Customers for Life

Lookers plc

Interim Report & Accounts

For six months ended 30 June 2012

FINANCIAL HIGHLIGHTS

Six months ended 30 June	2012	2011
Revenue	£1,033.6m	£1,002.2m
Profit from operations	£29.5m	£28.5m
Adjusted* profit from operations	£30.1m	£29.2m
Adjusted* profit before tax	£24.1m	£22.6m
Profit before tax	£23.3m	£21.3m
Adjusted* earnings per share	4.75p	4.38p
Basic earnings per share	4.55p	4.04p
Interim dividend per share	0.8p	0.8p

"We are pleased to deliver another strong trading performance with the results for the first six months of 2012, which represents a record performance for the group. Our motor division produced an excellent result, notwithstanding the relatively weak new car market, and the parts division delivered a resilient performance in challenging market conditions. Operational cashflow for the period was particularly positive, resulting in a strengthened balance sheet. This gives us confidence that we can continue to grow the business, deliver satisfactory results for the full year, increase our dividend payments and be in a strong position to pursue strategic growth opportunities as and when they arise."

Peter Jones
Chief Executive

*Adjusted before debt issue costs and amortisation of intangible assets.

INTRODUCTION

I am very pleased to report that Lookers has delivered an excellent trading performance for the first six months to 30 June 2012, generating a record half year *adjusted profit before tax of £24.1 million, compared to £22.6 million for the same period last year. It is very pleasing to announce another successful result against the background of the difficult trading conditions in the motor retail market and general uncertainty in the UK and world economy. Our achievement in this challenging environment is encouraging and gives the board confidence that we can deliver a successful result for the full year.

In the reporting period, the UK new car market increased by 2.7%, with total registrations of 1.06 million units. Against this background, our motor division delivered another strong performance, gaining market share. Group sales of new retail cars increased by 11%, which was 2.3% ahead of the market which benefited from growth of 8.7%. Total industry sales in the corporate sector reduced by 1.7% in the period and group volumes in this sector reduced by 7.5% compared to the prior year, as we continue to adopt a selective approach to avoid very low margin fleet business. This approach resulted in higher profits from fleet sales despite selling fewer cars. We have continued to grow our used car volumes, which increased by 11.1%, against the market trend and this was an excellent performance. Turnover in the important area of aftersales remained consistent with the prior year, despite continued pressure in this sector of the market. We continue to improve the balance of our portfolio of franchise representation and since the start of the year we have sold or closed four underperforming businesses whilst adding new businesses in recent months as highlighted below.

As we reported in our final results for 2011 and the interim management statement in May this year, turnover in our independent parts division has been affected by a reduction in non essential maintenance spend and also the consequential level of competition in the market. Volumes have largely been protected through active pricing management, though with a modest impact on gross margins. Overheads are below budget and last year. These factors have helped to mitigate the impact of reduced demand levels on the overall profitability of the business.

Our strong performance in both 2011 and the first half of this year demonstrates the resilience of the group's businesses and this is also supported by strong operational cashflow generated in the period. Working capital continues to be well managed which, combined with the generation of significant levels of free cashflow, has reduced gearing to 13%. This improved financial position has enabled the company to increase our proposed dividend payment for the year, further details of which are set out below.

FINANCIAL REVIEW

Turnover increased by 3.1% to £1.03 billion (2011: £1.0 billion) and operating profit before amortisation of intangible assets increased to £30.1 million from £29.2 million last year. Following further good control of working capital and lower rates of interest from the group's new banking facilities, interest costs reduced by 9.1% to £6.0 million. *Adjusted profit before tax increased to £24.1 million compared to £22.6 million last year, an increase of 6.6%. Profit before tax improved by 9.4% from £21.3 million to £23.3 million. Earnings per share, as disclosed in note 6, were 4.55p compared to 4.04p, an increase of 12.6%. After a tax charge of £5.6 million, which represents an effective tax rate of 24.0%, profit after tax was £17.7 million, compared to £15.5 million in 2011, an increase of 14%.

Cashflow for the six months continued to be strong with cash generated from operations of £32.6 million (2011: £41.9 million). Net cash inflow for the period, was £25.7 million compared to £30.7 million in 2011, although the prior year benefited from a very high level of proceeds from the sale of surplus assets, which were utilised in repaying bank loans. Following the strong cashflow in the period, the balance sheet has been further strengthened, with net borrowings of £26.8 million compared to £39.5 million at the start of the year, a reduction of £12.7 million in the period. This reduced gearing to 13% and the ratio of net debt to EBITDA has now been reduced to below 0.5. A further indication of the strength of the balance sheet is the value of freehold and long leasehold properties which was £173 million at the end of the period and remains a key strength of the business.

