Lookers plc

16 August 2017

LOOKERS plc

Unaudited Results for the six months ended 30 June 2017

Strong financials driving investment in the multi-channel customer experience

Lookers plc, ("Lookers", "the company" or "the group"), one of the leading UK motor retail and aftersales service groups, announces its results for the six months ended 30 June 2017.

Financial highlights:

- Revenue increased 5% to £2.46 billion (2016: £2.34 billion) with growth from new and used cars, as well as aftersales
- *Operating profit from continuing operations increased 13% to £58.1 million (2016: £51.6 million)
- *Adjusted profit before tax from continuing operations increased 18% to £50.2 million (2016: £42.6 million)
- Profit before tax from continuing operations increased by 14% to £44.6 million (2016: £39.2 million)
- Profit before tax of £44.6 million (2016: £46.7 million)
- Earnings per share from continuing operations up 15% at 9.07p (2016: 7.90p)
- Increase in interim dividend of 10% to 1.41p per share (2016: 1.28p)
- Net debt reduced to £61.9 million (31 December 2016: £74.1 million)

(*Adjusted operating profit is operating profit before amortisation of intangible assets and share based payments. Adjusted profit before tax is profit before amortisation, debt issue costs, pension costs and share based payments)

Operational highlights:

- Continued investment in our multi-channel customer experience, especially the website, driving significant increases in visitor and enquiry levels
- New website to be launched by the end of this year to further enhance operational efficiencies
- Strengthened portfolio of franchise representation
- Growth in new car market in recent years underpins continued demand for aftersales, as the number of cars under three years old continues to rise
- A healthy order book for the delivery of new cars in September

Andy Bruce, Chief Executive of Lookers, said:

"I am pleased to announce an excellent set of results for the first half of the year with growth across all areas of the business. We continue to produce record levels of profit which is evidence of the success of our expansive and resilient business model.

We have made good progress with our strategy of having the right brands in the right locations with excellent execution and have managed our portfolio of dealerships to reflect that. Our order book for new cars for the important month of September is continuing to build in line with our expectations and the new car market for this year is still forecast to be at a historically high level. We therefore believe that the company is well positioned to continue its strong performance and deliver sustainable value to shareholders."

If you would like to attend the analyst briefing today at 9.30am please contact: lookers@bellpottinger.com

Alternatively, details of the conference call at the same time are:
United Kingdom (Local): 020 3059 8125
All other locations: + 44 20 3059 8125
Participant Access Code: Lookers plc Interim Results

Enquiries:

Lookers	**Today: 020 3772 2500**
Andy Bruce, Chief Executive	**Thereafter: 0161 291 0043**
Robin Gregson, Chief Financial Officer	
Bell Pottinger	**Today: 020 3772 2500**
Dan de Belder	**Thereafter: 0161 291 0043**
Zara de Belder	

INTRODUCTION

I am very pleased to report another excellent trading performance, with an increase of 18% in *adjusted profit before tax from continuing operations of £50.2 million (2016: £42.6 million). This positive performance has been achieved despite the UK new car market reducing by 1.3% compared to the previous year. This is the first reporting period following the successful integration of the significant acquisitions made during the second half of 2016 and the sale of our parts division in November 2016. The relative performance of continuing operations will be considered in this report and will provide a more appropriate assessment of performance, as well as that of the company as a whole, where the comparatives and relative changes include the parts division. Any references to continuing operations in this report exclude the parts division from the 2016 comparatives.

FINANCIAL REVIEW

Turnover increased by 5% to £2.46 billion (2016: £2.34 billion) with turnover on continuing operations increasing by 10% (2016: £2.23 billion), including growth from new and used cars as well as aftersales. Gross profit increased by 3% to £264 million (2016: £257 million) with gross profit from continuing operations increasing by 17% (2016: £225 million). *Adjusted profit from operations decreased slightly by 2% to £58.1 million (2016: £59.1 million). However, *adjusted profit from continuing operations increased by 13% (2016: £51.6 million). Interest costs reduced in the period to £7.9 million (2016: £9.0 million), due to lower levels of debt.

*Adjusted profit before tax was slightly higher than the prior year in total at £50.2 million (2016: £50.1 million). However, *adjusted profit before tax from continuing operations increased by 18% (2016: £42.6 million). Profit before tax on continuing operations of £44.6 million increased by 14% (2016: £39.2 million). Earnings per share were 9.07p compared to 9.44p, with earnings per share from continuing operations increasing by 15% (2016: 7.90p). Profit after tax reduced by 4% to £36.0 million (2016: £37.4 million) after a tax charge of £8.6 million, which is an effective tax rate of 19%. Profit after tax on continuing operations increased by 15%.

