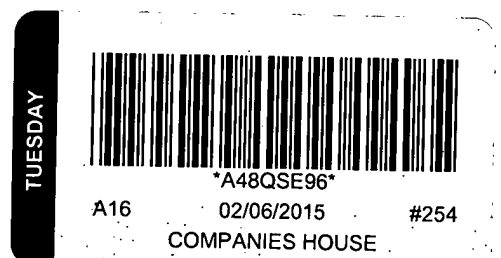


Lookers plc

Annual Report & Accounts 2014



Financial Statements 2014

Directors' Report

The Directors are pleased to submit their report which includes the Statements on Corporate Governance and the audited financial statements for the year ended 31 December 2014.

1. ACTIVITIES

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

2. STRATEGIC AND OPERATIONAL REVIEW

An analysis of the functional performance of the group, is provided on pages 5 to 19. The main financial KPIs of the group are revenue, profit before tax, earnings per share and gearing. The additional information required to be disclosed in the Strategic and Operational Review is detailed below.

Corporate Social Responsibility, Human Rights and Diversity

The group has a long-standing Corporate and Social Responsibility agenda and further details of this are included on page 34 of our annual report. We are also very conscious of human rights issues within the company and the key area that would impact our business would be across our supply chain. All of our directly employed staff are based in the UK or the Republic of Ireland and are covered by UK and Irish employment law. Our supply chain in the motor division is predominantly the major international motor manufacturers who clearly take these issues very seriously as well. Our parts division sources from many suppliers who are producing parts to original equipment standards and our specialist team of buyers take full account of all quality matters including working conditions of their suppliers.

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

Mandatory Carbon Reporting

The company is aware of, and supports, the new carbon reporting requirements. Separately, the company reports each year to the Environment Agency under the government's Carbon Reduction Commitment (CRC) scheme. As was noted last year, the group will align its carbon reporting period with that used for data submitted to the Environment Agency under the government's Carbon Reduction Commitment (CRC) scheme (April to March).

This is our first year of mandatory carbon reporting and covers the period 1st April 2013 to 31st March 2014.

The group has in place a variety of initiatives and controls that measure, monitor and seek to reduce energy usage and related carbon emissions. These result from regular energy surveys of our businesses. We report further on these matters in our environment report on page 34.

Our carbon reporting methodology is the Greenhouse Gas Protocol and the requirements of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations. Our reporting boundary is the financial control method and covers all occupied premises and vehicles operated by the group, whether owned or leased, relating to our UK based operations. Data relating to our business in the Republic of Ireland has been excluded. As this business accounts for 1% of our turnover, this exclusion is not considered material.

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

Our mandatory carbon reporting data for the 2013 / 2014 reporting year is summarised as follows:

		Tonnes of CO2 emissions	
		(tCO2e)	(tCO2e/£m)
Scope 1	Gas	4,504	1.74
	Vehicle fuels	16,621	6.44
	Total	21,125	8.18
Scope 2	Electricity	14,968	5.80
Statutory Total (Scope 1 & 2)*		36,093	13.98

* Statutory carbon reporting disclosures required by Companies Act 2006.

Directors' Report

2. STRATEGIC AND OPERATIONAL REVIEW (continued)

Principal Risks and Uncertainties

The group's business activities, financial condition, results of operations or the company's share price could be affected by any or all of the following principal risks or uncertainties:

Global Economy

The new and used car markets are influenced by general economic conditions, including changes in interest rates, fuel prices, indirect taxation, the cost and availability of credit and other factors which affect levels of consumer confidence. The demand for new cars is cyclical, which in some years will lead to reduced margins caused by oversupply. This could have an adverse impact on the earnings of the group, although it is likely that this would be mitigated by potential increases in both the used car market and the aftersales market as customers substitute nearly new for new cars, or spend more keeping their old vehicles roadworthy. Despite the general uncertainty in the economy in recent years, the group's business has proved to be resilient against this background and has continued to be profitable.

Manufacturers' Financial Stability

The group relies on its manufacturer partners for a significant proportion of its revenues and profits. The failure of a manufacturer could have a significant impact on the short-term profitability of a retailer partner. The group has attempted to mitigate this risk by having trading relationships with a large number of manufacturers, so that the impact of any one manufacturer failing would be reduced.

Liquidity and Financing

The group uses a number of methods to fund its day to day business. These methods are (i) bank borrowings by way of committed borrowing facilities (Banking facilities of £132.5 million, maturing March 2018); (ii) from manufacturer and third party finance houses through uncommitted stocking facilities to fund the purchase of stock; and (iii) from suppliers by way of trade credit. A withdrawal of any of these financing facilities or a failure to renew them as they expire could lead to a significant reduction in the trading ability of the group. However the group's balance sheet has been strengthened significantly over the past five years and this together with the renewal of the group's banking facilities in 2014, provides sufficient liquidity and funding.

Exchange Rates

The group is affected by currency fluctuations to the extent that a large proportion of our manufacturer partners either source parts or manufacture vehicles overseas. The relationship of the Euro against Sterling is considered to be the primary factor that could impact on this either to a beneficial or negative effect. The Board is aware of the uncertainties and seeks to mitigate this by ensuring the group retains a broad mix of the major manufacturers, both UK and overseas, to limit the effect.

Block Exemption Aftersales / General Exemption Sales

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

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

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

Competitive Nature of the Market

The motor vehicle distribution market is highly competitive and comprises a small number of large dealer networks, similar to Lookers, down to a large number of much smaller operators. In addition, the market includes internet-based dealers and private individuals. The franchised businesses also compete in the aftersales market which comprises similar franchised businesses, supply and fit chains, and a large number of small independent garages and bodyshops.

The market therefore offers customers different options depending upon price and quality of service they wish to take, with owners of new and nearly new vehicles tending to use the franchised businesses and owners of older vehicles tending towards the smaller independent provider. The group's franchised businesses rely on the quality of their customer service and the ability to adjust pricing, enabling them to react to local competitive conditions.

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

Directors' Report

2. STRATEGIC AND OPERATIONAL REVIEW (continued)

Government Legislation

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

Information Systems

The group is dependent upon a number of business critical systems which, if interrupted for any length of time, could have a material effect on the efficient running of the group's businesses. The Board has implemented a series of contingency plans which would enable the group to resume operations within a short space of time, thus mitigating the likelihood of material loss.

Manufacturers' Influence

The group's activities are also influenced by manufacturers in other ways. The timing, frequency and efficiency of new model roll-outs and changes in consumers' perception of these models and brands could materially affect the group's business. Similarly, manufacturers use a series of incentive schemes to support new car sales, warranty programmes etc. and changes or discontinuation of these schemes could also affect the group's business. By representing over thirty marques, the group believes that this diversity reduces the impact to the group that manufacturers' influence could cause.

3. DIVIDENDS AND SHARES

Ordinary shares of 5p each.

An interim dividend of 0.97p per ordinary share was paid on 28 November 2014 (2013: 0.88p). The directors are recommending a final dividend of 1.87p per ordinary share (2013: 1.70p) which will be payable on 5 June 2015 following approval at the Annual General Meeting, bringing the total dividend for 2014 to 2.84p (2013: 2.58p).

4. DIRECTORS

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

	31.12.14 Number	31.12.13 Number
D. C. A. Bramall	73,487,636	73,487,636
J. E. Brown	98,318	98,318
A. C. Bruce	642,086	502,086
N. A. Davis	120,221	83,345
R. A. Gregson	357,815	217,815
W. Holmes	54,666	36,666
N. J. McMinn	110,000	-
R. S. Walker (appointed 4 February 2014)	-	-
P. M. White	53,716	53,716

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

All holdings are beneficial.

There was no change in the interests of the Directors in shares or share options of the company between 31 December 2014 and 4 March 2015.

The mid-market price of the ordinary shares at 31 December 2014 was 130.0p and the range during the year was 117.75p to 150.0p.

R. S. Walker was appointed to the Board on 4 February 2014.

As permitted by the Company's articles of association, the Board has decided that all directors will retire from office at the 2015 Annual General Meeting and will seek re-election by the shareholders. Biographical details of all the directors are included on pages 20 to 21. Following formal performance evaluation by the board, the Chairman confirms that each of the directors standing for re-election continues to be effective and demonstrates commitment to the role.

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

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

Directors' Report

5. APPROVAL OF THE DIRECTORS' REMUNERATION REPORT AND REMUNERATION POLICY

The company will propose at the 2015 Annual General Meeting an ordinary resolution to seek shareholder approval of the Directors' Remuneration Report for the financial year ended 31 December 2014 (other than the part containing the Directors' remuneration policy which will be covered by a separate resolution). The Directors' Remuneration Report can be found on pages 36 to 52. The vote on the Directors' Remuneration Report is advisory in nature and the directors' entitlement to remuneration is not conditional on its being passed.

The company will also propose at the Annual General Meeting an ordinary resolution to seek shareholder approval of the Directors' remuneration policy set out on pages 37 to 40 of the directors' Remuneration Report for the financial year ended 31 December 2014.

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

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

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

6. CAPITAL STRUCTURE

Details of the authorised and issued share capital, together with details of the movements in the company's issued share capital during the year are shown in note 24. The company has one class of ordinary shares which carry no right to fixed income. There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of Directors, the company is governed by its Articles of Association, the 2010 UK Corporate Governance Code, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Main Board Terms of Reference, copies of which are available on request, and are described in the Chairman's Statement on Corporate Governance on page 30.

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

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

7. EMPLOYEES

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

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

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

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

All employment policies have been updated to conform with current legislation.

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

Directors' Report

8. ETHICAL EMPLOYMENT

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

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

9. SPECIAL BUSINESS OF THE ANNUAL GENERAL MEETING

(a) Directors' authority to allot shares

The Special Business of the Annual General Meeting includes an Ordinary Resolution (Resolution 15) which seeks to renew the authority conferred on the directors at last year's Annual General Meeting to allot shares.

This authority, which will expire on 30 June 2016 or, if earlier, at the conclusion of the company's next Annual General Meeting, is to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares up to an aggregate nominal value equal to £6,553,666 (representing 131,073,320 ordinary shares), being approximately 33% of the company's issued ordinary share capital as at 4 March 2015 (being the latest practicable date prior to the printing of this document). As at 4 March 2015, the company did not hold any shares in the company in treasury.

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

(b) Disapplication of statutory pre-emption rights

The Special Business of the Annual General Meeting includes a Special Resolution (Resolution 16) which seeks to renew the power conferred on the directors at last year's Annual General Meeting to issue equity securities of the company for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

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

This resolution seeks authority to disapply such statutory pre-emption rights. Other than in connection with a rights issue or other similar issue, the authority contained in this resolution will be limited to an aggregate nominal value of £983,050 (representing 19,661,000 ordinary shares), being 5% of the company's issued ordinary share capital as at 4 March 2015 (being the latest practicable date prior to the printing of this document).

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

The authority the directors are seeking will expire on 30 June 2016 or, if earlier, at the conclusion of the company's next Annual General Meeting.

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

(c) Purchase of own shares

The Special Business of the Annual General Meeting includes a Special Resolution (Resolution 17) which seeks to renew the authority granted to the Directors at last year's Annual General Meeting and to give the company authority to make market purchases of its own ordinary shares as permitted by the Companies Act 2006.

The resolution limits the number of ordinary shares the company can buy to a maximum of 39,321,997 shares representing 10% of the company's issued ordinary share capital as at 5 March 2014 (being the latest practicable date prior to the printing of this document). The authority also sets maximum and minimum prices.

Directors' Report

9. SPECIAL BUSINESS OF THE ANNUAL GENERAL MEETING (continued)

As at 4 March 2015, the company does not have any outstanding warrants or options to subscribe for equity shares.

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

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

The authority sought will expire on 30 June 2016 or, if earlier, at the conclusion of the company's next Annual General Meeting.

(d) Notice of General Meetings

The Special Business of the Annual General Meeting includes a Special Resolution (Resolution 18) which seeks to renew the authority given at the last Annual General Meeting to call general meetings on 14 days notice instead of 21 days.

The company currently has power under its Articles of Association to call general meetings (other than annual general meetings) on at least 14 clear days' notice and would like to preserve this ability. In order to be able to do so, shareholders must first approve the calling of meetings on at least 14 days' notice. This resolution seeks such approval. The approval will be effective until 30 June 2016 or, if earlier, at the conclusion of the company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

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

10. DONATIONS

Charitable donations amounted to £26,352 (2013: £22,256). No political donations were made (2013: £nil).

11. AUDITOR

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

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

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006. Deloitte LLP have expressed their willingness to continue in office and, in accordance with the Companies Act 2006, their re-appointment will be proposed at the Annual General Meeting.

12. SUPPLIER PAYMENT POLICY

The group does not formally follow the better payment practice code issued by the Department of Trade and Industry because, in line with industry practice, manufacturers insist upon direct access to our bank accounts and they take funds to pay for both vehicles and parts when they fall due. Other suppliers are generally paid in accordance with their terms of trading.

At 31 December 2014, the trade creditors of the group and the company represented 25 and 71 days (2013: 28 and 58 days) purchases respectively.

Directors' Report

13. DERIVATIVES AND FINANCIAL INSTRUMENTS

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

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

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

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

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

14. SUBSTANTIAL SHAREHOLDINGS

On 4 March 2015 the following shareholders, so far as the Directors are aware, had an interest in 3% or more of the issued ordinary share capital of the company:

	At 4 March 2015		At 31 December 2014	
D. C. A. Bramall and Family	73,487,636 shares	(18.93%)	73,487,636 shares	(18.93%)
Standard Life Investments	32,226,214 shares	(8.20%)	32,226,214 shares	(8.20%)
J. P. Morgan Investment Management	23,967,969 shares	(6.10%)	23,967,969 shares	(6.10%)
Black Rock	22,234,328 shares	(5.66%)	17,841,350 shares	(4.54%)
Fidelity Worldwide Investment	20,442,460 shares	(5.20%)	20,678,011 shares	(5.26%)
Schroder Investment Management Limited	15,858,035 shares	(4.03%)	16,758,035 shares	(4.27%)
Old Mutual Global Investors	12,777,287 shares	(3.25%)	12,574,660 shares	(3.20%)

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

By Order of the Board


G. MacGeekie

Company Secretary

4 March 2015

Chairman's Statement on Corporate Governance

COMPLIANCE STATEMENT

The Board of directors is collectively accountable to the company's shareholders for good corporate governance and is committed to achieve compliance with the principles of corporate governance set out in the 2012 UK corporate governance code issued by the Financial Reporting Council (the "Code"). Throughout 2014 the company has been in compliance with the provisions set out in the Code.

The company is committed to the principles of corporate governance contained in the 2012 UK Corporate Governance Code issued by the Financial Reporting Council ("the Code") for which the Board is accountable to shareholders.

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

The Board

The Board of directors at the start of the financial year under review comprised four executive directors and five non-executive directors. W. Holmes, J. E. Brown and R. S. Walker are considered to be independent non-executive directors. R. S. Walker was appointed a director on 4 February 2014 and J. E. Brown retired as a director on 31 December 2014.

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

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

- agreeing objectives, policies and strategies, and monitoring the performance of the executive management;
- approval of the group's strategic plans and business plans;
- approval of annual and interim results;
- deciding on major changes in organisation and the shape of the group, including entry into new fields of operation and departure from those which are no longer considered to be appropriate; and
- approving major individual capital projects.

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

Director Roles

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

J. E. Brown was the Senior Independent Director until 29 May 2014 when W. Holmes was appointed as the Senior Independent Director. It is the prime responsibility of the Senior Independent Director to provide a communication channel between the Chairman and the Non-Executive Directors and to ensure that the views of each non-executive director are given due consideration. The Company Secretary would minute any unresolved concerns expressed by any director.

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

Chairman's Statement on Corporate Governance

COMPLIANCE STATEMENT (continued)

Attendance at Meetings

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

Scheduled meetings held in 2014

	Board	Audit	Remuneration	Nomination
Number held	11	2	2	1
Number attended				
D. C. A. Bramall	7	1*	2*	-
J. E. Brown	11	2	2	1
A. C. Bruce	11	2*	2*	-
N. Davis	11	-	-	-
R. A. Gregson	11	2*	-	-
W. Holmes	11	2	2	1
R. S. Walker	11	2	2	1
N. J. McMinn	11	-	-	-
P. M. White	11	2	2	1

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

APPOINTMENT AND SELECTION OF DIRECTORS

Appointments

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

The Board approves the appointment and removal of directors.

The Board is aware of the other commitments of its non-executive directors and is satisfied that these do not conflict with their duties as non-executive directors of the company.

The service contracts of executive directors and the letters of appointment of non-executive directors are available for inspection at the company's registered office during normal business hours and at the Annual General Meeting.

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

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

In accordance with the Code, each new non-executive director is appointed for a specified term, being an initial period from appointment to the next Annual General Meeting where they will be subject to re-appointment at that meeting, for a further period ending not later than the Annual General Meeting held three years thereafter. There is a general assumption on the part of the Board that independent non-executive directors will not normally be invited to stand for re-appointment after serving six years.

Nomination Committee

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

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

In choosing new non-executive directors, the Committee starts by obtaining the views of its professional advisors. The Committee has the power to employ the services of such advisors as it deems necessary in order to carry out its responsibilities and may retain appropriate executive search consultants having prepared a job specification for the role.

Chairman's Statement on Corporate Governance

APPOINTMENT AND SELECTION OF DIRECTORS (continued)

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

Evaluation of Board Performance

A formal independent evaluation exercise in relation to the Board and its Committees was undertaken in 2012 by Ffion Hague Independent Board Evaluation (which has no other connection with the company). This considered the balance of skills, experience, independence and knowledge of the company on the board, its diversity including gender, how the board works together as a unit and other factors relevant to its effectiveness. The results of that evaluation indicated that the Board (and its Committees), generally, operated effectively. Certain recommendations were made as a result of this evaluation and these either have been or will be subsequently implemented. The evaluation of the effectiveness of individual Directors was, in the case of the non-executive directors, carried out by the Chairman and, in the case of the Chairman, by the non-executive directors, in each case taking account of the views of the executive directors. The evaluation of the effectiveness of the executive directors was carried out as part of the annual appraisal procedure by the Chief Executive in the case of the other executive directors and by the Chairman in the case of the Chief Executive.

ACCOUNTABILITY AND AUDIT

Going Concern

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. In forming this view, the directors have reviewed trading and cash flow forecasts and have also taken into consideration that the group's banking facilities remain available to them and are appropriate given the group's current trading, medium-term plans and conditions in the global economy. For this reason the directors continue to adopt the going concern basis in preparing the financial statements. Further details surrounding the directors' rationale regarding the going concern assumption are included in Principal Accounting Policies on page 59.