The group's banking facilities, which were renegotiated in November 2011, consist of a term loan of £52.5 million and a revolving credit facility of £55.0 million, giving total facilities of £107.5 million. There is also the potential to increase the term loan by an additional £30 million to fund future acquisitions. As net debt at 30 June 2012 was £26.8 million, the group has a significant level of unutilised bank facilities of £80.7 million, which provides improved financial security for the group.

DIVIDEND

I am pleased to announce that, given the encouraging results and strong financial position of the group, the board intends to increase the total dividend for the full year by approximately 8%, which follows the 21% increase in the dividend last year. The board has also decided to restore the balance between the interim and final dividend payments, so that the interim dividend will represent approximately one third of the total dividend for the year. As a result of maintaining this ratio, the interim dividend will be 0.8p per share (2011: 0.8p). The interim dividend will be payable to shareholders on 30 November 2012.

(*Adjusted before amortisation of intangible assets and debt issue costs.)

OPERATING REVIEW

Motor Division

Our motor division consists of 120 franchise dealerships representing 32 marques from 69 sites. The business generates revenue from the sale of new and used cars, vehicle servicing and repair and the sale of franchise parts. I am pleased to report that, in the first six months of this year, the motor division increased profit before tax by 14.1%, to £21.1 million, a record for the business, compared to £18.5 million last year.

We continue to improve the balance of our portfolio of franchise representation and, since the start of the year, we have sold or closed four underperforming businesses, added six additional franchise businesses and made three new acquisitions as described in the following paragraphs.

On 5 July 2012, we acquired the entire issued share capital of Lomond Motors Limited ("Lomond") which operates four significant Audi Centre dealerships in key locations in Scotland, including Glasgow, Edinburgh, Stirling and Ayr, as well as the distribution of trade parts for the VW Group in Glasgow and Edinburgh. The acquisition is an important development in the group's representation of the Audi brand, further strengthening our relationship with the VW Group and enhancing the group's presence in Scotland, where we operate as Taggarts Motor Group in Glasgow and Motherwell. Lomond is a well established business, offers significant growth potential and we are pleased to have had the opportunity to add the business to the group's portfolio.

On 7 June 2012, we acquired Fleet Financial (N.I.) Limited which is a successful contract hire and leasing company based in Belfast. This company complements Lookers existing vehicle leasing and rental businesses and it will help to further broaden the range of earnings sources in the group.

On 6 August 2012, we completed the purchase of a Seat and Skoda dealership in Manchester, complementing our Stockport based Seat and Skoda dealerships.

New Cars

The new car market increased by 2.7% to 1.06 million cars in the period, with the retail new car market increasing by 8.7% and the fleet market decreasing by 1.7%. Group core retail new car sales increased by 11.0% compared to 2011 levels, 2.3% ahead of the UK market. In the fleet sector, our volumes fell by 7.5%, the reduction in volume being due to reduced sales of low margin fleet business, where the margin on specific deals was reduced from 2011 levels.

Gross profit per unit on new retail cars increased by 3.6% compared to the prior year, whilst gross profit per unit on fleet business increased by 40% compared to the previous year. This more than offset the 7.5% reduction in fleet volume. Whilst the new car market continues to be at a relatively low level, our order take for the important month of September is tracking on plan and the industry forecast for the new car market in the second half of the year indicates that it should be at a similar level to 2011.

Used Cars

Group sales volumes increased by a very pleasing 11.1% compared to 2011 levels and gross profit per unit increased by 9.5%. This was a very positive performance and was the result of a strong focus on pro-active pricing, stock management, improved buying and further focus on the effectiveness of the group's website. The used car market, which has annual sales of approximately 6.7 million vehicles, continues to represent a significant opportunity for the group. Through improved sourcing and a broader stock mix, together with rigidly applied stock control policies, we expect to take advantage of the stable market conditions in the used car sector to improve volumes and margins. The performance in the first half of this year indicates that we are making good progress with this strategy.

Aftersales

Despite continued pressure in the sector, the aftersales business in the motor division has maintained turnover on a like for like basis with a small erosion in the gross margin compared to last year. This represents a positive result secured by the success of our customer loyalty programmes.