The group produced strong operational cash flow in the period with cash generated from operations of £66.5 million (2016: £107.8 million). The reduction compared to the prior year was due to last year having a release of working capital from the opening balance sheet which had relatively higher levels of stock and debtors at 31 December 2015.

As planned and previously announced, we have invested £19.7 million of capital expenditure during the period in improving dealership facilities as part of our ongoing capital investment programme. We also received £3.0 million for the sale of surplus properties which was significantly lower than the prior year when cash flow was greatly improved by the receipt of £18.1 million from the sale of the Battersea property. Net cash inflow for the period was £6.8 million compared to £82.3 million last year, due to a neutral working capital situation rather than the reduction seen in the prior year and with no exceptional proceeds from the sale of assets. Net debt reduced to £61.9 million compared to £74.1 million at the start of the year and £74.9 million at 30 June 2016. When comparing net debt at June 2017 with June 2016 it is important to note that the comparative is before we acquired the Knights BMW business in August 2016, which added £13 million to net debt in terms of new property loans.

With the reduction in net debt in the period, the group continues to benefit from a strong balance sheet that supports further investment in new and improved facilities and operational capabilities. The ratio of net debt to EBITDA has reduced from 0.65 at the start of the year to the current level of 0.54 and gearing has also reduced to 17% compared to 22% at the start of the year. The value of freehold and long leasehold properties of £295 million (2016: £236 million) at the end of the period remains a key strength of the business.
Our group bank facilities consist of a term loan of £80 million and a revolving credit facility of £150 million, giving total facilities of £230 million, which were renewed at the time of the Benfield acquisition in 2015. 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 2017 was £61.9 million, the group has a significant level of unutilised bank facilities of £168 million. The extent and term of the facilities, which are renewable in March 2020, continue to provide significant financial security for the group.

*Adjusted profit is profit before amortisation of intangible assets, debt issue costs, pension costs and share based payments

DIVIDEND

I am pleased to announce that, given the encouraging results and strong financial position of the group, the Board is declaring an increase in the interim dividend of 10%. This follows the 17% increase in the total dividend last year and an increase in the dividend of over 100% since 2010, continuing our policy of increasing the dividend provided there is satisfactory growth in profitability.

The increase in the interim dividend recognises that the dividend cover has risen significantly due to the increase in profits of recent years. The Board maintains its view that the level of cover should reduce over the medium term to a level of between 3.5 and 4.0 times. However, the dividend policy will continue to be reviewed in the light of the company's trading performance whilst retaining sufficient cash flow to fund future expansion in terms of both organic growth and acquisitions. The interim dividend of 1.41p per share (2016: 1.28p) will be payable to shareholders on 24 November 2017.

OPERATING REVIEW

The continuing operations of the business increased turnover by £233 million to £2.46 billion (2016: £2.23 billion), an increase of 10%. *Adjusted profit before tax increased to £50.2 million (2016: £42.6 million), an increase of 18%. This result demonstrates a significant achievement and strong performance against our objectives/KPIs. The key drivers of our performance were:

- A positive increase in new car revenue and gross profit;
- Significant growth in used car revenue and gross profit and;
- Substantial increase in revenue and gross profit for aftersales.

Our motor retail group consists of 155 franchised dealerships representing 32 manufacturers from 100 locations. The business generates revenue from the sale of new and used cars and aftersales activities. The high margin aftersales sector of the business represents the largest proportion of gross profit at 41%, with new cars and used cars contributing 33% and 26% respectively.

Over the past six years, between 2.1 million and 2.69 million new cars have been sold per annum in the UK and the new car market continues to perform at near-record levels where our share of the retail sector of this market is 5.5%. We also continue to see significant opportunity to grow market share and increase sales volumes within the UK used car market, which currently has annual transactions of approximately 8 million vehicles, of which franchised dealers represent approximately 50%.

Aftersales represents the servicing, repair and sale of franchised parts to customers' vehicles. The aftersales market applies to the overall number of cars in use on UK roads, which is referred to as the UK car parc. There are approximately 34 million vehicles with 22% (7.5 million) under three years old, which is contributing to the continued growth of the aftersales market. This is the predominant market for franchised motor dealers and we are focused on developing the aftersales business and investing in our offering through initiatives to increase volumes and margins.