Audit Committee

The Audit Committee comprised J. E. Brown until his retirement, W. Holmes and R. S. Walker and was chaired by J. E. Brown until 29 May 2014 after which it was chaired by W. Holmes. The Committee met twice during 2014, with the Chief Executive, Finance Director and the internal and external auditors attending as required. The Audit Committee has reviewed the effectiveness of the system of internal control during the year ended 31 December 2014. This has included consideration of group-wide risk assessment and of internal audit and internal control exercises undertaken throughout the group. The Audit Committee has also considered reports from internal and external auditors. The Audit Committee has reported the results of its work to the Board. The Board has considered these reports when undertaking its review of the effectiveness of the group's system of internal control and have found the group's system of internal control to be satisfactory.

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

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

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

Deloitte LLP has been external auditor for nine years. The Audit Committee assesses and considers the frequency of changing auditor based on their assessment of the audit. Based on the latest audit regulation updates, it is expected that the group will be required to put its external audit out for tender in 2016. No contractual obligations exist which restrict the Audit Committee's choice of Auditor.

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

The Audit Committee provide advice to the Board on whether the annual report is fair, balanced and provides the necessary information shareholders require to assess the Company's performance, business model and strategy. In doing so the following issues have been addressed specifically:

- Review of key strategic risks – the Committee Chairman conducts an annual review of key strategic risks and invites a cross section of company management in order to ensure that the review includes a detailed understanding of the business. The review highlights the key risks based on a combination of likelihood and impact and then also considers what appropriate mitigants should be implemented (highlights from this work are included in the Strategic Report).

Chairman's Statement on Corporate Governance

ACCOUNTABILITY AND AUDIT (continued)

- Review of poor performing dealerships – as part of both the interim and full year end review process, consideration is given to potential goodwill and intangible asset impairments relating to poor performing locations and any related impairments are provided for. Management will then follow up with detailed action plans to either improve dealership performance or seek an exit solution. The Audit Committee also reviews progress towards these plans at the following review. The Audit Committee is satisfied that no impairments are required to goodwill or intangible assets.
- Going concern – the Finance Director provides an assessment of the company's ability to continue to trade on a going concern basis for at least the next 12 months. Forecasts are based on financial plans agreed with the Board (budgets or forecasts), the company's most recent trading results, and also include a range of possible downside scenarios. The assumptions that underpin the assessments are considered and discussed in detail when the Audit Committee meet. The conclusion of that review is included in the Director's Report section of this report.
- Commercial income – a significant proportion of profitability is derived from the receipt of rebates from manufacturers and the Audit Committee considers the risks and controls over this, so as to be satisfied that this is not likely to be materially mis-stated.
- Inventory valuation – the value of new and used vehicles as well as the provision for slow moving and obsolete stock can have a significant influence on the inventory valuation in the financial statements. The Audit Committee has considered the company's procedures and controls to reduce the risk of mis-statement in relation to inventory valuation which are satisfactory.
- Pensions – the group operates two defined benefit pension schemes which both have an excess of liabilities over the value of assets owned by each scheme. The assessment of the valuation of both schemes is based on several key assumptions which can have a significant impact on the valuation of the deficit in each scheme. The Audit Committee has considered the assumptions used for the valuation of the liabilities of the schemes and is satisfied that these are reasonable.

Internal Control

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

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the company. Steps are being taken to embed internal control and risk management further into the operations of the businesses and to deal with areas of improvement which come to management's and the Board's attention. The process has been in place throughout the year and up to the date of approval of the Annual Report and Accounts. It is regularly reviewed by the Board and accords with the guidelines set out in the Turnbull Report.

The Board confirms that the actions it considers necessary have been or are being taken to remedy such failings and weaknesses which it has determined to be significant from its review of the system of internal control. This has involved considering the matters reported to it and developing plans and programmes that it considers are reasonable in the circumstances. The Directors acknowledge that they are responsible for the group's system of internal control, for setting policy on internal control and for reviewing the effectiveness of internal control. The role of management is to implement Board policies on risk and control. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. In the year there have been no significant internal control issues. The group has an internal audit function that reports to the Audit Committee. Detailed control procedures exist throughout the operations of the group and compliance is monitored by management, internal auditors, and, to the extent that they consider necessary to support their audit report, the external auditor.

Relations with Shareholders

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

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

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

P. M. White
Chairman
4 March 2015

Corporate Social Responsibility Review

CORPORATE SOCIAL RESPONSIBILITY MANAGEMENT

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

Lookers and the Environment

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

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

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

Lookers aims to improve its energy, water and fuel efficiency over the coming year throughout the group's operations. Great emphasis is therefore placed on reducing waste and carbon emissions. The group has reporting responsibilities in respect of energy consumption and management in three areas:

1. Carbon Reduction Commitment (CRC), whereby we report to the Environment Agency each year.
We have been fully compliant for the four years ending 31 March 2014. Like for like CO2 emissions in 2013/2014 reduced by 2.6% compared to the previous year.
2. Greenhouse Gas Reporting (GHG). We are reporting under this requirement for this first time in this Annual Report – please refer to page 23
3. Energy Savings Opportunity Scheme (ESOS). This is a new reporting requirement of the European Union and we will be compliant by the first reporting deadline of December 2015.

Steps taken to measure and reduce energy consumption and carbons emissions include:

- Creation of in-house energy management team
- Ongoing energy reviews, followed by implementation of energy saving initiatives
- Installation of half hour and AMR electricity meters
- Major re-lighting programmes
- Air leak testing
- Installation of biomass heating and cooling plants which have been recognised through joint industry awards with our supplier
- Traffic management initiatives within our parts division
- Use of energy efficient building materials on all new build and refurbishment projects

Measures taken to reduce waste include:

- A water management process which monitors and reduces usage at our dealership businesses
- Trade waste recycling within our parts division which has resulted in 73% being recycled
- Trade waste recycling within our motor division which has resulted in 62% being recycled

Lookers and Ethics

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

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

Lookers as an Employer

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

Recruitment and Retention

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

Lookers' Human Resources Manager is responsible for raising employment standards and implementing best practice employment policies throughout the organisation. Performance reviews are conducted at least once a year and include an assessment of each individual's training needs.

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

Corporate Social Responsibility Review

CORPORATE SOCIAL RESPONSIBILITY MANAGEMENT (continued)

Staff Communication

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

Face-to-face dialogue between managers and staff takes place regularly; information is communicated through Lookers' intranet site, which is used by the majority of employees on a regular basis. Lookers also uses newsletters and updates to keep its staff informed.

Health and Safety

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

The statistics for the group, under UK Health and Safety regulations for the year ended 31 December 2014, are set out below:

	2014	2013
Number of fatalities	-	-
Injuries resulting in absence over three days	7	7
Major injuries reported under RIDDOR*	2	4
Dangerous occurrences reported under RIDDOR*	-	-
Number of enforcement notices issued by HSE	-	-
Number of prohibition notices issued by HSE	-	-

*Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995

Lookers and the Community

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

Directors' Remuneration Report

ANNUAL STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

INTRODUCTION

On behalf of your Board, I am pleased to present our Directors' Remuneration Report for the year ended 31 December 2014.

CHANGES TO REMUNERATION POLICY

This year has been a busy one for the Committee as we have proactively engaged in an extensive dialogue with our major institutional shareholders. This was partly triggered by the vote on our remuneration policy at the last Annual General Meeting in May 2014 (64%) but also and importantly, reflective of the changing macro environment with specific reference to the Corporate Governance Code in 2014.

The main messages from our shareholders were as follows:

- Overall levels of remuneration for executive directors at Lookers were considered appropriate by shareholders which was reflected in the vote for the implementation report, which was approved by 98% of shareholders;
- Some of the contractual provisions of the current executive directors in relation to a change of control were outdated;
- Shareholders were concerned that we did not have a formal shareholding requirement, and would prefer to see features such as deferral and malus included in our arrangements;
- The operation of our long-term incentives needed to be articulated more clearly, and some of the provisions in relation to leavers were not in line with best practice.

We are therefore proposing to adopt a new Directors Remuneration Policy on which shareholders will be able to vote at the 2015 AGM. The policy is set out in detail on pages 38 to 41. The key features of the new policy are as follows:

- The Committee has always preferred to balance remuneration for executive directors in favour of performance-related elements. We will ensure that base salaries are appropriately positioned against comparators given the opportunities we offer for variable pay, which in practice means that base pay levels will generally continue to be below those of our comparators.
- We will be increasing the threshold level of achievement required for the payment of a minimum bonus from 85% to 90%. At the same time we will be increasing the maximum bonus opportunity from 110% of base salary to 150% of base salary so that there is a stronger incentive for performance in excess of targets.
- All our incentive arrangements for executive directors will, from 2015 onwards, contain malus and clawback provisions.
- We have introduced a minimum shareholding guideline of 100% of salary for all the executive directors. For those who do not meet the requirement, any bonus above the current maximum of 110% of salary will be deferred into Lookers shares. They will also be expected to retain a proportion of any shares acquired through our long-term incentive arrangements until the requirement is met, where the time over which the requirement is to be met is within three years of the date of this report or three years following the appointment of the director.
- The executive directors' service contracts will be amended to move the provisions related to termination of employment on a change of control into line with current market practice.

In addition, we are proposing to adopt a new long-term incentive arrangement with revised provisions in relation to good leavers, for whom we will no longer waive performance conditions.

Taken together, these proposals represent a substantial change to our remuneration policy which we believe will address the majority of concerns expressed by our shareholders during the consultation process. We will continue to keep the policy under review over the coming years. In particular, we intend to review the operation of our long-term incentives arrangements over the coming year. The operation of awards made under the scheme in 2014 is set out in more detail on page 43.

REMUNERATION OUTCOMES FOR 2014

2014 saw another year of strong performance for the company with turnover increasing by 23% to £3.04 billion and adjusted profit before tax ("ABPT") increasing by 35% to £65.0 million.

The performance target for the annual bonus was based on APBT of the company and the figure for maximum payment was £52.0 million. Actual performance was £65.0 million, which resulted in a maximum payment of 110% of base salary being paid to certain executive directors in respect of 2014.

Of the executive directors only Neil Davis has a long-term incentive which will vest in relation to performance in 2014. This was an award of share options with a performance target based on adjusted EPS growth in excess of CPI over a three year performance period. The Company achieved EPS growth of 83.2% over CPI, which resulted in 100% of this award vesting. In addition, as EPS growth exceeded 45% over CPI the exercise price of the ESOS award reduced from market value to £1 in aggregate.

Directors' Remuneration Report

REMUNERATION IN 2015

From 1 January 2015 the base salaries of the executive directors have been increased by 2% in line with similar increases applied across the company.

The bonus opportunity for executive directors will, subject to shareholder approval of the revised policy, be up to 150% of salary based on targets for group (and where appropriate divisional) APBT.

Share awards for executive directors in 2015 will be made in the form of share options over shares worth 100% of salary subject to performance conditions based on growth in AEPS. Full details are given on page 39.

CONTENTS

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

Pages 38 to 41	Directors' remuneration policy This sets out the company's intended policy on directors' remuneration from 29 May 2015 and is subject to a binding shareholder vote at this year's AGM
Pages 46 to 52	Annual report on remuneration This sets out payments and awards made to the directors and details the link between company performance and remuneration for 2014 and, together with this statement, is subject to an advisory shareholder vote at this year's AGM

IN CONCLUSION

The Committee would like to thank those shareholders who participated in the consultation for their valuable input to our review and trust that their guidance was representative of the views of all of our shareholders. We believe that our directors' remuneration policy as amended for 2015 is aligned with the achievement of the company's business objectives and will provide a robust framework for director's remuneration at Lookers. We hope that we can rely on your votes in favour of the directors' remuneration policy and the annual report on remuneration.

By Order of the Board

R. S. Walker
Chairman of the Remuneration Committee
4 March 2015

Directors' Remuneration Report

REMUNERATION POLICY

The policy of the Committee is to ensure that the executive directors are fairly rewarded for their individual contributions to the group's overall performance and to provide a competitive remuneration package to executive directors, including long-term incentive plans, to attract, retain and motivate individuals of the calibre required to ensure that the group is managed successfully in the interests of shareholders. In addition, the Committee's policy is that a substantial proportion of the remuneration of the executive directors should be performance related and that they be required to build up a holding of shares in the company at least equal to 100% of salary.

The Company's current Directors' Remuneration Policy was approved by shareholders on 29 May 2014 at the 2014 AGM and became effective from that date. The full policy was disclosed in the 2013 annual report and accounts, which is available within the investor section of the corporate website and located at www.investors.lookersplc.com/reports.

The Company is proposing to shareholders that the new Directors' Remuneration Policy set out in this part of the report be adopted at the 2015 AGM on 29 May 2015, to take effect from that date. The intention would be that this policy would remain in force for three years, therefore next being voted on at the 2018 AGM. However, any changes to policy in the intervening years would be put to a shareholder vote before taking effect.

FUTURE POLICY TABLE

The main elements of the remuneration package of executive directors are set out below:

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
BASE SALARY			
Attract and retain high calibre Executive Directors to deliver strategy	Paid in 12 equal monthly instalments during the year	Reviewed annually to reflect role, responsibility and performance of the individual and the company, and to take into account rates of pay for comparable roles in similar companies. When selecting comparators, the Committee has regard to the group's revenue, market worth and business sector. Salaries are generally set below market median, with a greater emphasis on performance related pay. There is no prescribed maximum increase. Annual rate set out in the annual report on remuneration for the current year and the following year.	None
BENEFITS			
Provide benefits consistent with role	Currently these consist of provision of a company car health insurance, life assurance premiums and the opportunity to join the company's savings related share option scheme ("SAYE"). The Committee reviews the level of benefit provision from time to time and has the flexibility to add or remove benefits to reflect changes in market practice or the operational needs of the group.	The cost of providing benefits is borne by the Company and varies from time to time.	None

Directors' Remuneration Report

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
ANNUAL BONUS			
Incentivises achievement of business objectives by providing a reward for performance against annual targets	<p>Paid in cash after the end of the financial year to which it relates, save that for an executive director who has not met the share ownership requirement any bonus in excess of 110% of salary is deferred into shares.</p> <p>Annual bonus awards are subject to provisions which enable the Committee to recover (clawback) or withhold (malus) value in the event of a misstatement of the accounts for the financial year in respect of which the bonus was paid, an error in the assessment of the extent to which the applicable performance target had been met and misconduct on the part of the executive director, within two years of the payment date of the cash bonus.</p>	Up to 150% of salary	<p>Targets based on adjusted profit before tax of the company or divisional targets where appropriate. The Committee sets threshold and maximum targets on an annual basis. In general:</p> <ul style="list-style-type: none"> 40% of the maximum bonus is payable for meeting the threshold performance level 67% of the maximum bonus is payable for hitting the target 100% of the maximum bonus is payable for meeting or exceeding the maximum performance level <p>A sliding scale operates between threshold and maximum performance. No bonus is payable where performance is below the threshold. Payment of any bonus is subject to the overriding discretion of the Committee.</p>
LONG-TERM INCENTIVES			
Alignment of interests with shareholders by providing long-term incentives delivered in the form of shares	<p>Grant of share awards, which are intended to be made under the proposed new long term incentive plan 'LTIP', which is intended to replace the ESOS as the long-term incentive for awards granted from 2015 onwards. The exercise price of awards can be from nil to market value.</p> <p>Awards vest at least 3 years from grant subject to the achievement of performance conditions and may not be exercised after the 10th anniversary of grant.</p> <p>LTIP awards are subject to provisions which enable the Committee to recover (clawback) or withhold (malus) value in the event of a misstatement of the accounts for the financial year in respect of which the LTIP award vested, an error in the assessment of the extent to which the applicable performance target had been met and misconduct on the part of the executive director, within two years of the vesting of the LTIP award.</p>	Maximum annual award over shares with a market value of 100% of base salary.	<p>Targets are based on single or a combination of performance metrics, with threshold and maximum targets set at grant. Performance is measured over a period of 3 financial years.</p> <p>For 2015, these will be based on growth of adjusted EPS over the performance period. At grant the Committee sets threshold and maximum targets of adjusted EPS growth. Vesting is determined as follows:</p> <ul style="list-style-type: none"> 20% vesting if the threshold level of growth is achieved; and then a stepped scale is applied up to 100% vesting if the maximum level of growth is achieved <p>In addition the Committee may set a level of adjusted EPS growth such that if that level of growth is attained the aggregate exercise price becomes £1.</p>

Directors' Remuneration Report

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

NOTES TO THE POLICY TABLE

Performance conditions

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

The performance targets for the annual bonus are based upon budgeted APBT for the company, as follows:

Target	Performance	% of bonus payable
Threshold	90% of budgeted APBT	40%
On-target	100% of budgeted APBT	67%
Maximum	110% of budgeted APBT	100%

The APBT figure is set out in note 6 to the accounts. The Committee is of the opinion the figure for budgeted APBT is commercially sensitive for the company and that it would be therefore be detrimental to the company to disclose details of the targets in advance. The targets will be disclosed after the end of the financial year in the annual report on remuneration.

The performance target for the LTIP is based on adjusted EPS as set out in note 6 to the accounts, such measure being stated before the amortisation of intangibles, impairment of goodwill, debt issue costs, pension costs and share based payments, as referred to in note 6 to the accounts.

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

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

Changes from policy operating in 2014

As set out in the annual statement from the Chairman of the Committee, the Committee undertook a full review of the executive directors' remuneration policy during the course of 2014 and the changes summarised below reflect the changes from the policy operating in 2014:

Directors' Remuneration Report

Element	Change	Reason for change
Annual bonus and LTIP	<p>Malus and clawback introduced to both arrangements, in the case of:</p> <ul style="list-style-type: none"> • misstatement of the accounts for the financial year in respect of which the award vested; • an error in the assessment of the extent to which the applicable performance target had been met; and • misconduct on the part of the executive director, within two years of the vesting / payment of the award. 	To reflect the requirement in the UK Corporate Governance Code published on 17 September 2014 that such schemes should include provisions to enable the company to recover sums paid or withhold the payment of any sum.
Share ownership	Introduction of share ownership requirement equal to 100% of salary and application of deferral into shares and post-vesting shareholding requirements to the annual bonus and LTIP until this is met.	To formalise the previously unofficial policy of executive directors to maintain such a shareholding, to ensure alignment with the interests of shareholders.
Annual bonus	The scale and range of bonus payments have been remodelled as compared to 2014, to increase the threshold target from 85% to 90% of budget and increase the maximum opportunity for outperformance of budget to 150% of salary for performance at or above 110% of the target, compared to 110% of salary for performance at this level in 2014.	The previous scale meant that achievement in excess of budget resulted in a relatively low incremental award, which reduced the effectiveness of the scheme in encouraging outperformance, therefore the maximum opportunity was increased. The payment of a bonus at 85% of budget is out of line with current market practice, therefore the threshold was increased.
LTIP	<p>Introduction of a new LTIP with market standard provisions for "good leavers" and on a change of control of the company, so that awards continue to be subject to the applicable performance targets upon such events and good leavers will normally retain their awards until the usual vesting date. Time pro-rating will normally be applied.</p> <p>The Committee will have discretion to treat a leaver as a "good leaver".</p> <p>The exercise price of share awards under the LTIP may be set at any value, including nil.</p> <p>In addition, the new LTIP will set an annual limit on grant of awards, rather than a cumulative limit on holding of share options.</p>	<p>The performance conditions for awards made under the old LTIP (the ESOS) were waived on a change of control or good leaver event, which the Committee recognises is no longer appropriate. The new LTIP therefore follows market standard practice in these areas.</p> <p>The flexibility in the exercise price which may be set will allow the Committee to review the structure of LTIP awards in the future and the setting of an annual limit on grant rather than cumulative limit brings the operation of the LTIP into line with current best practice.</p>

LTIP awards made under the Directors' Remuneration Policy approved at the 2014 AGM will continue in effect under the proposed new policy.