We continue to invest in technology and procedures to further improve customer retention and average sales value per customer visit. In particular, we have made a number of improvements to our customer relationship marketing processes where our conversion rates have significantly increased, along with a lower cost per customer contact. We also enjoy the benefits of full deployment of our Electronic Vehicle Health Check system across the whole motor division and continue to see higher levels of additional spend per customer visit. Our sales of service plans, whereby customers commit to longer term contracts for vehicle servicing, continue to show significant growth and this will lead to further improvements in customer retention. All these initiatives help us to identify and optimise service and repair requirements on all vehicles visiting us which, combined with our determination to deliver excellent customer service, are key factors in strengthening and maximising customer retention.

Parts Division

Following a record year in 2011, our independent aftermarket parts division has continued to perform well in the difficult market conditions I have referred to earlier in this report, with turnover being maintained just below the level achieved last year. The parts division operates through three companies, FPS, Apec Braking and BTN Turbo, each supplying hard parts to the independent aftermarket. The customer base is primarily motor factors which, in turn, supply the independent repair sector.

The total vehicle car parc in the UK market is over 30 million vehicles, with the markets served by the parts division representing up to 80% of the total. Each of the businesses in the parts division is a market leader in its sector and the business has previously expanded through increased sector and product penetration. However, market forces such as the deferral of maintenance spending by consumers, has put pressure on the demand for vehicle parts in the period and also resulted in pricing pressure, which has affected the financial results of the parts division.

Turnover for the division was 1.5% down on prior year, although the reduction was in the first quarter, whereas turnover in the second quarter was similar to last year. The loss of turnover cost £0.4 million of gross margin and gross margins suffered a modest decline as active pricing was used to defend volumes, costing a further £0.6 million of margin, with the result that gross profit reduced by £1.0 million in the period. Overheads were kept under control and were below both budget and the prior year, so the reduction in operating profit was restricted to £0.9 million. Profit before tax for the division was £6.2 million compared to £7.1 million last year and the parts division therefore continues to make a significant contribution to group earnings.

FPS, our national warehouse distributor of quality branded automotive hard parts, is the largest company in the parts division and represents almost three-quarters of divisional turnover. Turnover reduced by 1.3% with profit before tax reducing to £4.8 million from £5.2 million last year. The reduction in turnover was mitigated by new product development and penetration. Efficiency benefits were also achieved by an increase in electronic order capture and the new systems implementation in Q1 forms the platform for further process development.

Apec Braking, the aftermarket leader in the UK for ‘dry’ braking (pads and discs), also suffered a reduction in turnover which was 6% lower than last year. Weak demand was accompanied by significant competition in the market, particularly from lower cost, lower quality products. Active pricing management helped to mitigate further volume decline but with a consequent impact on margins. Overheads were tightly controlled in the period which restricted the reduction in profit to being £0.56 million lower than last year.

BTN Turbo, the UK’s leading distributor of turbochargers and supplier of related value added services, experienced competitive trading conditions but the focus on developing business with key customers improved turnover by 5% over last year. Tight control of overheads resulted in an increase in profit before tax of 19%. The sector remains competitive but development opportunities exist as the UK’s installed turbo base continues to increase and value added and product segment opportunities are developed with key customers.

OUTLOOK

The motor division has had an excellent first half, despite the challenging conditions in the motor retail market and we have continued to outperform the new car market. We also benefited from a significant increase in used car volumes and improved our share of the used car market, as well as increasing used car margins. The new and used car retail markets are likely to continue to be affected whilst economic conditions remain uncertain. However, we have been operating in these conditions since 2008 and the group’s strong performance in the past three years demonstrates the strength of the business and its ability to make progress in difficult times. The broad base of our franchise representation and the aftersales bias to the motor division, together with the restructuring of our portfolio during the last three years, have provided a structural resilience which allows us to adapt to market challenges. This leaves us very well positioned for future growth. The recent acquisitions of Lomond Audi and Fleet Financial provide an excellent opportunity to improve the return generated by these businesses in the medium term and make a significant contribution to the profitability of the motor division.

Whilst the parts division has suffered from a marginal reduction in turnover, it continues to produce good results and makes a significant contribution to group earnings. Whilst markets remain competitive, it is encouraging to see that the first half development activities are starting to bear fruit, with sales performance ahead of prior year in both June and July.