The internet remains the primary means for our customers to research and determine which new or used cars they are interested in buying. We are committed to ongoing investment in our digital marketing channels and developing the website, as part of our omni-channel customer experience strategy to meet the needs of our growing customer base.

Our motor retail business has recently been through a period of significant transformation. In the second half of 2016, we completed the strategically important acquisitions of the Knights BMW and MINI dealerships as well as the Drayton Mercedes-Benz dealerships, both of which were major transactions for the company. These acquisitions have now been successfully integrated and are making a positive contribution to the company's profits.

We also carried out a strategic review of our brand representation during the previous year. As part of this review, we decided to relinquish some of our franchise representation of dealerships to ensure that all our dealerships were aligned with our strategy of having a meaningful representation of the major automotive brands in the larger areas of population in the UK to generate profits. Whilst we completed most of this reorganisation last year, the majority of it has now been completed with the closure or sale of two of the remaining businesses. In the last eighteen months we have sold or closed fifteen businesses which, together with the two major acquisitions, has significantly improved and strengthened our portfolio of franchise representation.

New Cars

After a record year of 2.69 million cars registered in 2016, the UK new car market declined slightly by 1.3% to 1.40 million cars in the first half, with the retail new car market reducing by 4.8% and the fleet market increasing by 1.6%. Our total new car turnover increased by 10%, or 7% on a like-for-like basis.

We have continued to put more focus and investment into the fleet sector focusing on the quality, higher margin sales. This has resulted in increased fleet turnover, including commercial vehicles, of 7%, or 5% on a like-for-like basis, compared to the market growth of 1.6%. The fleet sector is a significant part of the market which represents a major profit opportunity providing scope for organic growth given our lower market share of this market compared to the retail market.

Gross profit from new cars increased by 16%, or 7% on a like-for-like basis, compared to the prior year. New car market conditions were more favourable during the first quarter of the year with growth of 6.2%, where demand was increased by forthcoming changes in vehicle excise duty which became effective from 1 April. This factor had the opposite effect in the second quarter where there was a reduction in the new car market. The uncertain political climate and general election will have also adversely affected demand in the second quarter and our performance can therefore be viewed as positive against this background.

Our view of the new car market at the start of the year was that it was likely to be in line with 2016 levels. However, given the market performance in the second quarter, we believe that the current industry forecasts of a decline of 2.6%, which would still be a very high level of 2.6 million registrations, are a reasonable estimate at this time. Notwithstanding these forecasts we will continue to target increases in new car volumes and our order take for the important month of September is continuing at satisfactory levels.

Used Cars

Group turnover of used cars increased by 10%, or 7% on a like-for-like basis compared to 2016. Gross profit increased by 23% or 13% on a like-for-like basis. This is a positive performance given that our used car volumes have increased significantly in each of the last five years. We continue to focus on stock management and sourcing good quality used cars, both of which help to improve profitability.

The used car market still represents a significant opportunity for the group and this will benefit from the increasing number of leads generated by our website, which have increased by 23% compared to last year. A new and much improved website was launched two years ago and whilst this has resulted in significant increases in our visitor and enquiry levels, further development is required.

As a result, we are continuing to make further major developments to our website, with the aim of launching a new industry-leading platform later this year. This will result in exciting improvements to functionality, customer experience and interaction with our customers and ultimately drive higher sales leading to increased profitability.

Aftersales

As well as improving the margin, our higher margin aftersales business increased turnover by 14% compared to 2016 and 4% on a like-for-like basis. Gross profit increased by 16% or 7% on a like-for-like basis, with the margin increased compared to last year. The increased profitability has benefitted from the growth in the vehicle parc of cars under three years old, a trend which will continue due to increased sales of new cars in recent years. The increase in volumes and margin are also due to the initiatives we have made to develop the aftersales business, with an increased emphasis on performance and specific targets being introduced to improve profitability. We continue to have great success in improving penetration of an increasing proportion of customers who choose to enter into service contracts, which improves customer loyalty and retention.

We have also developed further initiatives to improve the aftersales business, particularly in relation to technology and systems. In this area, we are focussed on improving the customer experience to increase retention levels.

BOARD CHANGES

I am very pleased to report that Stuart Counsell joined the Board as a non-executive director on 29 June 2017 and together with all my colleagues on the Board I would like to welcome him to Lookers.

