25 November 2020

Lookers plc (“Lookers” or the “Group”)

2019 AUDITED FINANCIAL STATEMENTS

Lookers plc, one of the leading UK motor retail and aftersales service groups, has today published its annual financial reports comprising the audited financial statements, management report and responsibility statements for the financial year ended 31 December 2019 (the “Year”, “FYR” or the “Period”) (the “Annual Report 2019”).

Key financials:

	FYR 2019	**FYR 2018***
Revenue £m	£4,787.2m	£4,828.3m
(Loss)/profit before tax £m	(£45.5m)	£41.9m
Underlying profit before tax £m **	£4.2m	£42.8m
Underlying earnings per share (p) **	0.87p	8.78p
(Loss)/earnings per share (p)	(10.69p)	8.26p
Total dividend per share (p)	1.48p	4.08p
Net debt £m ***	£59.5m	£85.9m

*The 2018 previously audited and published financial results have been restated to reflect the impact of adjustments arising from the Grant Thornton investigation and internal review, IFRS 16 and voluntary presentational changes.

**Underlying profit before tax is profit before tax and non-underlying items. Underlying earnings per share is (Loss)/earnings per share after tax and before non-underlying items.

*** Bank loans and overdrafts less cash and cash equivalents, excluding stocking loans and lease liabilities under IFRS16.

2019 Results Summary:

- The audited 2019 results published today reflect the additional work carried out by Grant Thornton UK LLP, our internal team and our auditor, Deloitte LLP.
- Total revenue for the year was £4,787.2m (2018: £4,828.3m) driven principally by the total 5.0% increase in used car revenue and a total 6.7% increase in aftersales revenue.
- Adjustments identified as relating to 2019 reflect adjustments to previously unpublished results, and adjustments to 2018 and earlier reflect adjustments to previously published and audited results.
- A total of £25.5m of non-cash adjustments are necessary to correct misstatements in PBT over a number of years.
- Adjustments reduce PBT by £10.9m in 2019 and £7.2m in 2018 with the balance cumulatively decreasing PBT by £7.4m in 2017 and earlier.
- Statutory loss before taxation of £45.5m compared with a profit before taxation of £41.9m in the prior year.
- Despite the impact of the adjustments and as previously indicated, 2019 remains profitable at the underlying PBT level £4.2m (2018: £42.8m).
- Net total non-underlying charges for the year totalled £49.7m (2018: £0.9m) reflecting significant restructuring activity, non-cash impairment charges, gain on property disposals and a provision of £10.4m for potential liabilities arising from the ongoing Financial Conduct Authority (FCA) investigation.
- The investigations identified a cash expenses fraud which led to a loss of £327k in a single division and which accumulated over several years.
- As previously announced, no final dividend for 2019 was recommended.
- Continued strong focus on cash management reduced net debt to £59.5m (2018: £85.9m).

2019 Operational Summary:

- Difficult but necessary decisions made to implement the right dealership portfolio and staffing profiles, which led to site closures and the unfortunate redundancy of a number of our colleagues.

- Decisive restructuring activity commenced continuing into the current financial year to reduce costs to sustainable levels.

2020 Trading and Outlook:

- Temporary closure of the Group's dealerships throughout the initial lockdown had a significant impact on financial performance, with the Group expecting to report a material underlying loss before tax in H1.

- Trading in Q3 was better than expected with underlying PBT significantly ahead of last year.

- Q4 will benefit from the full impact of the Group's restructuring activity although the financial performance for the remainder of the year will inevitably be impacted by the closure of our dealerships under the second lockdown in England which commenced on 5 November 2020, and any further regional restrictions.

- The Group's net debt has improved during the year and was £54.4m at the end of October (£59.5m at end December 2019). The Group has recently agreed revised covenants with its banks and is currently in discussions to refinance its £250m banking facilities which are in place until March 2022.

- Despite resilient liquidity and before mitigating actions, ongoing uncertainties of COVID-19 and Brexit mean severe but plausible downside sensitivities indicate material uncertainty regarding going concern.

- Activity is underway to enhance systems, controls and policies and procedures to prevent recurrence of the issues which led to the adjustments to our accounts.

- The Group will publish its full Annual Report and Accounts for the year end 31 December 2019 within two working days.

- The Group will publish its interim results for 2020 as soon as possible in December and expects to submit a request to the FCA seeking to restore the listing of the Company's shares after the publication of its interim results.