The group balance sheet has been further strengthened by positive cashflow in the period and we have substantial headroom in our bank facilities. Net debt continues to be closely controlled and is at a lower level than both budget and the start of the year. These factors provide financial security for the group, as well as allowing funding for further strategic acquisitions in both the motor and parts divisions, which will help to provide additional future growth.

I would like to conclude by thanking all our people at Lookers for their hard work and dedication in what continues to be a challenging year and without whom we would not have been able to deliver such a result.

Phil White, Chairman
15 August 2012

Responsibility Statement

WE CONFIRM THAT TO THE BEST OF OUR KNOWLEDGE

(a) The interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting;

(b) The interim financial statements include a fair review of the information required by DTR 4.2.7R (identification of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) The interim financial statements include a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and charges therein).

By order of the Board

Peter Jones	**Robin Gregson**
Chief Executive	Finance Director
15 August 2012	15 August 2012

Condensed Consolidated Statement of Financial Performance

Six months ended 30 June 2012

	Note	**Unaudited Six months ended 30 June 2012 £m**	Unaudited Six months ended 30 June 2011 £m	Audited Year ended 31 Dec 2011 £m
Continuing operations				
Revenue	**3**	**1,033.6**	1,002.2	1,898.5
Cost of sales		**(898.5)**	(868.9)	(1,645.9)
Gross profit		**135.1**	133.3	252.6
Distribution costs		**(69.3)**	(70.4)	(138.6)
Administration expenses		**(36.4)**	(34.5)	(70.2)
Other operating income		**0.1**	0.1	0.1
Profit from operations		**29.5**	28.5	43.9
Profit from operations before amortisation		**30.1**	29.2	45.2
Amortisation of intangible assets		**(0.6)**	(0.7)	(1.3)
Profit from operations		**29.5**	28.5	43.9
Interest payable	**5**	**(6.1)**	(6.7)	(11.7)
Interest receivable	**5**	**0.1**	0.1	0.3
Net interest		**(6.0)**	(6.6)	(11.4)
Debt issue costs		**(0.2)**	(0.6)	(1.1)
Profit on ordinary activities before taxation		**23.3**	21.3	31.4
Profit before tax, amortisation and debt issue costs		**24.1**	22.6	33.8
Amortisation of intangible assets		**(0.6)**	(0.7)	(1.3)
Debt issue costs		**(0.2)**	(0.6)	(1.1)
Profit on ordinary activities before taxation		**23.3**	21.3	31.4
Tax charge	**7**	**(5.6)**	(5.8)	(6.2)
Profit for the period / year		**17.7**	15.5	25.2
Attributable to:				
Shareholders of the company		**17.6**	15.5	25.1
Non-controlling interests		**0.1**	-	0.1
Continuing operations				
Earnings per share				
Basic earnings per share	**6**	**4.55p**	4.04p	6.54p
Diluted earnings per share	**6**	**4.46p**	3.96p	6.39p

Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2012

	Unaudited Six months ended 30 June 2012 £m	Unaudited Six months ended 30 June 2011 £m	Audited Year ended 31 Dec 2011 £m
Profit for the period / year	**17.7**	15.5	25.2
Actuarial gains / (losses) recognised in post retirement benefit schemes	**3.9**	-	(6.4)
Movement in deferred taxation on pension liability	**(0.8)**	(0.5)	2.4
Movement in deferred taxation on derivative instruments	**-**	-	0.5
Other comprehensive income for the period / year	**3.1**	(0.5)	(3.5)
Total comprehensive income for the period / year	**20.8**	15.0	21.7
Attributable to:			
Shareholders of the company	**20.7**	15.0	21.6
Non-controlling interests	**0.1**	-	0.1