Differences from remuneration policy for all employees

All employees of the company are entitled to base salary and benefits. The opportunity to earn a bonus is generally made available to department managers and more senior employees. The maximum opportunity available is based on the seniority and responsibility of the role.

Share options are only granted under the LTIP to selected senior managers and above.

STATEMENT OF CONSIDERATION OF EMPLOYMENT CONDITIONS OF EMPLOYEES ELSEWHERE IN THE GROUP

The Committee receives reports on an annual basis on the level of pay rises awarded across the group and takes these into account when determining salary increases for executive directors. In addition, the Committee receives regular reports on the structure of remuneration for senior management in the tier below the executive directors and uses this information to ensure a consistency of approach for the most senior managers in the group. The Committee also approves the award of any long-term incentives.

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

Directors' Remuneration Report

STATEMENT OF CONSIDERATION OF SHAREHOLDER VIEWS

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

As noted earlier, the Chairman of the Committee consulted the 17 largest shareholders of the company regarding the changes made to the directors' remuneration policy for 2015 and these changes are summarised in the annual statement from the chairman of the remuneration committee.

APPROACH TO RECRUITMENT REMUNERATION

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

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

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

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

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

DIRECTORS' SERVICE CONTRACTS, NOTICE PERIODS AND TERMINATION PAYMENTS

As part of the review into executive directors' remuneration arrangements, the Committee reviewed the provisions of their service contracts relating to termination of their office. As set out in the policy operating in 2014, special provisions applied following a change of control of the company which allowed the executive directors to give reduced/ summary notice and receive:

- in the case of the CEO - a payment equal to two years' basic salary, pension and benefits, together with the likely bonus outcomes (determined by the Committee) had he remained in office for the following two years; and
- in the case of the other executive directors - a payment equal to one year's basic salary, pension and benefits, together with the maximum bonus outcome for the financial year in which the change of control occurred.

The executive directors recognise that such arrangements are no longer appropriate and have agreed to the amendment of their service contracts in accordance with Committee's revised policy, which is for executive directors to have service contracts with a 12 month notice period by the company and 6 months by the executive director, with no special arrangements applying following a change of control and with the elements of variable remuneration dealt with in accordance with the rules of the relevant scheme, as more fully described in the table below:

Provision	Policy
Notice periods and compensation for loss of office in executive directors' service contracts	12 months' notice by the company and 6 months' notice by executive director. Payment in lieu of any part of the notice period not served may be made by the company equal to basic salary, pensions and benefits for that part of the notice period only. For any new appointments, the payment of any sum in lieu of notice will be phased over the notice period and subject to mitigation.
Treatment of annual bonus on termination	A bonus for the financial year of termination may be paid at the discretion of the Committee having regard to applicable performance conditions and normally with time pro-rating being applied.

Directors' Remuneration Report

DIRECTORS' SERVICE CONTRACTS, NOTICE PERIODS AND TERMINATION PAYMENTS

Provision	Policy
Treatment of unvested LTIP awards	<p>Good leavers (i.e. leavers in circumstances of death, injury, disability, redundancy, retirement or transfer of employing business outside group) will be allowed to retain their LTIP awards. The Committee has discretion to treat any other leaver as a good leaver. The awards of any leaver who is not a good leaver will lapse on cessation of employment.</p> <p>Awards of good leavers will normally vest following the end of the applicable performance period subject to an assessment of the extent to which performance targets have been met and the application of time pro-rating.</p> <p>The Committee has discretion to allow options to vest immediately on a cessation of employment but subject to an assessment of the extent to which performance targets have been met.</p> <p>The Committee has the discretion to waive the requirement to pro-rate.</p> <p>Good leavers may exercise their LTIP awards within 6 months of vesting (1 year for death).</p> <p>On a change of control, options will vest immediately subject to an assessment of the extent to which the performance targets have been met. The number of shares subject to LTIP awards is reduced pro-rata to reflect the proportion of the vesting period completed before cessation. The Committee has the discretion to waive the requirement to pro-rate.</p>
Outside appointments	<p>Board approval must be sought.</p> <p>Executive directors may retain the fees paid in respect of any external appointment.</p>
Non-Executive Directors	All Non-Executives are subject to annual re-election. No compensation payable if required to stand down.

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

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

DATES OF SERVICE CONTRACTS / LETTERS OF APPOINTMENT

Director	Date of service contract / letter of appointment
A. C. Bruce	11.05.2006
R. A. Gregson	22.02.2010
N. A. Davis	02.02.2012
N. J. McMinn	19.08.2013
P. M. White	04.09.2006
R. S. Walker	04.02.2014
J. E. Brown	13.05.2005
D. C. A. Bramall	30.06.2006
W. Holmes	12.06.2008

Copies of directors' service contracts and letters of appointment are available for inspection at the company's registered office.

The executive directors' notice periods are set out in the service contracts section above.

Directors' Remuneration Report

TOTAL REMUNERATION OPPORTUNITY

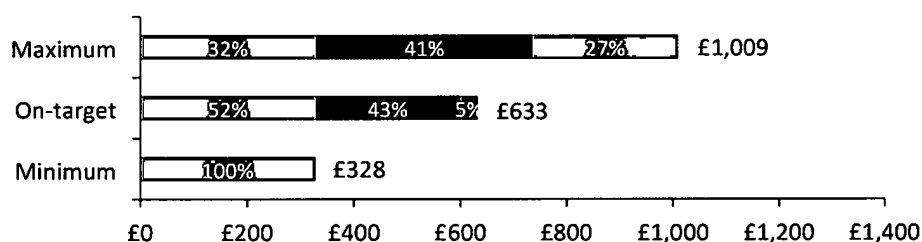
The chart below illustrates the remuneration that would be paid to each of the executive directors under three different performance scenarios: (i) Minimum; (ii) On-target; and (iii) Maximum.

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

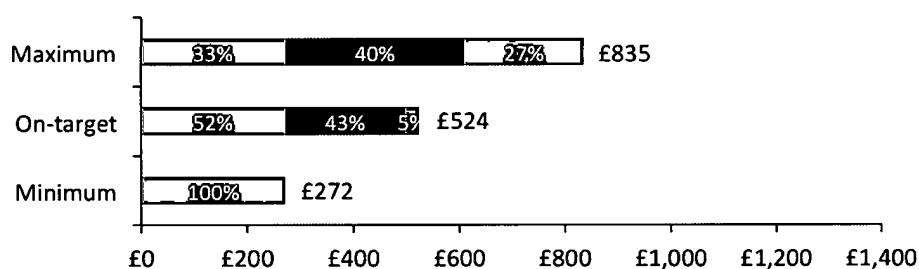
Andy Bruce



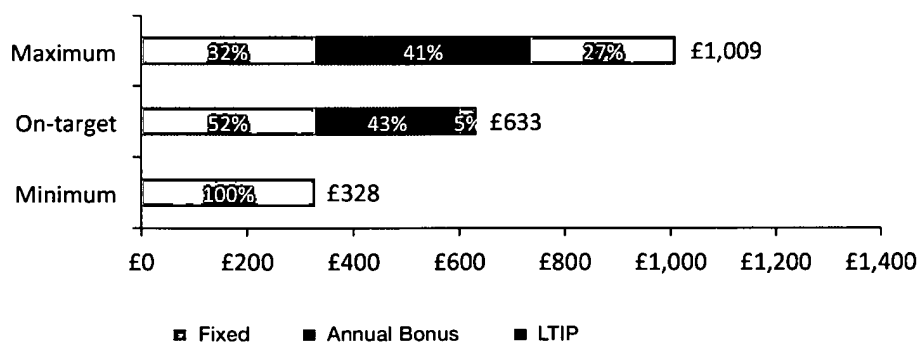
Robin Gregson



Neil Davis



Nigel McMinn



Directors' Remuneration Report

Each element of remuneration is defined in the table below:

Element	Description
Fixed	Base salary for 2015 plus pension and benefits (benefits being taken from the single total figure of remuneration for 2014)
Annual bonus	Annual bonus awards, applied as minimum: 0% of opportunity, on-target: 67% of opportunity, maximum: 100% of opportunity
LTIP	<p>LTIP awards. These awards take the form of market value options. For the purpose of the illustration above the on-target scenario shows an estimate of the fair value of the award, taken at the average of threshold and maximum vesting. In the maximum scenario the option price is assumed to be reduced to nil, and the full face value of the award is shown.</p> <p>The award level has been assumed to be 100% of base salary.</p>

The on-target scenario assumes that:

- for the annual bonus, adjusted profit before tax is in line with budget
- for the LTIP awards, vesting is midway between the threshold and maximum levels.

NON-EXECUTIVE DIRECTORS FEE POLICY

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

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
NON-EXECUTIVE DIRECTOR FEES			
To attract NEDs who have a board range of experience and skills to oversee the implementation of our strategy	<p>NED fees are determined by the Board within the limits set out in the Articles of Association</p> <p>Paid in 12 equal monthly instalments during the year</p>	<p>Reviewed annually to reflect role, responsibility and performance of the individual and the company.</p> <p>Annual rate set out in the annual report on remuneration for the current year and the following year.</p> <p>No prescribed maximum annual increase</p>	None

Directors' Remuneration Report

ANNUAL REPORT ON REMUNERATION

Save for the performance graph and table, the change in remuneration of the Chief Executive, the relative importance of the spend on pay, the implementation of remuneration policy in 2015, the consideration by the directors of matters relating to directors' remuneration and the statement of shareholder voting at the 2014 AGM, the information set out in this part of the Director's Remuneration Report is subject to audit.

SINGLE TOTAL FIGURE OF REMUNERATION

The following table shows a single total figure of remuneration in respect of qualifying services for the 2014 financial year for each director, together with comparative figures for 2013.

	Salary and fees £000		Taxable Benefits £000 ¹		Annual bonus £000		LTIP £000		Pension benefits £000		Others £000 ³		Total £000	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
EXECUTIVE DIRECTORS														
A. C. Bruce	350	279	1	1	385	293	Nil	532	70	55	2	-	806	1,160
R. A. Gregson	268	260	1	1	294	273	Nil	532	53	52	2	-	616	1,118
N. A. Davis	222	215	1	1	229	226	455	Nil	44	43	4	-	951	485
N. J. McMinin (appointed August 2013)	268	95	1	1	294	100	Nil	Nil	53	19	4	-	616	215
Total	1,108	849	4	4	1,202	892	455	1,064	220	169	12	-	3,001	2,978

NON-EXECUTIVE DIRECTORS														
P. M. White	117	110	-	-	-	-	-	-	-	-	-	-	117	110
R. S. Walker (appointed February 2014)	39	N/A	-	N/A	-	N/A	-	N/A	-	N/A	-	N/A	39	N/A
D.C.A. Bramall	39	38	-	-	-	-	-	-	-	-	-	-	39	38
W. Holmes	42	38	-	-	-	-	-	-	-	-	-	-	42	38
J. E. Brown	41	43	-	-	-	-	-	-	-	-	-	-	41	43
Total	278	229	-	-	-	-	-	-	-	-	-	-	278	229

Aggregate directors' emoluments³	1,386	1,078	4	4	1,202	892	455	1,064	220	169	12	-	3,279	3,207
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Supporting information

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

2 - The value of the LTIP element of remuneration has been restated, to reflect the value of the LTIP awards based on the closing share price from 4 March 2014 of £1.298, the date before the awards, vested on 5 March 2014. The value originally stated was based on the average share price over the three months to 31 December 2013 of £1.245. The original and revised figures are as set out below:

Executive Director	A. C. Bruce	R. A. Gregson
Number of shares over which LTIP (ESOS) award vested	409,836	409,836
Original stated value	£510,245	£510,245
Revised value	£531,967	£531,967

3 - The amounts set out in the "other" column relate to the grant of the SAYE options set out on page 49 on 6 October 2014. The figure quoted for each executive director was determined by reference to the discount that the exercise price of £1.088 per share represented to the share price immediately preceding grant of £1.325.

The aggregate directors' emoluments excluding pension and LTIP awards in 2014 was £2,602,000 (2013 - £2,692,000).

Directors' Remuneration Report

ANNUAL BONUS

Bonuses are earned by reference to the financial year and paid in March following the end of the financial year. The bonuses accruing to the executive directors in respect of 2014 are based on figures for adjusted profit before tax (APBT) as shown below:

Executive director	Bonus target	Weighting	Total bonus value as % of salary		Bonus receivable
			Max	Actual	
A. C. Bruce	APBT of the group	100%	110%	110%	£385,000
R. A. Gregson	APBT of the group	100%	110%	110%	£294,250
N. A. Davis	APBT of the group	33%	110%	103%	£228,800
	APBT of the parts division	67%			
N. J. McMinn	APBT of the group	33%	110%	110%	£294,250
	APBT of the motor division	67%			

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

Measure	Threshold performance required	On-target performance required	Maximum performance required	Actual performance
APBT of the group	£44.2m	£52.0m	£57.2m	£65.0m
APBT of the parts division	£10.31m	£12.14m	£13.35m	£12.2m
APBT of the motor division	£37.70m	£44.36m	£48.80m	£58.3m

LTIP (ESOS) AWARDS VESTING WITH REFERENCE TO 2014

The amount included in respect of the LTIP award granted under the ESOS in the single total figure of remuneration for N.A. Davis was in respect of an LTIP award granted in 2012. Vesting was dependent on performance over the financial years 2012, 2013 and 2014.

The performance target for the LTIP award related to the growth of adjusted EPS in excess of CPI growth over the 3 year performance period, with:

- 10% vesting if adjusted EPS growth was 10% above CPI; then a stepped scale applied up to
- 100% vesting if adjusted EPS growth was 50% above CPI.

In addition, if growth of adjusted EPS exceeded CPI growth by at least 45%, the aggregate exercise price of the LTIP award would become £1.

Actual growth in adjusted EPS was 83.2% above CPI, therefore 100% of the LTIP award will vest and the aggregate exercise price of the LTIP award will be reduced to £1.

The details of the vesting of N.A. Davis's LTIP award are shown below:

	Max	Actual
Number of shares subject to LTIP award/ number of shares which will vest	346,820	346,820
Date of grant	29.3.2012	
Earliest exercise date	29.3.2015	
Expiry date	29.3.2022	
Exercise price (£)	£1 in total	
Value of LTIP award (£)	£455,028	

For the purposes of this table, the LTIP award has been valued using the average share price over the three months to 31 December 2014 of £1.312.

No other executive director held an LTIP award which was due to vest by reference to 2014.

Directors' Remuneration Report

PENSION ENTITLEMENTS AND CASH ALLOWANCES

A. C. Bruce remains a member of the group defined benefit scheme, which closed to future accrual from 31 March 2011. As at 31 December 2014 Mr Bruce's accrued pension was £30,818.

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

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

R. A. Gregson, N. A. Davis and N. J. McMinn participate only in money purchase arrangements.

LTIP AWARDS GRANTED IN 2014

Market value share options were granted under the ESOS to the executive directors in 2014 over a number of shares equal in value to 100% of salary, calculated based on the mid-market closing price of a share on 31 December 2013, on the basis that the awards should have been made on 1 January 2014, of £1.21, being the share price at the start of the performance period applicable to the awards, as set out below:

	Date of Grant	Number of shares subject to award	Exercise price at grant ¹	Share price at grant	Face Value of shares ²	Vesting at minimum performance	End of performance period
A. C. Bruce	30.06.2014	289,256	£1.21	£1.293	£374,008	20%	31.12.2016
R. A. Gregson	30.06.2014	221,074	£1.21	£1.293	£285,849	20%	31.12.2016
N. A. Davis	30.06.2014	183,057	£1.21	£1.293	£236,693	20%	31.12.2016
N. J. McMinn	30.06.2014	221,074	£1.21	£1.293	£285,849	20%	31.12.2016

1 - Following the determination of the performance outcome for 2014, the exercise price of the awards has reduced to nil in accordance with the terms of the applicable performance target (see below).

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

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

Provisional vesting was determined based on growth in AEPS measured over 2014. The growth targets give 20% provisional vesting for 5% AEPS growth rising to 100% provisional vesting for 15% AEPS growth.

Further AEPS performance targets then apply over the 3 year period 2014-2016:

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

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

AEPS growth in 2014 was 30% which therefore gave provisional vesting of 100% and which caused the exercise price of the awards to reduce to nil.

PAYMENTS TO PAST DIRECTORS

The only payments made during 2014 to a past director were to P. Jones, who retired on 31 December 2013.

P. Jones retained his entitlement to his annual bonus of £367,500 for 2013, together with LTIP (ESOS) award granted in 2011 which vested based on performance to the end of 2013. The value of this LTIP award estimated in the 2014 report and accounts was £653,114 based on an estimated share price of £1.245. The value of the award based on the actual share price at vesting of £1.298 was £680,917.

PAYMENTS FOR LOSS OF OFFICE

No payments for loss of office were made in 2014.

Directors' Remuneration Report

STATEMENT OF DIRECTORS' SHAREHOLDING

The table below summarises the directors' shareholdings as at 31 December 2014. There were no changes in these shareholdings between that date and the date of approval of this report.

	Number of shares held (including by connected persons)		Shareholding on 31 December 2014 as a % of salary ¹	Vested but unexercised share options		Unvested share options subject to performance conditions	
	2014	2013		2014	2013	2014	2013
A. C. Bruce	642,086	502,086	238%	269,836	-	289,256	409,836
R. A. Gregson	357,815	217,815	174%	269,836	-	221,074	409,836
N. A. Davis	120,221	83,345	70%	-	-	529,877	346,820
N. J. McMinn	110,000	-	53%	-	-	221,074	-
P. M. White	53,716	53,716	N/A	-	-	-	-
R. S. Walker	-	-	N/A	-	-	-	-
J. E. Brown	98,318	98,318	N/A	-	-	-	-
D. C. A. Bramall	73,487,636	73,487,636	N/A	-	-	-	-
W. Holmes	54,666	36,666	N/A	-	-	-	-

1 - Executive directors are required to build up a shareholding in the company equivalent to 100% of salary. The proposed new directors' remuneration policy contains provisions for the deferral of elements of annual bonuses into shares and post-vesting holding of shares acquired under LTIP awards for directors who have not met this, which will apply until this is met.

