revised approach to internal audit.

Further details on the Committee's work in each of these areas is included in my review of our activities below.

Committee activities

Looking more broadly at the Committee's activities during 2022:

1. Financial reporting

Much of the Committee's time was, rightly, spent on monitoring and managing our financial reporting and accounts publication, including detailed consideration and challenge of our key accounting judgements and areas of complexity. Significant issues that the Committee considered included:

- Leasing – ensuring that the approach implemented was correct, consistent and that the judgements were valid;
- Goodwill and intangibles – challenging the judgements and assessments used including long-term growth rates, forecast cashflows, forecast timeframes and discount rates. Specific areas of challenge include calculation and benchmarking of the discount rate, and the parameters used in multiple sensitivity tests;
- Inventories – with, in the face of continued volatility in used car prices, a particular focus on valuations at period ends and gaining comfort that year end stock realised those valuations (or greater);
- Pensions – reviewing the assumptions used by management and the Group's external actuaries in valuing our schemes;
- Alternative Performance Measures – reviewing the treatment, or not, of certain items as non-underlying e.g. the sales transformation project;
- Going concern and viability statements – the Committee's considerations were again significantly complicated by the broad economic and political uncertainties, the war in Ukraine, and global factors such as the shortage of semiconductors and the impact on new car supply. The Committee reviewed the Group's management of impacts, its forecasts and funding arrangements, and a number of stressed scenarios tested against financing covenants and broader financial sustainability. The Committee challenged and amended some of the scenarios used, and the assumptions underlying them, after which, and taking into account discussions with and challenges from our external auditors, the Committee was satisfied that it was appropriate to adopt the going concern basis.

One of our primary roles is to ensure that the Group's accounts present a fair, balanced and understandable view of the Group's performance and position. This critically means that the accounts should provide shareholders with the information they need to assess the Group's position, performance, business model and strategy. In doing this we specifically considered whether:

- key events during the year were fairly reported, as well as any significant post balance sheet date events;
- key messages and judgements within the financial and narrative sections are consistent, and clearly presented; and
- alternative performance measures are clearly explained and appropriate to explaining the underlying performance of the business.

The Committee was satisfied that these factors, as well as the broader background and performance of the Group, were presented in a fair, balanced and understandable way.

2. Risk and compliance management, internal control systems and risk culture.

The Board has overall responsibility for the Group's risk management and internal control systems and for assessing their effectiveness. The Committee, along with the Lookers Motor Group Limited Board, plays a critical role in helping the Group to fulfil this responsibility through more detailed review and challenge, in particular of the Group's risk management structures, strategies and appetites.

The Committee spent a significant amount of time monitoring the continued embedding and enhancement of the Group's governance structure, enterprise risk management framework, and key risk policies.

Specific areas considered by the Committee during the year include:

- regular updates from the Chief Risk Officer on overarching risk management and compliance activities and developments, including health and safety matters – this included focussing the business's activities on higher risk areas such as: the compliance risk around the sales of regulated products; the risk of cyber security breaches; and broader information security risks;
- the Group's position against its agreed risk appetite, and the annual review and approval of our risk appetite statements and limits – including ensuring the statements and appetites reflect the evolution of the business and the environment in which it operates;
- updates from the Chief Risk Officer on regulatory compliance performance and reviews (including regulated complaints performance and quality assurance programmes), with a particular focus on continual improvement of our sales processes;
- updates on all interactions with the FCA;
- reports on incidents of actual or potential customer harm, and associated remediation programmes to ensure customers were made good;

Report from the Chair of the Audit and Risk Committee

- reports on general IT controls, including their maintenance and continuous improvement; particularly focussing on the Group's systems for dealing with cyber security and information security threats given the ever changing threat environment;
- briefings and reports on whistleblowing, money laundering and related financial crime matters, regulatory developments, and "horizon risks". This included an annual review of the adequacy of our money laundering arrangements and of the annual MLRO report;
- the annual refresh cycle of our risk management policies including conduct risk, regulatory risk, operational risk, and financial crime risk policies; and
- the risk and compliance functions' forward looking plans and resourcing requirements.

The Committee plays a significant role in preparing the Group's overall risk assessment and identification of key risks, which are set out on pages 36 to 43. For example, during the year the Committee looked at both the Group's risk appetite around climate change and its ongoing ESG programme to address both its own environmental impact, and the risks to its business model from broader climate change.

The Committee, as noted above, is responsible for monitoring the scope, adequacy and effectiveness of the Group's internal operational control, internal financial control, and risk management systems. The events of 2020 showed that the systems in place were not fully effective, and 2022 has continued to see further significant embedding and improvements in those systems and their effectiveness. The Committee has monitored and challenged the work undertaken during 2022 across a wide range of areas, both in terms of business as usual activity and continual improvements.

Whilst we are satisfied that our systems and controls are adequate, we remain committed to a programme of further improvement and embedding these improvements across all areas. This will enhance the systems and controls that we have in place, which is critical as both internal and external conditions continue to change.

Specifically, the work undertaken internally by our finance team, and by our auditors, alongside the Committee's own work, allows the Committee to be satisfied that it has adequate assurance over these accounts.

3. Internal audit

Throughout 2022 our internal audit function continued to develop under our Head of Internal Audit. This included progress on enhancing our audit approach, and on the approach to reporting and concluding on audit actions. The Committee reviewed and approved the forward-looking audit plan, amendments to that plan during the year, as well as a broad range of internal audit reports and their associated actions. As well as our ongoing programme of franchise audits covering key controls and processes across the Group, other areas covered included IT asset management, IT risk management, business continuity planning, change management, treasury management, complaints management, data governance and financial crime.

Throughout the year the Committee continually assessed whether the audits undertaken, in terms of both their coverage and their implementation and recommendations, provided an effective review of our audit risks and issues, and of the Group's activities and business units. This included reviewing the nature of issues identified, management responses and the internal audit team's effectiveness in monitoring resolution of the issues. We also received regular updates from the Head of Internal Audit on the composition, experience and skills base of his team. As a result of these considerations the Committee was satisfied that the audit programme was suitable for the Group and its activities, that the audits performed were effective, that the monitoring of actions and their resolution was effective and that the team possessed the requisite skills and experience for the Group.

All of the issues and actions identified during these audits are reviewed by the Committee, with the resolution by management monitored by the internal audit function. During the year we also monitored the introduction of an enhanced programme to ensure that changes implemented as a result of audit findings were properly embedded through follow up testing on their adherence.

4. External audit arrangements

The external auditors are BDO who were first appointed for the financial year commencing 1 January 2020 after a competitive tender. There are no current retendering plans and there are no contractual obligations restricting the Committee's choice of external auditors.

The lead audit partner is Mr Gary Harding whose appointment in this role commenced with the audit for the financial year ended 31 December 2020. Mr Harding has had no previous involvement with the Group in any capacity.

The Committee is responsible for assessing the effectiveness of BDO's audit including the robustness and quality of their audits as well as their independence and objectivity.

These matters are considered on an ongoing basis, and in more detail at specific points during the year. In particular, the Committee considered the proposed workplan presented by BDO, and challenged its coverage, approach and the key risks that formed its focus. The Committee was satisfied with the proposed plan and did not request that BDO look at any additional areas or risks. The Committee then reviewed the outputs from BDO's audit, including the degree of challenge they presented to management and, ultimately, to the Committee. This was particularly true around areas such as inventory valuation, lease accounting, (IFRS 16), and going concern and viability. In a number of these areas reviewing the outputs of BDO's own parallel stress and sensitivity testing formed an integral part of our assessments. We also considered and challenged BDO's review and commentary on both disclosures in general and alternative performance measures included in the financial statements. Members of the Committee also reviewed the FRC's 2022 Audit Quality Report for BDO and discussed the findings with them in relation to their audit of the Group's financial statements.

The Committee concluded that, critically, we were satisfied with the robustness and diligence of BDO's approach and conclusions. They brought an objective perspective, but one informed by their wider involvement in our sector, to a number of key judgement areas that ensured a robust debate and appropriate conclusions.

In considering BDO's independence and objectivity the Committee has taken into account:

- BDO's annual independence statement, their report on their internal processes and considerations surrounding independence, and their compliance with relevant laws, regulations and other professional and ethical statements;
- the rotation of the lead audit partner every five years and rotation of other senior audit staff at regular intervals;
- the business's feedback on BDO's approach and performance;
- the short tenure of BDO; and
- the Committee's own interactions with BDO, allied with their independent reporting line to the Chair of the Committee, to the Committee as a whole and the regular holding of meetings between the auditor and the Committee in the absence of any executive management.

Taking all of these into account, the Committee is satisfied with BDO's independence and level of challenge.

BDO received £135,000 non-audit fees paid in relation to their work on the Company's interim results for the year ended 31 December 2022 (2021: £130,000).

5. Committee effectiveness

The Committee reviewed its own effectiveness via a questionnaire completed by Committee members and key stakeholders. The questionnaire focused on the skills and experience of Committee members, the level of challenge directed to management, the internal audit function and the external auditor, the conduct of the Committee and communication with key stakeholders. Value Alpha, the external consultancy appointed to review the effectiveness of the Board, also attended a meeting of the Committee as part of its evaluation process and a number of findings and recommendations in respect of the Board's effectiveness, for example those relating to meeting efficiency apply to the Committee. Further information on the findings in respect of the Board can be found on pages 78 to 81. Overall, the Committee was found to be operating well, with challenge of management, monitoring the integrity of the financial statements, and discussion of significant accounting matters being scored highly by respondents. Rationalising the meetings of the Committee and those of the Board of Lookers Motor Group Limited would be a key area of focus for 2023 to improve meeting efficiency and further focus would be given to key operational risks.

Looking forward

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

Robin Churchouse
Chair of the Audit and Risk Committee
4 April 2023

Sustainability report

Introduction

At Lookers, we understand that Environmental, Social and Governance ("ESG") issues are important to our stakeholders and that the alignment of ESG matters with our business strategy is key to our long-term success. In recognition of this, we partnered with CEN-ESG to help identify and assess the key ESG topics which matter most to our key stakeholders and develop an informed ESG framework to support our business strategy and engaged Inspired ESG to support our ESG reporting requirements.

How we developed our ESG Framework.

Choosing ESG material topics	We established a steering group consisting of relevant subject matter experts from across the Company. The steering group and our executive directors chose our ESG material topics and ranked them in priority order.
Engaging with our stakeholders	In line with our core values, we surveyed colleagues, customers, major shareholders, lending banks, and key suppliers, including OEMs to incorporate their views into our analysis and improve our understanding of the issues that are of importance to them.
Analysing & prioritising ESG topics	We used the rankings to prioritise the ESG topics that matter most to us and our stakeholders and focus on the key issues to shape our sustainability strategy.

The analysis identified the following ESG elements as essential to our success and helped form our ESG strategy that was approved by the Board in September 2022.

ENVIRONMENTAL	Energy management to reduce energy use at our sites and transition to Net Zero. Managing, monitoring and reporting our operational waste. Reducing the environmental impact of our indirect supply chain. Offering products and services to enable a transition to Net Zero Carbon transport and home energy solutions.
SOCIAL	Safeguarding the health, safety and wellbeing of our colleagues and customers. Processing colleague and customer data in a fair, responsible and transparent manner. Having a workforce that reflects the customers we serve. Providing our high-performing colleagues with clear career paths and stretch opportunities.
GOVERNANCE	Operating with integrity, due skill care, and diligence, and respecting regulation and laws in all dealings.

Further details of our ESG strategy, including our key priority areas, can be found on our website.

GOVERNANCE

The Board as a whole is responsible for ensuring that the strategy, policies, and processes within the Group promote the long-term sustainable success of the business and protect the interests of all of its stakeholders. Ensuring that the Group operates with integrity is a key focus of the Board, and accordingly the adoption or variation of certain Group policies including those relating to business conduct, risk, corporate social responsibility, diversity, health and safety and our workforce are matters reserved for the Board as a whole. As described on pages 52 to 53, the Board monitors the culture of the Company to ensure alignment with Group policies, compliance with applicable regulations, and that our workforce operate with the integrity, due skill, care, and diligence expected of them.

Mindful of the role ESG matters play in delivering long-term sustainable value for our shareholders, the Remuneration Committee reviewed proposals to include an ESG measure in the performance targets for the 2023 Long Term Incentive Plan, and given the nature of our business, agreed that an environmental measure would be most appropriate. Cognisant that the ESG measure would need to align with the Company's strategy and work being done to form the Company's Net Zero targets, the Committee agreed to delay setting the ESG target until there was greater clarity on the Company's Net Zero targets and agreed a timetable for setting the target in H1 2023. Further information can be found in the Directors' Remuneration Report on pages 104 to 133.

The Group's risk management methodology incorporates climate-related risks which are considered by the Board when reviewing the Group's strategy and business objectives. The Audit and Risk Committee (ARC) assists the Board in its assessment of the Group's emerging and principal risks, and oversees the opportunities and risks associated with the climate as part of its risk control evaluations. The ARC meets quarterly to discuss the Group's risks and evaluates the climate change risks annually.

The Group's sustainability framework is overseen at the senior management level by the Executive Committee (ExCo), who discuss climate change on a quarterly basis. The ExCo oversees formulating the Group's sustainability goals and objectives, establishing best practices, allocating delivery responsibilities, and tracking action plan success. Various departments within Lookers feed into the ExCo, reporting progress with the Group's overall sustainability programme and updating on the business's climate change management. The Board and ExCo take part in the Group's mandatory training programme as described on pages 72 to 73 and the ExCo took part in carbon literacy training in July 2022, enhancing climate change knowledge at the senior leadership level. Other senior managers have also been subject to educational climate change training via third-party specialists during 2022.

ENVIRONMENTAL MATTERS

Our environmental risk policy sets out our commitment to minimise the potential negative impact our business may have on the environment over the long term. We are focused on finding ways to reduce our environmental impact across the whole value chain. This includes ensuring that our operations support sustainability and consider both how our actions impact the environment around us and how environmental changes and requirements in this area impact how we run our business.

We are working to reduce the environmental impact of the vehicles we sell and continued to expand our offerings of hybrid and electric vehicles in 2022 including the launch of ORA, a new to the UK market pure electric vehicle brand, and secured agreement for three sites with BYD, another new to the market pure electric vehicle brand, to provide more choices for our electric vehicle customers. The current breakdown of sales of passenger cars for the years to 31 December is set out below:

Passenger vehicles (new)	2022	2021
Total units sold	70,116	70,887
Number of electric vehicles	13,858	11,426
Percentage of electric vehicles	19.8%	16.1%
Number of hybrid vehicles	6,163	5,170
Percentage of hybrid vehicles	8.8%	7.3%

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

Reducing the environmental impact of our indirect supply chain

During the year we introduced our supplier code of conduct that sets out our expectations regarding the environmental impact of our indirect suppliers. As a minimum our suppliers are required to maintain environmental and energy management policies which conform to relevant international standards and adhere to all local laws with respect to the environment.

Managing, monitoring and reporting our operational waste

We monitor the areas of our business that may negatively impact on the environment including contamination, asbestos, waste oil and waste recycling, together with energy, water and fuel efficiency. No environmental fines or penalties have been issued against the Group in 2022 or in the previous 3 years.

Sustainability report

Waste

We continue to work with Enva, a triple ISO certificated external waste and resource recovery management company to continue to achieve extremely high recycling rates for both hazardous and non-hazardous materials and to ensure that none of our waste goes to landfill. Working with the segment specialist, Enva have facilitated a position where 100% of our hazardous waste is recycled/recovered and have assisted in increasing onsite dry mixed waste recycling to reduce the requirements on material recovery facilities.

The tables below summarise waste streams and volumes for the year to 31 December. Data is sourced from Enva and covers 100% of mainland UK operations.

	2022	2021	2020
	tonnes	tonnes	tonnes
Trade waste	3,207	3,238	3,009
Hazardous waste	1,761	1,819	1,810
Total waste	**4,968**	**5,057**	**4,819**

	2022	2021	2020
	tonnes	tonnes	tonnes
Dry mixed recycling	2,714	2,109	2,015
Material recovery facility	247	564	498
Hazardous recycled	1,761	1,780	1,780
Recycling total	**4,722**	**4,453**	**4,293**

	2022	2021	2020
	tonnes	tonnes	tonnes
General waste incineration	246	565	497
Hazardous waste incineration	0	39	29
Total waste to energy	**246**	**604**	**526**

	2022	2021	2020
	%	%	%
Total recycled	95	88	89
Total hazardous recycled	100	98	98

Water

Water is a key to our operations; the main uses for water are valeting cars, toilets, hand washing, showers and drinks. As per the requirements of our environmental risk policy, processes are in place to ensure that all legislative requirements in relation to water use and consumption are met, including water risk assessments, Legionnaires Disease risk assessments, discharge licenses and interceptor cleaning and compliance. We recognise that some of our operations are in high water stress areas, namely the South East of England. We seek to use water in the most environmentally friendly and socially responsible way across all of our operations, particularly in these areas, and seek to reduce water consumption year on year. Our water consumption in 2022 was 173,743m3, with an intensity of 40 cubic meters per £million of revenue.

Energy management

The reduction of carbon emissions and energy consumption is a high priority for the Group. We have partnered with Autotrader and the Carbon Literacy Project to develop and launch a new Automotive Carbon Literacy Toolkit to support us in reducing our carbon footprint and in April 2022 we launched carbon literacy training for all of our colleagues. We provided 23 training sessions in 2022 and trained over 120 employees.

During 2022, we rolled out a building management system (BMS) trial at three of our sites to reduce their energy usage and plan to extend this to a further ten sites in 2023. We are also exploring the potential for renewable energy generation at our sites and have developed plans to install solar panels at some of our sites in 2023 to reduce our reliance on the National Grid, help mitigate any potential carbon pricing mechanisms and reduce our Scope 1 and 2 emissions.

At the end of 2021, we launched 'The Big Switch Off', an initiative to reduce our carbon footprint by switching off all non-essential equipment over the Christmas break. The success of this scheme led us to launch 'The Big Switch Off 2.0' in February 2022 to encourage our employees to save energy by turning off all energy-consuming equipment between working hours when our sites were dormant helping us save over £500,000 in energy costs.

We will launch 'The Big Switch Off 3.0' in 2023, with an added site-focused approach and create a network of site-based "Energy Champions" to lead in identifying and implementing energy reduction initiatives at a local level.


Lookers

Sustainability report

TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURES (TCFD)

Overview – Introduction to climate change and the TCFD
Considering the risks and opportunities of a changing climate and how we may mitigate these impacts has become paramount for our business. At Lookers, we recognise our impact as a vehicle retailer on the climate and are prepared to lead by example within our sector.

We welcome the Financial Stability Board's Task Force on Climate-Related Financial Disclosure (TCFD) recommendations, which we disclosed voluntarily for the first time in 2021. The TCFD framework comprises of 11 recommendations under four themes, which supports Lookers in identifying, assessing and managing the climate-related risks and opportunities associated with our business. The following disclosure outlines the development and progress we have made regarding climate change in 2022. We have extended our reporting to include climate scenario analysis on a selection of our sites and improved the granularity of our climate risk register.

Lookers has complied with 9 out of the 11 recommendations of LR 9.8.6R by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures. We are currently developing our Net Zero strategy and transition plan, which will be finalised in H1 FY23. The transition plan will allow us to both analyse our strategy under each warming scenario and disclose our climate-related targets. This will ensure we are fully compliant with the recommendations for Strategy (c) and for Metrics & targets (c) in FY23. We will also be publishing a stand-alone TCFD report alongside our annual report to provide additional, supplementary information to the following disclosure.

Governance – Ensuring transparency in the way we govern climate-related risks.
The Board is responsible for Lookers' response to climate change. To ensure that appropriate climate management practices are included in our future business operations and financial strategy, the Board provides oversight on climate-related risks and opportunities and frequently assesses progress made in this area. Mark Raban, as Chief Executive Officer, oversees sustainability and communicates with our stakeholders, the Board, and management about our climate action plan. Oliver Laird, as Chief Financial Officer, overseas supplier and property management matters and is accountable for the changes needed to deliver the Group's carbon reduction plan and ensuring that implications related to climate change are incorporated into the Group's forecasts and budget. Marcus Kenny, as Chief Risk Officer, oversees the assessment and monitoring of climate-related risks. The CEO, CFO and CRO all sit on the Board of Directors and both the Executive Committee (ExCo) and the Audit and Risk Committee (ARC).

Further details of governance of climate risk and other ESG matters can be found on page 77.

Strategy – Creating sustainable business value.
Lookers has a clear strategy to deliver sustainable business growth, whilst ensuring that we continue to operate efficiently. Climate change may prevent us from achieving this goal, so we welcome the recommendations from the TCFD to embed climate change risks into our business strategy.

In 2021, we established a climate risk register for the first time, which included six climate risks and three opportunities that were material to our business. For FY22, we are delighted to have expanded this register to include fifteen risks and four opportunities. Improving the granularity of these risks has allowed us to consider further implications of climate change and ensure we are addressing these (where possible). Any impact to our sites across the UK and Ireland could present a significant risk to our business. This year, we have improved our climate scenario analysis to better understand the physical risks on our sites.

Our Climate Scenarios
We used three climate change scenarios, as recommended by the TCFD, to assess the effects of each identified risk on our company's operations and financial planning. These scenarios were developed using several recognised international frameworks, which we discuss in more detail in our stand-alone 2022 TCFD report.

The climate scenarios used for analysis.

Scenario	Description
Below 2°C by 2100	• Climate change mitigation initiatives are taken seriously as governments, businesses and the public work cohesively to achieve Net Zero and limit global warming to under 2°C by 2100. • This consistent strategy for addressing climate change will increase costs for organisations, increasing the transition risks to the desired low-carbon economy, but the physical impacts will be benign.
2-3°C by 2100	• A delayed response to climate change will lead to the unanticipated deployment of measures to reduce global emissions. The COP26 policies and accords sit in this scenario. • Business as usual (BAU) continues in the short term, but owing to the delayed response, transition risks are higher, and there are certain physical risks in the medium term.
Above 3°C by 2100	• In this worst-case scenario, nothing or little is done to address climate change, and BAU is maintained over the next few decades. • The increase in global emissions through 2040 will result in multiple climate tipping points being reached, meaning physical risks will be at their greatest impact.

The impacts of climate change will occur beyond the usual boundaries considered by businesses. Therefore, we modelled the above three scenarios over the following three time horizons, as recommended by the TCFD:

- Short-term (2020-2025)
- Medium-term (2025-2035)
- Long-term (2035-2050)

The results from the climate scenario analysis were discussed in November 2022 with our Head of Risk, Head of Compliance, Business Development Coordinator, Head of Procurement, Senior Brand Marketing Manager, Deputy Company Secretary and Head of Property to determine the impact of each potential climate related risk. The resulting climate-risk register was then presented and discussed during our ExCo meeting in December 2022 and during an Audit & Risk Committee meeting in February 2023 specifically convened to review and discuss the Group's climate risk.

Outlined below are the material climate-related risks and opportunities. The full climate risk register, including further details and the excluded minor physical risks, can be found in our stand-alone 2022 TCFD report.

Sustainability report

The Group's climate-related transitional risks.

Area	Risk	Time horizon and scenario	Impact and rating	Metric
Policy & Legal Risks	**Increased reporting requirements and adverse vehicle or energy regulation due to climate change** Lookers is already impacted by government regulations introduced to reduce energy use and emissions. As reporting requirements increase, the costs and resources required to ensure Lookers remains compliant with additional motor vehicle and climate change reporting are likely to increase. We already allocate internal resources and have engaged with a third-party specialist, to ensure compliance with current and emerging regulations. We carefully monitor legislative developments and engage with the supply chain, to drive environmental leadership. Senior management team members are being made aware of the critical compliance requirements within their business units and liaise with the CFO and external advisers to identify and manage issues.	Medium-term (2025-2035) Below 2°C; 2°C-3°C	Increased operating costs **Moderate**	Annual cost (£) of internal resources used to monitor climate legislation and compliance.
	Carbon pricing mechanisms In the medium term, a potential carbon tax within the UK may be introduced for our industry through vehicle retail or our suppliers. This could increase vehicle manufacturing and transporting costs. It would be the highest impact under the 2°C-3°C scenario, particularly in 2026, when carbon pricing is projected to peak. Failure to prepare could significantly impact the financial performance of the business. Our carbon emissions will decrease year on year as we work towards understanding and reducing our carbon footprint. We aim to mitigate the impact of carbon pricing on our operations by exploring the possibility of installing solar PV at our sites, reducing our energy demand from the grid. This year, we are developing a Net Zero strategy and transition plan, to reduce this risk's impact on our own business operations.	Medium-term (2025-2035) 2°C-3°C	Increased direct costs **Moderate**	An internal carbon price will be calculated within two years.
Market Risks	**Changing consumer preferences (such as to BEVs) and increased sensitivity to ESG** A reduction in customer spending could have an adverse effect on Lookers' revenue and profitability. With environmental awareness growing in importance, customers may change their preferences to purchase more sustainable alternatives, including BEVs. Our business model is diverse and resilient in terms of brand exposure across new, used and aftersales, and we do not expect this to pose a significant risk to the business. We have recently invested in reducing our impact on the environment, by ensuring our operations are energy efficient and are developing a Net Zero strategy to further this commitment.	Medium-term (2025-2035) Below 2°C; 2°C-3°C	Decreased revenue **Minor**	Annual number of BEVs sold Annual percentage of revenue linked to BEVs and sustainable products.
	Increased costs of raw materials Increases in raw material costs in our supply chain could adversely impact Lookers' profitability. Climate change is likely to result in increased raw material costs, supply disruptions, and delayed deliveries Increased energy costs are already impacting the business and are likely to continue to rise. We maintain strong relationships with key suppliers whom we regularly review. Supply options are diversified, providing flexibility and reducing reliance on individual suppliers. We may experience increases in the costs of oils used in servicing vehicles, but we expect this risk to have a minor impact.	Long-term (2035-2050) Below 2°C; 2°C-3°C	Increased indirect (operating) costs **Minor**	Annual cost increase (£) linked to raw material pricing.

Area	Risk	Time horizon and scenario	Impact and rating	Metric
Market Risks	**Availability of raw materials** A reduced supply of vehicle components could result in the supply of vehicles and parts not meeting Lookers' demand, leading to delays and disruptions, impacting our revenue streams. We are always researching options to diversify our supply chain, to prevent potential delays and scenarios, where products are not available with a particular supplier. As we move forward, we will continue to monitor and maintain these relationships with our current suppliers, so we will be informed on delays or issues as early as possible.	Long-term (2035-2050) Below 2°C; 2°C-3°C	Loss of sales revenue **Moderate**	Number of suppliers who cite delays relating to the availability of raw materials used in manufacturing. Percentage annual increase in energy prices.
Reputation Risks	**Cost of capital linked to sustainability criteria** With the increasing importance of ESG and sustainability, stakeholder concern for developing our ESG programme is likely to increase. Failing to proactively communicate how we will reduce our environmental impact could result in the loss of potential capital, whether debt or equity. We have already allocated internal resources through a comprehensive sustainability management programme and have engaged with a third-party specialist, to ensure compliance and best practice. We will communicate progress to stakeholders by publicising our second TCFD and first stand-alone TCFD report for FY22.	Short-term (2022-2025) Below 2°C; 2°C-3°C	Decreased access to capital **Major**	Annually evaluating sustainability criteria on capital.
	Loss of revenue linked to damaged reputation Reputational damage from a customer perspective could be material and significantly affect the business's financial performance. Customers could switch to our competitors, who are performing better in relation to ESG and sustainability. We have allocated sustainability resources to ensure compliance and best practice.	Short-term (2022-2025) Below 2°C; 2°C-3°C	Loss of revenue **Moderate**	We constantly review press reports and social media commentary.
Technology Risks	**The operational impact of the shift to lower emissions alternatives & BEVs** Shifting our product range to more efficient and sustainable products will be a gradual process until 2035. We expect increasing demand for BEVs, in all timeframes, as we have seen during 2022. While we are ready for this change from a sales perspective, we are aware of the impact this will have on aftersales revenue. BEVs have fewer parts, use fewer fluids, do not possess exhaust systems and exhibit lower wear from use (for example, regenerative braking decreases wear on brake pads). We expect total aftersales revenue opportunities to decrease as demand for BEVs increases. However, BEVs will still need to be serviced and repaired by highly trained technicians, with similar servicing schedules to ICE engines. We can take advantage of this BEV specialisation over our independent competitors, who may need more preparation time to deal with widespread BEV servicing demands (refer to opportunity two). Furthermore, we are researching electrifying our transport fleet, which will reduce our carbon emissions.	Short-term (2022-2025) Below 2°C; 2°C-3°C	Increased operating costs / reduced aftersales revenue **Moderate**	Annual revenue (£) relating to aftersales servicing.