Condensed Consolidated Statement of Financial Position

As at 30 June 2012

	Unaudited 30 June 2012 £m	Unaudited 30 June 2011 £m	Audited 31 Dec 2011 £m
Non current assets			
Goodwill	**47.7**	46.3	47.7
Intangible assets	**13.9**	15.0	14.5
Property, plant and equipment	**188.8**	190.4	191.1
	250.4	251.7	253.3
Current assets			
Inventories	**313.2**	312.4	320.3
Trade and other receivables	**157.1**	147.5	109.1
Rental fleet vehicles	**30.3**	23.6	29.3
Cash and cash equivalents	**25.8**	30.7	17.9
Assets held for sale	**3.4**	4.4	3.5
	529.8	518.6	480.1
Total assets	**780.2**	770.3	733.4
Current liabilities			
Bank loans and overdrafts	**7.6**	11.8	8.6
Trade and other payables	**443.3**	447.2	407.1
Current tax liabilities	**10.3**	12.8	8.4
Short term provisions	**0.9**	0.9	0.9
Derivative financial instruments	**8.5**	8.5	8.5
	470.6	481.2	433.5
Net current assets	**59.2**	37.4	46.6
Non current liabilities			
Bank loans	**45.0**	49.9	48.8
Trade and other payables	**12.4**	8.7	9.8
Retirement benefit obligations	**26.1**	22.7	32.0
Deferred tax liabilities	**12.5**	15.1	11.4
Long term provisions	**0.8**	0.7	0.8
	96.8	97.1	102.8
Total liabilities	**567.4**	578.3	536.3
Net assets	**212.8**	192.0	197.1
Shareholders' equity			
Ordinary share capital	**19.4**	19.2	19.3
Share premium	**75.1**	73.6	75.0
Capital redemption reserve	**14.6**	14.6	14.6
Other reserve	**(1.4)**	(1.4)	(1.4)
Retained earnings	**104.7**	85.8	89.3
Equity attributable to shareholders of the company	**212.4**	191.8	196.8
Non-controlling interests	**0.4**	0.2	0.3
Total Equity	**212.8**	192.0	197.1

Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2012

	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**	**Total equity £m**
As at 1 January 2012	19.3	75.0	14.6	(1.4)	89.3	196.8	0.3	197.1
Profit for the period	-	-	-	-	17.6	17.6	0.1	17.7
New shares issued	0.1	0.1	-	-	-	0.2	-	0.2
Actuarial gains recognised on defined benefit pension schemes	-	-	-	-	3.9	3.9	-	3.9
Deferred taxation on pension liability	-	-	-	-	(0.8)	(0.8)	-	(0.8)
Dividend to shareholders	-	-	-	-	(5.3)	(5.3)	-	(5.3)
As at 30 June 2012 (unaudited)	19.4	75.1	14.6	(1.4)	104.7	212.4	0.4	212.8

Six months ended 30 June 2011

	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	Total equity £m
As at 1 January 2011	19.2	73.6	14.6	(1.4)	75.6	181.6	-	181.6
Profit for the period	-	-	-	-	15.5	15.5	-	15.5
Deferred taxation on pension liability	-	-	-	-	(0.5)	(0.5)	-	(0.5)
Non controlling interest in subsidiary undertaking	-	-	-	-	(0.2)	(0.2)	0.2	-
Dividend to shareholders	-	-	-	-	(4.6)	(4.6)	-	(4.6)
As at 30 June 2011 (unaudited)	19.2	73.6	14.6	(1.4)	85.8	191.8	0.2	192.0

Condensed Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	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 2011	19.2	73.6	14.6	(1.4)	75.6	181.6	-	181.6
New shares issued	0.1	1.4	-	-	-	1.5	-	1.5
Profit for the year	-	-	-	-	25.1	25.1	0.1	25.2
Actuarial losses recognised on defined benefit pension schemes	-	-	-	-	(6.4)	(6.4)	-	(6.4)
Deferred taxation on pension liability	-	-	-	-	2.4	2.4	-	2.4
Dividends to shareholders	-	-	-	-	(7.7)	(7.7)	-	(7.7)
Deferred taxation on derivatives	-	-	-	-	0.5	0.5	-	0.5
Non controlling interest in subsidiary undertaking	-	-	-	-	(0.2)	(0.2)	0.2	-
As at 31 December 2011	19.3	75.0	14.6	(1.4)	89.3	196.8	0.3	197.1