Stuart had a long and successful career with Deloitte where he spent over 30 years, during which time he held a variety of senior management positions including Managing Partner of the 17 UK regional offices and Deputy to the Chief Executive. Stuart has significant financial expertise in one of the leading accounting and professional services businesses in the UK. His knowledge and experience will be of great benefit to Lookers, particularly in his role as chairman of the audit and risk committee and I believe he will make a valuable contribution to the continued development of the company.

OUTLOOK

Our strategy of having the right brands in the right locations with excellent execution leaves us ideally placed to continue our growth of the last eight years. The group has produced excellent results for the first six months of the year, with growth in all areas of our business. Increased new car volumes have resulted in a further increase in new car gross profit and we have a satisfactory level of orders for the delivery of new cars in the important month of September. Whilst the new car market is expected to reduce slightly, it is forecast to remain at a historically high level. We have also benefitted from further increases in used car volumes, growing our share of this market, as well as improving margins. The vehicle parc of cars less than three years old will see further increases which will provide opportunities to continue to increase turnover in our high margin aftersales business.

The company has achieved and maintained strong growth in recent years and we continue to make a significant investment to upgrade our facilities and enhance our multi-channel customer experience. We believe this gives us a competitive advantage to strengthen our position as a leading UK automotive retail and aftersales service group which leaves us very well positioned for future growth over the medium to long term.

We have a strong balance sheet which continues to be strengthened by operational cash flow and the level of net debt to EBITDA has improved compared to the prior year. We also have substantial headroom in our bank facilities which provides financial security as well as significant additional funding capacity to help develop the business through further strategic acquisitions at a time when there are significant consolidation opportunities within the sector.

The excellent performance of the group in the first half of the year builds on what was already a strong comparative for the previous year. However, we have seen a softening in the new car market in recent months. Furthermore, the current political environment, Brexit and weaker exchange rates have created a degree of uncertainty in the UK economy, which is unhelpful and we therefore view the second half of the year with some caution. However, based on the first half performance, the board believes that the results for the year ending 31 December 2017 should be in line with management's current expectations.

Finally, I would like to thank all my colleagues at Lookers for their hard work, commitment and dedication to the company and without whom we would not have been able to deliver another excellent result for the period.

Phil White
Chairman
16 August 2017

Condensed Consolidated Statement of Financial Performance

Six months ended 30 June 2017

	Note	**Unaudited Six months ended 30 June 2017 £m**	Continuing operations £m	Discontinued Operations £m	Unaudited Six months ended 30 June 2016 £m	Continuing operations £m	Discontinued operations £m	Audited Year ended 31 Dec 2016 £m
Continuing operations								
Revenue	**3**	2,458.5	2,225.3	115.2	2,340.5	4,088.2	193.5	4,281.7
Cost of sales		(2,194.7)	(2,000.6)	(82.8)	(2,083.4)	(3,638.7)	(138.8)	(3,777.5)
Gross profit		**263.8**	**224.7**	**32.4**	**257.1**	**449.5**	**54.7**	**504.2**
Distribution costs		(146.1)	(130.0)	(16.5)	(146.5)	(254.5)	(27.8)	(282.3)
Administration expenses		(63.8)	(45.2)	(8.4)	(53.6)	(94.2)	(14.7)	(108.9)
Other operating income		0.5	0.2	-	0.2	0.5	-	0.5
Profit from operations		54.4	49.7	7.5	57.2	101.3	12.2	113.5
Profit from operations before amortisation, impairment of goodwill , exceptional items and share based payments		58.1	51.6	7.5	59.1	82.5	12.2	94.7
Amortisation of intangible assets		(2.8)	(1.0)	-	(1.0)	(1.7)	-	(1.7)
Impairment of goodwill		-	-	-	-	(1.0)	-	(1.0)
Exceptional items		-	-	-	-	23.3	-	23.3
Share based payments		(0.9)	(0.9)	-	(0.9)	(1.8)	-	(1.8)
Profit from operations		**54.4**	**49.7**	**7.5**	**57.2**	**101.3**	**12.2**	**113.5**
Interest payable	**5**	(7.9)	(9.1)	-	(9.1)	(17.6)	-	(17.6)
Interest receivable	**5**	**-**	0.1	-	0.1	-	-	-
Net interest		(7.9)	(9.0)	-	(9.0)	(17.6)	-	(17.6)
Net interest and costs on pension scheme obligation		(1.7)	(1.3)	-	(1.3)	(3.7)	-	(3.7)
Debt issue costs		(0.2)	(0.2)	-	(0.2)	(0.4)	-	(0.4)
Profit on ordinary activities before taxation		**44.6**	**39.2**	**7.5**	**46.7**	**79.6**	**12.2**	**91.8**
Profit before tax, amortisation, debt issue costs, impairment of goodwill, exceptional items, pensions costs and share based payments		**50.2**	**42.6**	**7.5**	**50.1**	**64.9**	**12.2**	**77.1**
Amortisation of intangible assets		(2.8)	(1.0)	-	(1.0)	(1.7)	-	(1.7)
Share based payments		(0.9)	(0.9)	-	(0.9)	(1.8)	-	(1.8)
Impairment of goodwill		**-**	-	-	-	(1.0)	-	(1.0)
Exceptional items		**-**	-	-	-	23.3	-	23.3
Net interest on pension scheme obligation		(1.7)	(1.3)	-	(1.3)	(3.7)	-	(3.7)
Debt issue costs		(0.2)	(0.2)	-	(0.2)	(0.4)	-	(0.4)
Profit on ordinary activities before taxation		44.6	39.2	7.5	46.7	79.6	12.2	91.8
Tax charge	**7**	(8.6)	(7.9)	(1.4)	(9.3)	(7.9)	(2.6)	(10.5)
Profit for the period/year		36.0	31.3	6.1	37.4	71.7	9.6	81.3
Attributable to:								
Shareholders of the company		36.0	-	-	37.4	-	-	81.3
Earnings per share								
Basic earnings per share	**6**	**9.07p**			9.44p			20.51p
Diluted earnings per share	**6**	**8.73p**			9.24p			20.10p

Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2017

	Unaudited six months ended 30 June 2017 £m	Continuing operations £m	Discontinued operations £m	Unaudited six months ended 30 June 2016 £m	Continuing operations £m	Discontinued operations £m	Audited Year ended 31 Dec 2016 £m
Profit for the period / year	36.0	31.3	6.1	37.4	71.7	9.6	81.3
Items that will never be reclassified to profit and loss:							
Actuarial gains/(losses) recognised in post retirement benefit schemes	1.1	(24.9)	-	(24.9)	(27.2)	-	(27.2)
Movement in deferred taxation on pension liability	(0.2)	4.3	-	4.3	4.1	-	4.1
Items that are or may be reclassified to profit and loss:							
Tax rate adjustment	-	-	-	-	(0.5)	-	(0.5)
Fair value on derivative instruments and share based payments	-	-	-	-	(2.0)	-	(2.0)
Movement in deferred taxation on derivative instruments	-	-	-	-	(0.8)	-	(0.8)
Other comprehensive income/(expense) for the period/year	0.9	(20.6)	-	(20.6)	(26.4)	-	(26.4)
Total comprehensive income for the period/year	36.9	10.7	6.1	16.8	45.3	9.6	54.9
Attributable to:							
Shareholders of the company	36.9			16.8			54.9

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Unaudited 30 June 2017 £m	Unaudited 30 June 2016 £m	Audited 31 Dec 2016 £m
Non current assets			
Goodwill	107.6	96.4	107.6
Intangible assets	113.6	64.0	109.8
Property, plant and equipment	328.0	268.9	319.1
	549.2	429.3	536.5
Current assets			
Inventories	857.1	797.1	839.4
Trade and other receivables	320.4	330.0	225.0
Rental fleet vehicles	67.5	63.9`	67.1
Cash and cash equivalents	72.7	27.1	39.8
	1,317.7	1,218.1	1,171.3
Total assets	**1,866.9**	**1,647.4**	**1,707.8**
Current liabilities			
Bank loans and overdrafts	51.8	20.6	25.1
Trade and other payables	1,199.5	1,081.0	1,087.5
Current tax liabilities	14.4	17.6	14.7
Short term provisions	-	0.6	-
Derivative financial instruments	3.0	4.8	3.0
	1,268.7	1,124.6	1.130.3
Net current assets	49.0	93.5	41.0
Non current liabilities			
Bank loans	82.8	81.4	88.8
Trade and other payables	35.0	34.6	33.6
Retirement benefit obligations	75.3	77.8	78.4
Deferred tax liabilities	34.3	20.8	35.0
Long term provisions	**-**	0.7	-
	227.4	215.3	235.8
Total liabilities	1,496.1	1,339.9	1,366.1
Net assets	370.8	307.5	341.7
Shareholdersôequity			
Ordinary share capital	19.9	19.8	19.8
Share premium	78.4	77.8	77.7
Capital redemption reserve	14.6	14.6	14.6
Retained earnings	257.9	195.3	229.6
Total equity	370.8	307.5	341.7

Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2017

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2017	19.8	77.7	14.6	229.6	341.7
Profit for the period	-	-	-	36.0	36.0
Actuarial gains recognised on defined benefit pension schemes	-	-	-	1.1	1.1
Deferred taxation on pension liability	-	-	-	(0.2)	(0.2)
Share based payments	-	-	-	0.9	0.9
New shares issued	0.1	0.7	-	-	0.8
Dividend to shareholders	-	-	-	(9.5)	(9.5)
As at 30 June 2017 (unaudited)	19.9	78.4	14.6	257.9	370.8

Six months ended 30 June 2016

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total Equity £m
As at 1 January 2016	19.8	77.7	14.6	185.7	297.8
Profit for the period	-	-	-	37.4	37.4
Actuarial losses recognised on defined benefit pension schemes	-	-	-	(24.9)	(24.9)
Share based payments	-	-	-	0.9	0.9
New shares issued	-	0.1	-	-	0.1
Deferred taxation on pension liability	-	-	-	4.3	4.3
Dividend to shareholders	-	-	-	(8.1)	(8.1)
As at 30 June 2016 (unaudited)	19.8	77.8	14.6	195.3	307.5

Year ended 31 December 2016

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total Equity £m
As at 1 January 2016	19.8	77.7	14.6	185.7	297.8
Profit for the year	-	-	-	81.3	81.3
Actuarial losses recognised on defined benefit pension schemes	-	-	-	(27.2)	(27.2)
Deferred taxation on pension liability	-	-	-	3.6	3.6
Deferred taxation on derivative instruments	-	-	-	(0.8)	(0.8)
Share based payments	-	-	-	1.8	1.8
Deferred taxation on share based payments	-	-	-	(1.6)	(1.6)
Dividends to shareholders	-	-	-	(13.2)	(13.2)
As at 31 December 2016	19.8	77.7	14.6	229.6	341.7

Condensed Consolidated Cash Flow Statement

Six months ended 30 June 2017

	Unaudited Six months ended 30 June 2017 £m	Unaudited Six months ended 30 June 2016 £m	Audited Year ended 31 Dec 2016 £m
Cash flows from operating activities			
Profit for the period/year	36.0	37.4	81.3
Adjustments for:			
Tax	8.6	9.3	10.5
Depreciation	10.0	9.9	21.5
Loss on disposal of plant and equipment	-	0.2	-
Profit on disposal of rental fleet vehicles	(0.2)	(0.2)	(0.2)
Profit on disposal of business	-	-	(28.0)
Amortisation of intangible assets	2.8	1.0	1.7
Share based payments	0.9	0.9	1.8
Interest income	-	(0.1)	-
Interest payable	7.9	9.1	17.6
Debt issue costs	0.2	0.2	0.4
Impairment of goodwill	-	-	1.0
Changes in working capital			
(Increase)/decrease in inventories	(17.7)	18.9	(23.4)
(Increase)/decrease in trade and other receivables	(95.4)	(77.4)	27.6
Increase in payables	113.4	98.6	93.2
Impact of net working capital from discontinued businesses	-	-	(70.2)
Impact of net working capital of acquisitions	-	-	6.1
Cash generated from operations	66.5	107.8	140.9
Difference between pension charge and cash contributions	(3.7)	(3.4)	(7.1)
Net interest and costs on pension scheme obligation	1.7	1.3	3.7
Purchase of rental fleet vehicles	(46.7)	(44.6)	(93.7)
Proceeds from sale of rental fleet vehicles	43.3	44.2	87.4
Interest paid	(7.9)	(9.1)	(17.6)
Interest received	-	0.1	-
Tax paid	(8.7)	(6.0)	(14.2)
Net cash inflow from operating activities	44.5	90.3	99.4
Cash flows from investing activities			
Acquisition of subsidiaries	**-**	-	(92.6)
Purchase of property, plant and equipment	(19.7)	(19.8)	(36.3)
Purchase of intangibles	(7.1)	(3.0)	(9.2)
Proceeds from sale of property, plant and equipment	3.0	27.5	28.9
Net proceeds from sale of business	-	-	111.5
Net cash (used)/generated by investing activities	(23.8)	4.7	2.3
Cash flows used by financing activities			
Proceeds from share save scheme	0.8	0.1	-
Repayment of loans	(5.2)	(5.7)	(10.2)
New loans	-	1.0	14.0
Dividends	(9.5)	(8.1)	(13.2)
Net cash outflow from financing activities	(13.9)	(12.7)	(9.4)
Increase in cash and cash equivalents	6.8	82.3	92.3
Cash and cash equivalents at the beginning of the period/year	28.8	(63.5)	(63.5)
Cash and cash equivalents at the end of the period/year	35.6	18.8	28.8