Sustainability report

Area	Risk	Time horizon and scenario	Impact and rating	Metric
Technology Risks	**Costs to transition to lower emissions technology and BEVs** BEVs are already increasing their market share annually. Newer sustainable technology will come onto the market over the coming years. Adopting or deploying new practices or processes will come at a cost to the business. However, we expect changes to occur gradually over time. As we aim to reduce our carbon emissions, we may need to invest in lower-emission technology, including but not limited to the transition to BEVs, resulting in increased costs for the Company. We have estimated the capital expenditure cost of electrifying our own estate is £10.0 to £20.0m, which includes the installation of charging points, substations, transformers and more complex service equipment. Current technicians will need to be retrained in electrification conversion courses at an additional cost to the business. Timing the BEV transition is crucial, moving too quickly could result in write-offs of stranded assets, whilst moving too slowly could damage our market share. This year we have continued to invest responsibly into the BEV transition, which is core to our strategy.	Short-term (2022-2025) Below 2°C; 2°C-3°C	Increased operating costs / Reduction in total revenue **Moderate**	Annual cost (£) associated with training technicians for BEV servicing. Annual cost (£) associated with installing BEV infrastructure, such as charging points.

The Group's material climate-related physical risks rated "Moderate" or above. The remaining risks can be found in our full 2022 TCFD report.

Area	Risk	Time horizon and scenario	Impact and rating	Metric
Acute	**Increased severity of flooding** Fourteen of our sites are located near water bodies and are considered a high flood risk, which could increase with climate change. This may result in direct damage to our assets and transport networks, resulting in increased costs and operational delays. Extreme weather conditions may increase production costs or cause supply chain disruptions, but they are unlikely to permanently disrupt our ability to sell or service vehicles in the long term. We have conducted climate scenario analysis on our key sites and will continue this annually, including expanding the locations that we analyse. We ensure that we are comprehensively covered by insurance, and have a business continuity framework in place which includes site-specific crisis management plans to mitigate the impact of a flooded site, such as diverting staff and customers to nearby dealerships.	Medium-term (2025-2035) 2-3°C; above 3°C	Decreased Increase direct costs **Moderate**	Value (£) of key site assets located within flood risk zones. Annual flood insurance premiums for sites. Annual maintenance costs due to damage from floods and storms.
	Increased heatwaves and extreme heat The frequency and intensity of heatwaves are expected to rise in the UK with climate change. This leads to increased demand for cooling and energy (for example, air-conditioning, fans, and water). The heatwaves during the summer of 2022 did not provide any business disruption for Lookers, as most of our sites are air-conditioned. However, if heatwaves increase in frequency and intensity, it could provide more of a risk to our business in the longer term. The health and wellbeing of colleagues are always the overriding priority.	Medium-term (2025-2035) 2-3°C; above 3°C	Increase direct costs **Moderate**	Energy use (KWh) and associated costs (£) from periods of extreme heat.

The Group's climate-related opportunities.

Area	Opportunity	Time horizon and scenario	Metric
Market	**Consumer demand shifting to BEVs** The switch to BEVs due to consumer demand presents a significant potential for primary sales. Our main goal is to establish a competitive position in the BEV market and successfully address technological risks to generate revenue. Based upon the Society of Motor Manufacturers and Traders (SMMT) UK car parc outlook published in June 2021, the base case estimate for the penetration of BEVs by 2030 is for them to make up 16.0% of the forecast 34.6m UK car parc (5.6m vehicles). BEVs manufactured in Europe are increasing in price due partly to the costs associated with importing batteries from China, resulting in a gap in the market for affordable, mid-range BEVs in the UK. Chinese manufacturers, who are able to produce BEVs and batteries more cheaply, can fill this gap. Lookers continue to monitor this transition, to be ahead of the curve as demand increases. The Group has maintained a strong market share in the BEV market during FY22, and the new Chinese suppliers provide an excellent opportunity for the Group to mitigate any BEV supply issues.	Medium-term (2025-2035) Below 2°C; 2°C-3°C	Percentage of revenue linked to BEVs.
	Increased demand for BEV servicing With the shift to BEVs, our dealerships will have specialist capabilities to service and repair BEVs after the sale, whereas smaller independent garages may not have these capabilities. The consumer shift to BEVs will put Lookers in a critical position to capitalise on BEV aftersales opportunities. Ensuring the technicians at our dealerships have the expert knowledge and training required to deliver exceptional BEV servicing will be essential to Lookers becoming industry leaders in this area. This training will be a focus for Lookers over the next few years.	Medium-term (2025-2035) Below 2°C; 2°C-3°C	Percentage of aftersales servicing linked to BEVs.
Resource Efficiency	**On-site renewable energy** Mitigating carbon pricing through investing in renewable energy is an opportunity. By installing renewable solar PV at our sites, energy costs can be further reduced. Lookers' total carbon footprint can be reduced by procuring renewable energy for our sites for the remainder of our energy use. We have plans to roll out solar PV to a selection of our sites in FY23. We expect this trial to considerably reduce our energy demand from the grid and reduce our total Scope 2 carbon emissions from the sites.	Short-term (2022-2025) Below 2°C; 2°C-3°C	Annual energy generation potential (KWh) from on-site renewable energy schemes.
	Energy efficiency in operations Investment in resource efficiency will lower energy intensity and lead to cheaper and more consistent operating costs, enhancing operational efficiency. This will be accomplished by decreasing energy, water, and waste across the Group. The power needed for our workshops, heating, ventilation, air conditioning, and lighting are the primary energy users on the sites. Our sites' energy demand will be efficiently controlled and managed with the installation of a building management system, which is expected to cost £1.2 million. Further detail on this and our other energy-saving initiatives can be found on page 99.	Short-term (2022-2025) Below 2°C; 2°C-3°C	Annual percentage change in Scope 1 and 2 emissions.

Sustainability report

Risk Management – Ensuring climate representation in our risk management framework.
The Group's risk management process is well established, with climate change playing an increasing role over the last two years, as we have aligned the TCFD's recommendations. We have incorporated a four-step approach to climate risk management, which is aligned with our Enterprise Risk Management Framework (ERMF).

1. Identify	We engaged numerous internal stakeholders during 2022, to reassess the materiality of the climate-related risks identified in 2021, and to identify any further risks for consideration.
2. Measure	We collaborated with a third-party ESG firm to undertake a climate scenario analysis. They helped to increase our understanding of the risks and opportunities associated with climate change and how they could affect our business. To comprehend the impact of existing climate-related risks across the organisation, we facilitated two climate risk management workshops in November 2022 with various internal stakeholders, which were used to support our analysis. During these workshops, we determined the rating of each risk using established thresholds from the ERMF. These were minor, moderate, major, severe and critical and allowed us to prioritise the climate-related risks.
3. Manage	After reviewing each risk's potential effects, we evaluated a variety of risk management approaches. For each risk and opportunity related to climate change, we assessed the effectiveness of the present risk mitigation measures during a session we held in Q4. To ensure that our business processes are climate change resistant, we created a framework for managing climate risk after the climate risk workshops we had in November 2022.
4. Monitor & Report	We have implemented mitigation measures (where necessary) to lower the impact of climate change on our business. Every year, we intend to review the opportunities and risks associated with the climate, observe how well our mitigation strategies are working, and re-evaluate the impact as necessary. The ARC will manage the climate risk register, incorporating climate change into our wider risk management process. They will ensure that the climate risks and opportunities are appropriately assessed, reported, and tracked.

Further information on the climate risk management process, including who was involved and detailed steps of what actions were taken, can be found in our full 2022 TCFD report.

Metrics & Targets – Our progress and commitments
During FY22, under the direction of the Board, we have continued to focus on operating a sustainable business strategy. Whilst we recognise our impact on the planet as a vehicle retailer, we understand our responsibility to reduce our environmental footprint. In 2022 we worked with Inspired plc, a third-party ESG specialist, who has supported us with calculating our Scope 1, 2 and 3 emissions and developing Net Zero targets and a transition plan, which we will be finalising in H1, FY23.

Metrics used to measure and manage our climate risks and opportunities
The climate risk register in the tables show the metrics Lookers will be using to monitor and measure the climate related risks and opportunities As we are at the start of our TCFD journey, we will be aiming to collect this data within the next two years, and thereafter reporting annually on the development of each climate risk against the metrics identified.

Our Net Zero Commitment
In 2022, we developed a greenhouse gas (GHG) emissions inventory to establish our Scope 1, 2 and 3 emissions footprint for 2021 and provide baseline data for our decarbonisation targets and strategy. Based on the results of this exercise, there are four key areas that we will focus on within our Net Zero strategy: Operations, Procurement, Products and People. We are in the process of developing our strategy report and transition plan, which will establish decarbonisation actions and pathways for each of the four focus areas. The pathways will align with our near-term and Net Zero targets to ensure our business has a clear action plan that will support our decarbonisation goals. We are committed to achieving Net Zero by 2050, in line with UK legislation. As part of the strategy and transition plan development, this target will be reviewed, and near-term targets will be put in place to provide ambitious deadlines for decarbonisation. We aim to finalise our full Net Zero transition plan in H1 2023.

Scope 1, 2 and 3 Emissions

We have calculated our Scope 1 and 2 GHG emissions for 2022 under SECR. Following the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standards, we have strived to enhance our Scope 3 data gathering procedures in 2022. We have baselined our Scope 3 emissions for FY21, which were 5,592,428 tCO2e, and will provide a baseline for reaching Net Zero. We are currently undergoing the same process for 2022, and now that the data collection process has been established internally, we will be able to report on our emissions for both the previous and current reporting period in the disclosure for FY23. The GHG emissions inventory has highlighted the importance of the emissions connected to the vehicles we sell (accounting for 3,733,766 tCO2e, 66% of our Scope 3 emissions) and our logistics and supply chain operations. In total, 99.5% of our carbon footprint is located within our Scope 3 emissions. We expect demand for BEVs to continue to rise over the next few years (as outlined in our climate risk register) and anticipate a reduction in our Scope 3 emissions as we sell more BEVs than ICE vehicles.

Lookers baselined GHG emissions inventory

Emissions Scope & Scope 3 Category	FY21 Greenhouse gas emissions		FY22 Greenhouse gas emissions
	tCO_2e (location-based)	% (location-based)	tCO_2e (location-based)
Scope 1	19,117	0.3%	17,555
Natural Gas and other fuels	5,987	0.1%	5,037
Transportation (excluding grey fleet)	13,130	0.2%	12,518
Scope 2	7,062	0.1%	6,038.71
Scope 3	5,592,428	99.6%	In progress
1. Purchased Goods & Services	1,762,157	31.4%	In progress
2. Capital Goods	14,267	0.3%	In progress
3. Fuel-related Emissions	7,087	0.1%	In progress
4. Upstream Transportation and Distribution	6,408	0.1%	In progress
5. Waste Generated in Operations	124	0.0%	In progress
6. Business Travel	112	0.0%	In progress
7. Employee Commuting	2,917	0.1%	In progress
8. Upstream Leased Assets	376	0.0%	In progress
9. Use of Sold Products	3,733,766	66.4%	In progress
10. End-of-life Treatment of Sold Products	9,466	0.2%	In progress
11. Downstream Leased Assets	55,748	1.0%	In progress
Total All Scopes	**5,618,607**	**100%**	**In progress**
All scopes tCO2e per £m T/O	**1,387**		**In progress**

Sustainability report

Streamlined Energy and Carbon Reporting (SECR)

Lookers global SECR emissions data for 2022

Utility and Scope	2022 Emissions (tCO_2e) Location-based	2021 Emissions (tCO_2e) Location-based
Scope 1 Total	**17,554.60**	**19,117.32**
Gaseous and other fuels	5,036.78	5,987.01
Transportation	12,517.82	13,130.31
Scope 2 Total	**6,038.71**	**7,062.15**
Grid-supplied electricity	6,033.48	7,061.99
Transportation	5.23	0.16
Scope 3 Total	**67.43**	**22.27**
Transportation	67.43	22.27
Total	**23,660.74**	**26,201.74**

Lookers global SECR energy data for 2022

Utility and Scope	2022 Consumption (kWh)	2021 Emissions (kWh)
Scope 1 Total	**80,374,595**	**88,259,076**
Gaseous and other fuels	26,845,886	31,992,604
Transportation	53,528,709	56,266,472
Scope 2 Total	**30,932,622**	**33,116,446**
Grid-supplied electricity	30,905,602	33,115,709
Transportation	27,020	737
Scope 3 Total	**289,506**	**95,574**
Transportation	289,506	95,574
Total	**111,596,723**	**121,471,096**

Lookers global intensity metric for 2022

	2022 £m T/O	2021 £m T/O
Intensity Metric	5.50	6.47
YoY percentage change	(15.0%)	

Energy Efficiency Improvements

We are committed to year on year improvements in our operational energy efficiency. A register of energy efficiency measures has been compiled, with a view to implementing these measures in the next five years.

Measures ongoing and undertaken through 2022:

- **The Big Switch Off 2.0:** this was launched in February 2022 following the success of our drive to switch off all non-essential equipment over the Christmas break. This time, we encouraged employees to save energy by turning off all energy-consuming equipment between working hours.
- **Building management system (BMS) trial rollout:** a BMS was installed at three of our sites, to automatically control the energy-consuming assets on the site, including the heating, cooling, and ventilation. This will save energy through automating shut-down outside working hours and by alerting estate management of any unusual activity.
- **The launch of our carbon literacy project:** this provided carbon literacy training for all Lookers' employees, providing everyone with an understanding of climate change, its impacts, and actions they can take to reduce their carbon footprint at work and at home.

Measures prioritised for implementation in 2023:

- **The Big Switch Off 3.0:** this will add a site-focused approach, including site-based "Energy Champions", who will lead in identifying and implementing energy reduction initiatives at their sites.
- **Building management system extended trial:** we will extend this to a further ten sites in FY2023.
- **LED rollout:** we will be switching out existing lighting with energy-efficient LEDs across our portfolio. LEDs use up to 85% less energy than the current lighting system and have ten times longer lifespan.

SECR Methodology

This report (including the Scope 1, 2 and 3 consumption and CO2e emissions data) has been developed and calculated using the GHG Protocol – A Corporate Accounting and Reporting Standard (World Business Council for Sustainable Development and World Resources Institute, 2004); Greenhouse Gas Protocol – Scope 2 Guidance (World Resources Institute, 2015); ISO 14064-1 and ISO 14064-2 (ISO, 2018; ISO, 2019a); and Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance (HM Government, 2019).

Government Emissions Factor Database 2022 version 1 has been used, utilising the published kWh gross calorific value (CV) and kgCO2e emissions factors relevant for reporting period 01/01/2022 – 31/12/2022.

Estimations were undertaken to cover missing billing periods for properties directly invoiced to Lookers. These were calculated on a kWh/day pro-rata basis at meter level.

- For properties where Lookers is indirectly responsible for utilities (i.e. via a landlord or service charge), the median consumption for properties, with similar operations was calculated at meter level and applied to the properties with no available data.

These full-year estimations were applied to 3 electricity supplies and 2 gas supplies. All estimations equated to 3% of reported consumption.

Intensity metrics have been calculated using total tCO2e figures and revenue as the selected performance indicator.

Sustainability report

SOCIAL MATTERS

Equality, Diversity & Inclusion

Our diversity policy sets out our commitment at Board level to make Lookers a diverse and inclusive organisation that represents the customers that we serve. We are committed to employing a diverse workforce, covering a wide variety of attributes, including education, disability, gender, ethnicity, social background, family responsibilities, political opinion, sexual orientation, religion, age, culture, personality, workstyle and cognitive or personal strengths.

Everyone has a part to play in the application of our diversity policy, which extends to the Board and its Committees in addition to the treatment of job applications, employees, customers, clients, suppliers, and visitors to our sites.

We 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 a member of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and appropriate arrangements are made.

We are committed to gender equality and are continuously seeking to improve our gender split and gender pay gap, with a focus on attracting more women and changing perceptions of our industry.

Strengthening diversity at Lookers

1. In January 2022 we launched JumpStart, a sales trainee programme designed to provide fast-track fulfilling careers for ambitious people of all ages and backgrounds, with a specific objective to diversify our workforce. In 2022 we recruited 70 new hires through the JumpStart programme and saw a 30% increase in female representation compared to our normal recruitment processes.

2. In July 2022 we launched a new mandatory learning module called 'Looking After Our People', covering our culture and values including why diversity and equality are important to us.

3. To support our female talent agenda, we are piloting a new cross company female mentoring programme with the global 30% club to build and strengthen necessary pipelines to achieve parity of women in leadership and board roles.

We are aware that we have more to do to strengthen diversity across the business. During the year, we partnered with a third-party consultant to undertake a diversity and equality audit to help us to drive authentic change and inform a strategic action plan to achieve our diversity goals and ambitions.

Developing and rewarding our people

We are committed to building success together by putting our people first and actively encouraging promoting talent from within. Our people policies provide guidance on key issues including equal opportunities, disciplinary and grievances, recruitment and selection, discrimination, harassment, wellbeing and engaging for success.

Developing key talent is critical to our future success. All sales executives receive performance evaluations at least annually and formal performance development plans with objectives aligned with our strategy are in place for head office staff.

We have a fantastic apprenticeship scheme, recruiting and investing in over 200 apprenticeships in 2022, and we committed to recruiting over 200 further apprentices in 2023. Recruitment in this area supports our people-driven agenda to develop a new generation of skills, talent and diversity and we are pleased to see a number of female apprentices joining the business.

Our people are key to our success and it's important that they have access to learning and development solutions to grow and develop their capability and careers with us. During 2022 we launched the 'Lookers Development Academy' an online platform to provide Group and brand-led training to support learning needs in the areas of leadership, regulatory requirements, and professional development; we have increased our learning curriculum significantly during 2022. All of our colleagues, including Board members, are required to complete mandated online training modules to support learning needs in key areas.

We believe in recognising our people and showing our appreciation for their hard work throughout the year. All employees can nominate their colleagues for an Excellence Award which are given for 21 different categories with the winners determined by the Executive Committee. Award finalists and winners are flown out to an overseas location for a weekend of celebration with the Executive Committee.

Communicating with our people

We believe the way we communicate has a huge impact on how our people feel about the Group. We communicate with our people on a regular basis through team briefings, digital magazines, Workplace by Facebook, Microsoft Teams and more. Further details on how we communicate with our people can be found on pages 52 to 53.

The Board reviewed the non-executive director quarterly engagement process in December 2022 and requested that it be strengthened to include a formal feedback loop so that employees are updated on the outcome of their engagement.

Treating people fairly

Operating with integrity is a key priority, and we are committed to protecting the human rights of all those we encounter in the course of our business and in the wider communities where we operate. This commitment influences how we do business, driving ethical behaviour through our policies, procedures and governance.

In particular the Group conforms to the following principles:

- Forced labour: We comply with all relevant laws regarding voluntary employment and minimum wages for employment. We do not tolerate slavery, servitude and forced or compulsory labour and human trafficking in our operations or supply chain. Further details can be found in our Modern Slavery Statement on our website.
- Working time and wages: We comply with all working hours laws and commit to offer employees competitive compensation, at least in accordance with applicable national wage and overtime laws. In August 2022 we introduced the Lookers Living Wage to assist and support all of our employees and we realigned our apprentice rates to improve our offering to attract and retain our future succession.
- Children's rights: We commit to avoid any sort of Child Labour in our business operations consistent with the International Labour Organisation's Conventions on child labour and expect the same standards from our suppliers.
- Grievance mechanisms: Employees and workers who suspect any violation of human rights in the Group's operations, supply chain, or relevant third parties' operations are encouraged to raise any concerns via our whistleblowing procedures.

Sustainability report

We will investigate, address, and give remedy in response to any human rights violations that it has been found we have caused or contributed towards.

Our supplier code of conduct makes it clear that we will not tolerate child labour or forced labour of any kind in our supply chain and clarifies the employment standards we consider to be fundamental in our indirect supply chain.

To promote the highest standards of ethical behaviours, corporate governance and accountability in our business activities, our whistleblowing policy encourages our colleagues and other stakeholders to raise concerns of wrong-doing in the knowledge that their concerns will be anonymous, kept confidential and be taken seriously. To ensure objectivity and independence our Head of Compliance, reporting into our Chief Risk Officer, is the nominated point of contact with oversight being given by a non-executive director, to whom concerns can also be escalated. Employees can also use an anonymous whistleblowing hotline to raise concerns.

Safeguarding the health, safety and wellbeing of our colleagues and customers.

Health & Safety

The Board has ultimate responsibility for health & safety in the Group. Our health & safety policy sets out our commitment to provide a safe and healthy environment for all of our colleagues and visitors to our premises. We continuously promote high standards of health and safety to reduce the number of accidents and their severity, prevent occupational disease, promote wellbeing, prevent exposure to hazardous materials and continually improve the Group's health and safety performance.

The Group operates a robust health and safety management system with the health and safety team forming part of our wider risk management function reporting to our Chief Risk Officer. They undertake site audits, accident investigations and promote awareness of best practice through health and safety training which is provided to all of our colleagues annually and tailored to the risks relevant to their roles.

The Group has continued to invest in improved monitoring, oversight, and awareness of Health & Safety across the whole estate. This saw an increase in the number of reported accidents in 2022. All accidents are subject to full investigation with lessons learnt applied to all sites. The statistics for the Group, under UK Health and Safety regulations for the years ended 31 December are:

	2022	2021	2020	2019
Number of fatalities	nil	nil	nil	nil
Injuries resulting in absence over three days	27	18	14	23
Major injuries reported under RIDDOR*	13	22	12	17
Dangerous occurrences reported under RIDDOR*	nil	nil	nil	nil
Number of enforcement notices issued by HSE	nil	nil	nil	nil
Number of prohibition notices issued by HSE	nil	nil	nil	nil

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

Wellbeing

We continue to support employee wellbeing with a range of ancillary benefits that include Smarthealth which provides employees with unlimited access to 24/7 GP consultations, fitness and nutrition plans, mental health services and counselling, and access to world-leading experts to get a second opinion on medical conditions. During the year we launched a new partnership with an external mental health and wellbeing provider – Everymind At Work, to provide a range of services to our employees, including monthly webinars on a range of topics in relation to mental health and wellbeing, which see an average attendance of over 200 colleagues per session, and a new internal mental health first aider network.

Processing colleague and customer data in a fair, responsible and transparent manner

The Board is responsible for the oversight of the policies in relation to data privacy and security, with support from the Audit & Risk Committee in terms of the associated risks. The Group has experienced no data breaches in 2022 (2021: none). All of our people, including any temporary staff, are required to undertake training on data security and privacy-related policies and procedures.

Positively impacting and taking part in the communities in which we operate

We support our communities through a number of different initiatives including supporting colleagues to volunteer in our communities, creating an award-winning apprenticeship programme and charitable giving. Our volunteering policy supports and encourages employee involvement in a wide range of charity and community activities and all employees are offered paid volunteering days.

Lookers also supports charitable and community initiatives, both on a Group-wide basis and within individual dealerships.

Examples of charitable initiatives during 2022 include the Group's 400-mile cycle challenge with two 10-strong teams cycling from Birmingham to Belfast raising almost £160,000 for McMillan Cancer Support and suicide prevention charity PAPYRUS. Their efforts were supported by our hardworking team at Charles Hurst in Northern Ireland, who raised an incredible £27,000 towards the total through a series of charity initiatives, including a car wash, raffle, coffee morning and employee dress down days. Our spend on charitable donations in 2022 can be found on page 135.

Directors' remuneration report

Dear Shareholder,

I'm pleased to introduce the directors' remuneration report for the year ended 31 December 2022. This letter sets out the performance for the year and the resulting pay outcomes, the work undertaken by the Remuneration Committee (the Committee) during 2022, and the implementation of the policy for 2023.

This is my first directors' remuneration report as Chair of the Committee, having taken over the role from Victoria Mitchell effective from 1 September 2022. I would like to thank Victoria for the progress made and hard work during her tenure as Chair of the Committee.

The Committee is composed solely of independent non-executive directors.

Context for executive pay in 2022 and review of policy

Having undertaken a wide-ranging review at the end of 2020, and given the reporting cycles, the view of the Committee is that the current policy (subject to certain minor amendments) remains fit for purpose and in line with good practice having received 92% support by shareholders. 2022 is the final year in which our approach to pay has been determined by the directors' remuneration policy (the Policy) approved at the December 2020 General Meeting. This report therefore includes the new Policy which will be put to a shareholder vote at the 2023 Annual General Meeting.

The formulation of the new Policy follows a review aligned with business strategy. In the context of continued uncertainty and a challenging sectoral environment, it has been decided that the overall structure of the Policy currently remains appropriate and aligned with the business. The Committee has therefore adopted an evolutionary approach to this Policy, with only relatively minor changes being proposed. Full details are set out later in this report.

Performance and incentive outcomes during 2022

In line with the approved Policy, executive directors were able to earn bonuses of up to 150% of salary subject to the achievement of stretching targets for 2022; against financial, team, and individual objectives with majority weighting (60%) on underlying profit before tax (UPBT). Financial performance was strong during the year, with the business achieving a UPBT of £82.7m resulting in maximum payout under the financial objectives. In tandem, the business continued to make progress on many of the key strategic and operational objectives set at the beginning of the year. Furthermore, the Committee took account of the experience of stakeholders which included a total shareholder return of 20% over the year, and employee outcomes, which have included the introduction of the Lookers Living Wage, significant increases in pay for our lowest paid employees, issuing £200 Christmas vouchers to 98% of our employees, and the introduction of a new flexible benefits scheme.

The Committee determined in this context that the formulaic

outcomes were appropriate, resulting in a bonus payout of 90% of maximum. 35% of the bonus earned will be deferred into shares for three years. No discretion was exercised by the Committee in approving the bonuses earned.

There were no LTIP awards granted to executives in 2020, and therefore no awards due to vest in the 2022 financial year. The next LTIP awards due to vest will be following completion of the 2023 financial year.

Remuneration for 2023

It has been agreed that executive directors will not receive salary rises for 2023.

Executive directors will be able to earn bonuses of up to 150% salary in respect of 2023 performance. The Committee has approved stretching underlying profit before tax, team, and individual targets for the bonus. Given these targets are considered to be commercially sensitive, details of the targets and performance against them will be reported in the 2023 annual report on remuneration.

LTIP awards were granted to executive directors in January 2023. In accordance with the approved Policy, awards worth 150% of salary were granted to Mark Raban and awards worth 100% of salary were granted to Duncan McPhee and Oliver Laird. The awards are subject to cumulative underlying earnings per share, strategic, and environmental targets over a three year period. The detailed targets are set out on page 131.

Contents

The information included in this report has been prepared in accordance with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (the Regulations). The report also meets the relevant requirements of the Listing Rules of the Financial Conduct Authority, and the principles and provisions of the UK Corporate Governance Code relating to remuneration matters. Remuneration disclosures are, where stated, subject to audit in accordance with the relevant statutory requirements.

In addition to this statement, this report is split into the following sections.

In conclusion

2022 has been an exceptional year for the Group, with a combination of very strong financial outcomes and operational progress. The Committee believes that the pay outturns fully reflect this success and that the Policy has been applied appropriately and as intended. We believe the Policy continues to be fit for purpose, and aligns remuneration for our executive directors with the business strategy and long term shareholder value.

We are always keen to listen to shareholder feedback and very much look forward to engaging with you in future.