Phil White, Executive Chairman said:

"The last twelve months has been extremely challenging for Lookers with the ongoing impact of COVID-19 and the accounting issues. Significant restructuring activity has been necessary to ensure we lay the right foundations for the future. On behalf of the Board I would like to thank all of our employees for their efforts and our wider stakeholders for their patience and ongoing support. Despite our recent challenges, we are extremely proud of how our people have responded, showing real dedication and flexibility particularly through maintaining critical vehicle servicing for key workers who have needed to remain on the road."

"The Investigation into our financial systems and accounting controls, the delay in the publication of our 2019 results and the subsequent temporary suspension of our shares have been a great disappointment. As Chairman of Lookers, I would like to apologise unreservedly to all our stakeholders for the uncertainty this has caused."

"We emerged from the initial lockdown in a strong position and are well equipped to deal with the second lockdown in England. We have an industry leading portfolio, underpinned by a talented and dedicated team which means that we can look to the future with confidence."

"My focus now is to restore the listing of our shares and to strengthen the Board to take advantage of the many opportunities that lie ahead for Lookers, which is fundamentally a great business."

Publication of 2019 statutory accounts

The financial information for the year ended 31 December 2018 is derived from the statutory accounts for that year, which have been delivered to the Registrar of Companies and which have been subsequently restated. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006.

The statutory financial statements for the year ended 31 December 2019 will be filed with the Registrar of Companies following a General Meeting to approve those accounts. The report of the auditor dated 25 November 2020 was unqualified and did not contain a statement under s498(2) or (3) of the Companies Act 2006, but did include a section highlighting a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern given the possible impact of the COVID-19 pandemic and the effect of Brexit on both customer confidence and the Group's supply chain.

In compliance with paragraph 9.6.1 of the Listing Rules, a copy of this document has also been submitted to the National Storage Mechanism and will shortly be available for inspection at:
https://data.fca.org.uk/#/nsm/nationalstoragemechanism

For further information:

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STRATEGIC REVIEW SECTION

CHAIRMAN'S STATEMENT

Introduction

2019 was a difficult year for Lookers. The Group faced a series of sector-wide challenges including a declining new car market, Brexit-related political and economic uncertainty and increased operating costs.

These challenges were compounded during 2020 by the lockdown of our business for over two months in the face of the global COVID-19 pandemic and subsequent restrictions. This pandemic and the eventual return to normality pose considerable uncertainty for the motor retail sector and the wider global economy.

In addition to this we delayed the publication of our 2019 financial results as we identified potentially fraudulent transactions in one of our operating divisions. In conjunction with Grant Thornton LLP (Grant Thornton) the Board immediately commenced a two-stage investigation (The Investigation). Initially the first stage conducted by Grant Thornton reviewed the operating division concerned and subsequently the Board extended the work performed by Grant Thornton and also implemented an extensive internal review. This process has now been completed to the Board's satisfaction.

The Investigation and review identified a number of historic adjustments required to the income statement and balance sheet. These items gave rise to an additional net cumulative one-off charge of £7.4m in the periods up to and including 31 December 2018, a net one-off charge of £7.2m in the year to 31 December 2018 and the restatement of the balance sheets at those dates. As a consequence of these the Group's prior year results have been restated. Further details of this restatement and its causes can be found in the Financial Review. As explained in the Financial Review in light of the Group's financial performance in 2019 the Board is not recommending a final dividend for the year.

Despite the impact of the above adjustments the Group remained profitable on an underlying profit basis during 2019 with an underlying profit before tax of £4.2m (2018: £42.8m). Notwithstanding this there were a number of non-underlying credits and charges to the profit and loss account which led to a statutory loss before tax of £45.5m (2018: Profit £41.9m). The loss has largely arisen from additional operating costs including increases in staff and related costs (£15.4m) and non-underlying costs primarily arising from the impairment of goodwill (£30.4m), restructuring costs (£14.3m) and costs and liabilities arising from the FCA investigation (£15.1m).

The Board considers the issues that were identified as being varied in nature arising from weaknesses in the design and implementation of policies and procedures, an insufficiently resourced and skilled finance function and instances of failure to follow policies and procedures where they existed.

Details of the causes of the adjustments are identified in the Financial Review. Given the additional procedures we had to perform to finalise the Group's 2019 results we concluded that it would not be possible to publish our 2019 audited financial statements by the required deadline of 30 June 2020. In light of this and following consultation with the FCA we requested that trading of our ordinary shares should be temporarily suspended with effect from the 1 July 2020.