Notes to the Set of Financial Information

Six months ended 30 June 2017

1. GENERAL INFORMATION

The financial information for the period ended 30 June 2017 and similarly the period ended 30 June 2016 has neither been audited nor reviewed by the auditor. The financial information for the year ended 31 December 2016 has been based on information in the audited financial statements for that year.

The information for the year ended 31 December 2016 and the Interim Financial Report for the period ended 30 June 2017 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.

For the year ended 31 December 2016, the group adopted a number of new standards and interpretations which are listed on page 91 to 92 of the 2016 Annual Report. The adoption of the new standards and amendments included in this report have had no significant impact on the financial statements of the group. Furthermore, at the date of authorisation of the half yearly financial report there are a number of standards and interpretations also listed on page 91 of the 2016 Annual Report which were in issue but not yet effective. As such these have not been applied in this half yearly financial report. 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 group except that IFRS 15 may have an impact on revenue recognition and related disclosures. IFRS 16 may have an impact on the reported assets, liabilities, income statement and cash flows of the group and require extensive disclosures.

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 2017 the medium-term banking facilities included a revolving credit facility of up to £150.0 million and a term loan totalling £80.0 million, providing total facilities of £230.0 million. These facilities are due for renewal on 31 March 2020.

3. SEGMENTAL REPORTING

At 30 June 2017 the group is organised into one business segment being motor distribution. The parts distribution segment was discontinued on the sale of FPS Distribution on 4 November 2016.

Unaudited Six months ended 30 June 2017	**Motor Distribution £m**	**Unallocated £m**	**Group £m**
Continuing operations			
New Cars	1,311.7	-	1,311.7
Used Cars	886.7	-	886.7
Aftersales	260.1	-	260.1
Revenue	2,458.5	-	2,458.5
Segmental result before amortisation of intangible assets	58.1	-	58.1
Amortisation of intangible assets	-	(2.8)	(2.8)
Interest expense	(6.3)	(1.6)	(7.9)
Share based payments	-	(0.9)	(0.9)
Net interest and costs on pension scheme obligation	-	(1.7)	(1.7)
Debt issue costs	-	(0.2)	(0.2)
Profit before taxation	51.8	(7.2)	44.6
Taxation			(8.6)
Profit for the financial period from continuing operations attributable to shareholders			**36.0**
Segmental assets	1,866.9	-	1,866.9
Total assets	**1,866.9**	**-**	**1,866.9**
Segmental liabilities	1,361.5	-	1,361.5
Unallocated liabilities			
- Corporate borrowings	-	134.6	134.6
Total liabilities	**1,361.5**	**134.6**	**1,496.1**

Unaudited Six months ended 30 June 2016	**Motor Distribution £m**	**Parts Distribution (Discontinued) £m**	**Unallocated £m**	**Group £m**
Continuing operations				
New Cars	1,188.2	-	-	1,188.2
Used Cars	808.7	-	-	808.7
Aftersales	228.4	115.2	-	343.6
Revenue	**2,225.3**	**115.2**	**-**	**2,340.5**
Segmental result before amortisation of intangible assets	53.6	7.5	(2.0)	59.1
Amortisation of intangible assets	-	-	(1.0)	(1.0)
Interest expense	(6.5)	-	(2.6)	(9.1)
Interest income	-	-	0.1	0.1
Share based payments	-	-	(0.9)	(0.9)
Net interest and costs on pension scheme obligation	-	-	(1.3)	(1.3)
Debt issue costs	-	-	(0.2)	(0.2)
Profit before taxation	47.1	7.5	(7.9)	46.7
Taxation				(9.3)
Profit for the financial year from continuing operations attributable to shareholders				37.4
Segmental assets	1,479.5	167.9	-	1,647.4
Total assets	**1,479.5**	**167.9**	**-**	**1,647.4**
Segmental liabilities	1,126.7	84.8	-	1,211.5
Unallocated liabilities		-		128.4

- Corporate borrowings	-		128.4	
Total liabilities	**1,126.7**	**84.8**	**128.4**	**1,339.9**

Notes to the Set of Financial Information (continued)
Six months ended 30 June 2017

3. SEGMENTAL REPORTING (continued)

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

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 reporting segments.