Sue Farr
Chair of the Remuneration Committee
4 April 2023

Directors' remuneration report

REMUNERATION SUMMARY

Our strategy is focused on having the right brands and locations alongside excellent execution. Underpinning this strategy is our commitment to providing an outstanding retail experience and good outcomes for our customers. We have developed a reward strategy and elements of remuneration that align with this strategy.

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

Elements of reward				
	Base salary and pension benefits	**Annual bonus**	**Long-term incentive plan (LTIP)**	**In-employment and post-employment shareholding requirement**
Purpose	Attract and retain executives of high calibre and provide cash for executives to fund a pension.	Incentivise and motivate the achievement of business objectives and reward performance against annual targets.	Align interests with shareholders by providing long-term incentives delivered in the form of shares.	Ensure alignment between the interests of executive directors and shareholders.
Operation in 2022	**Base salaries:** M. Raban: £450,000 O. Laird: £280,000 D. McPhee: £280,000 **Pension allowance:** Up to 5% of salary Benefits include participation in the Company's car schemes, health insurance, life assurance and the opportunity to join the SAYE.	**Maximum bonus:** 150% of salary The performance targets for the 2023 bonus will be based on Underlying Profit Before Tax, strategic team objectives and individual objectives. Up to 50% of bonus earned is deferred into shares. For 2023, 35% of the bonus will be deferred. Subject to risk, customer and performance underpin. Bonus is subject to malus and clawback.	**Normal LTIP opportunity:** CEO: 150% of salary Other executives: 100% of salary The 2023 LTIP is based 70% on cumulative underlying EPS, 20% strategic and 10% environmental targets Subject to regulatory, customer and performance underpin 3-year performance period and 2-year holding period LTIP is subject to malus and clawback.	**Shareholding at 31 December 2022:** M. Raban: 49% vs requirement of 200% of salary O. Laird: 14% vs requirement of 200% of salary D. McPhee: 46% vs requirement of 200% of salary The deferral of bonus into shares and the holding period are measures that seek to facilitate the increase of the executive's holding towards the requirement.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Directors' remuneration report

Considerations when determining remuneration policy and practice

The Policy and practices have been operated in accordance with the principles and provisions in the Code.

The table below sets out how the Committee has addressed various aspects in the Code:

Aspect	How this is addressed in remuneration policy and practice
Clarity	• The Committee's Policy has been clearly set out in this report, including the individual elements of remuneration and their operation. • The Committee sets out the targets and performance against them in each directors' remuneration report, as well as any exercise of discretion.
Simplicity	• The current Policy is largely unchanged with no significant changes to the operation of the key elements of remuneration. • The structure of remuneration is in line with normal market practice, in having a bonus with partial deferral into shares and a three-year LTIP with holding period. • The incentive metrics are well understood by executives and shareholders alike as they are in common use in the market.
Risk	• The Committee believes that the incentive structure does not encourage undue risk-taking. There are a number of mechanisms available to the Committee, including discretion within incentive plans that allow adjustment in the case that the Committee believes the outcomes are excessive. • In particular, the underpins, discretion and malus and clawback provisions attached to incentive plans under the current Policy contain specific reference to customer outcomes and regulatory compliance. • There has been no use of discretion during 2022.
Predictability	• The Policy table and the illustrations of remuneration provide an indication of the possible levels of remuneration that may result from the application of the Policy under different performance scenarios. • The Committee believes that the range of potential total remuneration scenarios is appropriate for the roles and responsibilities of the executive directors and in the context of the performance required for incentive awards to pay out.
Proportionality	• The Policy has been designed to give overall flexibility in operation, particularly in relation to incentive plan metrics. This allows the Committee to implement the Policy from year to year using the metrics that most closely align with the Group's strategy. • The Policy contains discretion to allow the Committee to adjust remuneration outcomes to ensure that they are reflective of overall performance in the short and long term. This discretion has not been used for 2022.
Alignment to culture	• As well as aligning with the strategy of the business, the Policy has been formed to allow focus on broader stakeholders. • In particular, there is continued focus on customer outcomes through incentive metrics and discretion by the Committee. This is demonstrated in the metrics used for the bonus.

DIRECTORS' REMUNERATION POLICY

This Policy will be put to a binding shareholder vote at the 2023 Annual General Meeting. If approved, this Policy will come into effect immediately from the date of the 2023 Annual General Meeting.

Approach to policy review

The Policy of the Committee, the principles underlying which are unchanged from the previous Policy approved in 2020, is to ensure that executive directors are fairly rewarded for their individual contributions to the Group's overall performance and to provide a competitive remuneration package to include long-term incentive plans, to motivate individuals and align their interests with those shareholders, customers and other stakeholders. In addition, the Committee's policy is that a substantial proportion of remuneration of the executive directors should be performance related and that they may be required to build up a significant holding of shares in the Company, which are retained for two years post-employment.

This Policy has been determined by the Committee, with input from management and external advisers. The Committee members have no conflicts of interest arising from cross-directorships and no director is involved in any decisions as to their own remuneration.

Changes to the policy that was approved by shareholders in 2020

The Committee carried out a review of the Policy, taking into account the business strategy, as well as UK Corporate Governance best practice. The Committee believes that the Policy remains overall fit for purpose for both executive directors and non-executive directors. Some minor adjustments to the Policy have been made in respect of non-executive directors, while there are no changes to the incentive opportunities or the central operation of any of the major elements of remuneration.

We summarise the changes to the Policy in the table below:

Element of policy	Current policy	Amendment to policy	Reason for change
Non-executive director notice periods.	One month notice for the Company and director.	Increase to three months' notice for the Company and director.	More closely aligned with typical market practice.
Non-executive director remuneration.	Only fixed annual fees payable, based on role.	Introduction of ability for non-executive directors to participate in the Company's car schemes.	Reflects normal market practice in the sector.

Future policy table

BASE SALARY **Attract and retain high calibre executive directors to deliver the strategy.**	
Operation Paid in 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 size and business sector.	**Maximum potential value** Salaries are generally set at or below market median, with an emphasis on incentive pay. There is no prescribed maximum increase, but normally increases will be in line with those for the wider workforce, unless there are reasons such as change in executive director's role and/or responsibilities, or to apply salary progression for an executive director who has been appointed below market level. **Performance metrics** None

Directors' remuneration report

PENSION **Attract and retain high calibre executive directors for the long term by providing funding for retirement.**	
Operation All executive directors are entitled to participate in money purchase arrangements, or to receive a cash allowance in lieu of pension contributions. N.B. Any pensions paid as salary supplements are not counted for the purposes of determining bonus or LTIP levels.	**Maximum potential value** 5% of salary. **Performance metrics** None

BENEFITS **Provide benefits consistent with role.**	
Operation Currently these consist of participation in the Company's car schemes, health insurance, life assurance premiums, D&O insurance and the opportunity to join 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.	**Maximum potential value** The cost of providing benefits is borne by the Company and varies from time to time. **Performance metrics** None

ANNUAL BONUS **Incentivises achievement of business objectives by providing a reward for performance against annual targets.**	
Operation A proportion of the bonus earned (up to 50%) is deferred into shares for two years and the remaining amount is paid in cash. 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, fraud, employee misconduct, failure of risk management and regulatory failure within two years of the payment date of the cash bonus and within two years of the vesting date of the deferred shares. A sliding scale operates between threshold and target performance, and between target and maximum performance. No bonus is payable where performance is below the threshold. The proportions of bonus payable for different levels of performance may vary based on the nature of measures and the level of stretch in the targets. Payment of any bonus is subject to the overriding discretion of the Committee. The Committee may adjust the bonus outcome (either upwards or downwards) from the formulaic outcome to ensure that any bonus paid reflects individual and underlying Company performance, customer outcomes and regulatory compliance.	**Maximum potential value** Up to 150% of salary. **Performance metrics** 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 financial targets. The measures vary from year to year to reflect priorities and business strategy. In exceptional circumstances such that the Committee believes the original measure and/or targets are no longer appropriate, the Committee has discretion to amend performance measures and targets during the year.

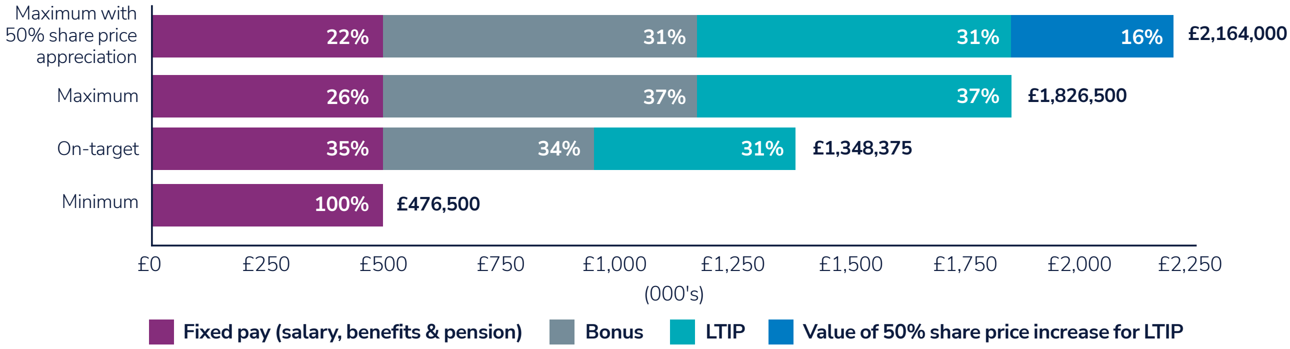
LONG TERM INCENTIVE PLAN (LTIP) **Alignment of interests with shareholders by providing long-term incentives delivered in the form of shares.**	
Operation Grant of nil-cost options, which vest at least three years from grant subject to the achievement of performance conditions and may not be exercised after the tenth anniversary of grant. A two-year holding period applies to all vested awards, during which time executive directors may not sell shares, save to settle tax due. 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, fraud, employee misconduct, failure of risk management and regulatory failure within two years of the vesting of the LTIP award. The Committee has discretion to 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; and amend the formulaic outcome of LTIP awards upwards or downwards to reflect the Committee's assessment of individual and underlying business performance, customer outcomes and regulatory compliance.	**Maximum potential value** 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. In exceptional circumstances, such as to secure an external appointment or in specific retention scenarios, an award up to 250% of salary may be made. **Performance metrics** Awards are based on a combination of performance metrics, with at least 50% being financial measurements. Threshold and maximum targets are set at grant. The Committee has discretion to 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.

SHARE OWNERSHIP REQUIREMENT **To ensure alignment between the interests of executive directors and shareholders.**	
Operation 200% of salary for all executive directors, to be reached over a five-year period from appointment to the Board. Executive directors must retain 50% of any deferred shares and shares they acquire under the LTIP, after allowing for the sale of shares to pay tax and other deductions, until such time as they have built up the required holding level. Executive directors must retain a shareholding on cessation of employment for two years equal to the lower of 200% of salary and the actual shareholding on cessation. Shares bought by executive directors and shares granted prior to this policy coming into force are not subject to this holding requirement.	**Maximum potential value** Not applicable **Performance metrics** Not applicable

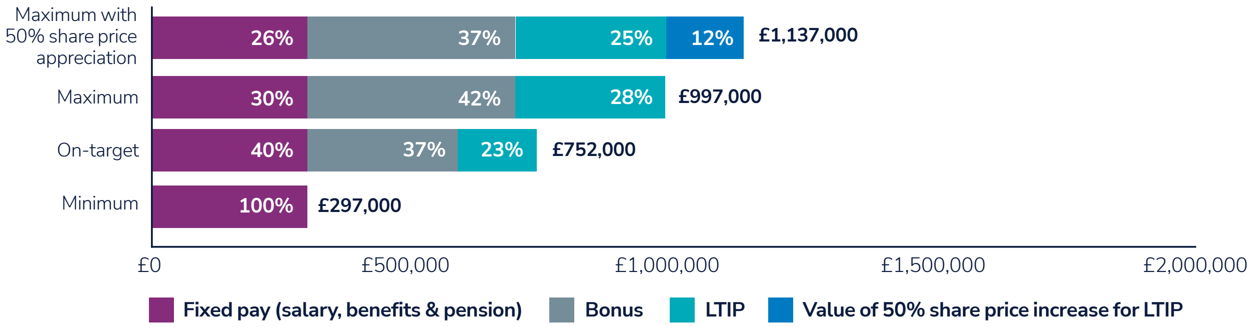
Illustrations of remuneration

The charts below provide estimates of the potential future remuneration for each of the executive directors based on the remuneration opportunity to be granted in 2023. Potential outcomes based on different performance scenarios are provided for each executive director.

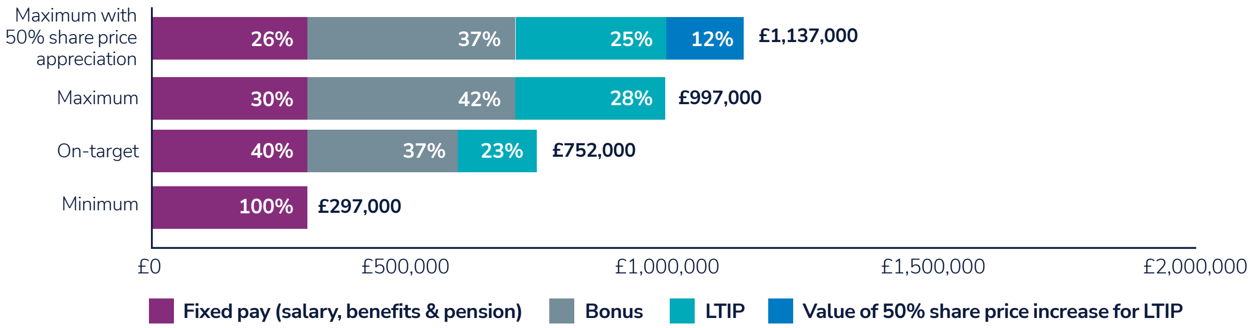
CEO



CFO



COO



The assumptions underlying each scenario are as follows:

Element	Definition
Minimum	Base salary for 2023 Pension contribution equal to 5% of salary Estimated benefits for 2023, based on the 2022 figures
On-target	Minimum plus on-target bonus (100% of salary for all executive directors) plus LTIP with vesting half way between threshold and maximum (i.e. 62.5% vesting)
Maximum	Minimum plus maximum bonus (150% of salary for all executive directors) plus maximum LTIP vesting (150% of salary for CEO and 100% of salary for other executive directors)

Directors' remuneration report

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 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 awards, reflecting the profile of the awards forgone. The terms of these awards will reflect those foregone so far as is possible to provide an equivalent opportunity, including taking into account the likelihood of meeting performance conditions.

When 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 six month notice period by the executive director, with the elements of variable remuneration dealt with in accordance with the rules of the relevant scheme, as more fully described in the following table:

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 the 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. 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. Any bonus would normally be subject to deferral in shares, although the Committee has discretion to pay the bonus fully in cash. 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 deferred share awards. The Committee has discretion to treat any other leaver as a good leaver. The deferred share awards of any leaver who is not a good leaver will lapse on cessation of employment. Awards for good leavers will normally vest following the end of the applicable vesting period.
Treatment of unvested LTIP awards.	Good leavers (i.e. leavers in circumstances of death, disability, redundancy, retirement or transfer of employing business outside Group) will be allowed to retain their LTIP awards. The Committee has discretion to treat any other leaver as a good leaver. The awards of any leaver who is not a good leaver will lapse on cessation of employment. Awards for 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 subject to an assessment of the extent to which performance targets have been met. The Committee has the discretion to waive the requirement to pro-rate for time. Good leavers may exercise their LTIP awards within six months of vesting (1 year for death). On a change of control, awards will vest immediately subject to an assessment of the extent to which the performance targets have been met. The number of shares subject to LTIP awards is reduced pro-rata to reflect the proportion of the vesting period completed before cessation. The Committee has the discretion to waive the requirement to pro-rate.
Non-executive directors.	Non-executive directors have letters of appointment, with the notice period being three months for the Company and the director. All non-executive directors are subject to annual re-election.

Directors’ remuneration report

Non-executive directors’ remuneration 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.

NON-EXECUTIVE DIRECTOR FEES AND BENEFITS **To attract non-executive directors who have a broad range of experience and skills to oversee the implementation of our strategy.**	
Operation	**Maximum potential value**
Non-executive director fees are determined by the Board within the limits set out in the Articles of Association. An additional fee may be paid for additional duties and / or specific roles. Paid in 12 equal monthly instalments during the year. Expenses, including travel to and from Board meetings, are reimbursed by the Company including any tax payable on those expenses. Non-executive directors may participate in the Company’s car schemes, on terms available to employees.	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.

Consideration of employment conditions and shareholder views

While the Committee receives information on remuneration for employees in the Company, and will use this information when implementing the decisions under the Policy, it has not been used explicitly to form this Policy for directors’ remuneration. The Committee has not formally consulted with employees when drawing up this Policy and no remuneration comparison measurements were used.

The Company regularly meets with shareholders, and discussions have been held specifically on remuneration in advance of drawing up this Policy. However, given the Policy has largely been rolled forward without significant amendment, the Committee has not extensively consulted with shareholders. We wish to retain an open dialogue with shareholders on pay and remain available for discussions and feedback on the Policy and its implementation.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Directors' remuneration report

ANNUAL REPORT ON REMUNERATION

The information included in this report has been prepared in accordance with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (the Regulations). The report also meets the relevant requirements of the Listing Rules of the Financial Conduct Authority, and the principles and provisions of the UK Corporate Governance Code relating to remuneration matters. Remuneration disclosures are, where stated, subject to audit in accordance with the relevant statutory requirements.

The Committee is satisfied that remuneration operated as intended during 2022 and that the incentive plans were operated as prescribed in the Policy. The Committee carries out remuneration benchmarking using companies of similar size and complexity for the directors at least every three years. The Committee is satisfied that the current levels of remuneration are appropriate in the light of the information provided.

Single total figure of remuneration (audited)

The table below sets out the single total figure of remuneration and breakdown for each director in respect of the 2022 financial year. Comparative figures for the 2021 financial year have also been provided.

£'000	Salary / Fees		Benefits (6)		Annual bonus		LTIP (7)		Pension		Total		Total fixed pay		Total variable pay (8)	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Executive directors																
Oliver Laird (1)	**280**	36	**3**	0	**378**	100	**-**	-	**14**	2	**675**	138	**297**	38	**378**	100
Duncan McPhee (1)	**280**	258	**3**	2	**378**	399	**-**	41	**14**	13	**675**	713	**297**	273	**378**	440
Mark Raban	**450**	450	**4**	2	**608**	641	**-**	-	**22**	22	**1,084**	1,116	**476**	474	**608**	641
Non-executive directors																
Ian Bull (1)	**160**	40	**-**	-	**-**	-	**-**	-	**-**	-	**160**	40	**160**	40	**-**	-
Robin Churchouse (2)	**78**	66	**-**	-	**-**	-	**-**	-	**-**	-	**78**	66	**78**	66	**-**	-
Sue Farr (3)	**25**	-	**-**	-	**-**	-	**-**	-	**-**	-	**25**	-	**25**	-	**-**	-
Victoria Mitchell (4)	**85**	85	**-**	-	**-**	-	**-**	-	**-**	-	**85**	85	**85**	85	**-**	-
Deborah Sherry (5)	**48**	-	**-**	-	**-**	-	**-**	-	**-**	-	**48**	-	**48**	-	**-**	-
Paul Van der Burgh (1)	**75**	55	**-**	-	**-**	-	**-**	-	**-**	-	**75**	55	**75**	55	**-**	-

Notes:

1 Directors appointed to the Board during 2021, with remuneration reflecting the time served. Ian Bull stepped down from the Board effective from 31 December 2022.

2 Robin Churchouse was appointed chair of Lookers Motor Group effective from 13 September 2022.

3 Sue Farr was appointed to the Board as a non-executive director on 1 September 2022.

4 Victoria Mitchell stepped down as a non-executive director on 31 December 2022.

5 Deborah Sherry was appointed to the Board as a non-executive director on 6 April 2022. Deborah stepped down as a non-executive director on 31 December 2022.

6 Benefits are participation in the Company's car schemes, health insurance and life assurance premiums.

7 There were no awards granted to executive directors which had a performance period completing during 2022, and therefore the value of LTIPs for the year is zero. The value of Duncan McPhee's LTIP for 2021 relates to the award granted in 2019, which had a three-year performance period ending 31 December 2021. The amount has been trued up by £10,000 to reflect the value on vesting based on a share price of 83.5p on 30 April 2022.

8 The aggregate directors' emoluments excluding pension and LTIP awards in 2022 were £2,855,000 (2021: £2,502,000).

Salary and fees (audited)

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

Director	Salary from 1 January 2022, or later date of appointment
Oliver Laird	£280,000
Duncan McPhee	£280,000
Mark Raban	£450,000

Notes:

There was no change in the non-executive director base fee of £65,000 for 2022. The additional fee for the role of chairing Lookers Motor Group was reduced from £20,000 to £10,000 during the year and a corresponding £10,000 additional fee was introducing for chairing the Remuneration Committee given two different individuals carried out these roles from September 2022 onwards.

Annual bonus (audited)

Executive directors were able to earn up 150% of salary in respect of performance against financial and non-financial objectives during 2022. The targets were set at the start of 2022, with reference to internal business plans and external forecasts.

The following tables provide a summary of performance against the targets and the resulting bonuses earned:

Financial metrics (60% of bonus)

Metric and weighting	Purpose of metric / how it supports business strategy	Threshold (40% of maximum earned)	Target (67% of maximum earned)	Maximum (100% of maximum earned)	Outcome	Proportion awarded
Underlying Profit Before Tax (60%)	UPBT is a key indicator of the Company's performance and ability to grow shareholder value	£53.5m	£59.5m	£64.5m	£82.7m	60% out of 60%

Directors' remuneration report

Strategic team metrics (25% of bonus)

Metric and weighting	Details of target	Outcomes	Proportion awarded
Strategic priorities	• Delivery and execution of strategic financial plan	• Clear progress against all strategic priorities, these are well socialised and understood within the business controlled and coordinated through the executive Change Committee. • Very strong progress against all areas and significant progress with new brands, acquisitions, operational optimisation progressing well, consolidation of all fleet activities, establishment of Smart Repairs and offering.	6.25% out of 6.25%
Sales Transformation	• Delivery against program timescales and budget • Delivery of benefits v business case	• Clarity of roles, resources and skillsets needed to deliver the programme are in place and secure. New customer journey mapped out with demo product established. • New omni-channel sales journey rolled out with clear delivery plan in place.	3.5% out of 6.25%
ESG	• Energy cost savings initiatives in place including out of hours usage • Roll out of carbon literacy training to colleagues in 2022	• Bronze award for Carbon Literacy from Auto Trader in recognition of our investment in training. • Big Switch off programme ongoing and generated significant savings to date. • Progress on various Equity, Diversity & Inclusion initiatives.	6.25% out of 6.25%
DMS Harmonisation	• Successful delivery of DMS Change programme	• Delivery on track as planned with excellent execution. • Clear plan in place for completion throughout business over 2023 and 2024.	4.0% out of 6.25%
Total			**20.0% out of 25%**

Oliver Laird Individual metrics (15% of bonus)

Metric	Details of target	Outcomes
Delivery of Regulatory and Statutory accounts and an effective Investor Relations strategy and approach	• Quality and process around half year and annual reporting. • Management of delivery of a well-executed audit process and a clean audit opinion. • Work to ensure the accounts exemplify best practice and that appropriate financial controls are in place.	• Annual Report delivered on time, and half year report delivered on time and earlier than previous year. • Audit opinion in respect of 2021 delivered. • Financial controls project proceeding as planned, including simplification of reports.
Develop and build a finance community with appropriate controls and governance	• Development of finance community to support professional development, succession planning, contribution to the Lookers culture, strengthening of financial control through driving culture of 'doing things right the first time'.	• First ever finance community event held successfully. • Payroll team transferred to finance successfully. • Payroll and tax functions strengthened with new appointments. • Annual Tax Strategy approved by Board. • Worked with HR to deliver a culture in line with Group culture and 'doing things right the first time'.
Document and agree a property & estate plan and strategy to maximise returns and opportunities	• Development and publication of Lookers Property Strategy for discussion at Board.	• New senior appointments secured. • Strategic Property Plan presented to and approved by Board in December 2022.
Deliver the re-finance programme in 2022	• Re-financing programme in place by end of Q3.	• New £100m Revolving Credit Facility approved by Board and signed by Group with facility providers in H1.
Build a procurement function and strategy	• Identify potential opportunities for efficiencies. • Tighter controls and governance.	• Four specialist team members now in place. • Significant annualised cost avoidance activities identified and delivered and annualised cost savings delivered. • New procurement database introduced.
Total		**10.0% out of 15%**

Directors’ remuneration report

Duncan McPhee Individual metrics (15% of bonus)

Metric	Details of target	Outcomes
Operational optimisation	• Increase finance penetration. • Improve lead conversion. • Increase stock turn. • Improve red work conversion. • Improve retention of 4-year vehicle parc. • Portfolio Optimisation. • Average REP.com score.	• Finance penetration, lead conversion, REP.com score and increased stock turn targets all achieved in full. • Red work conversion and portfolio optimisation targets not achieved fully.
Implement agency model and representation plan	• Role modelling a positive, open, and engaging approach to Agency relationships in 2022. • Ensuring appropriate legal controls are in place and an effective operating and organisational design model is built to support the transition. • Produce likely P&L and financial case.	• Agency model launched successfully.
Complete the leasing and fleet strategic structure	• Clear vision of future fleet and leasing with implementation timescale. • Creation of new leadership structures and consistent ways of working.	• Consolidated and re-organised different businesses into a single central Leadership structure. • Senior appointments secured. • Fourways acquired and now part of Group.
Total		**10.0% out of 15%**

Mark Raban Individual metrics (15% of bonus)

Metric	Details of target	Outcomes
Strategic review	• Ensure delivery and execution of six key strategic priorities, including a clearly costed project plan for each priority, with strategic financial plan, governance, and controls, communicating the plan objectives to the Group stakeholders.	• Clear progress against all strategic priorities, well socialised and understood within the business. • Very strong progress with new brands and acquisitions. • Progress with operational optimisation and consolidation of fleet services. • Establishment of cosmetic repairs business and excellent progress on the omni channel customer offering.
Driving organisational values and culture Continue to lead on the Groups cultural development	• Establish a working party to advance and nurture the Group’s core values. • Develop initiatives to continue cultural development. • Clear succession planning and supporting talent for key roles across business.	• Succession plan for Board and Executive Committee now established. • Regular check ins with colleagues through year, including Town Hall sessions, listening groups, conferences.
Expanding OEM relationships	• Implement Mercedes-Benz to agency model in 2022.	• Mercedes-Benz implemented. • New brands in place.
Total		**10.0% out of 15%**


Lookers

Directors' remuneration report

The table below sets out the bonuses earned in 2022 and the split between cash and deferred elements:

Director	Maximum bonus opportunity (as % of base salary)	Total bonus outcome (as % of maximum)	Total bonus outcome (as % of base salary)	Total bonus outcome (£000)	Amount paid in cash (65% of bonus earned, £000)	Amount deferred into shares (35% of bonus earned, £000)
Oliver Laird	150%	90%	135%	378	246	132
Duncan McPhee	150%	90%	135%	378	246	132
Mark Raban	150%	90%	135%	608	395	213

Notes:
The Committee has the right to exercise discretion in relation to all or part of the bonus for the executive directors if during the year there are two or more unaddressed and overdue critical compliance or audit findings. The Committee assessed performance with input from the compliance and internal audit teams and determined that no such discretion was required.

The Committee assessed the formulaic outcomes against the targets in the context of the performance of the Company and the executives. In summary, the financial outcomes were considerably in excess of the target range set in line with plans at the start of 2022 and the executive team made significant progress on a number of strategic initiatives beyond expectation. Therefore, it was judged that the outcomes were reasonable and fair and no discretion was applied.

The deferred shares will vest after a three-year period. Bonus awards are subject to malus and clawback as detailed in the Policy.