Whilst having a framework in place for its financial planning and controls the Board recognises that historically these were insufficient and is undertaking all the necessary improvements to ensure that it is sufficiently robust to prevent any recurrence of these issues. Consequently, the Board has implemented a review and improvement programme for financial reporting, which will formalise procedures and processes. In addition, we acknowledged that there were some behavioural and cultural issues within the Group. We have established an independent Board sub-committee comprised of the most recently appointed Non-Executive Directors to provide oversight of the proper implementation of the actions identified in the conduct investigation. This sub-committee will stand down once they are satisfied each action has been delivered and monitored through the appropriate existing Governance forum by the Executive and the Board.

Regulatory Relations

As previously reported, we have been assisting the FCA with a review of our governance, systems and controls of our regulated activity. This programme of work included the design and implementation of revised sales and oversight processes, a robust risk management framework, governance arrangements and systems and controls. This work was sponsored and overseen by the Board and subject to the independent assurance provided by FCA Skilled Person Reports. The work included the appointment of a Chief Risk Officer and two additional Non-Executive Directors with experience in financial services and regulated businesses. Having concluded these reviews we are now focused on ensuring that all the actions arising from this programme of work are embedded in 2020 and 2021.

The FCA's Investigation into past sales processes is continuing and we are cooperating fully with the regulator. The Group has made a £10.4m provision against any liabilities which may arise from the Investigation in addition to the in year non underlying cost of £4.7m.

Delay in publishing the Annual Report and Accounts (ARA) and the suspension of shares

The Board is undertaking a full review of its continuing obligations under the Listing Rules and will take steps to enhance its existing systems and controls where it deems that to be appropriate.

COVID-19

On 23 March 2020 in order to protect the safety and welfare of our people and customers and in response to the UK Government's social distancing advice the Board took the decision to temporarily close all its trading locations. Following the introduction of new operating measures, the Group partly reopened 31 locations to provide essential repairs and maintenance to key workers' vehicles alongside 10 parts distribution centres. We also ensured that where possible we had the technology and flexibility to allow for home working.

From the middle of May, we progressively opened all our locations in a manner consistent with appropriate local regulations and ensuring the safety of our colleagues and customers. We have implemented new operational processes to ensure the appropriate COVID-19 secure protocols are in place protecting both staff and customers. This has included the complete redesign of our sales processes to offer a fully contactless experience if that is what our customer wants. Our sites are well positioned for social distancing with a large proportion of customer interaction taking place outside on the forecourt and within our spacious showrooms.

Following the recent announcement of new lockdown restrictions which took effect from 5 November, we are providing our customers with pre-booked aftersales appointments and have continued to provide both new and used vehicles sales using our Click and Drive contactless solution. We remain committed to providing the best possible service whilst maintaining the well-being of both our colleagues and customers.

Post year end restructuring

The Board has considered the future operating model of Lookers in light of potential demand, a reduced dealership estate and structural changes taking place across the industry. As a result, the Board took the difficult decision to commence redundancy consultations across all areas of the business, which has resulted in approximately 1,500 redundancies and the closure or consolidation of 12 sites. The Board carefully considered all options and regrettably considered this action as being necessary in the current environment to sustain and protect the Lookers business over the long term.

Performance in 2019

We will look back on 2019 as a challenging year for the business, one where hard but necessary actions had to be taken to position our business for the future. For the third consecutive year the UK new car market continued to contract and UK new car registrations declined by 2.4% to 2.31m. Those challenging market conditions, combined with margin pressure and excess cost growth, resulted in a material reduction in profitability.

Management and Board changes

We have made a number of significant changes to our Board in 2019 and 2020.

Mark Raban was appointed Chief Financial Officer when Robin Gregson stepped down on 5 July 2019. Andy Bruce and Nigel McMinn stepped down on 1 November 2019 as Chief Executive Officer and Chief Operating Officer respectively.

On 5 February 2020 we announced the appointment of Mark Raban as Chief Executive Officer.

Heather Jackson and Victoria Mitchell were also appointed to the Board in November and December 2019 respectively as Non-Executive Directors.

On 30 March 2020 Jim Perrie was appointed as interim Chief Financial Officer although he has not joined the Board.

As we emerged from lockdown, we recognised that the Board needed to bring in new skills and experience to guide the business through the next stage of its development. As a result, we agreed an orderly transition to refresh the Board over the coming year.