4. DIVIDENDS

An interim dividend of 1.41p per ordinary share is proposed (2016: 1.28p per share).

	Unaudited Six months ended 30 June 2017 p	Unaudited Six months ended 30 June 2016 p	Audited Year ended 31 Dec 2016 p
Ordinary dividend per share - paid in period/year	2.36	2.05	3.33
- proposed	1.41	1.28	2.36

The interim dividend will be paid on 24 November 2017. The ex-dividend date for the interim dividend will be 26 October 2017 and the record date will be 27 October 2017.

5. FINANCE COSTS - NET

	Unaudited Six months ended 30 June 2017 £m	Unaudited Six months ended 30 June 2016 £m	Audited Year ended 31 Dec 2016 £m
Interest expense			
On amounts wholly repayable within 5 years:			
Interest payable on bank borrowings	(2.4)	(3.2)	(5.6)
Interest on consignment vehicle liabilities	(5.5)	(5.9)	(12.0)
Interest and similar charges payable	(7.9)	(9.1)	(17.6)
Interest income			
Bank interest	**-**	0.1	-
Total interest receivable	**-**	0.1	-
Net interest	(7.9)	(9.0)	(17.6)

6. EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on profits on ordinary activities after taxation amounting to £36.0 million (2016: £37.4 million) and a weighted average of 396,913,653 ordinary shares in issue during the period (2016: 396,234,390). The diluted earnings per share is based on the weighted average numbers of shares, after taking account of the dilutive impact of shares under option of 15,298,787 (2016: 8,559,040). The diluted earnings per share is 8.73p (2016: 9.24p). Adjusted earnings per share is stated before amortisation of intangible assets, exceptional items, pension costs, impairment of goodwill, debt issue costs and share based payments and calculated on profits of £41.6 million for the period (2016: £40.8 million).

	Unaudited Six months ended 30 June 2017		Unaudited Six months ended 30 June 2016		Audited Year ended 31 Dec 2016	
	Earnings £m	**Earnings per share p**	Earnings £m	Earnings per share p	Earnings £m	Earnings per share p
Earnings attributable to ordinary shareholders	36.0	9.07	37.4	9.44	81.3	20.51
Amortisation of intangible assets	2.8	0.71	1.0	0.25	1.7	0.43
Net interest and costs on pension scheme obligation	1.7	0.43	1.3	0.33	3.7	0.93
Exceptional items	-	-	-	-	(23.3)	(5.88)
Impairment of goodwill	-	-	-	-	1.0	0.25
Share based payments	0.9	0.23	0.9	0.23	1.8	0.45
Tax on exceptional items	-	-	-	-	(3.7)	(0.93)
Debt issue costs	0.2	0.05	0.2	0.05	0.4	0.10
Adjusted	41.6	10.49	40.8	10.30	62.9	15.87

7. TAXATION

The tax charge for the period has been provided at the effective rate of 19.3% (2016: 19.9%) 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.

8. PENSIONS

The defined benefit obligation as at 30 June 2017 has been calculated in a manner consistent with that used in the groupcs latest annual audited financial statements. This is calculated as a valuation update as at 30 June 2017 by a qualified independent actuary to take account of the requirements of IAS19 (Revised). Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the schemesô assets at their market value at 30 June 2017.

9. 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 49 and 50 of our latest annual report, including general economic factors such as oil prices, interest rates, manufacturers' influence and stability.

10. INTERIM STATEMENT

The interim announcement was approved by the Board and will be posted to shareholders in September 2017. Copies are also available to the public at the registered office of the company at 776 Chester Road, Stretford, Manchester M32 0QH.

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 their impact on the condensed set of financial statements 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

Andy Bruce	**Robin Gregson**
Chief Executive	Chief Financial Officer
16 August 2017	16 August 2017