LTIP awards vesting during the year (audited)
There were no LTIP awards awarded to executives during the 2020 financial year and so no awards reached the end of the performance period during the 2022 financial year.

Pension entitlements and cash allowances (audited)
The executive directors received cash in lieu of pension payments equivalent to 5% of salary during the year.

Payments for loss of office (audited)
No payments for loss of office were made during 2022.

Payments to past directors (audited)
No payments were made to past directors during 2022.

LTIP awards granted during the year - regular awards (audited)
LTIP awards were granted to Mark Raban, Oliver Laird and Duncan McPhee on 25 January 2022 under the terms of the Policy. Awards were granted in the form of nil-cost options as follows:

Director	Basis of award	Number of awards	Face value (based on closing share price of £0.681 on 24 January 2022)
Oliver Laird	100% of salary	411,160	£280,000
Duncan McPhee	100% of salary	411,160	£280,000
Mark Raban	150% of salary	991,189	£675,000

Awards are subject to performance conditions based on Absolute Total Shareholder Return (30% weighting) and Underlying Earnings Per Share (70% weighting) measured over a three-year period from 1 January 2022 to 31 December 2024 as follows:

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

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

LTIP awards granted during the year - recruitment awards (audited)

Details of Oliver Laird's recruitment award are set out below. The award has been prorated to 66% of salary to reflect Oliver's service as a proportion of the total performance period.

Director	Basis of award	Number of awards	Face value (based on closing share price of £0.681 on 24 January 2022)
Oliver Laird	66% of salary	271,365	£184,800

The awards are subject to the same performance conditions as the awards granted to Duncan McPhee and Mark Raban in August 2021, with a three-year performance period from 1 January 2021 to 31 December 2023, as set out below:

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

Directors’ remuneration report

Statement of directors’ shareholdings (audited)

The table below summarises the directors’ shareholdings as at 31 December 2022, or the date they stepped down from the Board if earlier. The shareholding as a percentage of salary is determined by reference to the share price on 31 December 2022 of £0.762 and effective salary as at that date.

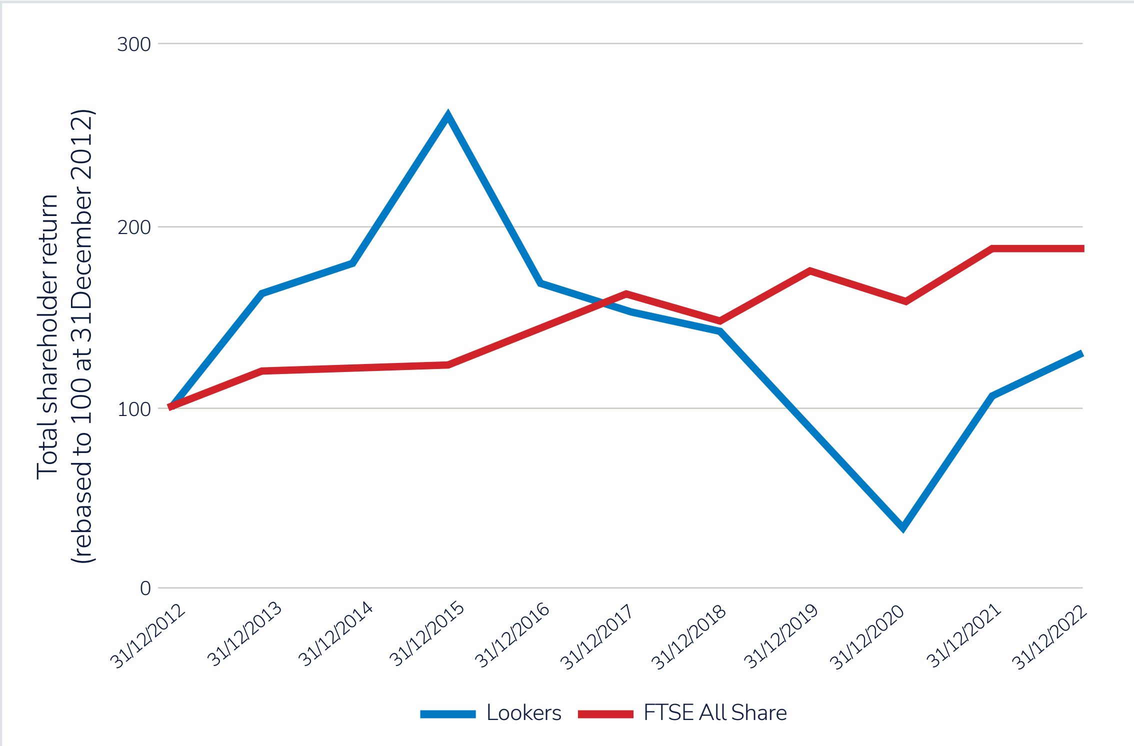
	Shareholding requirement[1] (% of salary)	Number of shares held (including by connected persons)	Vested but unexercised share options)	Unvested share interests not subject to performance	Overall shareholding		Unvested share interests subject to performance
					Number of shares	% of salary	
Executive directors							
Oliver Laird	200%	49,818	-	-	49,818	14%	682,525
Duncan McPhee	200%	170,758	-	-	170,758	46%	832,846
Mark Raban	200%	288,163	-	-	288,163	49%	2,007,755
Non-executive directors							
Ian Bull [2]	-	250,000	-	-	250,000	N/A	-
Robin Churchouse	-	-	-	-	-	N/A	-
Sue Farr [3]	-	-	-	-	-	N/A	-
Victoria Mitchell [4]	-	14,446	-	-	14,446	N/A	-
Deborah Sherry [5]	-	-	-	-	-	N/A	-
Paul Van der Burgh	-	12,000	-	-	12,000	N/A	-

Notes:

1. 200% of salary for all executive directors, to be reached over a five-year period from appointment to the Board. Executive directors must retain 50% of any deferred shares and shares they acquire under the LTIP, after allowing for the sale of shares to pay tax and other deductions, until such time as they have built up the required holding level. The executive directors were all working towards their shareholding requirements as at the year end.
2. Ian Bull stepped down from the Board on 31 December 2022.
3. Sue Farr was appointed to the Board on 1 September 2022.
4. Victoria Mitchell stepped down from the Board on 31 December 2022.
5. Deborah Sherry was appointed to the Board on 6 April 2022 and subsequently stepped down on 31 December 2022.

Performance graph and table

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



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

	2013	2014	2015	2016	2017	2018	2019		2020		2021	2022
Chief Executive Officer	Peter Jones	Andy Bruce	Andy Bruce	Andy Bruce	Andy Bruce	Andy Bruce	Andy Bruce[1]	Richard Walker[2]	Richard Walker	Mark Raban [3]	Mark Raban	Mark Raban
Total single figure (£'000)	1,436	806	894	1,628	553	633	463	75	43	373	1,116	1,084
Annual bonus (% of max)	100%	100%	87%	67%	20%	34%	-	-	-	-	95%	90%
LTIP vesting (% of max)	100%	-	-	100%	-	-	-	-	-	-	-	-

Notes:

1. Andy Bruce was appointed on 1 January 2014 and stepped down on 1 November 2019.
2. Richard Walker became interim executive director on 1 November 2019.
3. Mark Raban was appointed Chief Executive Officer on 5 February 2020.

Directors' remuneration report

Percentage change in remuneration of directors and employees

The table below sets out the percentage change in salary, taxable benefits and annual bonus paid to each director in respect of the period from 2020 to 2022, compared to that of the average change for employees in the Group as a whole.

	Salary and fees % increase			Benefits % increase			Annual bonus % increase		
	2019 to 2020	2020 to 2021	2021 to 2022	2019 to 2020	2020 to 2021	2021 to 2022	2019 to 2020	2020 to 2021	2021 to 2022
Executive directors									
Oliver Laird (1)	-	-	0%	-	-	-	-	-	(5%)
Duncan McPhee (1)	-	-	0%	-	-	50%	-	-	(5%)
Mark Raban	27%	18%	0%	-	50%	100%	-	-	(5%)
Non-executive directors									
Ian Bull	-	-	0%	-	-	-	-	-	-
Robin Churchouse (2)	-	1%	18%	-	-	-	-	-	-
Sue Farr (3),(4)	-	-	-	-	-	-	-	-	-
Victoria Mitchell	6%	23%	0%	-	-	-	-	-	-
Deborah Sherry (3)	-	-	-	-	-	-	-	-	-
Paul Van der Burgh (1)	-	-	0%	-	-	-	-	-	-
Employee average									
All employees	1%	14%	10%	10%	(2%)	(14%)	(22%)	68%	8%

Notes:

1. Oliver Laird, Duncan McPhee, and Paul Van der Burgh were appointed in 2021. The percentage increase between 2021 and 2022 is based on the difference between their annualised rate of pay in 2021 and their actual pay for 2022.
2. Robin Churchouse was appointed Chair of Lookers Motor Group on 13 September 2022.
3. Sue Farr and Deborah Sherry were appointed in 2022.
4. Sue Farr was appointed Chair of the Remuneration Committee effective from 1 September 2022.

Chief Executive Officer pay ratio

The table below compares the single total figure of remuneration for the Chief Executive Officer with the Group's employees paid at the 25th percentile (lower quartile), 50th percentile (median) and 75th percentile (upper quartile) of its UK employee population for years since 2019:

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	Option B	49:1	36:1	21:1
2021	Option B	58:1	34:1	31:1
2020	Option B	21:1	15:1	11:1
2019	Option B	26:1	20:1	13:1

The CEO single figure used to determine the 2022 pay ratios is based on the total single figure of remuneration for Mark Raban which is £1,084,000.

The remuneration figures for the employee at each quartile were determined with reference to the financial year ended 31 December 2022.

Option B, as prescribed under the reporting regulations, was used to calculate these figures. The Committee is comfortable that this approach provides a fair representation of the Chief Executive Officer to employee pay ratios and is appropriate in comparison to alternative methods.

Under this option, the latest available gender pay gap data (i.e. from April 2022) is used to identify the best equivalent for three Group UK employees whose hourly rates of pay are at the 25th, 50th and 75th percentiles for the Group. A total pay and benefits figure for 2022 is then calculated for each of those employees. This is also sense checked against a sample of employees with hourly pay rates either side of the identified individuals to ensure that the appropriate representative employee is selected. The pay ratios outlined above are then calculated using the total pay and benefits of the selected employee for each quartile point.

No elements of pay were estimated or excluded in the calculations, and all pay and benefits were valued in line with the single figure methodology. Full-time equivalent total pay and benefits was determined by up-rating elements of pay based on average full-time equivalent hours for the financial year, where appropriate. All of the identified employees were employed for the full financial year.

The table below sets out the salary and total pay and benefits for the three quartile point employees:

	25th percentile (P25)	Median (P50)	75th percentile (P75)
Salary	£22,039	£26,231	£47,368
Total pay and benefits	£22,269	£30,313	£52,008

The Committee considers that the median pay ratio is consistent with the relative roles and responsibilities of the Chief Executive Officer role and the identified employee. Base salaries of all employees, including our executive directors, are set with reference to a range of factors including market practice, experience and performance in role. The remuneration package of our executive directors is weighted towards variable pay (including the annual bonus and LTIP) due to the nature of their roles, and this means the CEO pay ratio is likely to fluctuate depending on the outcomes of incentive plans in each year.

The median ratio for 2022 is broadly unchanged since 2021, which reflects a bonus outcome for the CEO that is similar to the 2021 outcome. It is to be expected that the ratio will vary from year to year, primarily as the CEO's package consists of a much higher level of variable pay that is dependent on performance, whereas the colleagues' remuneration is predominantly fixed in nature, which is normal practice for these roles. The first LTIP granted to the CEO is due to vest based on performance to the end of 2023 and therefore, this is expected to have an impact on the ratios for 2023.

Directors' remuneration report

Relative importance of spend on pay

The table below sets out the total spend on pay in 2021 and 2022 compared with distributions to shareholders and which was the most significant outgoing for the Company in the last financial year:

	2022	2021	% increase
Spend on staff pay (including directors) (1)	£255.3m	£239.8m	6.5%
Profit distributed by way of dividend and share buy-back (2)	£18.2m	£0m	N/A

Notes:

1. Excluding share based compensation – see Note 4 to the Financial Statements.
2. Includes dividends of £13.7m and share buybacks of £4.5m.

Statement of implementation of policy in 2023

Salaries and fees

Discussions are ongoing as to what salary increase the wider workforce will be given, however it was determined that executive directors would not be granted a salary increase for 2023.

Following the announcement that Ian Bull stepped down from the Board, Senior Independent Director Paul Van der Burgh has assumed the role of Chair on an interim basis and Sue Farr has also assumed the role of Senior Independent Director, both effective from 1 January 2023, whilst the Board continues the search for a new Chair. Sue Farr has also assumed the role of Senior Independent Director, effective 1 January 2023.

The resulting salaries and fees to be paid to directors in 2023 are set out in the table below:

£ pa	2023 Salary / fees per annum
Executive directors	
Oliver Laird	£280,000
Duncan McPhee	£280,000
Mark Raban	£450,000
Non-executive directors	
Non-executive Chair (and interim Chair)	£160,000
Non-executive director base fee	£65,000
Chair of Audit and Risk Committee additional fee	£10,000
Chair of Remuneration Committee additional fee	£10,000
Lookers Motor Group Chair additional fee	£10,000
Senior Independent Director additional fee	£10,000

Benefits and pension

No changes are intended to be made to the benefits available to the executive directors during 2022. Consistent with the change to the Policy, it is intended that non-executive directors will be eligible to participate in the Company's car schemes effective from the date of the 2023 AGM.

Consistent with the proposed Policy, executive directors currently receive a pension contribution of 5% of salary, which is within the range of contribution rates available to the wider workforce.

Non-executive directors are not eligible to receive pension contributions.

Incentives for 2023

Bonus awards of up to 150% of salary may be earned by executive directors in respect of performance during 2023. The following metrics and weightings will apply:

Metric	Weighting
Underlying profit before tax	75%
Team strategic objectives	15%
Individual objectives	10%

No bonuses will be paid if a minimum level of Underlying Profit Before Tax is not earned.

Details of the targets are commercially sensitive and will be disclosed in the 2023 directors' remuneration report, alongside performance against them.

65% of the bonus earned will be paid in cash and 35% will be deferred into shares for three years.

LTIP awards were granted on 12 January 2023 worth 150% of salary for the Chief Executive Officer and 100% of salary for other executive directors, subject to the following performance conditions, measured over three years from 1 January 2023 to 31 December 2025:

Metric and weighting	Purpose of metric / how it supports business strategy	Threshold (25% vesting)	Maximum (100% vesting)
Cumulative Underlying Earnings Per Share over the three financial years to 2024 (70%)	Key indicator of Company performance in growing the business	29.3p	43.9p
Strategic metric: Revenue generated by cosmetic repair business in 2025 (20%)	Identified as a core area of growth potential for the Company	£22.4m	£33.6m
Environmental metric: Emissions target to be set with reference to SBTi targets during 2023 (10%)	Aligned with Company's ESG strategy	To be determined	To be determined

Straight line vesting occurs for the EPS condition for performance between the threshold and maximum targets.

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

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

Directors' remuneration report

Consideration of matters relating to directors' remuneration

The Committee

The Committee is responsible for reviewing and recommending the framework and Policy for remuneration of the executive directors and of senior management. The members of the Committee are:

- Victoria Mitchell (stepped down as Chair and as a member of Committee on 31 August 2022 and as a non-executive director on 31 December 2022);
- Sue Farr (appointed Chair of Committee on 1 September 2022);
- Ian Bull (stepped down as Chair and as non-executive director on 31 December 2022);
- Robin Churchouse; and
- Paul Van der Burgh.

The primary role of the Committee is to:

- set the Policy applying to executive directors;
- approve the quantum and structure of the remuneration packages for the executive directors, and from 2019, for other senior executives;
- determine the balance between base pay and performance related elements of the package to align senior Executives' interests with those of shareholders; and
- approve annual and long-term incentive payments for senior executives.

Summary of activity during 2022

The Committee met 10 times during 2022. The attendance at meetings by each member of the Committee is set out in the Corporate Governance Statement on page 74. The Committee carried out the following in relation to directors during 2022:

- Discussion of performance metrics and approved the grant of LTIP awards for the executive directors;
- Approval of pro-rated LTIP award grants to the newly appointed CFO;
- Review of salary levels of the executive directors as well as the Chair's fees;
- Review of and update to the Remuneration Committee Terms of Reference;
- Agreement of performance against 2021 annual bonus and finalisation of the pay out of the annual bonus for executive directors;
- Review and approval of the metrics for the 2022 annual bonus;
- Review and approval of the 2021 Remuneration Report;
- Approval of vesting level of the 2019 LTIP award;
- Review of market benchmarking;
- Consideration of emerging developments in executive pay, including ESG, the cost of living crisis, diversity and inclusion, and increases in wider workforce pay;
- Review of the directors' remuneration Policy;
- Consideration of metrics and targets for 2023 LTIP grants and 2023 annual bonus.

The Committee previously appointed PwC LLP and received advice over the year on all aspects of remuneration, including the review of the Policy and its operation. PwC is a member of the Remuneration Consultants' Group and complies with its Code of Conduct which includes guidelines to ensure that advice is independent and free of undue influence. During the year, PwC was paid fees of (not inclusive of VAT) in relation to advice on directors' remuneration to the Committee. PwC has no other connection with the Company or with individual directors.

Members of the Senior Management team, including the Chief People Officer, the General Counsel and Company Secretary, the Chair (including periods of executive office) and the executive directors have provided input to the Committee in determining the remuneration of the directors. None of the individuals were present when their own remuneration was being discussed.

A number of discussions were held with investors on remuneration during 2022 ahead of seeking approval for a new Policy at the 2023 Annual General Meeting. While no changes were made to the Policy as a result of shareholder engagement given the limited level of change we proposed, we appreciate the feedback and engagement from shareholders throughout the year around incentives and the link to company strategy. The Committee will continue to take on board feedback from shareholders and to meet with shareholders to discuss any aspect of remuneration.

The Committee receives reports on an annual basis on the level of pay rises awarded across the Group and takes these into account when determining salary increases for executive directors. In addition, the Committee receives regular reports from the Human Resources team on workforce remuneration and on the structure of remuneration for senior management in the tier below the executive directors and uses this information to ensure a consistency of approach for the most senior managers in the Group. The Committee approves the award of any long-term incentives. The Chair of the Committee has attended meetings with the Chief People Officer to develop a greater level of understanding in relation to pay and people practices in the business, but the Committee has not engaged directly with employees in relation to how executive pay policy aligns with wider pay policy.

Committee effectiveness

The Committee reviewed its own effectiveness via a questionnaire which focused on the remit of the Committee, the effectiveness of meetings, the interaction between Committee members and executive management and the Committee's effectiveness in discharging its responsibilities. Overall, the results were positive with strong support for the Committee's remit and effectiveness. Following a review of the responses received, the Committee will give additional consideration to the structure of remuneration packages in 2023 to further strengthen the alignment of remuneration, performance and the right behaviours.

Directors' service contracts and notice periods

The service contracts for the executive directors are terminable by the Company on 12 months' notice and on 6 months' notice by the executive director. All contracts are rolling contracts with no fixed termination date. All non-executive directors are subject to annual re-election by the shareholders.

Statement of voting

The latest votes in respect of remuneration matters were cast at the Annual General Meeting on 31 May 2022 in respect of the 2021 Annual Report on Remuneration and at a General Meeting on 28 December 2020 in respect of the Directors' Remuneration Policy were as follows:

	Votes for		Votes against		Abstentions
	Number	%	Number	%	Number
To approve the directors' remuneration Policy	256,362,073	92.2%	21,743,451	7.8%	228,792
To approve the 2021 annual report on remuneration	290,930,080	99.7%	744,222	0.3%	0

Sue Farr
Chair of the Remuneration Committee
4 April 2023

Directors' report

Content of the report

Lookers plc is a public limited company incorporated in England and Wales under the Companies Act 2006 with registered number 111876. The Directors present their report for the year ended 31 December 2022. Our Strategic Review on pages 4 to 59 contains the information to be presented by way of a management report in accordance with DTR 4.1.8, i.e., a fair review of the Company's business and a description of the principal risks and uncertainties it faces. It also includes other information which is required to be reported under the Companies Act 2006 and the UK Corporate Governance Code (this includes our Section 172 Statement and information on stakeholder and employee involvement/engagement) and provides an indication of the likely future developments in the Group's business. The Board approved the Strategic Review set out on pages 4 to 59, including the Going Concern and Viability Statement set out on pages 44 to 45. Additional information on which the Directors are required by law to report is set out below or within the following sub-sections of the Governance section:

- Board of Directors
- Corporate Governance Statement
- Report from the Chair of the Nomination Committee
- Report from the Chair of the Audit and Risk Committee
- Sustainability Report (including energy consumption and efficiency reporting, greenhouse gas emissions disclosures, our report on compliance with the Task Force on Climate Related Financial Disclosures' recommendations and disclosures in relation to the employment of disabled persons)
- Directors' Remuneration Report (including details on compensation for loss of office and employee share schemes)
- Directors' Responsibility Statement

Dividends

The Board is recommending the payment of a dividend of 2.0 pence per ordinary share for the year ended 31 December 2022. Subject to approval by shareholders, the dividend will be paid on 16 June 2023 to holders on the register at close of business on 10 May 2023. The shares will go ex-dividend on 11 May 2023.

Directors who served during the year

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

- Ian Bull, resigned 31 December 2022
- Robin Churchouse
- Sue Farr, appointed 1 September 2022
- Oliver Laird
- Duncan McPhee
- Victoria Mitchell, resigned 31 December 2022
- Mark Raban
- Deborah Sherry, appointed 6 April 2022 and resigned 31 December 2022
- Paul Van der Burgh

Directors' interests and conflicts

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

Details of the Directors' interests in the Company's shares and securities are disclosed in the Directors' Remuneration Report on page 126.

Directors' indemnity provisions

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

Share buy-back and share capital

The Company's issued share capital is made up of ordinary shares of 5p each with full voting, dividend, and capital distribution rights. They do not confer any right of redemption. On a poll every ordinary shareholder is entitled to one vote for each share of which they are the holder.

Details of the current shares in issue and changes during the year is shown in Note 22 to the Financial Statements.

Details of employees' share schemes is given in Note 23 to the Financial Statements.

The powers of the Directors to issue or buy back shares are restricted to those approved by shareholders at a general meeting.

At the Annual General Meeting (AGM) in May 2022, pursuant to section 551 of the Companies Act 2006, shareholders approved the authority for the Company to allot shares equal to up to one third of the existing issued share capital and for the Company to disapply pre-emption rights. This authority shall expire at the conclusion of the 2023 AGM and a resolution to renew the authority will be put to the AGM on 24 May 2023.

At the AGM in May 2022, pursuant to section 570 of the Companies Act 2006, shareholders approved the Company to allot securities for cash and to sell ordinary shares held by

the Company as treasury shares for cash up to a nominal amount of £979,850 (only to be used in connection with an acquisition or specified capital investment), in each case without the application of pre-emption rights. This authority shall expire at the conclusion of the 2023 AGM and a resolution to renew the authority will be put to the AGM on 24 May 2023.

At the AGM in May 2022, pursuant to section 701 of the Companies Act 2006, shareholders approved that the Company could make market purchases of shares up to 10% of the existing issued share capital. This authority shall expire at the conclusion of the 2023 AGM and a resolution to renew the authority will be put to the AGM on 24 May 2023.

The Company operates a number of share option schemes available to staff and/or executives. More information is included in Note 23 to the Financial Statements.

Financial instruments

Details of the Group's use of financial instruments is included in Note 20 to the Financial Statements. This Note provides details of the financial risk management objectives and policies and the policy on hedging and the exposure to price risk, credit risk, liquidity risk and cash-flow risk.

Donations

Charitable donations amounted to £133,342 paid in the year (2021: £21,000). No political donations were made in the current or prior financial year.

Research and development

The Group is committed to developing its offering and devotes time to researching emerging technologies and developing its practices and service to customers, for example in relation to the electrification of vehicles. More information on this is included in the Business Model and Strategy on pages 14 to 19.

Auditor

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

- So far as each is aware, there is no relevant audit information (as defined by the Companies Act 2006) of which the Company's auditor is unaware; and

- Each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Substantial shareholdings

As at 31 December 2022, the following interests in the ordinary share capital of the Company had been disclosed to the Company in accordance with DTR 5 concerning notification of major shareholdings or voting rights arising from the holding of certain financial instruments:

Shareholder	Number of Shares	% Voting Rights
Constellation Automotive Holdings Limited	78,000,000	19.90
Artemis Investment Management LLP	43,139,183	11.01
J O Hambro Capital Management Limited	39,109,556	10.1
Pendal Group Limited	38,745,856	9.99
Aberforth Partners LLP	19,727,002	5.07

Interests disclosed to the Company that have occurred between 31 December 2022 and the date of this report are as follows:

Shareholder	Number of Shares	% Voting Rights
J O Hambro Capital Management Limited	38,297,849	9.98

Articles of association

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

Subsequent events

There have been no material subsequent events after the balance sheet date.

Information to be disclosed under LR 9.8.4R

Appendix A		
Listing Rule	Detail	Page reference
9.8.4R (1) and (5) to (14)	Not applicable	Not applicable
9.8.4R (4)	Long-term incentive schemes	Pages 124 to 125

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

Philip Kenny
Company Secretary
4 April 2023


SAI AURENT


North East

Directors’ responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with UK adopted international accounting standards and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with UK adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group and Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business; and
- prepare a directors’ report, a strategic report and directors’ remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for ensuring that the annual report and financial statements, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the Group’s performance, business model and strategy.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company’s website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors’ responsibilities pursuant to DTR4

The directors confirm to the best of their knowledge:

- The financial statements have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group and Company.
- The annual report includes a fair review of the development and performance of the business and the financial position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

Mark Raban
Chief Executive Officer
4 April 2023


Lookers

Financial Statements

Independent auditor's report to the members of Lookers plc

Opinion on the Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of Lookers plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the statement of total consolidated comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated statement of cash flows and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the Directors on 22 January 2021 to audit the Financial Statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointment is 3 years, covering the years ended 31 December 2020 to 31 December 2022. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

We obtained the Directors' assessment that supports the Board's conclusions with respect to the disclosures provided around going concern and performed the following:

- We considered the consistency of the Directors' cash flow forecasts with other areas of the audit, such as the impairment model;
- We challenged the rationale for the assumptions utilised in the forecasts including new and used car sales, using our knowledge of the business, the sector and wider commentary available from competitors and peers and with the support of our internal business restructuring experts;
- We challenged the underlying assumptions behind the forecasts including reasonably possible downside scenarios identified, by reference to third party industry and economic reports to assess whether the forecasts prepared by the Directors' are reasonable;
- We considered the appropriateness of the forecasts by testing their mechanical accuracy, assessing historical forecasting accuracy and understanding the Directors' consideration of downside sensitivity analysis;
- We challenged the Directors' assumptions in relation to several downside scenarios linked to the reduction in sales volumes coupled with rising costs, reduction in gross margins, supply chain restraints and an in-year cyber-attack resulting in loss of revenue for a month as disclosed in section 2 of the principal accounting policies;
- We obtained an understanding of the existing financing facilities, including the nature of the facilities, repayment terms, covenants and attached conditions as well as amendments to the facilities prior to the Directors' approval of the Financial Statements;
- We assessed whether the terms and conditions therein were consistent with those applied by the Directors' in their base case and downside scenario forecasts;
- We reviewed the facility and covenant headroom calculations, and reperformed sensitivities on the Directors' base case and downside scenarios;
- We considered the reasonableness of mitigating factors available to management in respect of the ability to restrict discretionary expenditure, close further parts of the business and sell surplus assets; and

- We reviewed the going concern disclosures and assessed its consistency with the forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

Overview

<table>
<tr><td rowspan="3">Coverage</td><td colspan="3">85% (2021: 85%) of Group profit before tax</td></tr>
<tr><td colspan="3">84% (2021: 88%) of Group revenue</td></tr>
<tr><td colspan="3">75% (2021: 75%) of Group net assets</td></tr>
<tr><td rowspan="5">Key audit matters</td><td></td><td>2022</td><td>2021</td></tr>
<tr><td>Valuation of Goodwill and Other Intangibles</td><td>✓</td><td>✓</td></tr>
<tr><td>Inventory Valuation and Provisioning for Used & Demo Vehicles</td><td>✓</td><td>✓</td></tr>
<tr><td>Commercial Income Recognition</td><td>✗</td><td>✓</td></tr>
<tr><td colspan="3">Commercial income recognition is no longer considered to be a key audit matter due to factors including a reduction in the level of judgement made in recognition of these manufacturer bonus credits at year end.
This is aligned with management's view, in section 3 of the principal accounting policies, where commercial income recognition is no longer a key area of estimation.</td></tr>
<tr><td rowspan="2">Materiality</td><td colspan="3">Group Financial Statements as a whole</td></tr>
<tr><td colspan="3">£4.00 million (2021: £4.50 million) based on 5% of profit before tax (2021: 5% of profit before tax)</td></tr>
</table>

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the Financial Statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The scope of our audit is summarised below:

- We focused primarily on the audit work at ten significant components (2021: ten), which were subject to full scope audit procedures. The ten components considered significant were Lookers plc, Bolling Investments Limited, Lookers Motor Group Limited, The Dutton-Forshaw Motor Company Limited, Charles Hurst Limited, Addison Motors Limited, Colebrook and Burgess Limited, MB South Limited, Drayton Group Limited and Get Motoring UK Limited.
- At the parent entity level we also tested the consolidation process.
- Two leasing entities comprising Lookers Leasing Limited and Fleet Financial Limited were subject to risk based procedures (2021: same).