Shareholding as a % of salary determined by reference to share price on 31 December 2014 of £1.30.

ESOS share options

Details of share options held by executive directors under the ESOS are as follows:

	Scheme	Date of Grant	Earliest Exercise Date	Expiry Date	Exercise Price (pence)	Number at 1 January 2014	Lapsed in Year	Exercised in Year	Number at 31 December 2014
A. C. Bruce	ESOS	5.1.2011	5.1.2014	5.1.2021	61.0	409,836	-	140,000	269,836
A. C. Bruce	ESOS	30.6.2014	30.6.2017	30.6.2024	121.0	289,256	-	-	289,256
R. A. Gregson	ESOS	5.1.2011	5.1.2014	5.1.2021	61.0	409,836	-	140,000	269,836
R. A. Gregson	ESOS	30.6.2014	30.6.2017	30.6.2024	121.0	221,074	-	-	221,074
N. A. Davis	ESOS	29.3.2012	29.3.2015	29.3.2022	62.75	346,820	-	-	346,820
N. A. Davis	ESOS	30.6.2014	30.6.2017	30.6.2024	121.0	183,057	-	-	183,057
N. J. McMinn	ESOS	30.6.2014	30.6.2017	30.6.2024	121.0	221,074	-	-	221,074

Details of the performance conditions of the 29.3.2012 ESOS option held by N.A. Davis are set out in the notes to the single total figure of remuneration table.

Details of the performance conditions of the ESOS options granted on 30.6.2014 are set out in the LTIP awards granted in 2014 section above.

All-employee share scheme

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

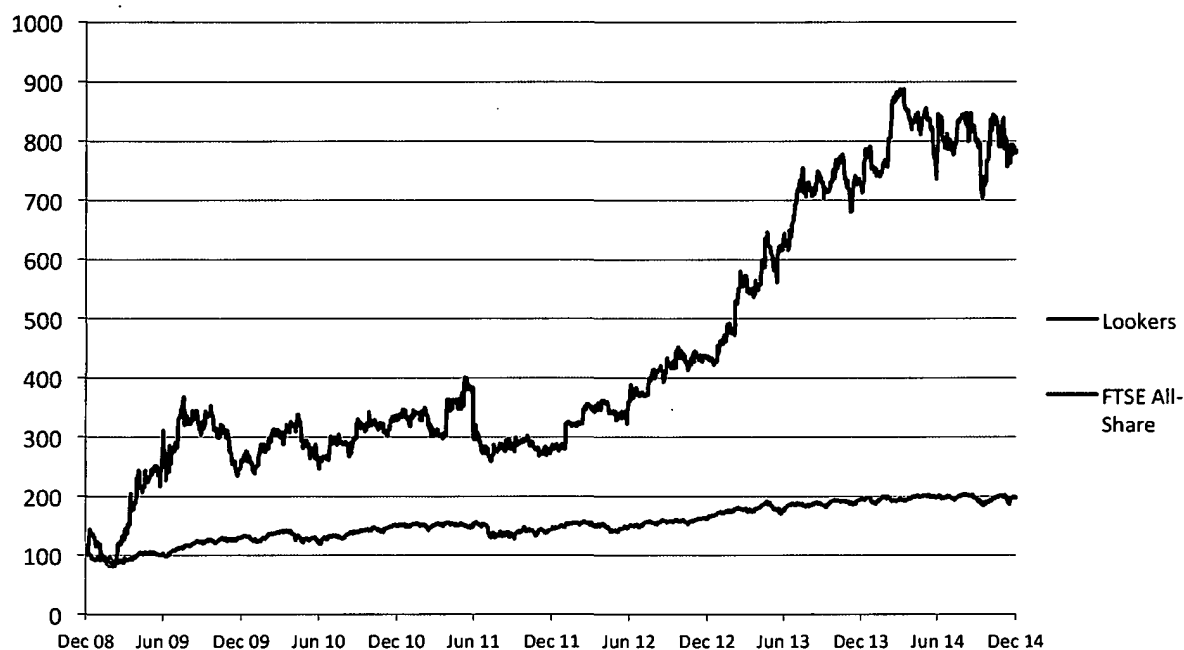
	Scheme	Date of Grant	Earliest Exercise Date	Expiry Date	Exercise Price (pence)	Number at 1 January 2014	Lapsed in Year	Exercised in Year	Number at 31 December 2014
A. C. Bruce	SAYE	8.10.2012	1.12.2015	1.6.2016	58.66	15,340	-	-	15,340
A. C. Bruce	SAYE	6.10.2014	1.12.2017	1.6.2018	108.80	8,272	-	-	8,272
R. A. Gregson	SAYE	8.10.2012	1.12.2015	1.6.2016	58.66	15,340	-	-	15,340
R. A. Gregson	SAYE	6.10.2014	1.12.2017	1.6.2018	108.80	8,272	-	-	8,272
N. A. Davis	SAYE	1.12.2011	1.12.2014	1.6.2015	41.14	21,876	-	21,876	-
N. A. Davis	SAYE	6.10.2014	1.12.2017	1.6.2018	108.80	16,544	-	-	16,544
N. J. McMinn	SAYE	6.10.2014	1.12.2017	1.6.2018	108.80	16,544	-	-	16,544

Directors' Remuneration Report

Performance graph and table

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

The table below the chart sets out the total remuneration delivered to the Chief Executive over each of the last 6 years, valued using the same methodology as applied to the single total figure of remuneration.



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

Notes

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

Change in remuneration of Chief Executive

The following table sets out the change in the Chief Executive's salary, benefits and bonus between 2013 and 2014 compared with the average percentage change in each of those components for the employees of the group.

	Increase in Base Salary	Increase in benefits	Increase in bonus
CEO	2%	0%	5%
Employees	2%	0%	2%

Directors' Remuneration Report

Relative importance of spend on pay

The table below sets out the total spend on pay in 2014 and 2013 year compared with distributions to shareholders and these were the most significant outgoings for the company in the last financial year.

	Spend in 2014	Spend in 2013	% Increase
	£m	£m	
Spend on staff pay (including Directors)	192.1	165.3	16.2%
Profit distributed by way of dividend	10.4	9.5	9.5%

Implementation of directors' remuneration policy in 2015

The salaries and fees to be paid to directors in 2015 are set out in the table below, together with any increases expressed as a percentage.

	2015 salary/fees	2014 salary/fees	Increase %
A. C. Bruce	357,000	350,000	2
R. A. Gregson	272,340	267,000	2
N. A. Davis	225,420	221,000	2
N. J. McMinn	272,340	267,000	2
P. M. White	120,000	117,000	2
J. E. Brown	-	41,000	-
D. C. A. Bramall	40,000	39,000	2
W. Holmes	45,000	42,000	7
R. S. Walker	40,000	39,000	2

W. Holmes was appointed the Senior Independent Director on 29 May 2014 when J. E. Brown stood down from this position. J. E. Brown retired as a director on 31 December 2014.

R. S. Walker was appointed to the Board on 4 February 2014.

The basis for determining annual bonus payments for 2015 is set out in the future policy table in the directors' remuneration report on page 47. The adjusted profit before tax targets are considered commercially sensitive as they are based on the company's budgeted figures, therefore the company does not wish to provide this information to its competitors and consequently these will only be disclosed after the end of the financial year, in the 2015 annual report on remuneration.

The Committee intends to grant LTIP awards in 2015, which will take the form of:

- 100% of salary face value awards in the form of options with exercise price based on the share price at the start of the year;
- provisional vesting will be based on AEPS growth measured over 2015 with 20% provisional vesting for 5% AEPS growth rising to 100% provisional vesting for 15% AEPS growth;
- final vesting will be subject to overrides based on performance over the period 2014-2016 on the same basis as described in the LTIP awards granted in 2014 section;
- the exercise price can be reduced to nil for strong AEPS performance; and
- awards will vest on the third anniversary of grant.

Directors' Remuneration Report

Consideration by the directors of matters relating to directors' remuneration

The Committee

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

R. S. Walker joined Lookers in February 2014 and, following the 2014 AGM, took over from W. Holmes as Chairman of the Committee, who continues to be a member. P. M. White continues as a member, while J. E. Brown served as a member during 2014 until his retirement in December 2014. All members are independent non-executive directors of the Board.

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

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

Summary of activity during 2014

During 2014 the Committee conducted a full review of all aspects of the remuneration packages of the executive directors and terms of their service contracts, which resulted in the proposed changes more fully described in the annual statement from the Chairman of the Committee and the directors' remuneration policy.

The Committee appointed and received advice over the year from PwC LLP in connection with this full review of remuneration arrangements and the implementation of awards made under the ESOS. 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 £40,000.

Statement of voting at 2014 AGM

At the last annual general meeting, votes in respect of remuneration matters were cast as follows:

Resolution	Votes for	%	Votes Against	%	Abstentions
To approve the 2013 Annual Report on Remuneration (including the Annual Statement from the Chairman of the Remuneration Committee)	280,956,044	98.25	5,010,554	1.75	7,680,876
To approve the directors' remuneration policy	170,087,095	63.83	96,387,606	36.17	27,172,773

The disclosure in the 2014 Directors' Remuneration Report will include details of the binding shareholder vote on the directors' remuneration policy.

By Order of the Board

R. S. Walker
Chairman of the Remuneration Committee
4 March 2015

Directors' Responsibilities Statement

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

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

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

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

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

Responsibility statement

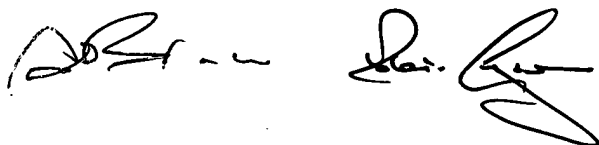
We confirm that to the best of our knowledge:

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

By Order of the Board

A. C. Bruce
Chief Executive
4 March 2015

R. A. Gregson
Finance Director
4 March 2015



Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOOKERS PLC

Opinion on financial statements of Lookers plc

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2014 and of the Group and parent company's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Principal Accounting Policies, the Consolidated Group and Company Income Statements, the Consolidated Group and Company Statements of Comprehensive Income, the Consolidated Group and Company Statements of Financial Position, the Consolidated Group and Company Cash Flow Statements, the Group and Company Statements of Changes in Equity and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Going concern

We have reviewed the directors' statement contained within the Director's Report on page 53 that the Group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

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

For each of the risks described, we have evaluated the design of the Group's controls intended to address those risks and determining whether the controls exist and are being used by the entity.

RISK	How the scope of our audit responded to the risk
Inventory valuation and provisioning There are a number of risks that can have a material impact on the inventory balance in the financial statements, principally: <ul style="list-style-type: none"> • the assessment of net realisable value of inventory, which for used vehicles in particular can fluctuate as a result of market factors and the condition of vehicles; • commercial income, which should be offset against the inventory balance where the vehicle is still recorded as inventory at the balance sheet date; and 	<i>We have:</i> <ul style="list-style-type: none"> • performed substantive procedures (discussed below), including data audit techniques on the Group's vehicle and parts inventory reports, to identify any issues in respect of valuation and slow-moving inventory; • tested the cost of inventory by reference to a sample of supplier invoices and confirmations; • assessed whether commercial income, (see below) have been appropriately recorded within the inventory balance where appropriate; and

Independent Auditor's Report

RISK	How the scope of our audit responded to the risk
<p>Inventory valuation and provisioning (cont.d)</p> <ul style="list-style-type: none"> • provision requirements for slow-moving inventory as a result of the factors noted above. • inventory has increased to £548.8 million (2013: £446.7 million) due to the acquisition of Colborne in the year and increased inventory levels to support the group's growth. <p>The inventory valuation accounting policy is disclosed on page 62 and the inventory note is disclosed on page 78.</p>	<p><i>We have:</i></p> <ul style="list-style-type: none"> • assessed the risk around net realisable value of used cars by comparing the carrying value of a sample of vehicles to the industry accepted valuation methodology set out in the Glass' Guide and CAP, and also by reference to a selection of post year end sales.
<p>Pension scheme valuation</p> <p>The Group sponsors two defined benefit pension schemes which at the period end have an actuarial deficit of £57.6 million (2013: £44.2 million) in total. The calculation of the deficit involves significant judgments in relation to key assumptions (disclosed in note 30 on page 93), particularly for mortality and discount rates. Minor variations in the principal assumptions can have a significant impact on the liability of the two schemes.</p> <p>See critical accounting estimates and judgements on page 60.</p>	<p><i>We have:</i></p> <ul style="list-style-type: none"> • evaluated the appropriateness of the assumptions used to calculate the actuarial deficit by involving our internal pension specialists to test the main assumptions adopted by the Group, including mortality and discount rates. Our work included benchmarking those assumptions relative to those used in the external market.
<p>Potential impairment of goodwill and intangible assets</p> <p>The Group has goodwill and intangible assets of £114.2 million (2013: £87.5 million) which arose from a number of acquisitions over several years including £23 million on the acquisition of Colborne in the year ended 31 December 2014. The Group's assessment of impairment is a judgemental process which requires estimates concerning the forecasted cash flows, useful economic lives, discount rates and growth rates (disclosed in note 8 and 9; based on pages 73-75, based on management's view of future business prospects.</p> <p>See critical accounting estimates and judgements on page 60.</p>	<p><i>We have:</i></p> <ul style="list-style-type: none"> • reviewed management's impairment calculation and assessed whether the requirements of IAS 36 'Impairment of Assets' have been followed; • evaluated the underlying assumptions applied, including key judgements relating to growth in profits, useful economic lives and the discount rates applied ; • compared management's growth assumptions to recent trading performance of the relevant cash generating units and also compared to external growth data provided by the Society of Motor Manufacturers & Traders; and • benchmarked the discount rates against peer Group businesses.
<p>Commercial income in relation to manufacturer arrangements including supplier rebates</p> <p>A significant proportion of profit is derived from the receipt of commercial income from the Group's manufacturer partners. The principal risk associated with commercial income relates to recognition and recoverability which can be brought into doubt as a result of the complex nature of the agreements and hence the interpretation of whether targets have been met. This can make it difficult to prove that the commercial income are due.</p> <p>The commercial income accounting policy is disclosed on page 64.</p>	<p><i>We have:</i></p> <ul style="list-style-type: none"> • compared a sample of commercial income balances to credits received from the manufacturer; • enquired of management of the results of any audits performed by manufacturers in relation to commercial income in the year; • reviewed the ageing of amounts due and evaluated management's judgements relating to the recoverability of any aged balances, including considering the need for any provision; • performed analytical procedures to test the completeness and accuracy of amounts recorded in the year.

Independent Auditor's Report

The risks included within this audit report are consistent with those reported in the year ended 31 December 2013 audit report.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 32.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

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

We determined materiality for the Group to be £2.9 million (2013: £3.2 million), which is 5% (2013: 7.5%) of pre-tax profit. The reduction in the percentage applied in the materiality calculation was to align more closely with those of other comparable companies.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £59,000 (2013: £66,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment. This included a group-wide assessment of controls and risks of material misstatement. Based on that assessment, we focused our Group audit scope primarily on the audit work at 21 (2013: 20) trading locations. The additional trading location is as a result of the acquisition of Colborne in the year. 16 (2013: 15) of these were subject to a full audit and 5 (2013: 5) were subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those trading locations. The 16 locations subject to audit represent the principal business units and account for

- 91% (2013: 92%) of the Group's total assets
- 87% (2013: 90%) of the Group's total liabilities
- 91% (2013: 89%) of the Group's revenue
- 96% (2013: 94%) of the Group's profit before tax.

Our audit work at the 16 trading locations was executed at levels of materiality applicable to each individual entity. The range of materiality used at components ranged from £0.1 million to £1.5 million.

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

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

Independent Auditor's Report

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

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

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

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Independent Auditor's Report

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Damian Sanders BA ACA (Senior Statutory Auditor)

for and behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Manchester, United Kingdom

4 March 2015

Principal Accounting Policies

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

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION

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

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

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

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments.

ADOPTION OF NEW AND REVISED STANDARDS AND NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

In the current year, the group has adopted the following new standards and interpretations:

- IFRS 10 Consolidated financial statements: This standard provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC-12.
- IFRS 11 Joint Arrangements: This standard carves out from IAS 31, those cases in which there is a separate vehicle but that separation is overcome by form, contract or other facts and circumstances and removes the choice of equity or proportionate accounting for jointly controlled entities (as was under IAS 31).
- IFRS 12 Disclosure of Interests in Other Entities: Contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities.
- IAS 27 Separate Financial Statements 2011: IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications.
- IAS 28 Investments in Associates and Joint Ventures 2011: Amendments relating to held for sale interests and changes of classification.
- Amendments to IAS 32 and IFRS 7 for Offsetting Financial Assets and Financial Liabilities: Amendments to clarify offsetting criteria and specific disclosures.

The adoption of the new standards and amendments above have had no significant impact on the financial statements of the company.

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

- IAS 19: Defined Benefit Plans: Employee Contributions – this clarifies the treatment of contributions from employees or third parties.
- IFRS 15: Revenue from Contracts with Customers – introduces a five-step framework that is applied to all contracts with customers.
- IFRIC Interpretation 21 Levies - provides guidance on when to recognise a liability for a levy imposed by a government.
- Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets - amends the disclosure requirements in IAS 36 Impairment of Assets with regard to the measurement of the recoverable amount of impaired assets.
- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting – provides guidance on the treatment on novation of hedging derivatives.

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

Principal Accounting Policies

2. BASIS OF PREPARATION (continued)

Going Concern

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

The company and the group meet their day to day working capital requirements through short-term stocking loans, the revolving credit facility and its medium-term funding requirements through a term loan.

At the year end the medium-term banking facilities included a revolving credit facility of up to £90.0 million and a term loan totalling £42.5 million, providing total facilities of £132.5 million. These facilities were renewed in February 2014 and are due for renewal in March 2018.

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

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Pensions

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

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

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

The rate used to discount the resulting cash flows is equivalent to the market yield at the balance sheet date on UK government securities with a similar duration to the schemes liabilities. This rate is potentially subject to significant variation. The net cost recognised in the Income Statement is also affected by the return on the schemes' assets. The impact of the pension estimates on the group's accounts can be seen in note 30.