Richard Walker, Senior Independent Director and Sally Cabrini, Non-Executive Director and Chair of Remuneration Committee, decided that they would not stand for re-election at our 2020 AGM held in June. Stuart

Counsell has agreed to stay on the Board until the completion of the 2019 results and the appointment of his successor as Chair of the Audit and Risk Committee.

Tony Bramall, Non-Executive Director has decided to retire at the end of December 2020.

At the request of the Board I assumed the role of Executive Chairman in July 2020 to oversee this transition period but will not stand for re-election to the Board at the 2021 AGM.

Heather Jackson took over the role of Senior Independent Director from Richard Walker on 1 July 2020. She will become Chair of the Remuneration Committee at the completion of the 2019 results.

Victoria Mitchell has assumed the role of Chair of Lookers Motor Group Limited, the FCA-regulated entity from 1 July 2020 subject to FCA approval.

Now these financial statements have been concluded we will recommence the search for a new Non-Executive Chairman during the remainder of 2020 and 2021. We expect that recruitment process to conclude before the next AGM. In addition, the Company is finalising the recruitment of a new Chair of the Audit and Risk committee during 2020 and into 2021 will appoint an additional Non-Executive Director.

Current trading and financial outlook

The temporary closure of the Group's dealerships throughout the lockdown period had a significant impact on the Group's financial performance during the six-month period of 2020 ("H1"). As a consequence, the Group expects to report a material underlying loss before tax in H1.

As previously reported trading in the three months ended 30 September 2020 ("Q3") resulted in underlying PBT significantly ahead of last year.

During 2020 the Group has maintained significant levels of headroom in its funding which has ensured adequate liquidity for the Business. Despite this resilient liquidity and before considering appropriate mitigating actions, the ongoing uncertainties presented by COVID-19 and Brexit mean severe but plausible downside sensitivities indicate material uncertainty regarding going concern.

Our OEM partners supported us with extended funding during the first lockdown period and in addition the Group has accessed the Job Retention Scheme for furloughed staff. Additionally, the Group has deferred payment of VAT and initially deferred the payment of payroll taxes although these have now been paid.

The announcement of the second COVID-19 lockdown and potential impact of Brexit means that there is material uncertainty around trading in the remainder of 2020 and 2021. However, we will benefit from the full impact of the Group's restructuring activities which we expect to mitigate some of the risk and we will continue to access the Job Retention Scheme where appropriate. Against this background the Board is not reinstating guidance at this point.

Conclusion

The Board's key focus remains to safeguard colleagues and customers, strengthen our governance and systems and controls and to ensure sustainable long-term liquidity.

Our Annual General Meeting was held on 29 June 2020. At that point the investigation remained ongoing and in order to give this as much time as possible to conclude to our satisfaction we took the decision that the standard Shareholders' resolutions, including receiving these audited financial statements and the Auditors' and Directors' reports and approving the Directors' Remuneration Report and Policy would not be tabled. Consequently, a separate General Meeting of the Shareholders is to be convened during December to consider these matters.

We are extremely proud of how our people have responded showing real dedication and flexibility particularly through maintaining critical vehicle servicing for key workers who have needed to remain on the road. I would like to personally thank the whole Lookers Team for their understanding and dedication during such a challenging time for the Group.

Lookers is predominantly a franchise business and we have always enjoyed strong relationships with our brand partners. We are grateful for their support across a range of financial and other measures.

I am also pleased that we continue to receive the support of our banks and we have agreed revised covenants reflecting the post COVID-19 environment.

The Investigation into our financial systems and accounting controls, the delay in the publication of our 2019 results and the subsequent temporary suspension of our shares have been a great disappointment. As Chairman of

Lookers plc, I would like to apologise unreservedly to all our stakeholders and Team members for the uncertainty this has caused.

Lookers is a great business with great brands and great people. It is difficult to look too far ahead at the moment but I am reassured that we have the resilience to weather the current storm and the agility to emerge as a business which can build on its strong foundations. We can now move forward from here focussing on the many thousands of customers who rely on us for their mobility.

Phil White

Executive Chairman

OPERATING REVIEW

The key aspects of our performance were:

- The Group was slightly behind the UK new car market with total like-for-like new car unit volumes down 4.4% compared to a UK market decline of 2.4%.
- Continued like-for-like growth in used car unit volumes up 3.3% partly offset by margin pressure, particularly in Q2 when oversupply of vehicles impacted residual values.
- Further progress in aftersales driven by 4.5% growth in like-for-like revenue.