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

The remaining components of the Group were considered non-significant and the financial information of these components were principally subject to analytical review procedures by the Group engagement team.

Our involvement with component auditors

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

Independent auditor's report to the members of Lookers plc

The Group engagement team directed and supervised the work of the component team throughout the audit, through attending planning calls with the component team to discuss risk assessments and their planned audit approach alongside overseeing the scope of their work during the audit, and attending key planning and completion calls with divisional management. The Group engagement team reviewed the working papers of the component team and attended meetings with them and the respective divisional management teams during and following completion of the work.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on; the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter		How the scope of our audit addressed the key audit matter
Valuation of goodwill and other intangible assets The Group's accounting policies are disclosed on pages 150 to 158. See critical accounting judgements and key sources of estimation uncertainty on pages 151 to 152, disclosure on pages 168 to 169 (Note 9).	Where there are low contribution dealerships, there is a risk that goodwill and intangible assets attributed to those cash generating units ("CGU") may be impaired. At the year-end, no impairment was recognised to goodwill or other intangibles (2021: £nil). The Group's assessment of impairment in accordance with IAS 36 'impairment of Assets" is a judgemental process which requires estimates concerning the estimated cash flows, discount rates and growth rates based on the Directors' view of future business prospects. The Directors' performed a full impairment assessment for goodwill to determine if the carrying value of goodwill is supported. The key assumptions applied by the Directors in the impairment reviews were: • cash flow forecasts which are consistent with those used as part of the going concern review, including assumptions of future growth, gross margin and central cost allocation, and discount rates. We considered this to be a key audit matter as the value of goodwill and other intangibles is supported by forecasts of future cash flows of the business. There is inherent uncertainty within these forecasts arising from changing industry and economic conditions and thus significant management judgement and assumptions were required.	Our audit response involved the following: • challenge of the appropriateness of the CGUs identified based on knowledge of the business including internal reporting and the forecast period over which the impairment calculations have been performed with reference to the accounting standards; • assessment of the Directors' considerations on which specific assets/groups of assets give rise to the most concern in relation to impairment by challenging the underlying cash flows in the impairment model; • consideration of the rationale for key inputs made by the Directors' in the cash flow forecasts and how these linked back to the going concern forecasts; • consideration of IAS 36 requirements in respect of the assumptions related to growth and discount rates to understand any areas of estimation uncertainty; • with the assistance of our internal valuation experts, a review of the appropriateness of the discount rates adopted; • use of third party market data to assess the appropriateness of growth rates applied; and • assessment of the accuracy and the mechanics behind the Directors' impairment model. **Key observations** Based on the work performed, we consider that the Directors' assumptions used in the Group's assessment of impairment for year end intangibles and goodwill are appropriate.

Key Audit Matter		How the scope of our audit addressed the key audit matter
Inventory Valuation and Provisioning for Used and Demo Vehicles The Group's accounting policies are disclosed on pages 150 to 158. See critical accounting judgements and key sources of estimation uncertainty on pages 151 to 152, disclosure on page 177 (Note 15).	The inventory balance at the year-end was £664.6 million (2021: £511.9 million) and the total inventory provision represents 1.0% of the gross inventory balance (2021: 0.8%). The assessment of net realisable value of used and demo vehicles inventory can fluctuate as a result of market factors and the condition of vehicles. These factors lead to difficulty in estimating the likely sales price of a vehicle and thus the level of provisioning required. As a result of the inherent judgement in the provision requirements for used and demo inventory we considered this to be a key audit matter.	Our audit response involved the following: • attendance of inventory counts to assess the identification of obsolete inventory as well as the condition of the inventory to check any impact on the provision was considered; • we have performed vehicle cost testing across used and demo vehicle inventory by agreeing samples to original purchase invoices to verify the original cost; and • challenging the net realisable value of used and demo vehicles by comparing the carrying value on a sample of vehicles to post year end sales or third party data for those not sold at the time of our review. **Key observations** Based on the work performed, we consider that the judgements made by management in the inventory valuation and provisioning for used & demo vehicles are appropriate.

Independent auditor's report to the members of Lookers plc

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the Financial Statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements as a whole.

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

	Group Financial Statements		Parent company Financial Statements	
	2022 £m	2021 £m	2022 £m	2021 £m
Materiality	4.00	4.50	1.96	1.90
Basis for determining materiality	Profit before tax (5%)	Profit before tax (5%)	Net Assets (1%)	Net Assets (1%)
Rationale for the benchmark applied	We consider profit before tax as the key metric for investors and the most appropriate benchmark on which to base materiality now that the Group has returned to profitability.	We consider profit before tax as the key metric for investors and the most appropriate benchmark on which to base materiality now that the Group has returned to profitability.	An asset based materiality was considered appropriate for the Parent Company as this is a holding company with few transactions.	An asset based materiality was considered appropriate for the Parent Company as this is a holding company with few transactions.
Performance materiality	2.60	2.70	1.27	1.18
Basis for determining performance materiality	65% of Materiality based on our knowledge of the aggregation risk and the control environment. The percentage was set higher than the prior year considering the expected total value of known and likely misstatements (based on past experience) and the total of brought forward misstatements from prior years.	60% of Materiality based on our knowledge of the aggregation risk and the control environment.	65% of Materiality based on our knowledge of the aggregation risk and the control environment. The percentage was set higher than the prior year considering the expected total value of known and likely misstatements (based on past experience) and the total of brought forward misstatements from prior years.	60% of Materiality based on our knowledge of the aggregation risk and the control environment.

Component materiality

We set materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above, based on a percentage of between 17.5% and 45% (2021: 17.5% and 45%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £700,000 to £1,800,000 (2021: £787,500 to £2,025,000). In the audit of each component, we further applied performance materiality levels of 65% (2021: 60%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £120,000 (2021: £135,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report & Accounts other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 44 to 45; and • The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on pages 44 to 45.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 139; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 76 and 77; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 76 and 77; and • The section describing the work of the Audit Committee set out on pages 82 to 85.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Independent auditor's report to the members of Lookers plc

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

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

Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company Financial Statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding and accumulated knowledge of the Group and the sector in which it operates we considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the Financial Statements. These included but were not limited to those that relate to the form and content of the Financial Statements, such as the Group accounting policies, international accounting standards, the UK Companies Act 2006 and the UK Corporate Governance Code; those that relate to the payment of employees; and industry related such as compliance with health and safety and FCA compliance. All team members and component auditors were briefed to ensure they were aware of any relevant regulations in relation to their work and potential fraud risks.

We assessed the susceptibility of the Financial Statements to material misstatement including fraud and evaluated management's incentives and opportunities for fraudulent manipulation of the Financial Statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries, revenue recognition (cut-off) and management bias in accounting estimates.

Our audit procedures included:

- Use of forensic specialists to assist with the risk assessment at the planning stage and to help design appropriate audit procedures;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Enquiring of management, the Audit Committee, along with internal legal counsel concerning actual and potential litigation and claims and non-compliance with laws and regulations and fraud;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Detailed testing of a sample of revenue transactions either side of year end to supporting documentation for all significant components to check they were accounted for in the correct period;
- Reading minutes of meetings of those charged with governance and reviewing internal audit reports for any instance of non-compliance with laws and regulations or known or suspected instances of fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the Group's defined benefit pension scheme liabilities, inventory valuation, and forecasts used within impairment models utilised to assess goodwill impairment (as referred to in the key audit matters sections above);
- Challenge of the underlying accounting within the leasing businesses and checking this is in line with the accounting standards;
- Detailed testing of the consolidation and agreeing manual or late journals posted at consolidated level to supporting documentation;
- Identification and testing of journal entries to supporting documentation, in particular any journal entries posted with unusual account combinations or including specific keywords identified using data analytics; and
- Agreement of the Financial Statement disclosures to underlying supporting documentation.

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

Our audit procedures were designed to respond to risks of material misstatement in the Financial Statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we are to become aware of it.

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

Use of our report

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

Gary Harding (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester UK
4 April 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Principal accounting policies

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

General information

Lookers plc is a public limited company incorporated in the United Kingdom under the Companies Act 2006, with registered number 111876 in England and Wales. The address of the registered office is given in Note 14 to the Financial Statements. The nature of the Group's operations and its principal activities are set out in the Directors' Report. The main activities of the Group are the sale, hire and maintenance of motor vehicles and motorcycles, including the sale of tyres, oil, parts and accessories, and the FCA-regulated activities of credit broking and insurance distribution.

1. Basis of preparation

The consolidated financial statements of the Company are prepared in accordance with UK adopted international accounting standards.

The financial statements have been prepared on the historical cost basis. The Company has elected to take exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account. The profit for the Company for the year was £21.6m (2021: £13.2m).

The Company has applied FRS 101 'Reduced Disclosure Framework' in the year ended 31 December 2022.

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

- Presentation of a Statement of Cash Flows and related Notes;
- Disclosure of the objectives, policies and processes for managing capital;
- Disclosure of key management personnel compensation;
- The requirements in IAS 24 (Related Party Disclosures) to disclose related party transactions entered into between two or more members of a group;
- Disclosure of the categories of financial instruments and the nature and extent of risks arising on these financial instruments;
- The effect of financial instruments on the Statement of Comprehensive Income;
- Information about financial instruments that have been reclassified or derecognised, transfers of financial assets, credit losses recorded in a separate account, netting arrangements, loan defaults or breaches and collateral;
- Comparative period reconciliations for the number of shares outstanding;
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date; Comparative narrative information.

Adoption of new and revised standards

From 1 January 2022, the following standards became effective in the Group's consolidated financial statements:

- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract;
- Amendments to IFRS 3 (May 2020) – Reference to the Conceptual Framework;
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current;
- Annual Improvements to IFRS Standards 2018–2020; and
- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use.

The accounting policies have been applied consistently throughout the reporting period. The standards that became applicable for the current period did not have any impact on the Group's accounting policies and did not require adjustments.

The Group has not early adopted other standards, amendments to standards or interpretations that have been issued but are not yet effective.

New and revised IFRSs in issue but not yet effective

The following standards were in issue but were not yet effective at the balance sheet date. These standards have not yet been early adopted by the Group, and will be applied for the Group's financial years commencing on or after 1 January 2023:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- Definition of Accounting Estimates (Amendments to IAS 8);
- Amendments to IFRS 17 and IFRS 9 – Comparative Information;
- Amendments to IFRS 17 – Insurance Contracts;
- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback;
- Classification of Liabilities as Current or Non-current – Deferral of Effective Date (Amendment to IAS 1);
- Amendments to IAS 1 and Practice Statement 2 – Non-current Liabilities with Covenants and; and
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

2. Going concern accounting policy

At 31 December 2022 the Group is in a net current liabilities position of £8.4m (2021: £71.5m). The Group has considerable financial resources together with long-standing relationships with OEMs and a good reputation within the motor-trade industry. In their consideration of going concern the Board have reviewed the future profit forecasts and cash projections and other key financial ratios over the period including compliance with existing covenant arrangements. Those forecasts have been stress tested, considering severe but plausible scenarios which are aligned to the Group's risk appetite and principal risks. Specifically four downside scenarios have been modelled: 1) a macroeconomic scenario in which a worsening macroeconomic environment reduces consumer demand alongside a rising cost base; 2) a supply constraints scenario in which a vehicle component shortage reduces the Group's sales volumes; 3) a margin reduction scenario in which new, fleet, and used vehicle margins drop sharply; and 4) a cyber security scenario in which a cyber attack severely impacts the Group's ability to trade, whilst retaining its existing cost base. In all these scenarios, the Group would not breach any of its financial covenants and would not require any additional sources of financing during the forecast period.

In addition, reverse stress testing has been conducted which shows that, over the assessment period, there would either need to be a 5.2 percentage points increase in interest rates or a c.50% reduction in EBITDA for the Group to breach its interest cover covenant. These are considered to be highly unlikely. If there was a sharp decline in sales volumes and / or margin or a sharp rise in interest rates, the Board would take immediate action, including but not limited to:

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

As a result of the above testing, the Board believes the Group is well placed to manage its financing and other significant risks satisfactorily and that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and therefore the Board believe it is appropriate to prepare the financial statements on the going concern basis.

Banking facilities and funding position
As at 31 December 2022 the Group had £100.0m of committed revolving credit facilities due to expire on 30 September 2025. The facility is subject to quarterly covenant tests on leverage and interest cover. The Group has satisfied all its financial covenants during the year.

In addition to the revolving credit facility, the Group has stocking funding lines which were utilised at £247.2m as at 31 December 2022 (2021: £248.1m).

3. Judgements and estimates

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

Judgement	Effect on Financial Statements	Alternative accounting judgement that could have been applied	Effect of that alternative accounting judgement
Classification of non-underlying items	Judgement is required as to whether transactions relate to costs or incomes which, due to their size, nature or irregularity, are not included in the assessment of financial performance and are therefore excluded from management's view of the core-trading performance of the Group.	Non-underlying items classified within underlying results.	Any of the non-underlying items detailed in Note 3 would be reclassified to the underlying result.
Classification of stocking loans	Judgement is required over the classification of stocking loans. Stocking loans are classified within trade and other payables in line with the details provided on page 157.	Stocking loans could be classified within Bank loans.	Reduction in trade and other payables with a corresponding increase in bank loans and overdrafts. Inclusion of stocking loans within bank loans and overdrafts would also impact the value of net debt (see Note 27 for reconciliation of alternative performance measures).

Principal accounting policies

Accounting estimates

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The Directors consider the following to be the key estimates applicable to the financial statements, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year or in the long term:

Key estimate area	Key assumption	Potential impact within the next financial year?	Potential impact in the longer term?
Goodwill and intangible assets	We undertake an exercise to estimate future cash flows from each CGU when we conduct our annual impairment review. We have key assumptions over the growth rates of revenue and operating margin which impacts the profit assumed and hence cash flow generation in each CGU. The key areas for estimation uncertainty surround future growth and discount rates. Numerical disclosure regarding key assumptions are made in Note 9.	Yes	Yes
Retirement benefit obligations	The main assumptions in determining the Group's retirement benefit obligations are: discount rate, mortality rate and rate of inflation. Disclosure of these assumptions are made within Note 24. Due to the relative sizes of the pension schemes it is only considered to be the Lookers Pension Plan that could be materially affected by key estimates. The key area for estimation uncertainty surrounds the discount rate applied of 4.75% (2021: 1.85%).	Yes	Yes
Inventory valuation	The fair value of inventories is reviewed by management regularly, applying a mix of standard and judgemental provisions to adjust values, where appropriate, down to prevailing market values. The key area for estimation uncertainty is the assessment of net realisable value of vehicle inventory, which can fluctuate as a result of market factors and the condition of vehicles. The inventory provision as at 31 December 2022 represents 1.0% of the gross inventory balance (2021: 0.8%).	Yes	Yes

The Group is party to a number of commercial arrangements with its OEM Brand Partners that result in manufacturer bonus credits being earned. In the prior year, the estimation uncertainty as to whether bonus targets had been met was deemed a key estimate area. The Directors have reconsidered this and concluded that, given the volume of arrangements the Group enters into and number of conditions included within each arrangement, that there are no specific estimates that can have a material impact on the Group's results and therefore this no longer represents a key estimate area.

4. Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiary undertakings. An undertaking is regarded as a subsidiary if the Group has control over its operating and financial policies. Control is achieved when the Company has the power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The profits and losses of subsidiary undertakings are consolidated as from the effective date of acquisition or to the effective date of disposal.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of completion, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

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

5. Foreign currencies
Items included in the Financial Statements of all Group undertakings are measured using that entity's functional currency, which is the currency of the primary economic environment in which the entity operates. The consolidated Financial Statements are presented in sterling, which is the Parent Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period- end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

The results and financial position of all Group undertakings that have a functional currency different from the presentation currency are translated into the presentation currency with: (i) assets and liabilities for each balance sheet translated at the closing rate at the date of that balance sheet; (ii) income and expenses for each income statement translated at average exchange rates for the period; and (iii) all resulting exchange differences recognised as a component of other comprehensive income. In the case of subsidiaries acquired during a financial period, the average exchange rate takes into account the period of ownership only.

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in the retained earnings reserve within other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The principal exchange rates applied in the preparation of the Financial Statements were as follows:

	2022	2021
GBP:EUR at the end of the year	1.13	1.19
GBP:EUR average for the year	1.17	1.16

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

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

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

Where the Group is acting as agent on behalf of a principal (e.g. assigning finance), the commission earned is also recorded at an agreed rate when the transaction has occurred. The income received in respect of service plans sold and administered by the Group is recognised over the period of the policy on a straight-line basis.

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

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

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

All Company income is from recharges within the Group.

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

8. Non-underlying items
The Group makes certain adjustments to the statutory profit measures in order to derive certain alternative performance measures. Certain pre-tax items which are material are presented as non-underlying items on the face of the consolidated income statement. Non underlying items are those items that, in the judgement of the Group, need to be

Principal accounting policies

disclosed separately by virtue of their nature, size or irregularity. The separate reporting of non- underlying items helps provide additional useful information regarding the Group's core business performance and is used by management to facilitate internal performance analysis. Items that may be considered non underlying in nature include gains or losses on property disposals, restructuring of businesses, or asset impairments. Any reversal of an amount previously recognised as a non underlying item would also be recognised as non-underlying item in a subsequent period.

9. Finance costs and interest income

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

10. Taxation

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

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

11. Dividends

Final dividends proposed by the Board and unpaid at the end of the year are not recognised in the financial statements until they have been approved by the shareholders at the Annual General Meeting.

Interim dividends are recognised when they are paid.

12. Segmental reporting

A business segment is a component that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's chief operating decision maker (the Board of Directors) to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available. The Group has only one reportable segment.

13. Goodwill and impairment

All business combinations are accounted for by applying the purchase method. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity at the date of the acquisition. Goodwill is allocated to cash generating units (CGUs), which are franchise groups and other business units.

An impairment test is performed annually as detailed below. Goodwill and intangible licences are then held in the balance sheet at cost less any accumulated impairment losses.

For the purposes of impairment testing of goodwill, indefinite life intangible assets, property, plant and equipment and right of use assets are allocated to their respective cash generating units based on their manufacturer profile and the Directors assess the value in use for each cash generating unit. Value in use is calculated by applying the Board approved budget/forecast and applying a suitable cost of capital to discount cash flows to perpetuity.

14. Intangible assets

IT development assets are stated at cost less accumulated amortisation and any impairment losses. Any subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. This category of asset includes purchased computer software licences, brands, computer software and internally generated intangible assets. These assets are amortised by equal instalments over the specific software licence period (typically 12 months) or over their useful economic life (typically up to five years) as appropriate. All amortisation charges are made within net operating expenses.

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

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

Where these criteria have not been achieved, development expenditure is recognised in the Consolidated Statement of Total Comprehensive Income in the year in which it is incurred. Intangible licences relate to the values ascribed following the advice of third-party consultants to franchise operating licences in connection with historic business combinations. The Directors have considered that as a result of the high barriers to entry in the marketplace and the historic length of the respective franchise operating licences that these assets have no foreseeable limit to the period over which they are expected to generate net cash inflows and as such have been classified as having an indefinite useful economic life.

As intangible licenses and brands have an indefinite useful economic life, they are subjected to the Group's annual impairment review as detailed in the Goodwill and impairment policy.

15. Property, plant and equipment

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

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

Other property, plant and equipment disclosed in Note 11 includes plant and machinery, motor vehicles, fixtures, fittings, tools and equipment (including computer equipment and terminals) and assets in the course of construction. These assets (excluding assets in the course of construction) are depreciated on a straight-line basis at rates varying between 10% and 33% per annum over their estimated useful lives. Assets in the course of construction are initially measured at cost and are depreciated when they are brought into economic use.

The residual value of all assets, depreciation methods and useful economic lives, if significant, are reassessed annually.

Motor vehicles hired to customers under rental agreements over one year are included within property, plant and equipment. These vehicles are depreciated to their residual value over the period of their lease. Vehicle residual values are based on the industry standard CAP values and are regularly reviewed.

All costs in relation to the maintenance of property, plant and equipment are recognised in the income statement as an expense as incurred.

16. Leases

(a) As a lessee

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the Statement of Financial Position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. Payments of lease liabilities are disclosed within financing activities and the associated interest cost is disclosed within operating activities within the Consolidated Statement of Cash Flows.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of

Principal accounting policies

the corresponding lease liability, lease payments made at or before the commencement day, any initial direct costs and an estimate of the dismantling, removal and reinstatement costs required in the terms of the lease. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the Statement of Financial Position. The Group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

(b) As a lessor
The Group operates a number of vehicle leasing businesses in which it acts as a lessor.

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

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

(c) Sale and leaseback
A sale and leaseback transaction is where the Group sells an asset and reacquires the use of the asset by entering into a lease with the counterparty.

A sale is recognised when control of the underlying asset passes to the counterparty. The asset sold is derecognised and a lease liability and right-of-use asset recognised in relation to the lease.

Any gain or loss arising on the transaction is recognised in the Income Statement.

17. Investments in subsidiaries
Investments in subsidiaries held on the Statement of Financial Position are stated at cost less provision for impairment.

18. Impairment of assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets with indefinite lives are tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less disposal costs, and value in use.

Impairment losses are recognised in the Statement of Comprehensive Income. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

Parts inventories are valued on a first-in, first-out basis and are written down to net realisable value by providing for obsolescence on a time in stock-based formula approach.

Consignment vehicle inventories are regarded as being effectively under the control of the Group and are included within inventories on the balance sheet as the Group has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset even though legal title has not yet passed. The corresponding liability is included in trade payables.

Motor vehicles are transferred from contract hire activities at the end of their lease term to inventory at their book value. No cash flow arises from these transfers.

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

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

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

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

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

Consignment vehicle creditors are recorded for any vehicles recognised as consignment vehicle inventory. Repurchase commitment liabilities are recognised when the Group enters into repurchase commitments as part of the operation of its company staff car schemes. Liabilities are disclosed as vehicle rental finance liabilities if they are incurred by the Group's leasing operations in order to procure vehicles.

22. Pensions
The Group operates the "Lookers Pension Plan" and the "Benfield Group Pension Plan" which are defined benefit pension schemes providing benefits based on final pensionable salary. The defined benefit schemes define the amount of pension benefit that an employee will receive on retirement, dependent on one or more factors including age, years of service and salary. All schemes are closed to new members and to future accrual. The last triennial valuation of the "Lookers Pension Plan" was carried out at 31 March 2022 by Aon Hewitt Limited and has been updated to 31 December 2022 by a qualified independent actuary. The last triennial valuation of the Benfield Group Pension Plan was carried out at 31 December 2019 by Deloitte Total Reward and Benefits Limited and has been updated to 31 December 2022 by a qualified independent actuary.

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited, net of deferred tax, each year to reserves and shown in the Statement of Comprehensive Income. Interest expense or income is calculated on the net defined benefit liability or asset respectively by applying the discount rate to the net defined benefit liability or asset.

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

23. Share-based compensation
The Group issues equity-settled options to certain employees.

These are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured by use of a Black-Scholes model for awards with non-market based vesting conditions and Monte Carlo simulation model for market based vesting condition awards. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

24. Financial instruments

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

Initial and subsequent measurement of financial assets

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in

Principal accounting policies

hand and other short-term deposits held by the Group with maturities of less than three months. In the Consolidated Statement of Cash Flows, cash and cash equivalents comprise cash and cash equivalents, as defined above, net of bank overdrafts.

Trade, Group and other receivables
Trade receivables, Group and other receivables are initially measured at their transaction price. Trade receivables and other receivables are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method. Group receivables have no credit terms. Amortised cost is the amount initially recognised less repayments of principal, plus or minus the 'effective interest' which amortises any difference between the amount initially recognised and the maturity amount over the expected life of the instrument.

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

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

Impairment of financial assets
A provision for impairment is established on an expected credit loss model under IFRS9. The amount of the provision is the difference between the asset's carrying amount and the expected value of the amounts recovered.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward- looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes (including assessments made using forward looking information) and takes into account the time value of money. Credit losses are measured on a collective basis and all instalments have been grouped based on their similar collective characteristics. Some financial assets are written off because there is no reasonable expectation of recovery (e.g. where the counterparty enters formal administration proceedings) or are subject to enforcement activity. For trade receivables expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the ageing of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses"). Group receivables are considered under the two-stage expected credit loss model.

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

Initial and subsequent measurement of financial liabilities

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

Bank loans
Bank loans are recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings, using the effective interest method.

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

25. Share capital and reserves
Ordinary shares are classified as equity. All ordinary shares rank equally and have the same rights attached. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

Premium recognised on allocation of shares is recorded within the share premium account and is not available for distribution.

The capital redemption reserve has arisen following the purchase by the Company of its own shares and subsequent cancellation of these shares. The capital redemption reserve comprises the nominal value of the shares transferred from share capital in accordance with S733 of the Companies Act 2006.

26. Assets held for sale
Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction rather than continuing use. In order to be classified as held for sale, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary, and the sale must be highly probable. Non-current assets held for sale are measured at the lower of carrying amount and fair value less cost to sell.