Condensed Consolidated Cash Flow Statement

Six months ended 30 June 2012

	Unaudited Six months ended 30 June 2012 £m	Unaudited Six months ended 30 June 2011 £m	Audited Year ended 31 Dec 2011 £m
Cash flows from operating activities			
Profit for the period/year	**17.7**	15.5	25.2
Adjustments for:			
Tax	**5.6**	5.8	6.2
Depreciation	**4.8**	4.3	9.3
Loss on disposal of plant and equipment	**-**	-	0.1
(Profit) / loss on disposal of rental fleet vehicles	**(0.2)**	-	0.4
Amortisation of intangible assets	**0.6**	0.7	1.3
Interest income	**(0.1)**	(0.1)	(0.3)
Interest payable	**6.1**	6.7	11.7
Debt issue costs	**0.2**	0.6	1.1
Changes in working capital			
Decrease / (increase) in inventories	**7.1**	(17.7)	(25.6)
Increase in trade and other receivables	**(48.0)**	(39.3)	(1.1)
Increase in payables	**38.8**	65.4	29.7
Cash generated from operations	**32.6**	41.9	58.0
Difference between pension charge and cash contributions	**(2.2)**	(1.9)	(4.1)
Purchase of rental fleet vehicles	**(24.0)**	(12.9)	(39.3)
Proceeds from sale of rental fleet vehicles	**21.9**	5.6	26.2
Interest paid	**(6.1)**	(6.7)	(11.7)
Interest received	**0.1**	0.1	0.3
Tax paid	**(3.5)**	(2.7)	(6.7)
Net cash inflow from operating activities	**18.8**	23.4	22.7
Cash flows from investing activities			
Acquisition of subsidiaries	**(1.3)**	(1.0)	(1.0)
Purchase of property, plant and equipment	**(4.8)**	(6.5)	(10.9)
Purchase of intangibles	**-**	-	(0.1)
Proceeds from sale of property, plant and equipment	**3.7**	13.1	12.5
Proceeds from sale of business	**1.3**	1.2	1.2
Net cash (used by)/generated from investing activities	**(1.1)**	6.8	1.7
Cash flows used by financing activities			
Proceeds from share save scheme	**0.2**	-	1.5
Repayment of loans	**(3.7)**	(19.2)	(25.5)
New loans	**-**	-	0.9
Dividends	**(5.3)**	(4.6)	(7.7)
Debt issue costs	**-**	-	(1.1)
Net cash used by financing activities	**(8.8)**	(23.8)	(31.9)
Increase/(decrease) in cash and cash equivalents	**8.9**	6.4	(7.5)
Cash and cash equivalents at the beginning of the period/year	**16.8**	24.3	24.3
Cash and cash equivalents at the end of the period/year	**25.7**	30.7	16.8

Notes to the Set of Financial Information

Six months ended 30 June 2012

1. GENERAL INFORMATION

The financial information for the period ended 30 June 2012 and similarly the period ended 30 June 2011 has neither been audited nor reviewed by the auditor. The financial information for the year ended 31 December 2011 has been based on information in the audited financial statements for that year.

The information for the year ended 31 December 2011 and the Interim Financial Report for the period ended 30 June 2012 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

2. ACCOUNTING POLICIES

The annual financial statements of Lookers plc are prepared in accordance with IFRSs as adopted by the European Union. The set of condensed financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standards 34 'Interim Financial Reporting', as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in the half yearly financial report as applied in the group's latest annual audited financial statements.

Basis of preparation: Going concern

This financial information has been prepared on a going concern basis which the Directors believe to be appropriate. This conclusion is based on, amongst other matters, a review of the group's financial projections together with a review of the cash and committed borrowing facilities available to the group.

At 30 June 2012 the medium-term banking facilities included a revolving credit facility of up to £55.0 million and a term loan totalling £52.5 million, providing total facilities of £107.5 million. These facilities are due for renewal in March 2016.

3. SEGMENTAL REPORTING

At 30 June 2012 (2011: same) the group is organised into two main business segments, motor distribution and parts distribution.

Unaudited Six months ended 30 June 2012	**Motor Division £m**	**Parts Distribution £m**	**Unallocated £m**	**Group £m**
Continuing operations				
New Cars	472.7	-	-	472.7
Used Cars	331.7	-	-	331.7
Aftersales	133.7	95.5	-	229.2
Revenue	938.1	95.5	-	1,033.6
Segmental result before amortisation of intangible assets	23.8	6.3	-	30.1
Amortisation of intangible assets	-	-	(0.6)	(0.6)
Interest expense	(2.8)	(0.1)	(3.2)	(6.1)
Interest income	0.1	-	-	0.1
Debt issue costs	-	-	(0.2)	(0.2)
Profit before taxation	21.1	6.2	(4.0)	23.3
Taxation	-	-	(5.6)	(5.6)
Profit for the financial period from continuing operations attributable to shareholders				17.7
Segmental assets	644.5	135.7	-	780.2
Total assets	644.5	135.7	-	780.2
Segmental liabilities	442.0	72.9	-	514.9
Unallocated liabilities				
- Corporate borrowings	-	-	52.5	52.5
Total liabilities	442.0	72.9	52.5	567.4