Goodwill and Intangible Assets

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

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

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

Principal Accounting Policies

4. BASIS OF CONSOLIDATION

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

The group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of completion, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

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

5. REVENUE RECOGNITION

Revenue is measured at invoice price, excluding value added taxes, and principally comprises external vehicle sales, parts, servicing and bodyshop sales. Vehicle and parts sales are recognised when substantially all risks and rewards have been transferred to the customer. This is generally at the time of delivery to the customer. Service and bodyshop sales are recognised in line with the work performed. Revenue also comprises commissions receivable for arranging vehicle financing and related insurance products. Commissions are based on agreed rates and income is recognised at the time of approval of the vehicle finance by the finance provider. Where the group is acting as agent on behalf of a principal, the commission earned is also recorded at an agreed rate when the transaction has occurred.

6. SEGMENTAL REPORTING

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

7. OPERATING PROFIT

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

8. GOODWILL ARISING ON CONSOLIDATION

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

9. INTANGIBLE ASSETS

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

10. INVESTMENTS

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

11. PROPERTY, PLANT AND EQUIPMENT

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

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

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

Property, plant and equipment are transferred to "Assets held for sale" when management expect their disposal to be completed within one year from the balance sheet date. Non-current assets classified as held for sale are stated at the lower of net book value or expected proceeds.

Principal Accounting Policies

12. IMPAIRMENT OF ASSETS

Assets that have an indefinite life are not subject to amortisation and are tested annually for impairment. Assets subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less disposal costs, and value in use.

13. LEASES

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

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

14. INVENTORIES

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

15. RENTAL FLEET VEHICLES

Motor vehicles hired to customers under short term rental agreements less than 1 year are included within Current Assets. Income from such rentals are recognised on a straight line basis over the period of the rental agreement.

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

16. TAXATION

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

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

17. PENSION COSTS

The group operates the "Lookers Pension Plan" and the "Dutton Forshaw Group Pension Plan" which are defined benefit pension schemes providing benefits based on final pensionable salary. The defined benefit schemes define the amount of pension benefit that an employee will receive on retirement, dependent on one or more factors including age, years of service and salary. Both schemes are closed to new members and to future accrual.

The last triennial valuation of the "Lookers Pension Plan" was carried out at 31 March 2013 by Aon Hewitt Limited and has been updated to 31 December 2014 by a qualified independent actuary to take account of IAS 19 (Revised). The last triennial valuation of the "Dutton Forshaw Group Pension Plan" was carried out at 31 March 2010 by KPMG LLP and has been updated to 31 December 2014 by a qualified independent actuary to take account of IAS 19 (Revised).

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

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

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

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

Principal Accounting Policies

18. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise deposits with banks and financial institutions, bank and cash balances, and liquid investments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current borrowings.

19. SHARE BASED PAYMENTS

The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

20. DERIVATIVE FINANCIAL INSTRUMENTS

The group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts and an interest rate collar. Further details of derivative financial instruments are disclosed in note 21 to the financial statements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the Income Statement immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in the Income Statement depends on the nature of the hedge relationship. The group designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

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

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

Cash Flow Hedges

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

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

21. EFFECTIVE INTEREST METHOD

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

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

Loans and Receivables

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

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

Impairment of Financial Assets

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

Principal Accounting Policies

21. EFFECTIVE INTEREST METHOD (continued)

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

22. FINANCIAL INSTRUMENTS

Debt Instruments

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

Financial Liabilities

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

23. DIVIDENDS

Final Dividends proposed by the Board and unpaid at the end of the year are not recognised in the financial statements until they have been approved by the shareholders at the Annual General Meeting. Interim Dividends are recognised when they are paid.

24. REPURCHASE COMMITMENTS

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

25. COMMERCIAL INCOME

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

26. OTHER ITEMS

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

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

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

Consolidated and Company Income Statements

	Note	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m
Continuing operations					
Revenue	1	3,042.9	2,464.5	-	-
Cost of sales		(2,646.8)	(2,128.7)	-	-
Gross profit		396.1	335.8	-	-
Distribution costs		(212.6)	(184.8)	-	-
Administrative expenses		(109.3)	(94.0)	(12.6)	(14.0)
Other operating income		0.1	0.3	52.8	29.3
Profit from operations		74.3	57.3	40.2	15.3
Profit from operations before amortisation and share based payments		76.6	58.4	40.8	15.9
Amortisation of intangible assets	9	(1.2)	(1.1)	(0.6)	(0.6)
Share based payments		(1.1)	-	-	-
Profit from operations		74.3	57.3	40.2	15.3
Interest payable	2	(11.9)	(10.5)	(5.4)	(4.9)
Interest receivable	2	0.3	0.2	2.4	2.6
Net interest		(11.6)	(10.3)	(3.0)	(2.3)
Net interest on pension scheme obligation		(3.1)	(2.7)	(1.6)	(1.3)
Debt issue costs		(0.4)	(0.4)	(0.4)	(0.4)
Profit on ordinary activities before taxation		59.2	43.9	35.2	11.3
Profit before tax, amortisation, debt issue costs, pension costs and share based payments		65.0	48.1	37.8	13.6
Amortisation of intangible assets		(1.2)	(1.1)	(0.6)	(0.6)
Share based payments		(1.1)	-	-	-
Net interest and costs on pension scheme obligation		(3.1)	(2.7)	(1.6)	(1.3)
Debt issue costs		(0.4)	(0.4)	(0.4)	(0.4)
Profit on ordinary activities before taxation	3	59.2	43.9	35.2	11.3
Tax (charge)/credit	4	(12.4)	(7.7)	0.6	0.2
Profit for the year		46.8	36.2	35.8	11.5
Attributable to:					
Shareholders of the company		46.8	36.0	35.8	11.5
Non-controlling interests		-	0.2	-	-
Continuing operations					
Earnings per share					
Basic earnings per share	6	12.03p	9.28p		
Diluted earnings per share	6	11.75p	9.10p		

Consolidated and Company Statements of Comprehensive Income

	Note	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m
Profit for the financial year		46.8	36.2	35.8	11.5
Items that will never be reclassified to profit and loss:					
Actuarial losses recognised in post-retirement benefit schemes	30	(16.1)	(3.3)	(7.8)	(10.3)
Movement in deferred taxation on pension liability	23	3.3	0.6	1.4	2.1
Tax rate adjustment		-	(1.3)	-	(0.4)
Items that are or may be reclassified to profit and loss:					
Fair value on derivative instruments		2.2	1.5	2.1	1.5
Movement in deferred taxation on derivative instruments	23	(0.5)	(0.3)	(0.5)	(0.3)
Other comprehensive expense for the year		(11.1)	(2.8)	(4.8)	(7.4)
Total comprehensive income for the year		35.7	33.4	31.0	4.1
Attributable to:					
Shareholders of the company		35.7	33.2	31.0	4.1
Non-controlling interests		-	0.2	-	-

Consolidated and Company Statements of Financial Position

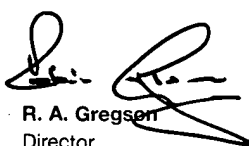
	Note	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m
NON-CURRENT ASSETS					
Goodwill	8	80.6	73.7	-	-
Intangible assets	9	33.6	13.8	1.8	1.7
Property, plant and equipment	10	215.6	204.6	0.2	0.1
Investment in subsidiaries	11	-	-	57.8	57.8
Deferred tax asset	23	-	-	7.1	6.8
		329.8	292.1	66.9	66.4
CURRENT ASSETS					
Inventories	12	548.8	446.7	-	-
Trade and other receivables	13	179.4	154.0	221.1	190.8
Rental fleet vehicles	15	57.1	52.9	-	-
Cash and cash equivalents	16	5.9	5.2	35.3	18.2
Assets held for sale	17	-	0.5	-	-
		791.2	659.3	256.4	209.0
TOTAL ASSETS		1,121.0	951.4	323.3	275.4
CURRENT LIABILITIES					
Bank loans and overdrafts	20	20.2	14.5	18.7	20.9
Trade and other payables	18	688.2	578.9	101.0	78.0
Current tax liabilities	19	11.3	8.9	-	-
Short-term provisions	22	0.6	1.0	-	-
Derivative financial instruments		4.9	7.0	5.0	7.0
		725.2	610.3	124.7	105.9
NET CURRENT ASSETS		66.0	49.0	131.7	103.1
NON-CURRENT LIABILITIES					
Bank loans	20	37.6	33.8	35.0	33.8
Trade and other payables	18	30.8	24.2	-	-
Retirement benefit obligations	30	57.6	44.1	30.4	24.7
Deferred tax liabilities	23	12.3	10.2	-	-
Long-term provisions	22	0.6	0.8	-	-
		138.9	113.1	65.4	58.5
TOTAL LIABILITIES		864.1	723.4	190.1	164.4
NET ASSETS		256.9	228.0	133.2	111.0
SHAREHOLDERS' EQUITY					
Ordinary share capital	24	19.7	19.4	19.7	19.4
Share premium	25	76.9	75.6	76.9	75.6
Capital redemption reserve	26	14.6	14.6	14.6	14.6
Other reserve	27	-	(1.1)	-	(1.1)
Retained earnings	28	145.7	118.8	22.0	2.5
Equity attributable to shareholders of the company		256.9	227.3	133.2	111.0
Non-controlling interests		-	0.7	-	-
TOTAL EQUITY		256.9	228.0	133.2	111.0

The financial statements of Lookers plc registered no. 111876 on pages 59 to 97 were approved by the Directors on 4 March 2015.

Signed on behalf of the Directors.



A. C. Bruce
Director



R. A. Gregson
Director

Consolidated and Company Statements of Changes in Equity

Group	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Equity distributable to shareholders of company £m	Non controlling interest £m	Total equity £m
As at 1 January 2014	19.4	75.6	14.6	(1.1)	118.8	227.3	0.7	228.0
New shares issued	0.3	1.3	-	-	-	1.6	-	1.6
Profit for the year	-	-	-	-	46.8	46.8	-	46.8
Actuarial losses on defined benefit pension schemes (note 30)	-	-	-	-	(16.2)	(16.2)	-	(16.2)
Deferred taxation on pension liability	-	-	-	-	3.3	3.3	-	3.3
Share based payments	-	-	-	-	1.1	1.1	-	1.1
Deferred taxation on share based payments	-	-	-	-	1.1	1.1	-	1.1
Transfer to retained earnings	-	-	-	1.1	(1.1)	-	-	-
Fair value on derivative instruments	-	-	-	-	2.1	2.1	-	2.1
Transfer of share in minority interest	-	-	-	-	0.7	0.7	(0.7)	-
Deferred taxation on derivative instruments	-	-	-	-	(0.5)	(0.5)	-	(0.5)
Dividends to shareholders	-	-	-	-	(10.4)	(10.4)	-	(10.4)
As at 31 December 2014	19.7	76.9	14.6	-	145.7	256.9	-	256.9
As at 1 January 2013	19.4	75.3	14.6	(1.4)	95.4	203.3	0.5	203.8
New shares issued	-	0.3	-	-	-	0.3	-	0.3
Profit for the year	-	-	-	-	36.0	36.0	0.2	36.2
Actuarial losses on defined benefit pension schemes (note 30)	-	-	-	-	(3.3)	(3.3)	-	(3.3)
Deferred taxation on pension liability	-	-	-	-	0.6	0.6	-	0.6
Rate adjustment	-	-	-	-	(1.3)	(1.3)	-	(1.3)
Foreign exchange adjustment	-	-	-	0.3	(0.3)	-	-	-
Fair value on derivative instruments	-	-	-	-	1.5	1.5	-	1.5
Deferred taxation on derivative instruments	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Dividends to shareholders	-	-	-	-	(9.5)	(9.5)	-	(9.5)
As at 31 December 2013	19.4	75.6	14.6	(1.1)	118.8	227.3	0.7	228.0

Company	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Total equity £m	Non controlling interest £m	Total equity £m
As at 1 January 2014	19.4	75.6	14.6	(1.1)	2.5	111.0	-	111.0
New shares issued	0.3	1.3	-	-	-	1.6	-	1.6
Profit for the year	-	-	-	-	35.8	35.8	-	35.8
Actuarial losses on defined benefit pension schemes (note 30)	-	-	-	-	(7.8)	(7.8)	-	(7.8)
Deferred tax on pension liability	-	-	-	-	1.4	1.4	-	1.4
Transfer to retained earnings	-	-	-	1.1	(1.1)	-	-	-
Fair value on derivative instruments	-	-	-	-	2.1	2.1	-	2.1
Deferred tax on derivative instruments	-	-	-	-	(0.5)	(0.5)	-	(0.5)
Dividends to shareholders	-	-	-	-	(10.4)	(10.4)	-	(10.4)
As at 31 December 2014	19.7	76.9	14.6	-	22.0	133.2	-	133.2
As at 1 January 2013	19.4	75.3	14.6	(1.1)	7.9	116.1	-	116.1
New shares issued	-	0.3	-	-	-	0.3	-	0.3
Profit for the year	-	-	-	-	11.5	11.5	-	11.5
Actuarial losses on defined benefit pension schemes (note 30)	-	-	-	-	(10.3)	(10.3)	-	(10.3)
Deferred tax on pension liability	-	-	-	-	2.1	2.1	-	2.1
Rate adjustment	-	-	-	-	(0.4)	(0.4)	-	(0.4)
Fair value on derivative instruments	-	-	-	-	1.5	1.5	-	1.5
Deferred tax on derivative instruments	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Dividends to shareholders	-	-	-	-	(9.5)	(9.5)	-	(9.5)
As at 31 December 2013	19.4	75.6	14.6	(1.1)	2.5	111.0	-	111.0

Consolidated and Company Cash Flow Statements

	Note	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m
Cash flows from operating activities					
Profit for the year		46.8	36.2	35.8	11.5
Adjustments for:					
Tax		12.4	7.7	(0.6)	(0.2)
Depreciation	3	13.5	12.5	0.1	0.1
Dividend received		-	-	(36.8)	(14.0)
Profit on disposal of plant and equipment	3	(0.1)	(0.1)	-	-
Profit on disposal of Rental Fleet Vehicles	3	(0.7)	(0.4)	-	-
Amortisation of intangible assets	3	1.2	1.1	0.6	0.6
Share based payments		1.1	-	-	-
Interest income		(0.3)	(0.2)	(2.4)	(2.6)
Interest payable		11.9	10.5	5.4	4.9
Debt issue costs		0.4	0.4	0.4	0.4
Changes in working capital					
Increase in inventories		(102.2)	(62.6)	-	-
Increase in receivables		(25.5)	(30.2)	(29.7)	(0.9)
Increase in payables		115.2	102.6	23.2	24.9
Impact of net working capital of acquisitions		(7.6)	(1.0)	-	-
Cash generated from / (used by) operations		66.1	76.5	(4.0)	24.7
Difference between pension charge and cash contributions		(5.8)	(5.4)	(3.6)	(3.1)
Net interest and costs on pension scheme obligation		3.1	2.7	1.6	1.3
Purchase of rental fleet vehicles		(80.5)	(67.4)	-	-
Proceeds from sale of rental fleet vehicles		72.2	49.5	-	-
Interest paid		(11.9)	(10.5)	(5.4)	(4.9)
Interest received		0.3	0.2	2.4	2.6
Tax paid		(8.9)	(8.1)	-	-
Net cash inflow / (outflow) from operating activities		34.6	37.5	(9.0)	20.6
Cash flows from investing activities					
Acquisition of subsidiaries (net cash outflow)	29	(24.3)	(19.4)	-	-
Purchase of property, plant and equipment		(16.5)	(16.5)	(0.2)	-
Purchase of intangibles		(0.7)	0.1	(0.7)	(0.1)
Purchase of goodwill		(0.2)	-	-	-
Proceeds from sale of property, plant and equipment		7.2	12.6	-	-
Proceeds from sale of business		-	0.1	-	-
Dividends received		-	-	36.8	14.0
Net cash (used) / generated by investing activities		(34.5)	(23.1)	35.9	13.9
Cash flows from financing activities					
Proceeds from issue of ordinary shares		1.6	0.3	1.6	0.3
Repayment of loans		(7.8)	(7.5)	(7.5)	(7.5)
New loans		14.6	-	8.7	-
Dividends paid to group shareholders		(10.4)	(9.5)	(10.4)	(9.5)
Net cash outflow from financing activities		(2.0)	(16.7)	(7.6)	(16.7)
(Decrease) / increase in cash and cash equivalents		(1.9)	(2.3)	19.3	17.8
Cash and cash equivalents at 1 January		(1.8)	0.5	4.8	(13.0)
Cash and cash equivalents at 31 December	16	(3.7)	(1.8)	24.1	4.8

Notes to the Consolidated Financial Statements

1. SEGMENTAL REPORTING

At 31 December 2014 the group is organised into two main business segments (2013: same), motor distribution and parts distribution. All revenue and profits originate in the United Kingdom and the Republic of Ireland.