Total revenue for the year was £4,787.2m (2018: £4,828.3m) driven principally by the total 5.0% increase in used car revenue and a total 6.7% increase in aftersales revenue.

Gross profit remained broadly in line with the prior year and at £513.1m represented a gross profit margin of 10.7% (2018: 10.6%).

Whilst gross margin was maintained, our overall profitability was impacted by an increase in net operating costs with an underlying operating profit of £36.5m, a decrease of £35.2m compared with the prior year.

We recorded a loss before taxation of £45.5m compared with a profit before taxation of £41.9m in the prior year.

The 2019 movement on the prior year is largely driven by £84.0m increase in operating expenses.

The movement on operating expenses comprises:

Increase in staff costs	£15.4m
Increase in property costs	£3.7m
Risk and compliance	£2.1m
Increase in marketing costs	£0.7m
Others (including additional operating costs from acquisitions)	£13.3m
Total underlying cost increases	**£35.2m**
Non-underlying (see Financial Review)	£48.8m
Total movement	**£84.0m**

During the year the new car market was impacted by the ongoing Brexit process which resulted in a significant level of political and economic uncertainty. In addition, continuing consumer confusion over the future of petrol, diesel and electric vehicles (EV's) had a significant impact on the levels of new car sales.

There are notable regulatory pressures facing our brand partners in achieving emissions targets. As a result of changing customer preference and the evolving legislative landscape there is likely to be a change in product mix with increased focus on the provision of pure EV's and mild hybrids.

In 2019 the new car market was 2.31m units (2018: 2.37m). Our share of the retail market is 5.8% which was broadly in line with the previous year. Whilst the new car market remains challenging, we believe there are opportunities to grow the business, particularly in used cars, which currently has annual transactions of approximately 8 million vehicles and where we benefit from economies of scale, the skills of our people and our ability to invest in improved technology.

Aftersales represents the servicing and repair of vehicles and sale of franchised parts. In the UK there are approximately 39.3m cars and light commercial vehicles, with a significant proportion under three years old. This represents a significant opportunity 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 have migrated to our new and improved website on a phased basis and this is now fully operational and provides customer access across all dealerships. This has resulted in further increases

in our visitor and enquiry levels. The customer experience will be enhanced by further significant improvements in functionality, which will improve interaction with our customers.

Portfolio management

Following a period of significant expansion in recent years we announced the closure, consolidation and relocation of 15 dealerships as part of our ongoing portfolio review. The Board believes that as well as driving financial efficiencies, this decision is in accordance with the Group's strategy of partnering with the right brands in the right locations.

By 31 December 2019 we had closed: Volkswagen sites in Morden, Dumfries, Glasgow and Carlisle; Ford operations in Stockton and Guiseley; two JLR sites in Amersham and Kings Langley; and seven other franchised dealerships in Yorkshire and the North East. In addition, we have relocated the former Camberley Audi dealership to Farnborough as well as selling vacant sites in Colchester, Hexham, Birmingham and Dublin. Total costs associated with the programme have amounted to £14.3m and we have generated a cash inflow of £17.6m following the disposal of properties and related assets during the year. We expect to dispose of a number of additional surplus properties during 2020 and 2021.

Analysis of revenue

Revenue	2019 £m	2018 £m*#	Variance	2019 LFL £m	2018 LFL £m*#	LFL variance
New cars	2,226.4	2,364.7	-5.8%	2,141.2	2,212.8	-3.2%
Used cars	2,326.3	2,215.7	5.0%	2,206.1	2,130.2	3.6%
Aftersales	495.3	464.0	6.7%	467.1	446.9	4.5%
Leasing and other	134.0	115.3	16.2%	127.0	114.3	11.1%
Less: intercompany	(394.8)	(331.4)	19.1%	(382.5)	(320.1)	19.5%
Total	**4,787.2**	**4,828.3**	**-0.9%**	**4,558.8**	**4,584.0**	**-0.5%**

**Restated to show departmental revenue including intercompany which is prior to elimination on consolidation*
#LFL restated to include the impact of the adjustments identified from the Investigation and internal review.