3. SEGMENTAL REPORTING (continued)

Unaudited Six months ended 30 June 2011	Motor Division £m	Parts Distribution £m	Unallocated £m	Group £m
Continuing operations				
New Cars	451.8	-	-	451.8
Used Cars	308.0	-	-	308.0
Aftersales	145.6	96.8	-	242.4
Revenue	905.4	96.8	-	1,002.2
Segmental result before amortisation of intangible assets	22.0	7.2	-	29.2
Amortisation of intangible assets	-	-	(0.7)	(0.7)
Interest expense	(3.6)	(0.1)	(3.0)	(6.7)
Interest income	0.1	-	-	0.1
Debt issue costs	-	-	(0.6)	(0.6)
Profit before taxation	18.5	7.1	(4.3)	21.3
Taxation	-	-	(5.8)	(5.8)
Profit for the financial period from continuing operations attributable to shareholders				15.5
Segmental assets	655.3	115.0	-	770.3
Total assets	655.3	115.0	-	770.3
Segmental liabilities	447.1	69.5	-	516.6
Unallocated liabilities				
- Corporate borrowings	-	-	61.7	61.7
Total liabilities	447.1	69.5	61.7	578.3

Audited Year ended 31 December 2011	Motor Division £m	Parts Distribution £m	Unallocated £m	Group £m
Continuing operations				
New Cars	942.7	-	-	942.7
Used Cars	530.8	-	-	530.8
Aftersales	238.5	186.5	-	425.0
Revenue	1,712.0	186.5	-	1,898.5
Segmental result before amortisation of intangible assets	34.3	12.4	(1.5)	45.2
Amortisation of intangible assets	-	-	(1.3)	(1.3)
Interest expense	(6.9)	(0.1)	(4.7)	(11.7)
Interest income	-	-	0.3	0.3
Debt issue costs	-	-	(1.1)	(1.1)
Profit before taxation	27.4	12.3	(8.3)	31.4
Taxation	-	-	(6.2)	(6.2)
Profit for the financial year from continuing operations attributable to shareholders				25.2

3. SEGMENTAL REPORTING (continued)

Audited Year ended 31 December 2011	**Motor Division £m**	**Parts Distribution £m**	**Unallocated £m**	**Group £m**
Segmental assets	607.5	125.9	-	733.4
Total assets	607.5	125.9	-	733.4
Segmental liabilities	409.6	69.3	-	478.9
Unallocated liabilities				
- Corporate borrowings	-	-	57.4	57.4
Total liabilities	409.6	69.3	57.4	536.3

For the purposes of monitoring segment performance and allocating resources between segments, the Group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of other financial assets (except for trade and other receivables) and tax assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

4. DIVIDENDS

An interim dividend of 0.8p per ordinary share is proposed (2011: 0.8p per share).

	Unaudited Six months ended 30 June 2012 p	Unaudited Six months ended 30 June 2011 p	Audited Year ended 31 Dec 2011 p
Ordinary dividend per share - paid in period/year	**1.38**	1.2	2.0
- proposed	**0.8**	0.8	1.38

The interim dividend will be paid on 30 November 2012 to shareholders on the register on 2 November 2012.

5. FINANCE COSTS - NET

	Unaudited Six months ended 30 June 2012 £m	Unaudited Six months ended 30 June 2011 £m	Audited Year ended 31 Dec 2011 £m
Interest expense			
On amounts wholly repayable within 5 years:			
Interest payable on bank borrowings	**(2.8)**	(4.2)	(6.8)
Interest on consignment vehicle liabilities	**(2.5)**	(2.2)	(4.4)
Other interest	**(0.1)**	-	-
Net interest on pension schemes	**(0.7)**	(0.3)	(0.5)
Interest and similar charges payable	**(6.1)**	(6.7)	(11.7)
Interest income			
Bank interest	**0.1**	0.1	0.3
Total interest receivable	**0.1**	0.1	0.3
Net interest	**(6.0)**	(6.6)	(11.4)

6. EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on profits on ordinary activities after taxation amounting to £17.6 million (2011: £15.5 million) and a weighted average of 386,947,173 ordinary shares in issue during the period (2011: 383,605,676).

The diluted earnings per share is based on the weighted average number of shares, after taking account of the dilutive impact of shares under option of 7,810,606 (2011: 7,357,815). The diluted earnings per share is 4.46p (2011: 3.96p).