Primary reporting format - business segments

Year ended 31 December 2014	Note	Motor Division £m	Parts Distribution £m	Unallocated £m	Group £m
Continuing operations					
New Cars		1,476.5	-	-	1,476.5
Used Cars		1,008.5	-	-	1,008.5
Aftersales		352.4	205.5	-	557.9
Revenue		2,837.4	205.5	-	3,042.9
Segmental result before amortisation of intangible assets					
		67.0	12.2	(2.6)	76.6
Amortisation of intangible assets	9	-	-	(1.2)	(1.2)
Interest expense		(8.7)	-	(3.2)	(11.9)
Interest income		-	-	0.3	0.3
Share based payments		-	-	(1.1)	(1.1)
Net interest and costs on pension scheme obligation		-	-	(3.1)	(3.1)
Debt issue costs		-	-	(0.4)	(0.4)
Profit before taxation		58.3	12.2	(11.3)	59.2
Taxation		-	-	(12.4)	(12.4)
Profit for the financial year from continuing operations attributable to shareholders					46.8
Segmental assets					
		984.3	136.7	-	1,121.0
Total assets		984.3	136.7	-	1,121.0
Segmental liabilities					
		739.8	66.5	-	806.3
Unallocated liabilities		-	-	-	-
- Corporate borrowings		-	-	57.8	57.8
Total liabilities		739.8	66.5	57.8	864.1
Other segmental items					
Capital expenditure	10	14.3	2.2	-	16.5
Expenditure on Rental Fleet Vehicles	15	80.5	-	-	80.5
Depreciation	10, 15	11.5	2.0	-	13.5
Amortisation of intangible assets	9	-	-	1.2	1.2
Impairment of trade receivables	13	-	0.4	-	0.4

Notes to the Consolidated Financial Statements

1. SEGMENTAL REPORTING (continued)

Year ended 31 December 2013	Note	Motor Division £m	Parts Distribution £m	Unallocated £m	Group £m
Continuing operations					
New Cars		1,130.2	-	-	1,130.2
Used Cars		794.4	-	-	794.4
Aftersales		342.8	197.1	-	539.9
Revenue		2,267.4	197.1	-	2,464.5
Segmental result before amortisation of					
intangible assets		49.6	11.8	(3.0)	58.4
Amortisation of intangible assets	9	-	-	(1.1)	(1.1)
Interest expense		(7.0)	-	(3.5)	(10.5)
Interest income		-	-	0.2	0.2
Net interest and costs on pension scheme obligation		-	-	(2.7)	(2.7)
Debt issue costs		-	-	(0.4)	(0.4)
Profit before taxation		42.6	11.8	(10.5)	43.9
Taxation		-	-	(7.7)	(7.7)
Profit for the financial year from continuing operations attributable to shareholders					36.2
Segmental assets					
Segmental assets		814.3	137.1	-	951.4
Total assets		814.3	137.1	-	951.4
Segmental liabilities					
Segmental liabilities		603.2	71.9	-	675.1
Unallocated liabilities		-	-	-	-
- Corporate borrowings		-	-	48.3	48.3
Total liabilities		603.2	71.9	48.3	723.4
Other segmental items					
Capital expenditure	10	13.8	1.7	1.0	16.5
Expenditure on Rental Fleet Vehicles	15	67.4	-	-	67.4
Depreciation	10, 15	10.8	1.7	-	12.5
Amortisation of intangible assets	9	-	-	1.1	1.1
Impairment of trade receivables	13	-	0.2	-	0.2

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

Company

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

Notes to the Consolidated Financial Statements

2. FINANCE COSTS - NET

	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m
Interest expense				
On amounts wholly repayable within 5 years:				
Interest payable on bank borrowings	(5.0)	(4.7)	(5.4)	(4.9)
Interest on consignment vehicle liabilities	(6.9)	(5.8)	-	-
Interest and similar charges payable	(11.9)	(10.5)	(5.4)	(4.9)
Interest income				
Bank interest	0.3	0.2	-	-
Interest received from group companies	-	-	2.4	2.6
Total interest receivable	0.3	0.2	2.4	2.6
Finance costs - net	(11.6)	(10.3)	(3.0)	(2.3)

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m
The following items have been included in arriving at operating profit from operations:				
Staff costs (note 7)	192.1	165.3	8.4	6.0
Depreciation of property, plant and equipment				
- Owned assets (note 10)	8.7	7.7	0.1	0.1
Depreciation of rental fleet vehicles (note 15)	4.8	4.8	-	-
Amortisation of intangible assets	1.2	1.1	0.7	0.6
Profit on disposal of plant, equipment and Rental Fleet Vehicles	(0.8)	(0.5)	-	-
Other operating lease rentals payable				
- Property	7.7	5.2	-	-
- Plant & equipment	1.7	2.2	-	-
Net finance and debt issue costs	13.7	10.9	4.4	5.3
Cost of inventories recognised as an expense	2,746.4	2,210.0	-	-
Dividends from subsidiary companies	-	-	36.8	14.0
Management charges	-	-	(2.0)	(2.0)

Notes to the Consolidated Financial Statements

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)

Services provided by the group's auditor

The analysis of auditor's remuneration is as follows:

Group	2014 £m	2013 £m
Fees payable to the company's auditor for the audit of the company's annual accounts	-	-
Fees payable to the company's auditor and their associates for other services to the group		
The audit of the company's subsidiaries	0.3	0.3
Total audit fees	0.3	0.3
Taxation compliance services	0.1	0.1
Other taxation and pensions advisory services	-	-
Total non-audit fees	0.1	0.1

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

Details of the company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee report on page 32. Further the group has agreed to the auditor receiving a pre-determined percentage of the contingent gain referred to in note 34. This agreement pre-dates the appointment of Deloitte LLP as auditor. Both the Audit Committee and auditor have considered this agreement and concluded that it doesn't constitute a threat to auditor independence.

4. TAXATION

	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m
Current tax charge / (credit)				
Current year	11.1	8.8	(1.2)	(1.1)
Adjustment in respect of prior years	(0.5)	(0.2)	-	-
	10.6	8.6	(1.2)	(1.1)
Deferred tax charge / (credit)				
Deferred tax	1.7	(0.7)	0.4	0.8
Adjustment in respect of prior years	0.1	(0.2)	0.2	0.1
	1.8	(0.9)	0.6	0.9
Total income tax charge / (credit) in Income Statement	12.4	7.7	(0.6)	(0.2)

	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m
Tax on items charged to other comprehensive income				
Deferred tax on share based payments	1.1	-	-	-
Deferred tax on derivative instruments	(0.5)	(0.3)	(0.5)	(0.3)
Deferred tax on pension liability	3.3	0.6	1.4	2.1

The tax charge / (credit) was affected by the following factors:

Standard rate of corporation tax	21.5%	23.3%	21.5%	23.3%
Inter group dividend	-	-	(22.6%)	(29.0%)
Items not allowable for taxation	0.8%	1.5%	(1.0%)	0.3%
Change in rate	(0.2%)	(6.2%)	(0.1%)	2.0%
Adjustments to prior years' taxation	(1.2%)	(1.0%)	0.3%	1.1%
Effective tax rate	20.9%	17.6%	(1.8%)	(2.3%)

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

Notes to the Consolidated Financial Statements

5. DIVIDENDS

Group and company		2014 £m	2013 £m
Interim Dividend for the year ended 31 December 2014	0.97p (2013: 0.88p)	3.8	3.5
Final Dividend for the year ended 31 December 2013	1.70p (2012: 1.55p)	6.6	6.0
		10.4	9.5

The Directors propose a final dividend of 1.87p per share in respect of the financial year ending 31 December 2014 (2013: 1.70p). The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

6. EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on the profit on ordinary activities after taxation attributable to shareholders amounting to £46.8m (2013: £36.0m) and a weighted average number of ordinary shares in issue during the year of 389,158,672 (2013: 388,089,402).

The diluted earnings per share are based on the weighted average number of shares, after taking account of the dilutive impact of shares under option of 9,062,088 (2013: 7,590,189).

Adjusted earnings per share are stated before amortisation of intangible assets, pension costs, debt issue costs and share based payments and are calculated on profits of £52.6m (2013: £40.2m) for the year.

Continuing operations	2014 Earnings £m	2014 Earnings per share p	2013 Earnings £m	2013 Earnings per share p
Basic EPS				
Earnings attributable to ordinary shareholders	46.8	12.03	36.0	9.28
Effect of dilutive securities	-	(0.28)	-	(0.18)
Diluted EPS	46.8	11.75	36.0	9.10
Adjusted EPS				
Earnings attributable to ordinary shareholders	46.8	12.03	36.0	9.28
Amortisation of intangible assets	1.2	0.30	1.1	0.30
Net interest and costs on pension scheme obligations	3.1	0.79	2.7	0.69
Share based payments	1.1	0.30	-	-
Debt issue costs	0.4	0.10	0.4	0.09
Adjusted EPS	52.6	13.52	40.2	10.36

Notes to the Consolidated Financial Statements

7. INFORMATION REGARDING EMPLOYEES

	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m
Employee costs during the year (inclusive of Executive Directors)				
Wages and salaries	172.3	148.5	7.3	5.1
Social security costs	16.8	14.4	0.8	0.6
Other pension costs	3.0	2.4	0.3	0.3
	192.1	165.3	8.4	6.0
	2014 No.	2013 No.	2014 No.	2013 No.
Average number employed during the year (including Directors)				
Productive	1,495	1,058	-	-
Selling and distribution	2,992	2,740	-	-
Administration	1,739	1,780	112	84
	6,226	5,578	112	84
	2014 £m	2013 £m	2014 £m	2013 £m
Key management compensation				
Salaries and short-term employee benefits	3.0	3.0	3.0	3.0

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

During the year the aggregate gains made on the exercise of share options by Directors was £404,600 (2013: £nil). Further details of Directors' remuneration is included in the Directors' Remuneration Report on pages 36 to 52.

8. GOODWILL

Group	2014 £m	2013 £m
Cost		
As at 1 January	77.0	64.7
Additions	0.2	-
Recognised on acquisition of subsidiaries	6.7	12.3
As at 31 December	83.9	77.0
Aggregate impairment		
As at 1 January and at 31 December	3.3	3.3
Net book amount at 31 December	80.6	73.7

During the year, the acquired goodwill was tested for impairment in accordance with IAS 36. Following the impairment test, no goodwill impairment charge was deemed necessary (2013: £nil).

Goodwill arose in the year on the acquisition of Lookers Colborne Limited (formally Colborne Garages Limited) (note 29).

Notes to the Consolidated Financial Statements

8. GOODWILL (continued)

For the purposes of impairment testing of goodwill and intangible assets, the Directors recognise the group's Cash Generating Units ("CGU") to be connected groupings of dealerships and each subsidiary comprising the Parts Division. The recoverable amount of each CGU's goodwill and intangible assets is based on value in use using Board approved budgeted projections over the next five years for each CGU to calculate each CGU's discounted cashflows to perpetuity, where individual budgets are produced for all businesses within the group. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period and the impairment calculation is sensitive to these key assumptions. Goodwill is represented by £71.2m applicable to the Motor Division and £5.3m applicable to the Parts Division. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. An annual growth rate of 1.6% (2013: 2.75%) (UK GDP) is assumed and a risk adjusted discount rate applied. The discount rates are estimated based on the group's cost of capital which is calculated after consideration of market information and risk adjusted for individual circumstances with all units carrying a goodwill value operating in the UK and the motor retail or related sector a single pre-tax discount rate of 10.46% (2013: 10.42%) has been applied.

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

9. INTANGIBLE ASSETS

Group	Licences £m	Customer relationships £m	Brands £m	Total £m
Acquired intangible assets				
Cost				
As at 1 January 2014	5.5	11.5	7.2	24.2
Additions	21.0	-	-	21.0
As at 31 December 2014	26.5	11.5	7.2	45.2
Aggregate amortisation				
As at 1 January 2014	3.6	5.3	1.5	10.4
Charge for the year	0.7	0.5	-	1.2
As at 31 December 2014	4.3	5.8	1.5	11.6
Net book amount at 31 December 2014	22.2	5.7	5.7	33.6
Acquired intangible assets				
Cost				
As at 1 January 2013	5.4	11.5	7.2	24.1
Additions	0.1	-	-	0.1
As at 31 December 2013	5.5	11.5	7.2	24.2
Aggregate amortisation				
As at 1 January 2013	3.1	4.7	1.5	9.3
Charge for the year	0.5	0.6	-	1.1
As at 31 December 2013	3.6	5.3	1.5	10.4
Net book amount at 31 December 2013	1.9	6.2	5.7	13.8

£20.3 million of franchise licences were acquired on 10 March as part of the acquisition of Lookers Colborne Limited (formally Colborne Garages Limited) and its subsidiaries (note. 29). A valuation of these intangible assets has been performed by Globalview Advisors, an independent external specialist. These intangible assets have been assigned indefinite lives on the basis that these arrangements are expected to be renewed for the foreseeable future.

Notes to the Consolidated Financial Statements

9. INTANGIBLE ASSETS (continued)

Within Brands, intangible assets of £5.7m (2013: £5.7m) are deemed by the Directors to have an indefinite useful economic life. These Brands arose on the acquisition of subsidiary undertakings. The trading activities under these brand names generate a substantial part of the group's revenue and operating profit. The group is continually investing in these brands through promotional activities and advertising. Due to this continued investment these brands are judged to have an indefinite useful economic life and no amortisation is charged.

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

Company	Licences £m
Acquired intangible assets	
Cost as at 1 January 2014	5.1
Additions	0.7
As at 31 December 2014	5.8
Aggregate amortisation	
As at 1 January 2014	3.4
Charge for the year	0.6
As at 31 December 2014	4.0
Net book amount at 31 December 2014	1.8
Acquired intangible assets	
Cost as at 1 January 2013	5.0
Additions	0.1
As at 31 December 2013	5.1
Aggregate amortisation	
As at 1 January 2013	2.8
Charge for the year	0.6
As at 31 December 2013	3.4
Net book amount at 31 December 2013	1.7

10. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold property £m	Long leasehold property £m	Short leasehold property £m	Plant & machinery £m	Fixtures, fittings, tools & equipment £m	Total £m
Cost						
As at 1 January 2014	145.8	50.4	11.1	16.8	28.5	252.6
On acquisition (note 29)	6.5	1.3	-	1.3	0.7	9.8
Additions in year	3.6	4.5	0.4	4.4	3.6	16.5
Reclassification	-	0.5	-	-	-	0.5
Disposals	(6.2)	(0.3)	-	(1.7)	(1.1)	(9.3)
As at 31 December 2014	149.7	56.4	11.5	20.8	31.7	270.1
Accumulated depreciation						
As at 1 January 2014	6.1	5.2	4.6	12.3	19.8	48.0
Charge for the year	1.1	0.8	0.9	2.7	3.2	8.7
Disposals	(0.2)	-	-	(1.2)	(0.8)	(2.2)
As at 31 December 2014	7.0	6.0	5.5	13.8	22.2	54.5
Net book value at 31 December 2014	142.7	50.4	6.0	7.0	9.5	215.6

Notes to the Consolidated Financial Statements

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold property £m	Long leasehold property £m	Short leasehold property £m	Plant & machinery £m	Fixtures, fittings, tools & equipment £m	Total £m
Cost						
As at 1 January 2013	138.6	48.8	10.2	14.8	23.7	236.1
On acquisition	11.0	0.1	-	0.1	0.1	11.3
Additions in year	8.3	1.1	1.3	2.0	3.8	16.5
Reclassification	-	0.4	-	1.6	2.2	4.2
Disposals	(12.1)	-	(0.4)	(1.7)	(1.3)	(15.5)
As at 31 December 2013	145.8	50.4	11.1	16.8	28.5	252.6
Accumulated depreciation						
As at 1 January 2013	5.3	3.9	4.0	10.0	15.8	39.0
Charge for the year	0.9	0.9	0.9	2.2	2.8	7.7
Reclassification	-	0.4	-	1.6	2.2	4.2
Disposals	(0.1)	-	(0.3)	(1.5)	(1.0)	(2.9)
As at 31 December 2013	6.1	5.2	4.6	12.3	19.8	48.0
Net book value at						
31 December 2013	139.7	45.2	6.5	4.5	8.7	204.6

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

	2014 £m	2013 £m
Cost	0.3	0.3
Aggregate depreciation	(0.3)	(0.3)
	-	-

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

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

Company	Fixtures, fittings, tools & equipment £m
Cost	
As at 1 January 2014	1.8
Additions	0.2
As at 31 December 2014	2.0
Accumulated depreciation	
As at 1 January 2014	1.7
Charge for the year	0.1
As at 31 December 2014	1.8
Net book value at 31 December 2014	0.2

Notes to the Consolidated Financial Statements

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Fixtures, fittings, tools & equipment £m
Cost	
As at 1 January 2013	1.7
Additions	0.1
As at 31 December 2013	1.8
Accumulated depreciation	
As at 1 January 2013	1.6
Charge for the year	0.1
As at 31 December 2013	1.7
Net book value at 31 December 2013	0.1

11. INVESTMENT IN SUBSIDIARIES

Company	2014 £m	2013 £m
Cost		
As at 1 January and 31 December	57.8	57.8

Details of the principal subsidiary undertakings are as follows:

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

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

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

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

12. INVENTORIES

Group	2014 £m	2013 £m
Goods for resale	350.9	297.3
Consignment vehicles	197.9	149.4
	548.8	446.7

Notes to the Consolidated Financial Statements

13. TRADE AND OTHER RECEIVABLES

	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m
Amounts falling due within one year:				
Trade debtors	130.9	110.4	0.2	-
Less: provision for impairment of receivables	(2.1)	(1.7)	-	-
	128.8	108.7	0.2	-
Amounts owed by group undertakings	-	-	207.0	178.7
Other debtors	28.7	27.4	11.2	9.7
Prepayments	21.9	17.9	2.7	2.4
	179.4	154.0	221.1	190.8

The average credit period on sales of goods is 17 days (2013: 16 days). Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Included in the group's trade receivable balance are debtors with a carrying amount of £15.5m (2013: £11.6m) which are past due at the reporting date for which the group has not provided as there has not been a significant change in credit quality and the group believes that the amounts are still considered recoverable. The group does not hold any collateral over these balances. The average age of these receivables is 45 days (2013: 45 days).

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

	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m
Movement in the allowance for doubtful debts				
Balance at beginning of the year	1.7	1.7	-	-
Amounts written off during the year	(0.3)	(0.2)	-	-
Increase in allowance recognised in income statement	0.7	0.2	-	-
Balance at the end of the year	2.1	1.7	-	-

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

Included in the allowance for doubtful debts are specific trade receivables with a balance of £nil (2013: £nil) for the group and £nil (2013: £nil) for the company which have been placed under liquidation. The impairment represents the difference between the carrying amount of the specific trade receivable and present value of the expected liquidation dividend.

Group	2014		2013	
	Value of Receivables £m	%	Value of Receivables £m	%
Not impaired:				
- Neither past due nor impaired	142.0	91.0	124.5	91.5
- Past due up to 3 months but not impaired	15.5	9.0	11.6	8.5
	157.5	100.0	136.1	100.0

Company	2014		2013	
	Value of Receivables £m	%	Value of Receivables £m	%
Not impaired:				
- Neither past due nor impaired	216.1	100.0	188.4	100.0

Notes to the Consolidated Financial Statements

14. OTHER FINANCIAL ASSETS

	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m
Investments carried at cost:				
Non-current				
Investments in subsidiaries	-	-	57.8	57.8
Loans carried at amortised cost:				
Current				
Loans to subsidiaries	-	-	205.3	178.7
Disclosed in the financial statements as:				
Current other financial assets	-	-	205.3	178.7
Non-current other financial assets	-	-	57.8	57.8

15. RENTAL FLEET VEHICLES

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

	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m
Cost				
As at 1 January	55.1	41.4	-	-
Acquisitions in year	80.5	67.4	-	-
Disposals	(76.2)	(53.7)	-	-
As at 31 December	59.4	55.1	-	-
Accumulated depreciation				
As at 1 January	2.2	2.0	-	-
Charge for the year	4.8	4.8	-	-
Disposals	(4.7)	(4.6)	-	-
As at 31 December	2.3	2.2	-	-
Net book value at 31 December	57.1	52.9	-	-

16. CASH AND CASH EQUIVALENTS

	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m
Cash at bank and in hand	5.9	5.2	35.3	18.2
Bank overdraft (note 20)	(9.6)	(7.0)	(11.2)	(13.4)
Reconciliation to cash flow statements	(3.7)	(1.8)	24.1	4.8

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

17. ASSETS HELD FOR SALE

	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m
As at 1 January	0.5	3.2	-	-
Reclassification	(0.5)	(2.7)	-	-
At 31 December	-	0.5	-	-

In the prior year Assets held for sale comprise several freehold and long leasehold properties which are currently being marketed for resale. In the first half of 2014 these were reclassified to Long Leasehold Property within Property, Plant and Equipment (note 10), as they no longer meet the criteria for Assets held for sale.