Analysis of gross profit

Gross profit	2019 £m	2018 £m*#	Variance	2019 LFL £m	2018 LFL £m*#	LFL variance
New cars	147.0	156.9	-6.3%	142.0	152.1	-6.6%
Used cars	138.1	140.3	-1.5%	134.2	135.9	-1.3%
Aftersales	211.9	199.7	6.1%	200.5	195.5	2.6%
Leasing and other	16.1	16.2	-0.8%	15.7	16.7	-6.3%
Total	**513.1**	**513.1**	**0.0%**	**492.4**	**500.2**	**-1.6%**

**Restated to show departmental revenue including intercompany which is prior to elimination on consolidation*
#LFL restated to include the impact of the adjustments identified from the Investigation and internal review.

New cars

New cars	2019	2018 *#	Variance	2019 LFL	2018 LFL *#	LFL variance
Retail unit sales	59,212	64,750	-8.6%	56,101	61,405	-8.6%
Fleet unit sales	53,694	56,158	-4.4%	52,209	51,933	0.5%
Total unit sales	**112,906**	**120,908**	**-6.6%**	**108,310**	**113,338**	**-4.4%**
Gross margin %	**6.6%**	**6.6%**		**6.6%**	**6.9%**	

**Restated to show departmental revenue including intercompany which is prior to elimination on consolidation*
#LFL restated to include the impact of the adjustments identified from the Investigation and internal review.

The sale of new cars represented 28.6% (2018: 30.6%) of total gross profit. The new car market reduced by 2.4% in 2019 to 2.31m units. The Group’s like-for-like unit sales of new vehicles over the year were slightly behind the

overall market seeing a reduction of 4.4%. Like-for-like retail unit sales performed behind the market and were impacted by the Group's volume brands.

Whilst in the early part of the year we benefitted to some extent from a pre-Brexit pull forward of demand, Q3 saw some levels of stock shortages across our brand portfolio as OEMs managed the change in global emission standards. The final quarter saw an impact on sales volumes as our dealership sales teams received further training and assessment in the sale of regulated products.

The fleet sector continues to represent a significant part of the market, providing scope for further growth whilst taking a sustainable and balanced approach to maintaining margins. During the Year, the Group's like-for-like fleet unit sales increased by 0.5% compared to a market decrease of 1.7%.

Used cars

Used cars	2019	2018*#	Variance	2019 LFL	2018 LFL*#	LFL variance
Retail unit sales	100,764	97,709	3.1%	95,298	92,291	3.3%
Gross margin %	5.9%	6.3%		6.1%	6.4%	

**Restated to show departmental revenue including intercompany which is prior to elimination on consolidation*
#LFL restated to include the impact of the adjustments identified from the Investigation and internal review.

The sale of used cars represented 26.9% (2018: 27.3%) of total gross profit. The used car market had a mixed performance during the year with a robust Q1 followed by a fall in demand and a significant price correction in Q2. The second half of the year recorded a stabilisation of demand and volume. In Q4 we focused on driving cash generation and maximising working capital efficiency. This exercise helped drive the levels of used stock down by the end of the year and significantly contributed to the level of cash we generated from ordinary trading activities.

We continue to focus on stock management and sourcing good quality vehicles, both of which help to improve profitability. The used car market remains of significant importance to our business model and, continues to represent a significant opportunity for the Group. Digital channels will be a key tool to facilitate this growth and we continue to benefit from the increasing number of leads generated by our new website and contactless sales process. We intend to continue our extensive investment in technology to drive further increases in volumes and profitability.

Aftersales

Aftersales	2019	2018*#	Variance	2019 LFL	2018 LFL*#	LFL variance
Revenue £m	495.3	464.0	6.7%	467.1	446.9	4.5%
Gross margin %	42.8%	43.0%		42.9%	43.7%	

**Restated to show departmental revenue including intercompany which is prior to elimination on consolidation*
#LFL restated to include the impact of the adjustments identified from the internal review.

Aftersales is a key part of the Group and represented 41.3% (2018: 38.9%) of total gross profit. The division continued to perform as expected with a like-for-like revenue growth of 4.5% in the year.

We have increased capacity when developing new dealership premises in recent years, which has expanded the base infrastructure to support higher volumes and growth in the car parc. In addition, aftersales has benefited from the initiatives we have implemented to develop our services, with an emphasis on performance and improved customer retention through enhanced technology, and ongoing investment of our technician apprenticeship programme. We continue to increase the penetration of customer service plans sold, and now have 162,000 plans providing strong visibility and further opportunity in the future.