Statement of Total Consolidated Comprehensive Income

For the year ended 31 December 2022 and 31 December 2021

	Note	2022 £m	2021 £m
Revenue	1	**4,300.9**	**4,050.7**
Cost of sales		(3,750.7)	(3,534.1)
Gross profit		**550.2**	**516.6**
Net operating expenses		(441.3)	(402.5)
Operating profit		**108.9**	**114.1**
Underlying operating profit		107.2	114.2
Non-underlying items	3	1.7	(0.1)
Finance costs	5	(24.5)	(24.1)
Profit before taxation	2	**84.4**	**90.0**
Underlying profit before taxation		82.7	90.1
Non-underlying items	3	1.7	(0.1)
Tax charge	6	(10.5)	(28.8)
Profit for the year (attributable to shareholders of the Company)		**73.9**	**61.2**
Exchange differences on translation of foreign operation (may be recycled to profit and loss)		0.8	(0.5)
Actuarial gains on pension scheme obligations (not recycled to profit and loss)	24	6.9	24.9
Deferred tax on pension scheme obligations (not recycled to profit and loss)	6	(1.7)	0.4
Total other comprehensive income for the year		**6.0**	**24.8**
Total comprehensive income for the year (attributable to shareholders of the Company)		**79.9**	**86.0**
Earnings per share:			
Basic earnings per share (p)	8	18.87	15.65
Diluted earnings per share (p)	8	18.64	15.55

Consolidated and Company Statements of Financial Position
As at 31 December 2022 and 31 December 2021

	Note	Group 2022 £m	2021 £m	Company 2022 £m	2021 £m
Non-current assets					
Goodwill	9	79.3	79.3	-	-
Intangible assets	10	105.2	107.9	5.6	8.3
Property, plant and equipment	11	404.4	399.3	2.6	1.3
Right of use assets	12	114.9	115.7	4.5	1.2
Investment in subsidiaries	14	-	-	126.8	126.8
Deferred tax assets	21	-	-	6.5	10.6
		703.8	**702.2**	**146.0**	**148.2**
Current assets					
Inventories	15	664.6	511.9	-	-
Trade and other receivables	16	125.4	108.5	217.4	247.7
Current tax receivable		8.8	5.6	8.9	8.0
Rental fleet vehicles	17	51.9	27.5	-	-
Cash and cash equivalents	18	111.8	103.9	41.1	0.2
Assets held for sale	13	2.6	5.0	-	-
		965.1	**762.4**	**267.4**	**255.9**
Total assets		**1,668.9**	**1,464.6**	**413.4**	**404.1**
Current liabilities					
Bank loans and overdrafts	20	45.3	83.6	-	17.9
Trade and other payables	19	905.9	729.6	187.1	143.5
Lease liabilities	20	22.3	20.7	2.1	0.7
		973.5	**833.9**	**189.2**	**162.1**
Net current (liabilities)/assets		**(8.4)**	**(71.5)**	**78.2**	**93.8**
Non-current liabilities					
Bank loans	20	-	17.3	-	10.0
Trade and other payables	19	74.3	35.1	-	-
Lease liabilities	20	120.7	116.1	2.5	0.6
Pension scheme obligations	24	23.5	43.2	25.4	43.1
Deferred tax liabilities	21	45.0	49.4	-	-
		263.5	**261.1**	**27.9**	**53.7**
Total liabilities		**1,237.0**	**1,095.0**	**217.1**	**215.8**
Net assets		**431.9**	**369.6**	**196.3**	**188.3**
Shareholders' equity					
Ordinary share capital	22	19.3	19.6	19.3	19.6
Share premium	22	78.4	78.4	78.4	78.4
Capital redemption reserve	22	15.4	15.1	15.4	15.1
Retained earnings		318.8	256.5	83.2	75.2
Total equity		**431.9**	**369.6**	**196.3**	**188.3**

The profit after tax for the Company was £21.6m (2021: £13.2m).
The financial statements of Lookers plc, registered no. 111876 were approved by the Directors on 4 April 2023.

Signed on behalf of the Board of Directors

Mark Raban
4 April 2023

Consolidated Statement of Changes in Equity

As at 1 January 2021, 31 December 2021 and 31 December 2022

Year ended 31 December 2021	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2021		19.5	78.4	15.1	169.9	282.9
Profit for the year		-	-	-	61.2	61.2
Total other comprehensive income for the year		-	-	-	24.8	24.8
Total comprehensive income for the year		-	-	-	86.0	86.0
New shares issued	22	0.1	-	-	-	0.1
Share based compensation	23	-	-	-	0.6	0.6
As at 31 December 2021		**19.6**	**78.4**	**15.1**	**256.5**	**369.6**
Year ended 31 December 2022						
As at 1 January 2022		19.6	78.4	15.1	256.5	369.6
Profit for the year		-	-	-	73.9	73.9
Total other comprehensive income for the year		-	-	-	6.0	6.0
Total comprehensive income for the year		-	-	-	79.9	79.9
Share based compensation	23	-	-	-	0.7	0.7
Own shares purchased for cancellation	22	(0.3)	-	0.3	(4.6)	(4.6)
Dividends paid to shareholders	7	-	-	-	(13.7)	(13.7)
As at 31 December 2022		**19.3**	**78.4**	**15.4**	**318.8**	**431.9**

Retained earnings include £16.5m (2021: £16.5m) of non-distributable reserves relating to properties which had been revalued under UK GAAP, but treated as deemed cost under IFRS.

Company Statement of Changes in Equity

As at 1 January 2021, 31 December 2021 and 31 December 2022

Year ended 31 December 2021	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2021		19.5	78.4	15.1	37.6	150.6
Profit for the year		-	-	-	13.2	13.2
Total other comprehensive income for the year		-	-	-	23.8	23.8
Total comprehensive income for the year		-	-	-	37.0	37.0
New shares issued	22	0.1	-	-	-	0.1
Share-based compensation	23	-	-	-	0.6	0.6
As at 31 December 2021		**19.6**	**78.4**	**15.1**	**75.2**	**188.3**
Year ended 31 December 2022						
As at 1 January 2022		19.6	78.4	15.1	75.2	188.3
Profit for the year		-	-	-	21.6	21.6
Total other comprehensive income for the year		-	-	-	4.0	4.0
Total comprehensive income for the year		-	-	-	25.6	25.6
Share-based compensation	23	-	-	-	0.7	0.7
Own shares purchased for cancellation	22	(0.3)	-	0.3	(4.6)	(4.6)
Dividends paid to shareholders	7	-	-	-	(13.7)	(13.7)
As at 31 December 2022		**19.3**	**78.4**	**15.4**	**83.2**	**196.3**

Consolidated Statement of Cash Flows

For the year ended 31 December 2022 and 31 December 2021

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Profit for the year		73.9	61.2
Tax charge	6	10.5	28.8
Depreciation of property, plant and equipment, rental fleet and right of use assets	2	49.9	48.9
Gain on disposal of property, plant and equipment		(6.4)	(2.4)
Gain on disposal of leases		(1.9)	-
Gain on modification of leases		(0.1)	-
Gain on disposal of right of use asset associated with rental fleet assets	2	(0.4)	(0.4)
Amortisation of intangible assets	2	4.7	5.0
Loss on disposal of intangibles		0.3	-
Share-based compensation	23	0.7	0.6
(Impairment reversal)/impairment of property, plant and equipment	11, 13	(0.2)	0.7
Impairment of right of use assets	3	1.1	1.2
Finance costs excluding pension related finance costs and debt issue costs	5	22.7	22.1
Amortisation of debt issue costs	5	1.2	1.1
Difference between pension charge and cash contributions	24	(12.8)	(11.2)
Purchase of rental fleet vehicles		(22.6)	(23.6)
Purchase of right of use assets associated with rental fleet assets		(0.3)	(0.4)
Purchase of vehicles for long-term leasing		(52.8)	(34.9)
Changes in inventories	15	(139.7)	183.5
Changes in receivables	16	(14.1)	11.7
Changes in payables	19	185.9	(188.9)
Cash generated from operations		99.6	103.0
Finance costs paid		(16.5)	(16.1)
Finance costs paid - lease liabilities		(6.2)	(6.0)
Tax paid		(19.8)	(16.3)
Net cash inflow from operating activities		**57.1**	**64.6**
Cash flows from investing activities			
Purchase of property, plant and equipment and own use vehicles		(16.8)	(14.1)
Purchase of intangibles		(2.3)	(3.3)
Amounts paid to surrender leases		(0.2)	-
Finance lease rentals collected		1.5	2.9
Proceeds from disposal of property, plant and equipment		32.9	11.8
Net cash inflow/(outflow) from investing activities		**15.1**	**(2.7)**
Cash flows from financing activities			
Receipt of funding advanced for vehicle leasing arrangements		75.4	58.5
Repayment of funding advanced for vehicle leasing arrangements		(45.9)	(62.3)
Payment of loan arrangement fees		(1.1)	-
Repayment of loans	20	(8.3)	(1.2)
Drawdown on revolving credit facility	20	-	35.1
Repayment on revolving credit facility	20	(12.5)	(181.5)
Repayment of lease liabilities	20	(16.3)	(16.4)
Purchase of own shares		(4.6)	-
Dividends paid	7	(13.7)	-
Net cash outflow from financing activities		**(27.0)**	**(167.8)**
Increase/(decrease) in cash and cash equivalents		**45.2**	**(105.9)**
Cash and cash equivalents at 1 January		21.3	127.2
Cash and cash equivalents at 31 December		**66.5**	**21.3**
Analysis of cash and cash equivalents			
Cash and cash equivalents		111.8	103.9
Bank overdraft		(45.3)	(82.6)
Cash and cash equivalents at 31 December	18	**66.5**	**21.3**

Notes to the Financial Statements

For the year ended 31 December 2022

1. Segmental reporting

The Group presents segmental information to better reflect the Group's revenue streams and the single-segment trading nature of the business' operations. No further disclosures have been made given the single-segment trading nature of the business' operations which are predominantly transacted in the United Kingdom. All channels have been shown as gross totals prior to the elimination of intercompany trading activity so as to provide more granular detail around the Group's internal trading activities.

	2022 £m	2022 Mix*	2021 £m	2021 Mix*
New cars	1,965.5	40.9%	1,866.2	41.7%
Used cars	2,255.2	46.9%	2,038.7	45.6%
Aftersales	458.4	9.6%	429.2	9.6%
Leasing and other	126.6	2.6%	136.9	3.1%
Less: intercompany	(504.8)	-	(420.3)	-
Revenue	**4,300.9**	**100%**	**4,050.7**	**100%**

*Mix calculation excludes the effect of intercompany revenues.

2. Profit before taxation

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

	Note	2022 £m	2021 £m
Staff costs	4	290.0	270.8
Depreciation of property, plant and equipment and right of use assets	11,12	47.3	45.9
Depreciation of rental fleet assets	17	2.6	3.0
Gain on disposal of right of use asset associated with rental fleet assets		(0.4)	(0.4)
Amortisation of intangible assets	10	4.7	5.0
Cost of inventories recognised as an expense		3,346.7	3,166.7
Non-underlying items	3	(1.7)	0.1
Low value leased assets		0.5	0.5
Utilities and rates		31.4	15.1
Other expenses		470.9	429.9
Total cost of sales and operating expenses		**4,192.0**	**3,936.6**

Services provided by the Group's auditor

The analysis of auditor's remuneration is as follows:

Group	2022 £000	2021 £000
Audit of the Company	20.0	20.0
Audit of the Group and Company's subsidiaries	1,207.5	1,580.0
Total audit fees	**1,227.5**	**1,600.0**
Other non-audit fees - review of interim financial information	135.0	130.0
Total non-audit fees	**135.0**	**130.0**
Total fees	**1,362.5**	**1,730.0**

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

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

Included in the figure of £1,207,500 above is £22,500 in respect of additional fees incurred in relation to the 2021 audit.

3. Non-underlying items

The following details items of income and expenditure that the Group has classified as non-underlying in its statement of total comprehensive income.

	Note	2022 £m	2021 £m
Non-underlying items at operating profit			
1 - Gain on sale and leaseback		6.0	-
2 - Gain on property disposals		1.7	2.4
3 - Impairment of property, plant and equipment	11,13	(1.8)	(0.7)
3 - Impairment of right of use assets	12	(1.1)	(1.2)
3 - Other property exit and restructuring costs		(3.0)	(0.6)
4 - Impairment reversal of property, plant and equipment	11	2.0	-
5 - Sales transformation project		(2.1)	-
Non-underlying items at operating profit		**1.7**	**(0.1)**

1 - In March 2022 the Group completed the sale and leaseback of the VW dealership in Battersea. The net gain on sale has been deemed non-underlying by its size and nature.

2 - Property disposals relate to the net gains on the sale of a number of freehold and leasehold properties during the current and prior year. These items have been deemed non-underlying by nature.

3 - During the prior year a number of sites were exited as part of Group-wide restructuring. This has continued into the current year where we have closed or announced our intention to close six sites (2021: three sites). Items include site closure costs, restructuring costs, and impairment losses. These items have been deemed non-underlying by nature and irregularity.

4 - In 2020 we classified a site as an asset held for sale and at this point it was impaired in line with IAS 36. In the current year we have secured a new franchise for this site and it is due to re-open in 2023, therefore the value in use has significantly increased and we have reversed the impairment. Both the original impairment and subsequent reversal have been included within non-underlying items.

5 - In the current year we have commenced a Sales transformation project. Costs incurred include external and internal incremental resource required to implement the new sales system. These items are considered non-underlying due to their irregularity.

The net cash inflow from activities associated with non-underlying items is £25.1m (2021: inflow £11.0m).

Notes to the Financial Statements
For the year ended 31 December 2022

4. Information regarding employees

Group

Employee costs:	2022 £m	2021 £m
Wages and salaries	255.3	239.8
Social security costs	28.3	25.0
Other pension costs - defined contribution scheme	5.7	5.4
Share-based compensation	0.7	0.6
	290.0	**270.8**

Average number employed during the year:	2022 No.	2021 No.
Aftersales	1,700	1,716
Sales	1,530	1,535
Administration	3,428	3,273
	6,658	**6,524**

Company

Employee costs:	2022 £m	2021 £m
Wages and salaries	24.6	21.3
Social security costs	3.5	2.7
Other pension costs - defined contribution scheme	0.6	0.5
Share-based compensation	0.7	0.6
	29.4	**25.1**

The average number employed by the Company during the year was 392 (2021: 397).

Key management personnel compensation:	2022 £m	2021 £m
Short-term employee benefits	**2.9**	**2.5**

For the year ended 31 December 2022 and 31 December 2021, the scope of what the Group defined as key management was restricted to only the Directors of the Company. During the year the aggregate gains made on the exercise of share options by Directors was £36,000 (2021: £nil). Further details of Directors' remuneration is included in the Directors' Remuneration Report.

5. Finance costs

	Note	2022 £m	2021 £m
Finance costs:			
On revolving credit facility		(0.9)	(2.9)
On other bank borrowings		(0.4)	(0.4)
On consignment, repurchase vehicle liabilities and stocking loans		(12.7)	(10.7)
On vehicle rental finance liabilities		(2.5)	(2.1)
On lease liabilities		(6.2)	(6.0)
Debt issue costs		(1.2)	(1.1)
		(23.9)	**(23.2)**
Net pension costs:			
On defined benefit pension obligation	24	(5.6)	(4.3)
On pension scheme assets	24	5.0	3.4
		(0.6)	**(0.9)**
Finance costs		**(24.5)**	**(24.1)**

6. Taxation

	Note	2022 £m	2021 £m
Current tax charge:			
Current year		14.9	11.3
Adjustment in respect of prior years		1.7	0.9
		16.6	**12.2**
Deferred tax (credit)/charge:	21		
Deferred tax - origination and reversal of temporary differences		0.6	4.8
Change in UK tax rate		-	16.9
Adjustment in respect of prior years		(6.7)	(5.1)
		(6.1)	**16.6**
Total tax charge		**10.5**	**28.8**
Tax on items charged/(credited) to other comprehensive income:			
Tax on pension scheme obligations excluding change in UK tax rate		1.7	4.7
Change in UK tax rate		-	(5.1)
		1.7	**(0.4)**

Notes to the Financial Statements

For the year ended 31 December 2022

6. Taxation (continued)

	2022			2021		
	Underlying £m	Non-underlying £m	Reported £m	Underlying £m	Non-underlying £m	Reported £m
Reconciliation of total tax						
Profit before tax	82.7	1.7	84.4	90.1	(0.1)	90.0
Standard rate of corporation tax at 19% (2021: 19%)	15.7	0.3	16.0	17.1	-	17.1
(Non taxable income)/disallowable items	(0.2)	(0.1)	(0.3)	(0.9)	0.3	(0.6)
Share-based compensation	(0.2)	-	(0.2)	(0.3)	-	(0.3)
Adjustment in respect of prior years	(5.0)	-	(5.0)	(4.2)	-	(4.2)
Difference between current and deferred tax rates	1.2	(1.1)	0.1	-	-	-
Change in UK tax rate	-	-	-	16.9	-	16.9
Difference on overseas tax rate	(0.1)	-	(0.1)	(0.1)	-	(0.1)
Total tax charge	**11.4**	**(0.9)**	**10.5**	**28.5**	**0.3**	**28.8**

A UK corporation tax rate of 25% was substantially enacted on 24 May 2021. The 25% rate will apply from 1 April 2023 and the carry-back of losses is expected to apply to years ended 31 December 2020 and 31 December 2021. As a consequence of this increase in deferred tax rate, £16.9m was recognised in the tax charge for the year ended 31 December 2021.

7. Dividends

Group

	2022 £m	2021 £m
Interim dividend for the year ended 31 December 2022 1.0p (2021: nil p)	3.9	-
Final dividend for the year ended 31 December 2021 2.5p (2020: nil p)	9.8	-
	13.7	**-**

The Directors propose a final dividend of 2.0p per share in respect of the financial year ended 31 December 2022 (2021: 2.5p). The proposed final dividend is subject to shareholder approval at the Annual General Meeting and has therefore not been included as a liability in these financial statements.

8. Earnings per share

	Note	2022	2021
Profit attributable to ordinary shareholders (£m)		73.9	61.2
Weighted average number of shares in issue		391,627,955	391,073,686
Basic earnings per share (p)		**18.87**	**15.65**
Profit attributable to ordinary shareholders (£m)		73.9	61.2
Dilutive effect of share-based compensation options and weighted average number of shares in issue		396,385,849	393,466,275
Diluted earnings per share (p)		**18.64**	**15.55**
Profit before tax (£m)		84.4	90.0
Add: Non-underlying items (£m)	3	(1.7)	0.1
Underlying profit before tax (£m)		82.7	90.1
Underlying tax (£m)	6	(11.4)	(28.5)
Change in UK tax rate (£m)	6	-	16.9
Underlying earnings attributable to ordinary shareholders (£m)		71.3	78.5
Weighted average number of shares in issue		391,627,955	391,073,686
Underlying basic earnings per share (p)		**18.21**	**20.07**

9. Goodwill

Group

Cost	2022 £m	2021 £m
At 1 January and 31 December	**122.4**	**122.4**
Aggregate impairment		
At 1 January and 31 December	43.1	43.1
Carrying amount at 31 December	**79.3**	**79.3**

Following the Group's annual impairment review an impairment charge of £nil has been recognised during the year (2021: £nil).

9. Goodwill (continued)

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

CGU	2022 Goodwill £m	2022 Licences & brands £m	2022 Total £m	2021 Goodwill £m	2021 Licences & brands £m	2021 Total £m
Jaguar Land Rover	9.0	-	9.0	9.0	-	9.0
Audi	22.1	27.9	50.0	22.1	27.9	50.0
Charles Hurst	9.4	-	9.4	9.4	-	9.4
Ford	4.8	2.9	7.7	4.8	2.9	7.7
Mercedes-Benz	15.2	28.2	43.4	15.2	28.2	43.4
Volkswagen	6.9	15.9	22.8	6.9	15.9	22.8
BMW	-	21.7	21.7	-	21.7	21.7
Vauxhall Renault Nissan Dacia	2.8	2.9	5.7	2.8	2.9	5.7
Fleet & Leasing	9.1	-	9.1	9.1	-	9.1
	79.3	**99.5**	**178.8**	**79.3**	**99.5**	**178.8**

Goodwill and licences are tested for impairment at least annually through assessment of carrying value against value-in-use.

The value-in-use of each CGU is calculated using cash flow projections for a five-year period; from 1 January 2023 to 31 December 2027. These projections are based on the Board approved strategic plan to 31 December 2025 and extrapolated to 31 December 2027 based on management's expectations. The Board's strategic plan considers the Group's profit and loss, cashflows, debt and other key financial ratios over the period. The key assumptions in the strategic plan on which the cash flow projections are based relate to expectations of sales volumes and margins and expectations around changes in the operating cost base. The assumptions made are based on the Board's understanding of the current macroeconomic context and outlook, past experience adjusted for expected changes, and external sources of information.

The key assumptions that have been used in determining the value in use of each cash generating unit in the impairment model are set out in the table below:

Assumption	2022	2021	2020
Three to five year revenue growth	0.0%	0.0% to 1.4%	0.0% to 1.4%
Three to five year operating expenses growth	1.0%	0.0% to 2.0%	0.0% to 2.0%
Post year five growth rate	2.5%	0.0%	0.0%
Discount rate	14.0%	12.4%	9.9%

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

Sensitivity
The Group has carried out sensitivity analyses on the possible changes in key assumptions in the impairment testing. Neither a 1.0 percentage point increase in discount rate nor a reduction to nil of the post 5 year growth rate would indicate impairment in any CGU. The lowest headroom in any CGU is £5.3m; for this headroom to be extinguished the discount rate would need to increase by 1.8 percentage points above that used in the impairment testing.

10. Intangible assets

Group

	Licences and brands £m	IT development £m	Total £m
Cost			
At 1 January 2021	102.6	42.0	144.6
Additions	-	3.3	3.3
Disposals	-	(23.3)	(23.3)
Reclassifications to property, plant and equipment	-	(1.2)	(1.2)
At 31 December 2021	**102.6**	**20.8**	**123.4**
At 1 January 2022	102.6	20.8	123.4
Additions	-	2.3	2.3
Disposals	-	(0.3)	(0.3)
At 31 December 2022	**102.6**	**22.8**	**125.4**
Accumulated amortisation and impairment			
At 1 January 2021	3.1	30.7	33.8
Charge for the year	-	5.0	5.0
Disposals	-	(23.3)	(23.3)
At 31 December 2021	**3.1**	**12.4**	**15.5**
At 1 January 2022	3.1	12.4	15.5
Charge for the year	-	4.7	4.7
At 31 December 2022	**3.1**	**17.1**	**20.2**
Carrying amount			
As at 1 January 2021	99.5	11.3	110.8
As at 31 December 2021 and 1 January 2022	99.5	8.4	107.9
As at 31 December 2022	**99.5**	**5.7**	**105.2**

At 31 December 2022 there is an amount of £2.2m (2021: £0.7m) committed for future capital expenditure.
Included within IT development are IT assets in the course of construction totalling £0.1m (2021: £0.3m).

10. Intangible assets (continued)

Company

	IT development £m
Cost	
At 1 January 2021	41.0
Additions	3.3
Disposals	(23.3)
Reclassifications to property, plant and equipment	(1.2)
At 31 December 2021	**19.8**
At 1 January 2022	19.8
Additions	2.3
Disposals	(0.3)
At 31 December 2022	**21.8**
Accumulated amortisation and impairment	
At 1 January 2021	29.9
Charge for the year	4.9
Disposals	(23.3)
At 31 December 2021	**11.5**
At 1 January 2022	11.5
Charge for the year	4.7
At 31 December 2022	**16.2**
Carrying amount	
As at 1 January 2021	11.1
As at 31 December 2021 and 1 January 2022	8.3
As at 31 December 2022	**5.6**

At 31 December 2022 there is an amount of £2.2m (2021: £0.7m) committed for future capital expenditure. Included within IT development are IT assets in the course of construction totalling £0.1m (2021: £0.3m).

11. Property, plant and equipment

Group

	Land and buildings £m	Motor vehicles £m	Other £m	Total £m
Cost				
At 1 January 2021	341.8	96.8	75.3	513.9
Movements in foreign exchange	(1.2)	-	(0.1)	(1.3)
Additions	4.7	35.2	9.1	49.0
Disposals	(1.6)	(0.4)	(10.7)	(12.7)
Transfers	4.5	-	(4.5)	-
Transfers from intangible assets	-	-	1.2	1.2
Transfers to inventories	-	(32.3)	-	(32.3)
Net transfers from assets held for sale	1.4	-	-	1.4
At 31 December 2021	**349.6**	**99.3**	**70.3**	**519.2**
At 1 January 2022	349.6	99.3	70.3	519.2
Movements in foreign exchange	0.8	-	0.1	0.9
Additions	4.6	53.9	11.1	69.6
Disposals	(11.1)	(0.2)	(7.0)	(18.3)
Transfers	1.9	-	(1.9)	-
Transfers to inventories	-	(32.6)	-	(32.6)
Net transfers to assets held for sale	(2.5)	-	-	(2.5)
Transfers to right of use assets	(5.9)	-	-	(5.9)
At 31 December 2022	**337.4**	**120.4**	**72.6**	**530.4**
Accumulated depreciation and impairment				
At 1 January 2021	41.1	28.8	44.1	114.0
Movements in foreign exchange	(0.1)	-	(0.1)	(0.2)
Charge for the year	5.3	16.9	8.4	30.6
Impairment charge	-	-	0.6	0.6
Disposals	(0.3)	(0.2)	(9.2)	(9.7)
Transfers	0.2	-	(0.2)	-
Transfers to inventories	-	(15.3)	-	(15.3)
Net transfers from assets held for sale	(0.1)	-	-	(0.1)
At 31 December 2021	**46.1**	**30.2**	**43.6**	**119.9**
At 1 January 2022	46.1	30.2	43.6	119.9
Movements in foreign exchange	-	-	0.1	0.1
Charge for the year	8.1	17.0	8.4	33.5
Impairment (reversal)/charge	(0.6)	-	0.4	(0.2)
Disposals	(2.1)	(0.2)	(6.2)	(8.5)
Transfers	(0.6)	-	0.6	-
Transfers to inventories	-	(14.8)	-	(14.8)
Net transfers to assets held for sale	(1.4)	-	-	(1.4)
Transfers to right of use assets	(2.6)	-	-	(2.6)
At 31 December 2022	**46.9**	**32.2**	**46.9**	**126.0**
Carrying amount				
As at 1 January 2021	300.7	68.0	31.2	399.9
As at 31 December 2021 and 1 January 2021	303.5	69.1	26.7	399.3
As at 31 December 2022	**290.5**	**88.2**	**25.7**	**404.4**

Assets in the course of construction relate to build costs that have been incurred but the property is not yet in use and are included in Other. The total of these assets held at 31 December 2022 is £4.5m (2021: £4.7m). These assets will be transferred to land of buildings when complete. Other includes plant and machinery, fixtures, fittings and tools and equipment.

11. Property, plant and equipment (continued)

Included within land and buildings is freehold land at a cost of £83.4m (2021: £94.8m) which is not depreciated. At 31 December 2022 there is an amount of £8.5m (2021: £15.4m) committed for future capital expenditure.

Included within additions to motor vehicles of £53.9m (2021: £35.2m) are additions of £1.1m (2021: £0.3m) relating to own use vehicles. At 31 December 2022 there is a net book value amount of £1.8m (2021: £1.1m) of own-use vehicles included within the total net book value for motor vehicles.

During the year ended 31 December 2022 the total net book value of disposals from property and other amounted to £9.8m (2021: £2.8m) including £8.7m (2021: £nil) attributed to a sale and leaseback transaction. Total proceeds received were £28.1m (2021: £3.0m) resulting in a gain on disposals of £5.6m (2021: £0.2m) after applying the sale and leaseback treatment prescribed under IFRS 16.

During the year ended 31 December 2022 the total net book value of disposals from motor vehicles relating to own-use vehicles amounted to £nil (2021: £0.2m). Total proceeds received were £nil (2021: £0.2m) resulting in a gain on disposals of £nil (2021: £nil).

An impairment charge reversal of £0.2m (2021: charge of £0.6m) has been recorded representing an adjustment to the expected recoverable values of assets. During the year £1.1m (2021: £1.5m) of properties have been transferred to assets held for sale from property, plant and equipment, and £nil (2021: £3.0m) of properties have been transferred from assets held for sale to property, plant and equipment. See Note 13 for further details.

For the year ended 31 December 2022 the net total net book value transferred to group inventories was £17.8m (2021: £17.0m).

Company

	Other £m
Cost	
At 1 January 2021	3.4
Additions	0.7
Disposals	(3.6)
Transfers from intangible assets	1.2
At 31 December 2021	**1.7**
At 1 January 2022	1.7
Additions	2.4
Disposals	(0.1)
Transfers in from other Group companies	0.3
Transfers out to other Group companies	(0.8)
At 31 December 2022	**3.5**
Accumulated depreciation and impairment	
At 1 January 2021	2.7
Charge for the year	0.3
Disposals	(2.6)
At 31 December 2021	**0.4**
At 1 January 2022	0.4
Charge for the year	0.5
At 31 December 2022	**0.9**
Carrying amount	
As at 1 January 2021	0.7
As at 31 December 2021 and 1 January 2022	1.3
As at 31 December 2022	**2.6**

At 31 December 2022 there is an amount of £nil (2021: £nil) committed for future capital expenditure.