Notes to the Consolidated Financial Statements

18. TRADE AND OTHER PAYABLES

	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m
Trade payables	193.3	172.0	4.3	4.0
Repurchase commitments	157.2	125.7	-	-
Consignment vehicle creditors	197.8	149.4	-	-
Amounts owed to group undertakings	-	-	62.7	43.2
Rental Fleet Vehicle finance	44.8	42.0	-	-
Other tax and social security payable	13.0	10.5	0.1	0.1
Other creditors	25.3	21.0	14.1	10.1
Accruals and deferred income	56.8	58.3	19.8	20.6
	688.2	578.9	101.0	78.0
Repurchase commitments due after more than 1 year	30.8	24.2	-	-

19. CURRENT TAX LIABILITIES

	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m
Current tax liabilities	11.3	8.9	-	-

20. BORROWINGS

	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m
Current				
Bank overdraft	9.6	7.0	11.2	13.4
Secured bank loans	10.6	7.5	7.5	7.5
	20.2	14.5	18.7	20.9
Non-current				
Secured bank loans	37.6	33.8	35.0	33.8
Total borrowings	57.8	48.3	53.7	54.7
	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m
Bank loans and overdraft repayable:				
Less than one year	20.2	14.5	18.7	20.9
More than one year and not more than two years	8.2	7.5	7.5	7.5
More than two years and not more than five years	29.4	26.3	27.5	26.3
	57.8	48.3	53.7	54.7

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

At 31 December 2014 the group had 2 principal bank loans:

- (i) A loan of £42.5m which will continue until 31 March 2018. The loan carries an interest rate of between 1.4% and 2.35% above LIBOR.
- (ii) A revolving loan facility of £90.0m. The facility can be drawn in whole or part at any time and will continue until 31 March 2018. The drawn down part of the loan carries an interest rate of between 1.4% and 2.35% above LIBOR.

Notes to the Consolidated Financial Statements

20. BORROWINGS (continued)

The weighted average interest rate paid during the year on the bank loans was 1.89% (2013: 1.88%).

At 31 December 2014, the group had available £80.6m (2013: £53.1m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The group's current facilities were negotiated on 7 February 2014 and are due for renewal in March 2018 (note 35).

Of this amount £42.5m (2013: £41.25m) is repayable in instalments up until 2016 (2013: 2016).

The company is jointly liable under cross guarantees within the group for bank loans and overdrafts which amounted to £nil (2013: £nil).

21. FINANCIAL INSTRUMENTS

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

Categories of financial instruments	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m
Financial assets				
Cash	5.9	5.2	35.3	18.2
Receivables	128.8	108.7	205.3	178.7
Financial liabilities				
Amortised cost	634.0	519.5	120.7	102.0

Financial Instruments Carried at Fair Value

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

Financial Risk Management Objectives

The group's Corporate Treasury function manages the financial risks relating to the operations of the group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

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

Market Risk

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

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

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

Notes to the Consolidated Financial Statements

21. FINANCIAL INSTRUMENTS (continued)

Foreign Currency Risk Management

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

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

The company had no foreign currency denominated monetary assets or monetary liabilities at the reporting date (2013: same).

	Liabilities		Assets	
	2014 £m	2013 £m	2014 £m	2013 £m
Euro	7.9	10.1	7.1	9.1

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

	Euro Impact Group	
	2014 £m	2013 £m
Profit or loss	0.1	0.1

Interest Rate Risk Management

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

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

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

	+ 50 Basis Points				- 50 Basis Points			
	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m
Profit or loss	0.5	0.5	-	-	0.5	0.5	-	-

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

Notes to the Consolidated Financial Statements

21. FINANCIAL INSTRUMENTS (continued)

Credit Risk Management

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

Trade receivables are spread across a large number of counterparties across a large geographical area.

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

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

Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 32 is a listing of additional undrawn facilities that the group / company has at its disposal to further reduce liquidity risk.

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

Group	Less than 1 Month £m	1-3 Months £m	3 Months to 1 Year £m	1-5 Years £m	Total £m
2014					
Variable interest rate instruments	9.6	688.2	10.6	68.4	776.8
Fixed interest rate instruments	-	-	-	-	-
	9.6	688.2	10.6	68.4	776.8
2013					
Variable interest rate instruments	7.0	428.4	60.0	58.0	553.4
Fixed interest rate instruments	79.4	18.6	-	-	98.0
	86.4	447.0	60.0	58.0	651.4

Included within variable interest rate instruments in the 1 to 3 month column is an amount of £157.2m (2013: £125.7m) relating to repurchase commitments where the liability is only contractually due at the point where the related vehicle is sold to the end customer. In this way the group matches the cash outflow in respect of the liability with the cash inflow from the sale.

Also included within variable interest rate instruments in the 1 to 3 months column is an amount of £192.2m (2013: £153.4m) relating to vehicle stocking loans.

Notes to the Consolidated Financial Statements

21. FINANCIAL INSTRUMENTS (continued)

Included within variable interest rate instruments in the 1 to 3 month column is an amount of £149.3m (2013: £131.7m) relating to consignment stock where the liability is contractually due for payment when the related vehicle is adopted by the group. Adoption usually occurs for the purpose of selling the vehicle to the end customer at which point the cash outflow in respect of the liability matches the cash inflow from the sale.

Company	Less than 1 Month £m	1-3 Months £m	3 Months to 1 Year £m	1-5 Years £m	Total £m
2014					
Variable interest rate instruments	11.2	101.0	7.5	35.0	154.7
Fixed interest rate instruments	-	-	-	-	-
	11.2	101.0	7.5	35.0	154.7
2013					
Variable interest rate instruments	13.4	-	7.5	33.8	54.7
Fixed interest rate instruments	73.9	4.1	-	-	78.0
	87.3	4.1	7.5	33.8	132.7

The objectives, policies and strategies for holding or issuing financial instruments adopted by the Board are given in the Directors' Report. Instruments held at the year end are set out in note 32.

Capital Risk Management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The group's overall strategy remains unchanged since 2012.

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

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

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

Gearing Ratio

The gearing ratio at the year end is as follows:

	2014 £m	2013 £m
Debt	57.8	48.3
Cash and cash equivalents	(5.9)	(5.2)
Net Debt	51.9	43.1
Total Equity	256.9	228.0
Net debt to equity ratio	20.2%	18.9%

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

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

Notes to the Consolidated Financial Statements

22. PROVISIONS

Group	Dilapidations £m	Closure costs £m	Total £m
As at 1 January 2014	1.2	0.6	1.8
Utilised in the year	-	(0.6)	(0.6)
As at 31 December 2014	1.2	-	1.2

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

	2014 £m	2013 £m
Current	0.6	1.0
Non-current	0.6	0.8
	1.2	1.8

Dilapidations

The group operates from a number of leasehold premises under full repairing leases. The provision recognises that repairs are required to put the buildings back into the state of repair required under the leases. Currently, these leases are expected to expire between 2015 and 2018.

Closure Costs

The group terminates specific trading units when they are not deemed viable to continue. The provision recognises the expected costs associated with these closures and all costs were utilised during 2014.

23. DEFERRED TAXATION

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20% (2013: 20%).

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

	Group 2014 £m	2013 £m	Company 2014 £m	2013 £m
As at 1 January	10.2	8.6	(6.8)	(6.3)
Adjustment to Prior Year Deferred Taxation (note 4)	0.1	(0.2)	0.2	0.1
Change of rate – (credited) / charged to Income Statement (note 4)	-	(2.3)	-	0.4
Change of rate – charged to Comprehensive Income	-	1.3	-	0.4
On acquisition of subsidiary	4.2	1.4	-	-
Charged to Income Statement (note 4)	1.7	1.7	0.4	0.4
Credited to statement of Comprehensive Income in respect of pension scheme liabilities	(3.3)	(0.6)	(1.4)	(2.1)
Charged to statement of Comprehensive Income with respect to derivative instruments and share based payment	(0.6)	0.3	0.5	0.3
As at 31 December	12.3	10.2	(7.1)	(6.8)

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

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

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

The Finance Act 2013, which was substantively enacted in July 2013, included provisions to reduce the rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. Accordingly, deferred tax balances have been revalued to the lower rate of 20% in the 2013 accounts.

Notes to the Consolidated Financial Statements

23. DEFERRED TAXATION (continued)

Group

Deferred tax liabilities

	Intangible Assets £m	Accelerated tax depreciation £m	Capital gains £m	Total £m
As at 1 January 2014	3.2	15.7	2.6	21.5
Charged to Income Statement	(0.1)	1.2	-	1.1
On acquisition of subsidiary	4.2	-	-	4.2
As at 31 December 2014	7.3	16.9	2.6	26.8

Deferred tax assets

	Losses £m	Employee benefits £m	Short term timing differences £m	Total £m
As at 1 January 2014	(0.1)	(8.9)	(2.3)	(11.3)
Charged to Income Statement	0.1	0.5	0.1	0.7
Credited to Statement of Comprehensive Income	-	(3.3)	(0.6)	(3.9)
As at 31 December 2014	-	(11.7)	(2.8)	(14.5)

Net deferred tax liability

As at 31 December 2014	12.3
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As at 31 December 2013	10.2
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Company

Deferred tax assets

	Employee benefits £m	Provisions £m	Accelerated tax depreciation £m	Total £m
As at 1 January 2014	(5.1)	(1.6)	(0.1)	(6.8)
Charged to Income Statement	0.4	0.2	-	0.6
Credited to Statement of Comprehensive Income	(1.4)	0.5	-	(0.9)
As at 31 December 2014	(6.1)	(0.9)	(0.1)	(7.1)

As at 31 December 2013	(6.8)
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24. SHARE CAPITAL

Group and Company	2014 Shares	£m	2013 Shares	£m
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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	388,271,651	19.4	387,842,930	19.4
Allotted under share option schemes	4,553,244	0.3	428,721	-
As at 31 December	392,824,895	19.7	388,271,651	19.4

Potential Issues of Ordinary Shares

Options on 312,711 ordinary shares in relation to the employee share save scheme lapsed or were forfeited during 2014 and 4,895,335 options were exercised during the year.

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

Year of grant	Exercise price pence	Exercise period	2014 Number (5p Shares)	2013 Number (5p Shares)
2011 ESOS	61.00	2014-2021	522,657	1,672,130
2012 ESOS	62.75	2015-2022	2,590,930	2,590,930

Notes to the Consolidated Financial Statements

24. SHARE CAPITAL (continued)

Employee ShareSave Scheme

The Employee ShareSave scheme was available to all eligible employees and was based on Save As You Earn (SAYE) savings contracts with options exercisable within a period from the conclusion of a three year term as appropriate from the date of grant. Under the terms and conditions of this scheme, for every month (up to no more than six months) an employee fails to contribute the agreed monthly amount determined under the rules of the scheme, the last date exercisable will be delayed by one month. The latest grant under the ShareSave scheme was made in the year ended 2012. No further grants have been made under this scheme. Options outstanding under this scheme at 31 December 2014 were 6,145,063 (2013: 5,571,239).

The total expense included within operating profit from continuing operations in respect of share based payments was £1.1m (2013: £nil).

25. SHARE PREMIUM

Group and Company	£m
As at 1 January 2014	75.6
Arising on issue of new shares	1.3
As at 31 December 2014	76.9
As at 1 January 2013	75.3
Arising on issue of new shares	0.3
As at 31 December 2013	75.6

26. CAPITAL REDEMPTION RESERVE

Group and Company	£m
As at 1 January 2014 and 31 December 2014	14.6

27. OTHER RESERVE

	Group £m	Company £m
As at 1 January 2014	(1.1)	(1.1)
Transfer to retained earnings	1.1	1.1
As at 31 December 2014	-	-

Notes to the Consolidated Financial Statements

28. RETAINED EARNINGS

	Group £m	Company £m
As at 1 January 2013	95.4	7.9
Net profit for the year	36.0	11.5
Actuarial losses on defined benefit pension schemes	(3.3)	(10.3)
Deferred taxation on pension liability	0.6	2.1
Fair value on derivative instruments	1.5	1.5
Movement in deferred taxation on derivative instruments	(0.3)	(0.3)
Rate adjustment	(1.3)	(0.4)
Dividends to shareholders	(9.5)	(9.5)
Foreign exchange adjustment	(0.3)	-
As at 31 December 2013	118.8	2.5
Net profit for the year	46.8	35.8
Actuarial losses on defined benefit pension schemes	(16.2)	(7.8)
Deferred taxation on pension liability	3.3	1.4
Fair value on derivative instruments	2.1	2.1
Movement in deferred taxation on derivative instruments	(0.5)	(0.5)
Deferred taxation in share taxed payments	1.1	-
Dividends to shareholders	(10.4)	(10.4)
Transfer of share of minority interest	0.7	-
Transfer from other reserves	(1.1)	(1.1)
Share based payments	1.1	-
As at 31 December 2014	145.7	22.0

Retained earnings include £17.1m (2013: £17.1m) of non-distributable reserves relating to properties which had been revalued under UK GAAP, but treated as deemed cost under IFRS.

Notes to the Consolidated Financial Statements

29. ACQUISITIONS

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

Acquisition of Lookers Colborne Limited (formally Colborne Garages Limited) and its subsidiaries

On 10 March 2014 Lookers Motor Group Limited, a wholly owned subsidiary of Lookers plc, acquired the entire issued share capital of Lookers Colborne Limited (formally Colborne Garages Limited), a company incorporated in the UK for a total consideration of £27.4m. The acquisition has been accounted for by the acquisition method of accounting.

	Book value at acquisition £m	Revaluation £m	Fair value at acquisition £m
Tangible fixed assets	9.8	(0.2)	9.6
Vehicle and other stocks	49.2	(1.3)	47.9
Debtors (gross contractual amounts receivable)	2.5	(0.2)	2.3
Cash and cash equivalents	7.9	-	7.9
Overdraft and loans	(4.8)	-	(4.8)
Payables	(57.5)	-	(57.5)
Corporation tax	(0.8)	-	(0.8)
Deferred tax	(0.1)	(4.1)	(4.2)
	6.2	(5.8)	0.4
Intangibles			20.3
Goodwill			6.7
Consideration in cash			27.4
Cash and cash equivalents			(7.9)
Overdrafts and loans			4.8
Net cash outflow			24.3

The fair value adjustments above principally arise from the Directors revaluation of assets acquired back to fair value.

The deferred tax adjustment is in relation to the intangible asset acquired on acquisition (note 9) and is calculated in line with IAS 12 Income Taxes. This liability crystallises if the intangible asset is either disposed or impaired. The Directors do not expect this to be the case in the near future given the external valuation performed which concluded the intangible assets had an indefinite life.

The goodwill arising on the acquisition of the above company is attributable to the anticipated profitability of the distribution of the group's products in new markets and the anticipated operating synergies derived from the combination. The summarised Income statement and statement of changes in equity of Lookers Colborne Limited (formally Colborne Garages Limited), are disclosed below, for the year ended 31 December 2014.

	Period to 10th March 2014 £m	Period from acquisition to 31 December 2013 £m	Total £m
Turnover	37.4	221.9	259.3
Operating profit	(0.8)	3.5	2.7
Net interest payable	(0.1)	(0.8)	(0.9)
Profit before taxation	(0.9)	2.7	1.8
Taxation	-	(0.6)	(0.6)
Profit and total recognised gains for the period	(0.9)	2.1	1.2

The business acquired during the year generated cash resources amounting to £3.4m.

Notes to the Consolidated Financial Statements

30. PENSIONS

Pension Scheme - The Lookers Pension Plan

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

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

The pension charge for the scheme for 2014 was £1.6m (2013: £1.3m).

A valuation update was made as at 31 December 2014 by a qualified independent actuary to take account of the IAS 19 requirements. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the scheme's assets at their 31 December market value.

Based on actuarial advice and using the assumptions below in calculating the scheme's liabilities, the total value of these liabilities under IAS 19 is £120.7m at 31 December 2013 (2013: £106.5m).

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

	Market value 2014 £m	Market value 2013 £m
Equities	38.7	34.9
Target return funds	24.4	23.5
Corporate bonds	12.9	10.8
Gilts	14.9	12.2
Cash	0.4	0.4
Total fair value of assets	91.3	81.8

The amounts recognised in the Income Statements are as follows:

	2014 £m	2013 £m
Non investment expenses	0.5	0.6
Interest on obligation	5.0	4.1
Interest income on scheme assets	(3.9)	(3.4)
Total defined benefit expense	1.6	1.3

Notes to the Consolidated Financial Statements

30. PENSIONS (continued)

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

	2014 £m	2013 £m
Opening defined benefit obligation	106.5	90.1
Contributions by employees	-	-
Interest cost	5.0	4.1
Actuarial losses	13.1	16.2
Benefits paid	(3.9)	(3.9)
Closing defined benefit obligation	120.7	106.5

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

	2014 £m	2013 £m
Opening fair value of scheme assets	81.8	73.3
Interest income	3.9	3.4
Actuarial gains	6.3	5.9
Contributions by employer	3.7	3.7
Benefits paid	(3.9)	(3.9)
Non-investment expenses paid	(0.5)	(0.6)
Closing fair value of scheme assets	91.3	81.8

None of the scheme's assets were invested in Lookers plc or property occupied by Lookers plc. The company contributed an additional £3.7m in 2014 (2013: £3.7m) to fund accruing pensions and expects to maintain a similar level of pension contributions in 2015.

	2014 £m	2013 £m
Total amount of actuarial losses recognised in the Statement of Comprehensive Income in the year	(6.8)	(10.3)
Cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income at the year end	(38.9)	(32.1)

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

Equities	42.4%	42.6%
Target return funds	26.7%	28.7%
Bonds	14.1%	13.2%
Gilts	16.3%	15.0%
Cash	0.5%	0.5%

Notes to the Consolidated Financial Statements

30. PENSIONS (continued)

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

	2014	2013
Discount rate	3.75%	4.8%
Future salary increases	-	-
Future pension increases	1.8% - 2.95%	2.3% - 3.25%
Life expectancy at age 65 for:		
current pensioners - males	87.0	87.2
current pensioners - females	89.4	89.5
future pensioners - males	87.9	88.1
future pensioners - females	90.4	90.5

Sensitivity analysis

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

Change in assumption	Approximate impact on current deficit
Reduce discount rate by 0.1% p.a.	+ £2.2m
Increase inflation assumptions by 0.1% p.a.	+ £1.4m
Change mortality assumption to SAPS SINA (-1 year) CMI 2011 (1%)	+ £3.8m

Amounts for the current and previous year are as follows:

	2014 £m	2013 £m
Defined benefit obligation	(120.7)	(106.5)
Scheme assets	91.3	81.8
Deficit	(29.4)	(24.7)
Experience losses / (gains) on plan assets	6.3	5.9

Defined Contribution Scheme

The group and company provide pension arrangements for certain Directors and employees under defined contribution schemes and has a defined contribution Stakeholder Pension Scheme for employees. The Income Statement account charge for the year in respect of defined contribution schemes was £2.5m (2013: £2.8m).