The impact of the changes in mix as described above coupled with a comparable gross profit contribution from leasing/other sales and an increase in general operating expenses (including non-underlying items) has resulted in a statutory operating loss of £13.2m (2018 profit: £70.8m).

Developing a multichannel retail environment

We have continued to make a significant investment in our multi-channel customer experience and our website plays an important role in the customer journey, influencing how our customers research vehicles before they enter the showroom.

Customer experience

Our goal is to be recognised as providing the best customer experience and engagement in the UK motor retail sector. Understanding customer needs is at the heart of our thinking. We conduct extensive customer research to monitor feedback as we appreciate that customers have high expectations and have increasingly more access to detailed product information themselves.

Our people

Our people are the key to helping us to deliver our strategy and providing a first-class customer experience. We really appreciate efforts of colleagues and continue to invest in them with further improvements to our training and development programme and a formal management development initiative. We believe Lookers offers the most attractive employment prospects in our sector and we aim to be the best place to work in our industry. This will help attract and retain the best people, including those from outside the sector.

It was therefore a great achievement to again be recognised as the only motor retailer to be awarded the exclusive Top Employers United Kingdom certification, which we have now achieved for a fourth successive year. This success demonstrates our commitment to building a positive employee experience and of our commitment to optimise, develop and work with all our people to build a meaningful and noticeably different experience for them and our customers.

COVID-19 Response

Key Events 2020 Timeline

23 March	Temporary closure of all trading locations announced. Following the introduction of new operating measures, the Group subsequently partly reopened 31 locations providing essential repairs and maintenance to key workers vehicles and 10 parts distribution centres.
20 April	Group launched new website functionality allowing customers to reserve vehicles, pay a deposit, complete an online finance application and receive vehicle delivery and handover at home. We subsequently developed this by launching our 'Click & Drive' online offer.
11 May	Successfully implemented and tested new operating procedures the Group reopened all its aftersales facilities gradually rebuilding capacity.
18 May	Group implemented a new contactless vehicle handover and delivery process delivering nearly 4,000 new and used retail vehicle orders in May. Unaccompanied test drives initiated.
1 June	Group fully reopened all dealerships in England in accordance with government policy and upweighted operating procedures.
8 June	Group fully reopened all dealerships in Northern Ireland.
29 June	Group fully reopened all dealerships in Scotland. All UK dealerships fully operational from this point.
5 November	New lockdown restrictions in place, pre-booked aftersales service being provided with new and used car sales activity carried out via 'Click & Drive'.

Responding to COVID-19

The COVID-19 global pandemic remains an unprecedented challenge. Our response to the pandemic and its consequences has been guided by three key principles:

- Protecting colleagues and customers
- Managing the financial consequences and protecting the business
- Proactive engagement and communication with all stakeholders

Protecting Colleagues and Customers

Our first thoughts are for those impacted by the virus and their families. The Group's key priority was and remains to protect our colleagues and customers and to do everything possible to prevent the further spread of the virus.

We provided a comprehensive suite of new operating procedures and protocols to all colleagues and we keep these under constant review as the situation continues to develop.

We have upgraded our cleaning regimes and continue to work with our supply chain partners to ensure that personal protective equipment, hand sanitizer and masks are available.

We introduced a comprehensive contactless handover process and rapidly rolled out unaccompanied tests drives. Our vehicle cleaning process is based on a 40-point check giving our customers additional peace of mind when taking delivery of their vehicle or undertaking a test drive.

Our new 'Click & Drive' website functionality provides an additional route for our customers to remotely order a vehicle and have it delivered to their home if required.

We rapidly rolled out new technology solutions to support remote working from home wherever possible including our customer contact colleagues, the head office team and certain dealership administrative and sales functions.

Managing the Financial Consequences and Protecting the Business

The Board took decisive action in managing the Group's finances in order to protect the business for the long term. These actions included:

- The vast majority of colleagues were immediately furloughed as all trading locations were temporarily closed.
- All members of the Board and various members of senior management took 30% pay cuts. These were reinstated on 1 September 2020. Executive bonus entitlement was also waived.
- Various capital expenditure programmes were delayed.
- Dividends were suspended.
- All discretionary costs areas were reviewed and reduced.
- Restructuring activity including further site closures and redundancies were accelerated. These were regrettable but necessary to protect the long-term future of the business.
- The Group's fleet business was reviewed and restructured to focus on margin retention and working capital control.
- The Group accessed the Governments Coronavirus Job Retention Scheme and other Government initiatives to protect cash flow.