Adjusted earnings per share is stated before amortisation of intangible assets, impairment of goodwill and debt issue costs and is calculated on profits of £18.4 million for the period (2011: £16.8 million).

6. EARNINGS PER SHARE (continued)

	Unaudited Six months ended 30 June 2012		Unaudited Six months ended 30 June 2011		Audited Year ended 31 Dec 2011	
	Earnings £m	**Earnings per share p**	Earnings £m	Earnings per share p	Earnings £m	Earnings per share p
Earnings attributable to ordinary shareholders	**17.6**	**4.55**	15.5	4.04	25.1	6.54
Amortisation of intangible assets	**0.6**	**0.15**	0.7	0.18	1.3	0.34
Debt issue costs	**0.2**	**0.05**	0.6	0.16	1.1	0.29
Adjusted	**18.4**	**4.75**	16.8	4.38	27.5	7.17

7. TAXATION

The tax charge for the period has been provided at the effective rate of 24.0% (2011: 27.2%) representing the best estimate of the average annual effective tax rate expected for the full year applied to the pre tax income for the six month period. The budget in March 2012 included a reduction in the rate of Corporation Tax from 25% to 24% from 1 April 2012.

8. ACQUISITIONS

On 7 June 2012 the group acquired the entire issued share capital of Fleet Financial (N.I.) Limited, a company incorporated in the UK for a consideration of £3.4 million. As at 30 June 2012, £1 million of this was paid with the remainder being deferred until July. A table detailing the assets acquired at fair value will be included in the annual financial statements for the year ending 31 December 2012.

9. PENSIONS

The defined benefit obligation as at 30 June 2012 has been calculated in a manner consistent with that used in the group's latest annual audited financial statements. This is calculated as a valuation update as at 30 June 2012 by a qualified independent actuary to take account of the requirements of IAS19. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the schemes' assets at their market value at 30 June.

10. RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The Board believes these risks and uncertainties to be consistent with those disclosed in pages 23 and 24 of our latest annual report, including general economic factors such as oil prices, interest rates, manufacturers' influence and stability.

11. INTERIM STATEMENT

The interim announcement was approved by the Board and will be posted to shareholders in August 2012. Copies are also available to the public at the registered office of the Company at 776 Chester Road, Stretford, Manchester M32 0QH.

12. POST BALANCE SHEET EVENTS

On 5 July 2012 Lookers Motor Group Limited, a wholly owned subsidiary of Lookers plc, acquired the entire issued share capital of Lomond Motors Limited for a cash consideration of £15 million.

Directors and Advisers

EXECUTIVE DIRECTORS

P. Jones	– Chief Executive
R. A. Gregson BSc FCA	– Finance Director
A. C. Bruce BA	– Managing Director (Motor Division)
N. A. Davis BSc MBA	– Managing Director (Parts Division)

NON-EXECUTIVE DIRECTORS

P. M. White CBE FCA – Chairman
J. E. Brown FCCA ATII
D. C. A. Bramall FCA
W. Holmes MA FCA

COMPANY SECRETARY

G. A. MacGeekie LLB

REGISTERED OFFICE

776 Chester Road
Stretford
Manchester
M32 0QH
Telephone: 0161 291 0043
Website: www.lookers.co.uk

PRINCIPAL BANKERS

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

AUDITOR

Deloitte LLP
PO 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 ADVISERS

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

REGISTRARS AND TRANSFER OFFICE

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

Registered Office: 776 Chester Road, Stretford, Manchester, M32 0QH. Registered Number 111876

Lookers plc

MOTOR DIVISION

Alfa Romeo
Aston Martin
Audi
Bentley
BMW *(motorcycles)*
Chevrolet
Chrysler
Citroën
Dacia
Ferrari
Fiat
Ford
Honda
Hyundai
Jaguar
Jeep
Kia
Land Rover
Lexus
Maserati
Mercedes-Benz
Nissan
Peugeot
Renault
Seat
Skoda
Smart
Toyota
Vauxhall
Volkswagen
Volvo
Yamaha *(motorcycles)*

INDEPENDENT PARTS DIVISION

APEC Braking
BTN Turbo
FPS Automotive Parts Distribution

OTHER

Charles Hurst Tyres Distribution
Fleet Financial
Lookers Leasing
Platts Harris (Agriculture)
Vehicle Rental Services

www.lookers.co.uk