Pension Scheme - The Dutton Forshaw Group Pension Plan

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

A valuation update was made as at 31 December 2014 by a qualified independent actuary to take account of the IAS 19 requirements. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the scheme's assets at their 31 December market value.

Based on actuarial advice and using the assumptions below in calculating the scheme's liabilities, the total value of these liabilities under IAS 19 is £119.4m at 31 December 2014 (2013: £103.4m).

Notes to the Consolidated Financial Statements

30. PENSIONS (continued)

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

	Market value 2014 £m	Market value 2013 £m
Absolute / target Return Funds	24.5	23.6
Equities	32.9	29.6
Corporate Bonds	18.5	15.5
Gilts	13.4	13.7
Cash	1.9	1.5
Total fair value of assets	91.2	83.9

The amounts recognised in the Income Statements are as follows:

	2014 £m	2013 £m
Non investment expenses	0.6	0.2
Total included in administrative expenses	0.6	0.2
Interest on obligation	4.9	4.7
Interest income on scheme assets	(4.0)	(3.5)
Total included in finance costs	0.9	1.2
Total defined benefit expenses	1.5	1.4

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

	2014 £m	2013 £m
Opening defined benefit obligation	103.4	105.2
Interest cost	4.9	4.7
Actuarial losses / (gains)	15.3	(2.9)
Benefits paid	(4.2)	(3.6)
Closing defined benefit obligation	119.4	103.4

Notes to the Consolidated Financial Statements

30. PENSIONS (continued)

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

	2014 £m	2013 £m
Opening fair value of scheme assets	83.9	77.9
Interest income	4.0	3.5
Actuarial gains	6.0	4.2
Contributions by employer	2.1	2.1
Benefits paid	(4.2)	(3.6)
Non investment expenses paid	(0.6)	(0.2)
Closing fair value of scheme assets	91.2	83.9

None of the scheme's assets were invested in Lookers plc or property occupied by Lookers plc. The company contributed an additional £2.1m in 2014 (2013: £2.1m) to fund accruing pensions and expects to make a similar level of pension contribution in 2015.

	2013 £m	2013 £m
Total amount of actuarial (losses) / gains recognised in the Statement of Comprehensive Income in the year	(9.3)	7.1
Cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income at the year end	(22.2)	(12.9)

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

	2014	2013
Equities	36.1%	35.3%
Absolute / Target Return Funds	26.8%	28.1%
Corporate Bonds	20.3%	18.5%
Gilts	14.7%	16.3%
Cash	2.1%	1.8%

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

	2014	2013
Discount rate	3.75%	4.8%
Future pension increases	2.95%	3.25%
Life expectancy at age 65 for:		
current pensioners - males	87.0	87.2
current pensioners - females	89.4	89.5
future pensioners - males	87.9	88.1
future pensioners - females	90.4	90.5

Notes to the Consolidated Financial Statements

30. PENSIONS (continued)

Sensitivity analysis

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

Change in assumption	Approximate impact on current deficit
Reduce discount rate by 0.1% p.a.	+ £2.1m
Increase inflation assumptions by 0.1% p.a.	+ £1.3m
Change mortality assumption to SAPS SINA (-1 year) CMI 2011 (1%)	+ £3.8m

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

Amounts for the current period are as follows:

	2014 £m	2013 £m
Defined benefit obligation	(119.4)	(103.4)
Scheme assets	91.2	83.9
Deficit	(28.2)	(19.5)
Experience gains on plan assets	(6.0)	(4.2)

31. RELATED PARTY TRANSACTIONS

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

	Amounts owed by Group undertakings (Note 13)		Amounts owed to Group undertakings (Note 18)	
	2014 £m	2013 £m	2014 £m	2013 £m
Bolling Investments Limited	46.1	46.3	-	-
Lookers Motor Holdings Limited	80.5	65.5	-	-
Charles Hurst Limited	-	-	0.3	1.7
Charles Hurst Motors Limited	-	-	-	-
Charles Hurst (Dublin) Limited	-	0.9	-	-
Platts Harris Limited	0.1	1.6	-	-
FPS Distribution Limited	0.9	0.3	-	-
Apec Braking Limited	1.1	1.1	-	-
BTN Turbocharger Service Limited	0.5	0.5	-	-
Lookers Motor Group Limited	76.6	54.0	24.7	22.8
Lookers Birmingham Limited	-	-	1.6	1.3
MB South Limited	-	-	7.2	5.3
Dutton Forshaw Motor Company Limited	-	7.8	23.6	6.7
Shields Automotive Limited	0.1	-	4.3	4.3
Lookers Colborne Limited	0.5	-	-	-
Lomond Motors Limited	-	0.1	-	0.1
Dormant Companies	0.6	0.6	1.0	1.0
	207.0	178.7	62.7	43.2

Key management compensation is included in note 7.

Notes to the Consolidated Financial Statements

32. FINANCIAL ASSETS AND LIABILITIES

The objectives, policies and strategies for holding or issuing financial instruments adopted by the Board are given in the Directors' Report. Details regarding the group's derivative financial instruments at 31 December 2014 and 2013 are given in note 21. The group's other financial assets and liabilities are detailed below.

Fair Values

The fair values of the group's trade receivables, cash and cash equivalents, trade payables (which include liabilities in respect of interest-bearing consignment stock), short-term provisions and loans and overdrafts with a maturity of less than one year are assumed to approximate to their book value. The fair value of the group's non-current provisions is not materially different from its fair value. The group's other non-current financial liabilities are all subject to floating interest rates and so their fair value also approximates to book value. The treatment of Fair Value of derivatives is discussed in section 20 of the Principal Accounting Policies.

Maturity of Financial Liabilities

The maturity profile of the carrying amount of the group's non-current financial liabilities at 31 December 2014 and 2013 are given in note 21.

Borrowing Facilities

The group has the following undrawn committed borrowing facilities available at 31 December 2014 and 2013 which expire:

	2014 £m	2013 £m
Within two to five years	80.6	53.1

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

Interest Rate Profile

Financial assets comprise cash of £5.9m (2013: £5.2m).

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

	2014 Financial liabilities £m	2013 Financial liabilities £m
Floating Rate	57.8	48.3

Interest rates on the group's floating rate liabilities are based on the London Interbank Rate. At 31 December 2014 all of the group's bank loans and overdrafts are potentially exposed to re-pricing within 12 months of the balance sheet date (2013: 12 months).

Foreign Currencies

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

33. OPERATING LEASE COMMITMENTS - MINIMUM LEASE PAYMENTS

Group	2014 Property £m	Plant & equipment £m	2013 Property £m	Plant & equipment £m
Commitments under non-cancellable operating leases expiring:				
Within one year	10.4	1.9	7.2	2.1
Within two to five years	34.4	1.5	23.9	1.3
After five years	46.9	-	36.9	-
	91.7	3.4	68.0	3.4

34. CONTINGENT GAIN

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

Trading Outlets and Interests in Major Subsidiary Companies

FRANCHISES

Alfa Romeo
Cardiff

Aston Martin
Belfast

Audi
Ayr
Basingstoke
Camberley
Dublin
Edinburgh
Glasgow
Guildford
Stirling

Bentley
Belfast

Chrysler
Belfast

Citroën
Belfast
Blackpool
Liverpool
Newport
Preston

Dacia
Belfast
Chester
Colchester
Newtownabbey
Newtownards
Stockport

Ferrari
Belfast

Fiat
Stockport

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

Honda
Derby
Nottingham
Orpington

Hyundai
Dundonald
Motherwell

Jaguar
Belfast
Glasgow
London - Park Royal
Motherwell

Jeep
Belfast
Cardiff

Kia
Belfast
Sheffield
Stockport

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

Lexus
Belfast
Hatfield

Maserati
Belfast

Mercedes-Benz
Ashford
Brighton
Eastbourne
Gatwick
Maidstone
Tonbridge

Nissan
Belfast
Chester
Motherwell
Newtownabbey
Newtownards

Peugeot
Belfast
Cardiff
Motherwell
Newport

Renault
Belfast
Chester
Colchester
Newtownabbey
Newtownards
Stockport

Seat
Manchester
Stockport

Skoda
Guildford
Manchester
Stockport

Smart
Brighton
Gatwick
Maidstone
Tonbridge

Toyota
Belfast
Dundonald
Newtownabbey

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

Volkswagen
Battersea
Blackburn
Blackpool
Darlington
Glasgow (Commercial)
Guildford
Guildford (Commercial)
Morden
Northallerton
Preston
Teesside
Walton-on-Thames

Volvo
Colchester
Glasgow
Motherwell

USED CAR SUPERMARKETS

Bristol
Burton-on-Trent
Belfast
Newtownabbey
Newtownards

MOTORCYCLES **BMW** - Newtownabbey **Yamaha** - Belfast

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

SERVICE CENTRES
Renault Chelmsford
Volvo Chelmsford
Vauxhall Dundonald

LOOKERS LEASING
Harrogate
Manchester

FLEET FINANCIAL
Belfast

**VEHICLE RENTAL
SERVICES**
Beaconsfield

PARTS DISTRIBUTION

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

Apec
Bristol

BTN Turbocharger Services
Uxbridge

AGRICULTURAL DIVISION
Darley Dale
Tuxford

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

Website: www.lookers.co.uk

Five Year Record

	Year ended 31 December 2010 £m	Year ended 31 December 2011 £m	Year ended 31 December 2012 £m	Year ended 31 December 2013 £m	Year ended 31 December 2014 £m
Turnover	1,883.8	1,898.5	2,056.6	2,464.5	3,042.9
Profit before tax, amortisation, exceptional items, debt issue costs and pension costs	33.6	33.8	38.0	48.1	65.0
Amortisation/impairment	(1.3)	(1.3)	(1.1)	(1.1)	(1.2)
Net interest on Pension scheme obligation	-	-	(2.2)	(2.7)	(3.1)
Debt issue costs	(1.2)	(1.1)	(0.4)	(0.4)	(0.4)
Share based payments	-	-	-	-	(1.1)
Profit before taxation	31.1	31.4	34.3	43.9	59.2
Taxation	(8.2)	(6.2)	(8.0)	(7.7)	(12.4)
Profit attributable to shareholders	22.9	25.1	26.2	36.0	46.8
Non-controlling interests	-	0.1	0.1	0.2	-
Equity dividend per share†	1.8p	2.18p	2.35p	2.58p	2.84p
Basic earnings per ordinary share	5.97p	6.54p	6.77p	9.28p	12.03p
Adjusted earnings per ordinary share	6.63p	7.17p	7.37p	10.36p	13.52p
As at year end					
Shareholders' interests					
Share capital	19.2	19.3	19.4	19.4	19.7
Reserves					
- non-distributable	103.9	105.4	105.8	106.4	107.7
- distributable	58.5	72.4	78.6	102.2	129.5
Net assets	181.6	197.1	203.8	228.0	256.9

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

Notice of Meeting

Incorporated in England under the Companies Act 1985 Registered No. 111876

NOTICE IS HEREBY GIVEN that the one hundred and fifth Annual General Meeting of Lookers plc (the "company") will be held at Lookers plc, 776 Chester Road, Stretford, Manchester, M32 0QH on Friday 29 May 2015 at 10.00am to transact the business set out below. Resolutions 1 to 15 below will be proposed as ordinary resolutions and resolutions 16 to 18 will be proposed as special resolutions:

- 1 To receive the financial statements for the year ended 31 December 2014 together with the reports thereon of the Directors and the Auditor.
- 2 To approve the Directors' Remuneration Report, other than the part containing the Directors' Remuneration Policy, for the year ended 31 December 2014.
- 3 To approve the Directors' Remuneration Policy in the form set out in the Directors' Remuneration Report in the report and accounts for the company for the year ended 31 December 2014.
- 4 To declare a final dividend of 1.87p per ordinary share.
- 5 To re-elect as a Director A. C. Bruce.
- 6 To re-elect as a Director R. A. Gregson.
- 7 To re-elect as a Director D. C. A. Bramall.
- 8 To re-elect as a Director W. Holmes.
- 9 To re-elect as a Director P. M. White.
- 10 To re-elect as a Director N. A. Davis.
- 11 To re-elect as a Director N. J. McMinn.
- 12 To re-elect as a Director R. S. Walker.
- 13 To re-appoint Deloitte LLP as Auditor.
- 14 To authorise the Directors to determine the remuneration of the Auditor.

Ordinary resolution – authority to allot shares

- 15 That the directors are generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 to exercise all the powers of the company to allot shares in the company and to grant rights to subscribe for or to convert any security into such shares ("Allotment Rights"), but so that:
 - (a) the maximum amount of shares that may be allotted or made the subject of Allotment Rights under this authority are shares with an aggregate nominal value of £6,553,666;
 - (b) this authority shall expire on 30 June 2016 or, if earlier, on the conclusion of the next Annual General Meeting of the company;
 - (c) the company may make any offer or agreement before such expiry which would or might require shares to be allotted or Allotment Rights to be granted after such expiry; and
 - (d) all authorities vested in the directors on the date of the notice of this meeting to allot shares or to grant Allotment Rights that remain unexercised at the commencement of this meeting are revoked.

Special resolution – disapplication of pre-emption rights

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

Notice of Meeting

Special resolution – disapplication of pre-emption rights (cont.d)

- (i) the allotment of equity securities in connection with any rights issue or open offer (each as referred to in the Financial Conduct Services Authority's listing rules) or any other pre-emptive offer that is open for acceptance for a period determined by the directors to the holders of ordinary shares in the capital of the company on the register of members at such fixed record date as the directors may determine in proportion to their holdings of ordinary shares in the capital of the company, subject in each case to such exclusions or other arrangements as the directors may deem necessary or appropriate in relation to fractions of such securities, treasury shares, any legal or practical problems in relation to any territory or the requirements of any regulatory body or stock exchange; and
- (ii) the allotment (otherwise than pursuant to paragraph (i) above) of equity securities having an aggregate nominal value of £983,050.

and shall expire when the authority conferred on the directors by resolution 15 in the notice of this meeting expires, save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry.

Special resolution – authority to purchase own shares on market

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

- (i) the maximum aggregate number of such shares hereby authorised to be purchased is 39,321,997;
- (ii) the minimum price (exclusive of expenses) which may be paid for such a share is 5p;
- (iii) the maximum price (exclusive of expenses) which may be paid for such a share is the maximum price permitted under the Financial Conduct Authority's listing rules or, in the case of a tender offer (as referred to in those rules), five per cent above the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the date on which the terms of the tender offer are announced;
- (iv) this authority shall expire on 30 June 2016 or, if earlier, on the conclusion of the next Annual General Meeting of the company; and
- (v) before such expiry the company may enter into such a contract to purchase shares which will or may require a purchase to be completed after such expiry.

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

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



Registered Office:
776 Chester Road
Stretford
Manchester
M32 0QH

By order of the Board
G. MacGeekie
Company Secretary
4 March 2015

Notice of Meeting

Notes:

- 1 The right of a member of the company to vote at the Meeting will be determined by reference to the register of members. A member must be registered on that register as the holder of ordinary shares by 6.00 pm on 27 May 2015 in order to be entitled to attend and vote at the Meeting as a member in respect of those shares.
- 2 A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A member may nominate a proxy of his/her choice who need not be a member of the company.
- 3 A member may appoint more than one proxy to attend the Meeting, provided that each proxy is appointed to exercise rights in respect of different shares held by the member.
- 4 Appointment of a proxy will not preclude a member from attending, speaking and voting at the Meeting should he/she wish to do so.
- 5 In accordance with Section 325 of the Companies Act 2006, the right to appoint proxies does not apply to persons nominated by a member of the company to receive information rights under Section 146 of that Act. Nominated persons who have been sent a copy of this notice of meeting may have a right under an agreement between him/her and that member to be appointed, or to have someone else appointed, as a proxy for the Meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.
- 6 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures in the CREST manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

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

- 7 The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertified Securities Regulations 2001.
- 8 Capita Asset Services maintain the company's share register. They also provide a telephone helpline service on 0871 664 0300 calls cost 10p a minute plus network extras. Lines are open from 8.30am to 5.30pm, Monday to Friday. If you have any queries about voting or about your shareholding, please contact Capita Asset Services.
- 9 Members have the right to ask questions relating to the business being dealt with at the Meeting, which in accordance with Section 319A of the Companies Act 2006, and subject to certain exceptions, the Company must cause to be answered.

Notice of Meeting

- 10 It is possible that, pursuant to requests made by shareholders under Section 527 of the Companies Act 2006, the company may be required to publish on its website a statement setting out any matter that such shareholders propose to raise at the Meeting relating to the audit of the company's latest audited accounts. The company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 and 528 of the Companies Act 2006. Where the company is required to place a statement on its website under Section 527 of that Act, it must forward the statement to the company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the company has been required under Section 527 of the Companies Act 2006 to publish on its website.
- 11 Members have the right (i) to require the company to give notice of a resolution to be moved at the meeting in accordance with section 338 of the Companies Act 2006 and (ii) to require the company to include a matter in the business to be dealt with at the meeting in accordance with section 338A of that Act.
- 12 A Form of Proxy is enclosed for use by shareholders.
- 13 To be valid, a Form of Proxy must be completed in accordance with its instructions and lodged with the company's Registrars, Capita Asset Services' Proxy Department, PXS, 34 Beckenham Road, Beckenham, BR3 4TU by no later than 10.00am on 27 May 2015. Please note that 25 May 2015 is a public holiday in the UK.
- 14 The company's issued share capital on 4 March 2015 (the latest practicable date prior to the printing of this document) was 393,219,968 ordinary shares of 5p each, such shares carrying one vote each, such that the total voting rights in the company on that date were 393,219,968.
- 15 Information relating to the Meeting which the company is required by the Companies Act 2006 to publish on a website in advance of the Meeting may be viewed at www.lookersplc.co.uk. A member may not use any electronic address provided by the company in this document or with any proxy appointment form or on any website for communicating with the company for any purpose in relation to the Meeting other than as expressly stated.

Shareholders, Bankers and Professional Advisors

Share Quotes

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

Shareholder Benefits

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

Electronic Communication

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

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

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

Principal Bankers

Barclays Bank PLC
HSBC Bank plc
Lloyds Banking Group
The Royal Bank of Scotland plc
Yorkshire Bank

Registrars and Transfer Office

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Auditor

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

Stockbrokers

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

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

Financial Advisors

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