12. Right of use assets

Group

	Property £m	Other £m	Total £m
At 1 January 2021	122.9	1.5	124.4
Additions	4.7	3.7	8.4
Modifications	1.0	-	1.0
Depreciation charge	(12.7)	(2.6)	(15.3)
Impairment	(1.2)	-	(1.2)
Disposals	(1.6)	-	(1.6)
At 31 December 2021	**113.1**	**2.6**	**115.7**
At 1 January 2022	113.1	2.6	115.7
Additions	9.7	6.5	16.2
Modifications	(1.4)	-	(1.4)
Depreciation charge	(10.7)	(3.1)	(13.8)
Impairment	(1.1)	-	(1.1)
Transfer from property, plant and equipment	3.3	-	3.3
Disposals	(4.0)	-	(4.0)
As at 31 December 2022	**108.9**	**6.0**	**114.9**

Included within the Other category are leases for motor vehicles and IT equipment.

A charge of £1.1m (2021: £1.2m) has been recognised following the cessation of trade from certain dealerships during the year thereby giving rise to an impairment charge which has been treated as a non-underlying item (see Note 3).

Further details regarding leased assets are provided in the following Notes:

	Note
Disclosure of lease costs of low value assets	2
Gains on property disposals	3
Lease interest costs	5
Movements in lease liabilities	20

Company

	Other £m
At 1 January 2021	0.8
Additions	1.0
Depreciation charge	(0.6)
At 31 December 2021	**1.2**
At 1 January 2022	1.2
Additions	4.8
Depreciation charge	(1.5)
As at 31 December 2022	**4.5**

Included within the Other category are leases for IT equipment.

Notes to the Financial Statements

For the year ended 31 December 2022

13. Assets held for sale

Lower of carrying amount and fair value less cost to sell	Group 2022 £m	2021 £m
At 1 January	5.0	13.0
Net transfers from/(to) property, plant and equipment	1.1	(1.5)
Impairment charge	-	(0.1)
Disposals	(3.5)	(6.4)
At 31 December	**2.6**	**5.0**

All items included at 31 December 2022 and 31 December 2021 relate to properties held by the Group and have been transferred into assets held for sale following the cessation of trade at certain dealerships and the subsequent commencement of procedures to dispose of these vacant properties from the Group's portfolio. Properties held within assets held for sale are being actively marketed for disposal and there is an expectation that such properties will be disposed of within 12 months of the balance sheet date. Where necessary, provision for impairment to bring an asset's carrying value in line with its estimated fair value less costs of disposal has been recorded whilst the asset was held within property, plant and equipment and prior to its subsequent transfer into assets held for sale.

During the year the total carrying amount disposed from held for sale amounted to £3.5m (2021: £6.4m). Total proceeds received amounted to £4.2m (2021: £8.6m) resulting in a gain on property disposals of £0.7m (2021:£2.2m). As a result of the restructuring events during the years ended 31 December 2022 and 31 December 2021 certain properties have been transferred from property, plant and equipment into assets held for sale and certain properties have been transferred from assets held for sale into property, plant and equipment following operational decisions not to dispose of such properties. An impairment charge of £nil (2021: £0.1m) has been incurred in respect of recording properties at fair value less cost to sell.

14. Investments in subsidiary undertakings

Company

Cost and Net Book Value	2022 £m	2021 £m
At 1 January and 31 December	126.8	126.8

Details of the subsidiary undertakings of Lookers plc (Registered Office: Lookers House, 3 Etchells Road, West Timperley, Altrincham, WA14 5XS, England) are as follows:

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

Addison Motors Limited (m)
Addison TPS Limited (m) (G)
Aston Green Limited (d)
Benfield Motor Group Limited (d)
Benfield Pension Trustees Limited (d)
Billingham Motors Limited (d)
Bluebell (Crewe) Limited (d)
Bolling Investments Limited (p)
Bramall & Jones VW Limited (h)
Bristol Trade Centre Limited (d)
Burton Trade Centre Limited (d)
Castle Bromwich Motors Limited (d)
Chipperfield Garage Limited (d)
Chipperfield Holdings Limited (d)
Colborne (HGG) 2012 Limited (d)
Colbornes Trade Parts Limited (m) (G)
Colebrook & Burgess (Teesside) Limited (d)
Colebrook & Burgess Holdings Limited (h)
Colebrook & Burgess Limited (m)
Drayton Group Limited (m)
Dutton-Forshaw Holdings Limited (h)
Dutton-Forshaw Limited (d)
*Get Motoring UK Limited (m)
Harpers Carlisle Limited (p) (G)
Jackson & Edwards Limited (d)
Kings Langley Land Rover Limited (d)
Knights North West Limited (d)
Look 4 Car Credit Limited (d)
Lookers Birmingham Limited (d)
Lookers Colborne Limited (m)
Lookers Directors Limited (d)
Lookers GB & E Limited (d)
Lookers JV Limited (d)
Lookers Leasing Limited (m)
*Lookers Motor Group Limited (m)
*Lookers Motor Holdings Limited (h) (G)
Lookers Motors Limited (d)
Lookers North West Limited (d)
*Lookers Pension Plan Trustee Limited (d)
Lookers Secretaries Limited (d)
Lookers South East Limited (d)
Lookers Southern Limited (d)
Martins (Stockton) Limited (d)
Martins (Sunderland) Limited (d)
Martins-Wellington Limited (d)
MB South Limited (m)
Meteor Group Limited (d)
NNK Holdings Limited (h)
Picking (Liverpool) Limited (d)
Platts Harris Limited (d)
PLP Motors Limited (d)
Pollendine Motors (Frinton) Limited (d)
Radford (Bavarian) Limited (d)
Roadshow Limited (d)
Rosedale Finance & Leasing Limited (d)
S.Jennings Group Limited (h)
S. Jennings Limited (m)
The Dovercourt Motor Company Limited (d)
The Dutton-Forshaw Group Limited (h)
The Dutton-Forshaw Motor Company Limited (m)
The Dutton-Forshaw Trustee Company Limited (d)
Truc-Bodies Limited (d)
Vehicle Rental Services Limited (d)
Vikings Canterbury Limited (d)
Warwick Holdings Limited (p) (G)

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

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

Incorporated and registered in Scotland

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

Incorporated in Republic of Ireland

Charles Hurst Dublin Limited (m)

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

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

**Registered Office: 1000 Kennishead Road, Glasgow, G53 7RA

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

(G) - accounts for these companies will be filed under parental guarantee and as such will be exempt from audit

Principal activities key:

(d) - dormant
(h) - intermediate non-trading holding company
(m) - sale and maintenance of vehicles and distribution of spare parts
(p) - property management company

The following companies were subsidiary undertakings of Lookers plc at 1 January 2022 but they have been dissolved during the year as part of Group structure simplification.

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

Cox & Co (Lookers) Limited (d)
Howdens of Harrogate Limited (d)
Lookers (J & S Leaver) Limited (d)
Lookers (St. Helens) Limited (d)
Lookers Bedale Garage Limited (d)
Lookers Norwich Limited (d)
Lookers of Barnsley Limited (d)
Lookers of Bradford Limited (d)
Lookers of Burton Limited (d)
Lookers of Colwyn Bay Limited (d)
Lookers of Dewsbury Limited (d)
Lookers of Macclesfield Limited (d)
Lookers of Manchester Limited (d)
Lookers of Northwich Limited (d)
Lookers of Rochdale Limited (d)
Lookers Thornton Engineering Limited (d)
Martins (Middlesbrough) Limited (d)

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

Notes to the Financial Statements

For the year ended 31 December 2022

15. Inventories

Group	2022 £m	2021 £m
Goods for resale	311.4	310.7
Vehicle spare parts for resale	20.3	18.7
Consignment vehicles	332.9	182.5
	664.6	**511.9**

Total write-offs of £nil (2021: £nil) have been incurred during the year and there have been no reversals of past write-downs (2021: none). Stocking loans provided by third party finance houses are secured over the vehicles used for the provision of such finance.

Included within goods for resale are vehicles leased out to staff employees on short-term lease arrangements via a third party but are still actively marketed for immediate sale to third parties by the Group as the Group has not relinquished control of these vehicles. As at 31 December 2022 these total £31.2m (2021: £27.6m).

At 31 December 2022 the Group had entered into a number of future purchase commitments amounting to £0.2m (2021: £0.8m) which are not recognised in the financial statements.

Reconciliation to statement of cash flows	Note	2022 £m	2021 £m
Movement above		(152.7)	143.3
Net book value transferred from property, plant and equipment	11	17.8	17.0
Net book value transferred (to)/from rental fleet vehicles	17	(4.4)	23.2
Other		(0.4)	-
Change in inventories		**(139.7)**	**183.5**

16. Trade and other receivables

	Group 2022 £m	2021 £m	Company 2022 £m	2021 £m
Trade receivables	88.5	68.3	1.3	0.3
Group receivables	-	-	190.0	226.0
Other receivables	14.9	5.5	12.1	12.5
Repurchase debtor	2.1	19.1	-	-
Finance lease receivables	1.1	0.7	-	-
Prepayments	18.8	14.9	14.0	8.9
	125.4	**108.5**	**217.4**	**247.7**

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

Reconciliation to statement of cash flows	Group 2022 £m	2021 £m
Movement above	(16.9)	12.1
Finance lease receivable movement	0.4	(0.4)
Movement in loan arrangement fees held as a prepayment	2.4	-
Change in receivables	**(14.1)**	**11.7**

17. Rental fleet vehicles

Cost	Group 2022 £m	2021 £m
At 1 January	30.1	32.7
Transfer from Group inventories	24.9	6.0
Additions	22.6	23.6
Transfer to Group inventories	(23.1)	(32.2)
At 31 December	**54.5**	**30.1**

17. Rental fleet vehicles (continued)

Accumulated depreciation	Group 2022 £m	2021 £m
At 1 January	2.6	2.6
Charge for the year	2.6	3.0
Transfer to Group inventories	(2.6)	(3.0)
At 31 December	**2.6**	**2.6**
Carrying amount at 1 January	27.5	30.1
Carrying amount at 31 December	**51.9**	**27.5**

Rental vehicles included in current assets reflect those vehicles which are purchased for the purpose of short-term rentals and which are expected to be disposed of in less than one year.

For the year ended 31 December 2022 the net total net book value transferred from group inventories was £4.4m (2021: transferred to group inventories £23.2m).

18. Cash and cash equivalents

	Group 2022 £m	2021 £m	Company 2022 £m	2021 £m
Cash at bank and in hand	111.8	103.9	41.1	0.2
Bank overdraft	(45.3)	(82.6)	-	(17.9)
Cash and cash equivalents per statement of cash flows	**66.5**	**21.3**	**41.1**	**(17.7)**

Total restricted cash for the Group at 31 December 2022 is £0.2m (2021: £0.2m) and for the Company is £0.1m (2021: £0.1m).

19. Trade and other payables

Current:	Group 2022 £m	2021 £m	Company 2022 £m	2021 £m
Trade payables	158.0	124.0	11.6	7.1
Repurchase commitments	27.0	23.7	-	-
Stocking loans	247.2	248.1	-	-
Consignment vehicle creditors	332.9	182.5	-	-
Group payables	-	-	154.7	114.8
Other tax and social security payable	6.4	12.9	6.3	6.2
Other creditors	26.1	21.7	2.0	4.4
Deferred income	7.6	9.2	-	0.3
Vehicle rental finance liabilities	50.2	57.3	-	-
Accruals	50.5	50.2	12.5	10.7
	905.9	**729.6**	**187.1**	**143.5**
Non current:				
Deferred income	10.9	8.3	-	-
Vehicle rental finance liabilities	63.4	26.8	-	-
	74.3	**35.1**	**-**	**-**

Reconciliation to statement of cash flows	Group 2022 £m	2021 £m
Movement above	215.5	(188.1)
Vehicle rental finance liabilities movement	(29.5)	3.8
Other non-cash movements	(0.1)	(4.6)
Change in payables	**185.9**	**(188.9)**

20. Financial instruments

Carrying amount of financial assets
The carrying amounts of financial assets by category were:

Financial assets measured at amortised cost:	Group 2022 £m	2021 £m
Cash at bank and in hand	111.8	103.9
Trade receivables	88.5	68.3
Other receivables	18.1	25.3
	218.4	**197.5**

None of the assets are materially credit-impaired and there has been no significant increase in credit risk since initial recognition. The amounts disclosed above also represent the maximum exposure to credit risk ignoring cash flows from realisation of the assets and impairment losses.

The gross carrying amount of trade receivables is as follows:

	Group 2022 £m	2021 £m
Current (not past due)	68.2	57.9
Past due up to three months	18.5	10.5
Past due from three months up to six months	2.3	0.9
Past due over six months	1.5	0.5
Total gross amount at 31 December	**90.5**	**69.8**
Less: Allowance for expected credit losses	(1.7)	(1.3)
Less: Specific credit provision	(0.3)	(0.2)
Trade receivables at 31 December	**88.5**	**68.3**

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

	2022 weighted average loss rate	2021 weighted average loss rate	Group 2022 £m	2021 £m
Current (not past due)	1.6%	1.6%	1.2	0.9
Past due up to three months	2.1%	2.6%	0.4	0.3
Past due from three months up to six months	2.9%	3.7%	0.1	0.1
Past due over six months	4.0%	9.5%	-	-
Total allowance for expected credit losses at 31 December			**1.7**	**1.3**

The trade receivables balance has been disaggregated based on the third party risk profiles. The allowance for expected credit losses calculation incorporates both historical and forward-looking macroeconomic information to determine average loss rates which are applied to the disaggregated trade receivables.

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

	Group 2022 £m	2021 £m
As at 1 January	1.3	2.0
Derecognition including write-offs	(0.2)	(0.3)
Charge/(credit) for the year	0.6	(0.4)
As at 31 December	**1.7**	**1.3**

20. Financial instruments (continued)

Carrying amount of financial liabilities
The carrying amounts of financial liabilities by category were:

Financial liabilities measured at amortised cost:	Group 2022 £m	2021 £m
Bank overdrafts	45.3	82.6
Secured bank loans (current and non-current)	-	18.3
Trade and other payables	841.7	650.2
Vehicle rental finance liabilities	113.6	84.1
Total lease liabilities	143.0	136.8
	1,143.6	**972.0**
Current		
Bank overdraft	45.3	82.6
Secured bank loans	-	1.0
	45.3	**83.6**
Non-current		
Secured bank loans	-	17.3
Total borrowings	**45.3**	**100.9**

Bank loans and overdraft repayable:	Group 2022 £m	2021 £m
Less than one year	45.3	83.6
More than one year and not more than two years	-	11.1
More than two years and not more than five years	-	3.3
More than five years	-	2.9
	45.3	**100.9**

Total lease liabilities	Group 2022 £m	2021 £m
Current	22.3	20.7
Non-current	120.7	116.1
	143.0	**136.8**

Lease liabilities repayable:	Group 2022 £m	2021 £m
Less than one year	22.3	20.7
More than one year and not more than two years	19.4	18.1
More than two years and not more than five years	43.2	42.6
More than five years	122.2	114.3
Less: finance charges allocated to future years	(64.1)	(58.9)
	143.0	**136.8**

The Group is party to a number of lease arrangements as a lessee, these are primarily long leasehold property leases for a number of dealerships, workshops and office spaces across the Group. The Group also holds a number of leases for motor vehicles and IT equipment used to support the Group's operations. The Group is not materially exposed to variable lease payments however a number of the property leases have contractual clauses including rent reviews, contract extension and contract termination options which, dependent upon any significant business reorganisation activities, may affect the future cashflows of the Group.

Notes to the Financial Statements

For the year ended 31 December 2022

20. Financial instruments (continued)

Movement in financial liabilities	At Jan 2022 £m	Net RCF movement £m	Loan repayment £m	Lease repayment £m	Loan receipt £m	Non-cash movement £m	At 31 Dec 2022 £m
Other loans	8.3	-	(8.3)	-	-	-	-
RCF	10.0	(12.5)	-	-	-	2.5	-
Lease liabilities	136.8	-	-	(16.3)	-	22.5	143.0
Vehicle rental finance liabilities	84.1	-	(45.9)	-	75.4	-	113.6
	239.2	**(12.5)**	**(54.2)**	**(16.3)**	**75.4**	**25.0**	**256.6**
Cash and cash equivalents	(103.9)						(111.8)
Bank overdraft	82.6						45.3
Net funds excluding lease and vehicle rental liabilities	**(3.0)**						**(66.5)**
Net debt including lease and vehicle rental liabilities	**217.9**						**190.1**

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

Non-cash movements in relation to lease liabilities relate to the recognition and de-recognition of lease liabilities and accrued and repaid interest. The non-cash movement in relation to the Group's RCF is the reclassification of unamortised debt issue costs to prepayments, in the prior year this movement was the amortisation of debt issue costs.

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

In June 2022 the Group renewed and extended its revolving credit facility (the RCF) to September 2025 with a limit of £100m. The facility is subject to quarterly covenant tests on leverage and interest cover. The facility is secured via a debenture over certain assets (predominantly property) of the Group. The facility has remained undrawn since April 2022.

20. Financial instruments (continued)

An analysis of the Group's fixed and floating rate borrowings and lease liabilities is as follows:

2022	Floating rate £m	Floating rate Weighted average effective interest rate %	Fixed rate £m	Fixed rate Weighted average effective interest rate %	Total interest bearing £m	On which no interest is paid £m	2022 Total £m
Other loans	-	-	-	-	-	-	-
RCF	-	-	-	-	-	-	-
Lease liabilities	-	-	143.0	4.2	143.0	-	143.0
Total borrowings	**-**		**143.0**		**143.0**	**-**	**143.0**

2021	Floating rate £m	Floating rate Weighted average effective interest rate %	Fixed rate £m	Fixed rate Weighted average effective interest rate %	Total interest bearing £m	On which no interest is paid £m	2021 Total £m
Other loans	8.3	1.4	-	-	8.3	-	8.3
RCF	10.0	2.3	-	-	10.0	-	10.0
Lease liabilities	-	-	136.8	4.5	136.8	-	136.8
Total borrowings	**18.3**		**136.8**		**155.1**	**-**	**155.1**

A maturity analysis of the Group's undiscounted inflows from operating lease receivables is as follows:

Year ended	Within 1 year £m	Within 1-2 years £m	Within 2-3 years £m	Within 3-4 years £m	Within 4-5 years £m	After 5 years £m	Total £m
31 December 2022	21.0	13.0	6.9	1.1	-	-	42.0
31 December 2021	16.9	9.4	3.9	1.0	-	-	31.2

Finance receivables of £1.1m (2021: £0.7m) are due within one year.

Financial risk management objectives

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

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk on its financial assets which consist of cash balances with banks and trade and other receivables to the extent that settlement is cash-related.

Market risk

The Group has exposures to the following risks inherent in its financial instruments.

Notes to the Financial Statements

For the year ended 31 December 2022

20. Financial instruments (continued)

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Foreign exchange risk arises as a result of having monetary assets and liabilities denominated in non-Sterling balances. Exchange rate exposures are managed within approved policy parameters utilising natural hedges where appropriate.

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

	Assets		Liabilities	
	Group 2022 £m	2021 £m	Group 2022 £m	2021 £m
Euro	**6.6**	2.6	**7.3**	4.1

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

	2022 £m +10% change	2022 £m -10% change	2021 £m +10% change	2021 £m -10% change
Financial assets	**(0.6)**	**0.7**	(0.2)	0.3
Financial liabilities	**(0.7)**	**0.8**	(0.4)	0.5

Interest price risk

This risk results from financial instruments bearing fixed interest rates; changes in floating interest rates therefore affect the fair value of these fixed rate financial instruments. The Group has no debt subject to fixed interest rates and is, therefore, not exposed to interest price risk.

Interest cash flow risk

This risk results from financial instruments bearing floating interest rates. Changes in floating interest rates affect cash flows on interest receivable or payable. The Group is exposed to interest rate risk on its floating rate debt, namely all loans and borrowings. The interest rate exposure of the Group is managed within the constraints of the Group's business plan and the financial covenants under its revolving credit facilities.

Interest rate risk management

The sensitivity analyses below have been determined based on the exposure to changes in interest rates at the reporting date and stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. Based on historical experience and current interest rates being less stable than previously, a 100 (2021: 50) basis point change is used when reporting interest risk internally to the Board and represents the Board's assessment of the possible change in interest rates. Interest rate risk is the financial impact by which the Group is exposed in respect of the financial liabilities attracting an interest charge. The Group manages interest rate risk by ensuring a mix of fixed and floating rate borrowings and ensuring an optimum level of draw-down on each facility.

	+ 100/ 50 Basis Points	
	Group 2022 £m	2021 £m
Profit or loss and equity	**1.4**	1.0

A decrease of 100 (2021: 50) basis points has an equal and opposite effect to that disclosed above.

Credit risk management

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

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

20. Financial instruments (continued)

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At the year end the Group is in a net current liabilities position of £8.4m (2021: £71.5m) and has more than sufficient headroom available on the Group's working capital facility to draw down long-term repayable funds into available cash to ensure that all current liabilities can be met in line with their contractual maturities.

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

2022	Less than 1 year £m	Over 1 year £m	Total £m
Bank overdraft and loans	45.3	-	45.3
Total lease liabilities	22.3	184.8	207.1
Vehicle rental finance liabilities	50.2	63.4	113.6
Trade and other payables	841.7	-	841.7
	959.5	**248.2**	**1,207.7**
2021			
Bank overdraft and loans	83.6	17.3	100.9
Total lease liabilities	20.7	175.0	195.7
Vehicle rental finance liabilities	57.3	26.8	84.1
Trade and other payables	650.2	-	650.2
	811.8	**219.1**	**1,030.9**

Included within the analysis above are balances relating to consignment stock where the liability is contractually due for payment when the related vehicle is adopted by the Group. Adoption usually occurs for the purpose of selling the vehicle to the end customer at which point the cash outflow in respect of the liability matches the cash inflow from the sale.

An analysis of the Company's borrowings is as follows:

Current	Company 2022 £m	2021 £m
Bank overdrafts	-	17.9
Non-current		
Secured bank loans	-	10.0
	-	**27.9**

Bank loans and overdrafts repayable	Company 2022 £m	2021 £m
Less than one year	-	17.9
More than one year and not more than two years	-	10.0
	-	**27.9**

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

20. Financial instruments (continued)

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

Total lease liabilities	Company 2022 £m	2021 £m
Current	2.1	0.7
Non-current	2.5	0.6
	4.6	**1.3**

Lease liabilities repayable:	Company 2022 £m	2021 £m
Less than one year	2.1	0.7
More than one year and not more than two years	1.8	0.5
More than two years and not more than five years	1.0	0.2
(Less): finance costs allocated to future years	(0.3)	(0.1)
	4.6	**1.3**

Capital risk management

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

The capital structure of the Group consists of cash and cash equivalents, debt and borrowings, and equity holders of the parent, comprising issued share capital, share premium, a capital redemption reserve and retained earnings. One of the Group's subsidiaries is subject to an externally imposed capital requirement.

The Board reviews the capital structure on a semi-annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

Gearing ratio

The gearing ratio at the year-end is as follows:

	Group 2022 £m	2021 £m
Total borrowings excluding lease and vehicle rental finance liabilities	(45.3)	(100.9)
Cash at bank and in hand	111.8	103.9
Net funds	66.5	3.0
Total equity	431.9	369.6
Net funds to equity ratio	**15.4%**	**0.8%**

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

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

	Group 2022 £m	2021 £m
Net debt (including lease and vehicle rental finance liabilities)	190.1	217.9
Total equity	431.9	369.6
Net debt (including lease and vehicle rental finance liabilities) to equity ratio	**44.0%**	**59.0%**

21. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of up to 25% (2021: 25%) and movements in the year are as follows:

	Group 2022 £m	2021 £m	Company 2022 £m	2021 £m
As at 1 January	49.4	33.2	(10.6)	(14.2)
(Credited)/charged to the income statement - excluding rate adjustment	(6.1)	(0.3)	2.7	1.8
Charged to the income statement - rate adjustment	-	16.9	-	2.7
Charged to other comprehensive income - excluding rate adjustment	1.7	4.7	1.4	4.4
Credited to other comprehensive income - rate adjustment	-	(5.1)	-	(5.3)
As at 31 December	**45.0**	**49.4**	**(6.5)**	**(10.6)**

Group

Deferred tax liabilities:	Intangible assets £m	Accelerated tax depreciation £m	Capital gains £m	Total £m
As at 1 January 2021	20.0	29.3	3.5	52.8
Movement in year via income statement - excluding rate adjustment	0.1	(2.6)	(0.1)	(2.6)
Movement in year via income statement - rate adjustment	6.3	8.3	1.1	15.7
As at 31 December 2021	**26.4**	**35.0**	**4.5**	**65.9**
As at 1 January 2022	26.4	35.0	4.5	65.9
Movement in year via income statement	(0.5)	(6.2)	(0.4)	(7.1)
As at 31 December 2022	**25.9**	**28.8**	**4.1**	**58.8**

Deferred tax assets:	Leases £m	Share options £m	Employee benefits £m	Provisions £m	Total £m
As at 1 January 2021	(4.2)	-	(15.1)	(0.3)	(19.6)
Movement in year via income statement - excluding rate adjustment	0.6	(0.3)	2.0	-	2.3
Movement in year via income statement - rate adjustment	(1.2)	(0.1)	2.6	(0.1)	1.2
Movement in year via statement of other comprehensive income - excluding rate adjustment	-	-	4.7	-	4.7
Movement in year via statement of other comprehensive income - rate adjustment	-	-	(5.1)	-	(5.1)
As at 31 December 2021	**(4.8)**	**(0.4)**	**(10.9)**	**(0.4)**	**(16.5)**
As at 1 January 2022	(4.8)	(0.4)	(10.9)	(0.4)	(16.5)
Movement in year via income statement	(2.1)	(0.4)	3.3	0.2	1.0
Movement in year via statement of other comprehensive income	-	-	1.7	-	1.7
As at 31 December 2022	**(6.9)**	**(0.8)**	**(5.9)**	**(0.2)**	**(13.8)**

Net deferred tax liability:	
As at 1 January 2022	49.4
As at 31 December 2022	**45.0**

21. Deferred tax (continued)

Company

Deferred tax assets:	Accelerated tax depreciation £m	Share options £m	Employee benefits £m	Provisions £m	Total £m
As at 1 January 2021	0.5	-	(14.6)	(0.1)	(14.2)
Movement in year via income statement - excluding rate adjustment	(0.1)	(0.3)	2.0	0.1	1.7
Movement in year via income statement - rate adjustment	0.1	(0.1)	2.6	0.1	2.7
Movement in year via statement of other comprehensive income - excluding rate adjustment	-	-	4.4	-	4.4
Movement in year via statement of other comprehensive income - rate adjustment	-	-	(5.2)	-	(5.2)
As at 31 December 2021	**0.5**	**(0.4)**	**(10.8)**	**0.1**	**(10.6)**
As at 1 January 2022	0.5	(0.4)	(10.8)	0.1	(10.6)
Movement in year via income statement	0.1	(0.4)	3.1	(0.1)	2.7
Movement in year via statement of other comprehensive income	-	-	1.4	-	1.4
As at 31 December 2022	**0.6**	**(0.8)**	**(6.3)**	**-**	**(6.5)**

The Board are satisfied with the recognition of a deferred tax asset in the Company due to the probability of future taxable profits becoming available.

22. Share capital and reserves

	2022				2021			
Group and Company	Number of Shares	Share capital £m	Share premium £m	Capital redemption reserve £m	Number of Shares	Share capital £m	Share premium £m	Capital redemption reserve £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	391,887,909	19.6	78.4	15.1	390,138,374	19.5	78.4	15.1
Allotted under share option schemes	549,596	-	-	-	1,749,535	0.1	-	-
Own shares purchased for cancellation	(5,743,231)	(0.3)	-	0.3	-	-	-	-
As at 31 December	**386,694,274**	**19.3**	**78.4**	**15.4**	**391,887,909**	**19.6**	**78.4**	**15.1**

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

Own shares purchased for cancellation
In October 2022, the Group announced commencement of a share buyback programme of up to £15.0m in respect of its ordinary shares of 5p each. Under the share buyback programme the number of ordinary shares purchased will not exceed 39,193,973. Own shares purchased for cancellation relate to the share buyback programme. Included in the number of own shares purchased for cancellation is 440,200 shares with nominal value £nil and market value £0.3m which had not been cancelled as at 31 December 2022. Total cash outflows in relation to the share buyback were £4.6m at an average price of 78p per share.

23. Share-based compensation

The Company has a share option scheme for all employees of the Group and an Executive Share Option Scheme (ESOS).

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

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

	2022		2021	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the year	5,493,812	0.43	7,610,383	0.48
Exercised during the year	(77,334)	0.40	(16,039)	0.40
Cancelled during the year	(226,780)	0.40	(782,787)	0.51
Forfeited during the year	(221,753)	0.41	(729,284)	0.43
Lapsed during the year	(449,404)	0.84	(588,461)	0.87
Outstanding at the end of the year	**4,518,541**	**0.40**	**5,493,812**	**0.43**
Exercisable at the end of the year	**-**	**-**	**456,229**	**0.84**

No options were granted in 2022 (2021: none). The options outstanding at 31 December 2022 have an exercise price of 40p and a weighted average contractual life of 8 months (2021: range of 40p to 84p and a weighted average contractual life of 19 months). All share options are settled via equity.

Following the end of the reporting period, on 1 March 2023 the 2020 SAYE award vested and became exercisable, for which allotment of 3,278,103 shares was approved. The 2020 SAYE award expires in September 2023, after which point there will be no extant SAYE awards.

Executive Share Option Scheme (ESOS LTIPs)
The Executive Share Option Scheme was available to all eligible senior management of the Group. Vesting is subject to the satisfaction of certain performance conditions relating to underlying earnings per share and total shareholder return. Options are exercisable with an exercise price of nil and the vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire.

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

	2022		2021	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the year	2,762,215	-	3,460,656	-
Granted during the year	2,613,507	-	2,048,190	-
Exercised during the year	(477,548)	-	(775,296)	-
Forfeited during the year	(36,841)	-	(1,971,335)	-
Outstanding at the end of the year	**4,861,333**	**-**	**2,762,215**	**-**
Exercisable at the end of the year	**199,636**	**-**	**124,863**	**-**

The weighted average option price at the date of exercise for share options exercised during the period was £nil (2021: £nil) and have been issued with a weighted average fair value calculated as 53p in the year ended 31 December 2022 (2021: 61p). The options outstanding at 31 December 2022 and 31 December 2021 had a weighted average exercise price of £nil and a weighted average contractual life of 106 months (2021: 109 months).

Notes to the Financial Statements

For the year ended 31 December 2022

23. Share-based compensation (continued)

The estimate of the fair value of the services received in respect of share options granted in the year have been measured using the Monte Carlo simulation model. Prior awards were measured using the Black-Scholes option pricing model. The inputs into the models are as follows:

	2022	2021
Expected volatility	36% - 50%	36% - 50%
Expected life	3 years	3 years
Risk-free rate	0.02%	0.02%
Expected dividend yields	1.00% - 4.00%	1.00% - 4.00%

Volatility was measured by reference to the changes in the Company's historical share price over the corresponding historical period.

The total share-based compensation charge recorded in the year ended 31 December 2022 was £0.7m (2021: £0.6m).

Following the end of the reporting period, on 12 January 2023 a grant of share options was awarded under the ESOS LTIP scheme. A total of 2,188,260 nil cost options were granted.

24. Pensions

The Group operates two (2021: two) defined benefit pension schemes, The Lookers Pension Plan (operated by Lookers plc company) and the Benfield Group Pension Plan. The summary of the assets, liabilities and surplus or deficits of these schemes are summarised below. The Group's risk management strategy for pension liabilities is summarised within the Strategic Review section.

	The Lookers Pension Plan 2022 £m	The Benfield Group Pension Plan 2022 £m	Total 2022 £m
Defined benefit obligation	(189.1)	(8.6)	(197.7)
Scheme assets	163.7	10.5	174.2
Deficit	(25.4)	-	(25.4)
Surplus	-	1.9	1.9
Net deficit	(25.4)	1.9	(23.5)
Amounts recognised in the income statement	1.8	(0.1)	1.7
Actuarial gains recognised in the statement of comprehensive income	5.3	1.6	6.9

	The Lookers Pension Plan 2021 £m	The Benfield Group Pension Plan 2021 £m	Total 2021 £m
Defined benefit obligation	(300.1)	(13.6)	(313.7)
Scheme assets	257.0	13.5	270.5
Deficit	(43.1)	(0.1)	(43.2)
Amounts recognised in the income statement	2.0	-	2.0
Actuarial gains recognised in the statement of comprehensive income	23.0	1.9	24.9

The Lookers Pension Plan - Group and Company

"The Lookers Pension Plan" provides benefits based on final pensionable salary and is administered by Aon Hewitt Limited. The scheme has been registered with the Registrar of Pensions. The assets of the scheme are held separately from those of the Group, being held in separate funds by the Trustees of the Lookers Pension Plan.

A valuation update was made as at 31 December 2022 by a qualified independent actuary, using the projected unit credit method to take account of the IAS 19 (Revised) requirements. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the scheme's assets at their 31 December market value. The assets of the scheme are held separately from those of the Employer.

24. Pensions (continued)

Fair value and major categories of assets:

	Market value 2022 £m	Plan % 2022	Market value 2021 £m	Plan % 2021
Equities	14.9	9.1	27.0	10.5
Target return funds	129.1	78.9	116.7	45.4
Cash	17.2	10.5	5.4	2.1
Insurance policies/other	2.5	1.5	107.9	42.0
Total fair value of assets	**163.7**	**100.0**	**257.0**	**100.0**

None of the equity assets of the scheme are held in quoted investments. For those assets that are not quoted, excluding cash, the investments are valued on a daily basis by the investment managers.

Amounts recognised in the income statement:	2022 £m	2021 £m
Non-investment expenses	1.1	1.1
Finance costs on obligation	5.4	4.1
Finance income	(4.7)	(3.2)
Total defined benefit expense	**1.8**	**2.0**

Changes in the present value of the defined benefit obligation:	2022 £m	2021 £m
Opening defined benefit obligation	300.1	322.0
Finance costs	5.4	4.1
Actuarial gains - demographic changes	(2.0)	(2.2)
Actuarial gains - actuarial experience from financial assumptions	(105.9)	(17.2)
Actuarial gains - experience adjustments	(0.2)	-
Value of insured pensioners	2.5	4.2
Benefits paid	(10.8)	(10.8)
Total defined benefit obligation	**189.1**	**300.1**

Changes in the fair value of scheme assets:	2022 £m	2021 £m
Opening fair value of scheme assets	257.0	245.0
Finance income	4.7	3.2
Actuarial (losses)/gains	(102.8)	3.6
Contributions	14.2	12.9
Benefits paid	(10.8)	(10.8)
Value of insured pensioners	2.5	4.2
Non-investment expenses	(1.1)	(1.1)
Closing fair value of scheme assets	**163.7**	**257.0**

None of the scheme's assets were invested in Lookers plc or property occupied by Lookers plc. The Group made contributions of £14.2m in 2022 (2021: £12.9m) to fund accruing pensions and expects to maintain a similar level of pension contributions in the future to fund current service costs and deficit repayments.

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

Notes to the Financial Statements

For the year ended 31 December 2022

24. Pensions (continued)

The most recent triennial valuation date of the Lookers Pension Plan was 31 March 2022. The Trustee and the Group are in the process of agreeing the triennial valuation and the preferred funding strategy. The deadline for agreement is 30 June 2023. Contributions are currently being paid based on the previous triennial valuation (31 March 2019), with annual contributions of £12.0m, subject to annual inflation increases and continuing over the recovery period of 6 years and 10 months. By funding the defined benefit pension scheme, the Group is exposed to the risk that the cost of meeting its obligations is higher than anticipated. This could occur for several reasons, for example:

- Investment returns on the schemes' assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the schemes' liabilities;
- The level of price inflation may be higher than that assumed, resulting in higher payments from the schemes;
- Scheme members may live longer than assumed, for example due to advances in healthcare. Members may also exercise (or not exercise) options in a way that leads to increases in the schemes' liabilities, for example through early retirement or commutation of pension for cash; and
- Legislative changes could also lead to an increase in the schemes' liabilities.

The trustees investment objectives and the processes undertaken to measure and manage the risks inherent in the scheme investment strategy are documented in the scheme's Statement of Investment Principles. The trustees and the Group review the investment strategy at the time of each funding valuation, with informal reviews carried out during the period between valuations. The trustees review the investment strategy based on professional advice from their investment advisors. The strategy determines the proportion of assets which are growth or matching assets and what policy is to be followed to hedge against increases in interest rates and inflation. It also considers the funding level of the scheme and the point at which a de-risking strategy might be appropriate. The risks that may be applicable to the investment strategy are primarily that investment returns on the scheme's assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the schemes' liabilities. The average duration of the defined benefit obligation at 31 December 2022 is 15 years (2021: 17 years).

Actuarial assumptions	2022	2021
Discount rate	4.75%	1.85%
Price inflation	2.40%-3.00%	2.60%-3.20%
Future pension increases	2.40%-2.95%	2.60%-3.10%
Life expectancy at age 65 for:		
current pensioners - males	86.6	87.0
current pensioners - females	88.5	88.8
future pensioners - males	87.6	87.9
future pensioners - females	89.8	90.1

The table below gives a broad indication of the impact on the scheme valuation for changes in the key assumptions:

Change in assumption	Approximate impact on current deficit	
Reduce discount rate by 0.1% p.a.	+£2.81m	(2021 +£4.8m)
Increase inflation assumptions by 0.1% p.a.	+£1.66m	(2021 +£3.4m)
Change mortality assumptions to SAPS SINA (-1 year) CMI 2021 (1%)	+£6.5m	(2021 +£12.0m)

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.

24. Pensions (continued)

The Benfield Group Pension Plan - Group
"The Benfield Motor Group Pension Plan" provides benefits based on final pensionable salary. The Plan, which is a funded scheme, is administered by Deloitte Total Reward and Benefits Limited. The scheme has been registered with the Registrar of Pensions. The assets of the scheme are held separately from those of the Group, being held in separate funds by the Trustees of the Benfield Motor Group Pension Plan.

A valuation update was made as at 31 December 2022 by a qualified independent actuary to take account of the IAS 19 requirements. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the scheme's assets at their 31 December market value.

Fair value and major categories of assets of the scheme:

	Market value 2022 £m	Plan % 2022	Market value 2021 £m	Plan % 2021
Equities	3.5	33.4	7.2	53.3
Corporate bonds	6.2	59.0	4.4	32.6
Other	0.8	7.6	1.9	14.1
Total fair value of assets	**10.5**	**100.0**	**13.5**	**100.0**

All assets excluding cash are unquoted investments.

Amounts recognised in the income statement:

	2022 £m	2021 £m
Finance costs	0.2	0.2
Finance income	(0.3)	(0.2)
Total defined benefit income	**(0.1)**	**-**

Changes in the present value of the defined benefit obligation:

	2022 £m	2021 £m
Opening defined benefit obligation	13.6	15.8
Finance costs	0.2	0.2
Actuarial gains - demographic changes	(0.1)	(0.2)
Actuarial gains - experience adjustments	(0.4)	(0.4)
Actuarial gains - actuarial experience from financial assumptions	(4.2)	(1.0)
Benefits paid	(0.5)	(0.8)
Closing defined benefit obligation	**8.6**	**13.6**

Changes in the fair value of scheme assets:

	2022 £m	2021 £m
Opening fair value of scheme assets	13.5	13.5
Finance income	0.3	0.2
Actuarial (losses)/gains	(3.1)	0.3
Contributions by employer	0.3	0.3
Benefits paid	(0.5)	(0.8)
Closing fair value of scheme assets	**10.5**	**13.5**

None of the scheme's assets were invested in Lookers plc. The Group made contributions of £0.3m in 2022 (2021: £0.3m) to fund accruing pensions and expects to maintain a similar level of pension contributions in the future to fund current service costs and deficit repayments.

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

Notes to the Financial Statements

For the year ended 31 December 2022

24. Pensions (continued)

The most recent actuarial valuation of the Benfield Group Pension Plan was carried out as at 31 December 2019. This was agreed between the trustees and the Group. No administrative expenses are currently required to be made to the Plan. The next triennial review has now commenced for the valuation date of 31 December 2022. By funding the defined benefit pension scheme, the Group is exposed to the risk that the cost of meeting its obligations is higher than anticipated. This could occur for several reasons, for example:

- Investment returns on the scheme's assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the schemes' liabilities;
- The level of price inflation may be higher than that assumed, resulting in higher payments from the schemes;
- Scheme members may live longer than assumed, for example due to advances in healthcare. Members may also exercise (or not exercise) options in a way that leads to increases in the schemes' liabilities, for example through early retirement or commutation of pension for cash, and;
- Legislative changes could also lead to an increase in the scheme's liabilities.

The trustees investment objectives and the processes undertaken to measure and manage the risks inherent in the scheme investment strategy are documented in the scheme's Statement of Investment Principles. The trustees and the Group review the investment strategy at the time of each funding valuation, with informal reviews carried out during the period between valuations. The trustees review the investment strategy based on professional advice from their investment advisors. The strategy determines the proportion of assets which are growth or matching assets and what policy is to be followed to hedge against increases in interest rates and inflation. It also considers the funding level of the scheme and the point at which a de-risking strategy might be appropriate. The risks that may be applicable to the investment strategy are primarily that investment returns on the scheme's assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the schemes' liabilities. The average duration of the defined benefit obligation at 31 December 2022 is 14 years (2021: 16 years).

Actuarial assumptions

	2022	2021
Discount rate	4.75%	1.85%
Price inflation	2.40%-3.00%	2.60%-3.20%
Future pension increases	2.40%-2.95%	2.60%-3.10%
Life expectancy at age 65 for:		
current pensioners - males	86.6	87.0
current pensioners - females	88.5	88.8
future pensioners - males	87.6	87.9
future pensioners - females	89.8	90.1

The table below gives a broad indication of the impact on the scheme valuation for changes in the key assumptions:

Change in assumption	Approximate impact on current deficit	
Reduce discount rate by 0.1% p.a.	+£0.12m	(2021 + £0.2m)
Increase inflation assumptions by 0.1% p.a.	+£0.03m	(2021 + £0.1m)
Change mortality assumptions to SAPS SINA (-1 year) CMI 2021 (1%)	+£0.03m	(2021 + £0.5m)

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.

Defined contribution scheme

The Group and Company provide pension arrangements for certain Directors and employees under defined contribution schemes and have a defined contribution Stakeholder Pension Scheme for employees. The income statement account charge for the year in respect of defined contribution schemes was £5.7m (2021: £5.4m).

Notes to the Financial Statements

For the year ended 31 December 2022

25. Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

		Sales to related parties £	Purchases from from related parties £	Amounts owed by related parties £	Amounts owed to related parties £
Key management personnel of the Group:					
Other Director interests:	2022	33,500	-	-	-
	2021	-	-	-	-

During the year ended 31 December 2022, the following related party transactions between Directors and the Group took place:

Related party	Nature of transaction	Transaction amount £	Remaining balance £
R. Churchouse	Servicing of vehicle	1,156	-

During the year ended 31 December 2021, the following related party transactions between Directors and the Group took place:

Related party	Nature of transaction	Transaction amount £	Remaining balance £
V. Mitchell	Purchase of vehicle	21,215	-
V. Mitchell	Sale of vehicle	26,500	-
R. Churchouse	Purchase of vehicle	17,676	-

Details of key management personnel remuneration are shown in Note 4.

26. Ultimate controlling party

There is no controlling party of the Company's share capital.

Notes to the Financial Statements

For the year ended 31 December 2022

27. Reconciliation of Alternative Performance Measures

The Group uses a number of Alternative Performance Measures (APM) which are non-IFRS measures in establishing their financial performance. Like-for-like is the collection of dealerships and other trading businesses that have both a full year of trading activity in the current year and prior year. The Group believes the APM provide useful, historical financial information to assist investors and other stakeholders to evaluate the performance of the business and are measures commonly used by certain investors for evaluating the performance of the Group.

In particular, the Group uses APM which reflect the underlying performance on the basis that this provides users of the financial statements with additional useful information to better assess the core business performance of the Group. Details of the definitions of APM are made within the Glossary on page 197. A reconciliation of the statutory measures to the APM is set out below:

Like-for-like revenue	Note	2022	2021
Revenue (£m)	1	**4,300.9**	**4,050.7**
Less: Non like-for-like revenue		(31.8)	(47.8)
Like-for-like revenue (£m)		**4,269.1**	**4,002.9**
Gross profit margin			
Revenue (£m)	1	**4,300.9**	**4,050.7**
Gross profit (£m)		**550.2**	**516.6**
Gross profit margin (%)		**12.8%**	**12.8%**
EBITDA and underlying EBITDA (£m)			
Operating profit (£m)		**108.9**	**114.1**
Add: Depreciation (£m)	2	49.9	48.9
Add: Amortisation (£m)	2	4.7	5.0
EBITDA (£m)		**163.5**	**168.0**
Add: Non-underlying items (£m)	3	(1.7)	0.1
Underlying EBITDA (£m)		**161.8**	**168.1**
Underlying operating profit (£m)			
Operating profit (£m)		**108.9**	**114.1**
Add: Non-underlying items (£m)	3	(1.7)	0.1
Underlying operating profit (£m)		**107.2**	**114.2**
Underlying profit before tax and underlying basic EPS			
Profit before tax (£m)		**84.4**	**90.0**
Add: Non-underlying items (£m)	3	(1.7)	0.1
Underlying profit before tax (£m)		**82.7**	**90.1**
Underlying tax (£m)	6	(11.4)	(28.5)
Change in UK tax rate (£m)	6	-	16.9
Underlying profit after tax (£m)		71.3	78.5
Weighted average number of shares in issue	8	391,627,955	391,073,686
Underlying basic EPS (p)		**18.21**	**20.07**
Property portfolio and property portfolio by share			
Property, plant and equipment (£m)		**404.4**	**399.3**
Less: Other property, plant and equipment (£m)	11	(25.7)	(26.7)
Less: Motor vehicles (£m)	11	(88.2)	(69.1)
Property portfolio (£m)		**290.5**	**303.5**
Share capital at 31 December	22	386,694,274	391,887,909
Property portfolio per share (p)		**75.1**	**77.4**
Net funds excluding lease liabilities and rental vehicle finance liabilities			
Cash and cash equivalents (£m)		111.8	103.9
Less: Bank loans and overdrafts (£m)		(45.3)	(100.9)
Net funds (£m)		**66.5**	**3.0**

Franchise and distribution outlets

Aston Martin
Belfast

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

Bentley
Belfast

BMW
Crewe
Stafford
Stoke-on-Trent

Citroen
Belfast

Cupra
Stockport

Dacia
Belfast
Carlisle
Chester
Newcastle
Newtownabbey
Newtownards
Stockport

DS
Belfast

Ferrari
Belfast

Ford
Braintree
Chelmsford
Colchester
Gateshead
Leeds
Middlesbrough
Sheffield
South Shields
S.W. Ferrers
Sudbury

Ford Transit Centre
Chelmsford
Colchester
Gateshead
Leeds
Middlesbrough
Sheffield

GWM ORA
Braintree
Wolverhampton

Hyundai
Dundonald

Jaguar
Aston Clinton
Belfast
Glasgow
West London

Jeep
Belfast

Kia
Belfast
Chester
Newcastle
Newtownabbey
Stockport

Land Rover
Aston Clinton
Battersea
Belfast
Bishop's Stortford
Chelmsford
Colchester
Glasgow North
Glasgow South
Lanarkshire
West London

Lexus
Belfast

Maserati
Belfast

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

MINI
Crewe
Stafford
Stoke-on-Trent

Nissan
Belfast
Carlisle
Chester
Gateshead
Leeds
Newcastle
Newtownabbey
Newtownards

Peugeot
Belfast

Polestar
Manchester

Renault
Belfast
Carlisle
Chester
Newcastle
Newtownabbey
Newtownards
Stockport

Seat
Manchester
Stockport

Skoda
Guildford
Manchester
Newcastle
Stockport

Smart
Brighton
Maidstone
Wolverhampton

Toyota
Belfast
Dundonald
Newtownabbey

Vauxhall
Belfast
Birmingham
Chester
Ellesmere Port
Lisburn
Liverpool
Newtownabbey
Portadown
Selly Oak
St Helens

Vauxhall Van Centres
Birmingham
Chester
Liverpool

Volkswagen
Battersea
Blackburn
Blackpool
Carlisle
Darlington
Guildford
Newcastle
Northallerton
Preston
Silverlink
Teesside
Walton-on-Thames

Volkswagen - CV
Glasgow
Guildford
Newcastle
Teesside

Volvo
Colchester
Glasgow
Stockport

Accident repair centres
Belfast (+ CarsmeticNI)
Chelmsford
Glasgow
North Shields

Lookers vehicle solutions
Belfast - Fleet Solutions
Gateshead - Group Fleet
Harrogate - Group Fleet
Harrogate - Leasing
Newcastle - Leasing
Sandtoft - Rental
Beaconsfield - Rental

Tyres
Belfast - Boucher Road
Belfast - Sydenham Road

Motorcycles
BMW - Belfast
Yamaha - Belfast

Parts centres
Belfast (Distrigo + Multi Brand Parts Distribution)
Birmingham (Distrigo Hub)
Chelmsford (Ford Plus)
Gateshead (Ford Plus)
Ipswich (Ford Plus)
Middlesbrough (Ford Plus)
Sheffield (Ford Plus)

Service centres
Ford Colchester
Jaguar Bishop's Stortford
Jaguar Chelmsford
Smart Ashford
Smart Eastbourne
Smart Gatwick
Smart Shrewsbury
Smart Stoke-on-Trent
Smart Tonbridge
Smart Worcester
Vauxhall Deeside
Volkswagen Wimbledon
Volkswagen - CV Carlisle

TPS
Edinburgh
Glasgow North
Glasgow South
Newcastle
Teesside

Used car centres
Belfast - 17 Boucher Road
Belfast - 27 Boucher Road
Belfast - 62 Boucher Road
Belfast Premium
Dublin
Dundonald
Lisburn
Newcastle Premium
Newtownabbey
Newtownards
Portadown
Belfast - Van Centre

Glossary of terms

Introduction

In the reporting of the financial statements, the Directors have adopted various alternative performance measures (APMs) of financial performance, position, or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS). These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry. APMs should be considered in addition to IFRS measures and are not intended to be a substitute for IFRS measurements.

Purpose

The Directors believe that these APMs provide additional useful information on the underlying performance and position of the Group. APMs are also used to enhance the comparability of information between reporting periods by adjusting for irregularity factors which affect IFRS measures, to aid the user in understanding the Group's performance.

Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes. The key APMs that the Group has focused on this period are as follows:

Performance measure	Definition	Why we measure it
Like-for-like (LFL)	These are calculated where dealerships have contributed twelve months of revenue and profit contribution in both the current and comparative periods presented.	To provide a consistent overview of comparative trading performance.
Gross profit margin	Gross profit as a percentage of revenue.	A measure of the significant revenue channels' operational performance.
Non-underlying items	Relate to costs or incomes which are not incurred in the core operations of the business or due to their size, nature and irregularity are not included in the assessment of financial performance in order to reflect management's view of the core-trading performance of the Group (see Note 27).	A key metric of the Group's non-underlying business performance.
Earnings before interest, tax, depreciation, and amortisation (EBITDA)	Operating profit before deducting depreciation and amortisation.	A key metric of the Group's underlying business performance
Underlying operating profit	Operating profit before the impact of non-underlying items as defined above.	A key metric of the Group's underlying business performance.
Underlying profit before tax	Profit before tax before the impact of non-underlying items as defined above.	A key metric of the Group's underlying business performance.
Underlying basic earnings per share (EPS)	Earnings per share before the impact of non-underlying items as defined above, and the impact of tax rate changes.	A key metric of the Group's underlying business performance.
Net funds	Cash and cash equivalents less bank loans and overdrafts. Lease liabilities, vehicle rental liabilities and stocking loans are not included in net funds.	A measure of the Group's net funds that provides an indicator of the overall balance sheet strength.
Property portfolio	The net book value of freehold and leasehold properties as at the balance sheet date.	A key metric of the Group's statement of financial position.
New car unit sale	A new car sale which has generated revenue for the Group.	A measure of statistical volumes and indicator of operational performance.

Glossary of terms (continued)

Performance measure	Definition	Why we measure it
Used car unit sale	Any car sold that isn't a new car unit sale.	A measure of statistical volumes and indicator of operational performance.
Car parc	The approximate number of vehicles on the UK road network.	A measure of the UK market size and indicator for growth opportunities.
New car market	Total number of annual new car unit registrations made in the UK as defined by the Society of Motor Manufacturers and Traders (SMMT).	A measure of the UK market size and indicator for growth opportunities.
New car market share	The Group's annual share of the new car market calculated as a percentage of the Group's new car unit sales to the new car market size.	Our relative performance against the UK market.

Details of the reconciliations of APMs to statutory measures are made on page 195.

The UK Corporate Governance Code is a part of UK company law with a set of principles of good corporate governance aimed at companies listed on the London Stock Exchange. It is overseen by the Financial Reporting Council.
A copy is available at **www.frc.org.uk**

Corporate information

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SEDOL No. B17MMZ4

LEI No. 213800TSB8PJEACDAV33

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Manchester
M1 5ES

Financial PR advisers
MHP Communications
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60 Great Portland Street
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Bankers
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Manchester
M3 3AQ

ABN AMRO Bank N.V. (UK Branch)
5 Aldermanbury Square
London
EC2V 7HR

HSBC UK Bank Plc
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Bank of Ireland
27-33 Upper Baggot Street
Dublin 4
D04 VX58
Ireland

Shareholder Information

Dividend 2022
The proposed final dividend in respect of the year ended 31 December 2022 is 2.0p per share. Dates relating to this dividend are set out below:

Ex-dividend date (shares transferred without the dividend)	11 May 2023
Record date (last date for registering transfers to receive the dividend)	12 May 2023
Last date for registering DRIP instructions	26 May 2023
Dividend payment date	16 June 2023

Payment of dividends
Cash dividends will be sent by cheque to the first-named shareholder at their registered address. Dividends may also be paid direct into a shareholder's bank account, which can be arranged by contacting the Company's registrars (details on page 199).

Dividend reinvestment scheme (DRIP)
Shareholders may request that their dividends be used to purchase further shares in the Company. Requests should be made via the Company's registrars (details on page 199). Shareholders who have already opted to have their dividends reinvested do not need to reapply. The last date for registering for this service for the forthcoming dividend is set out in the table above.

Tax on dividends
It is a shareholder's responsibility to include all dividend income when calculating any tax liability. The Company provides registered shareholders with confirmation on the dividends paid. This should be included with any other dividend income received when calculating and reporting total dividend income received. If you have any tax queries, please contact a financial adviser.

Electronic communications
We encourage you to consider opting to receive communications electronically in order to help us reduce the impact on the environment. Shareholders who opt to receive online shareholder communications will receive an email from our registrars with a link to where shareholder documents can be viewed on the Lookers' website. Those shareholders who have not provided an e-mail address and have not specifically requested to receive a paper copy of documents, will receive a letter providing details of where the documents can be found. If you would like further information on this, please contact our registrars (details on page 199).

Electronic proxy voting
Shareholders are able to submit their proxy votes electronically, details of which will be provided with the Notice of any Annual General Meeting or General Meeting.

Shareholder enquiries
Any queries in relation to your holding, including in relation to dividend payments, electronic communications, voting, changes of address, update of bank details etc should be directed to our registrars, whose telephone, email and website details are all included on page 199. Changes of address must be notified in writing.


Lookers

Lookers plc