The Board would like to thank its financing and banking partners who have been very supportive through this difficult period.

Proactive Engagement and Communication with all Stakeholders

The Board is very grateful for the support of all stakeholders throughout this challenging period. Our OEM brand partners have been particularly supportive from both an operational and financial perspective which has highlighted the underlying strength of the UK franchised dealer model.

Employees: Communication and engagement with our colleagues is a key priority for the Group. We made every effort to keep our teams engaged including the use of our Workplace by Facebook application and various video messages from the Executive Management Team. Team wellbeing remains a key focus with additional measures and support for those needing them.

Customers: We have remained in active dialogue with both our retail and corporate customer base. We were particularly proud to support key workers with subsidised servicing and repair and continued safe fleet deliveries into the NHS during the lockdown period.

Suppliers: We have been grateful for the support from our key suppliers. We have sought to agree fair terms and have continued to adhere to normal payment practices unless an alternative arrangement has been mutually agreed.

Landlords: Unless otherwise agreed the Group continued to pay rent throughout the period in accordance with our lease obligations. We were very grateful to certain landlords who responded positively to our request for deferred payment terms.

Shareholders: We sought to engage proactively with shareholders and issued a number of trading and operational updates ensuring the market was informed of our trading performance.

FINANCIAL REVIEW

Key performance indicators

The Group has a number of financial and non-financial KPIs to monitor the development of the business against its strategic objectives and specific business risks. These are defined and measured as shown below:

Financial KPIs

KPI	Definition	Performance		Link to risk factor
Revenue	Total revenue generated from the Group's principal activities	2019: £4,787.2m A decrease of 0.9%	2018: £4,828.3m	1,3,4,5,6,7
Gross profit	Total revenue less total direct costs	2019: £513.1m Remains the same	2018: £513.1m	1,3,4,5,6,7
Gross profit margin	Gross profit as a percentage of revenue	2019: 10.7% An increase of 0.1%	2018: 10.6%	1,3,4,5,6,7
Statutory (loss) / profit before tax	Total gross profit less all costs and interest	2019: (£45.5m) A decrease of £87.4m	2018: £41.9m	1,2,3,4,5,6,7
Underlying operating profit	Operating profit before the impact of non-underlying items as defined*	2019: £36.5m A decrease of £35.2m	2018: £71.7m	1,2,3,4,5,6,7
Underlying profit before tax	Profit before tax before the impact of non-underlying items as defined*	2019: £4.2m A decrease of £38.6m	2018: £42.8m	1,2,3,4,5,6,7
Underlying basic earnings per share	The ratio of underlying profit after tax (*as defined) to the weighted average number of ordinary shares in issue during the financial year	2019: 0.87p A decrease of 7.91p	2018: 8.78p	1,2,3,4,5,6,7
Net debt	Total borrowings excluding lease liabilities and stocking loans less cash and cash equivalents	2019: £59.5m A decrease of £26.4m	2018: £85.9m	1,2,5,6,7

** Non-underlying items defined in Note 2*

The Board's target is to improve performance across all KPI's whilst maintaining a balanced approach based on the future development of the business.

In preparing the current year financial statements the Board has taken the view to present the statement of total comprehensive income incorporating the disclosure of underlying and non-underlying items separately. Non-underlying items are presented separately in the statement of total comprehensive income and have been defined by the Board as:

Relating to costs or incomes which are not incurred in the normal course of business or due to their size, nature and irregularity are not included in the assessment of financial performance in order to reflect management's view of the core-trading performance of the Group.

Non-financial KPIs

KPI Objective	Definition	Performance	Link to risk factor
Maintaining appropriate number of manufacturers and brands	The number of dealerships operated by the Group and number of manufacturer brands we sell	2019: 148 dealerships and 31 manufacturer brands 2018: 163 dealerships and 32 manufacturer brands	1,7
Maintaining an appropriate sales mix of new cars, used cars, aftersales and other	The split of new cars, used cars, aftersales and other as a percentage of total revenue before intercompany eliminations in the financial year	2019: new 43.0%, used 44.9%, aftersales 9.6%, other 2.6% 2018: new 45.8%, used 42.9%, aftersales 9.0%, other 2.2%	1,7
Share of UK new car retail by volume	Our share of the market	2019: 5.8% 2018: 6.2%	1,6,7
Group new car sales	Number of new vehicles sold	2019: 112,906 2018: 120,908	1,6,7
Group used car sales	Number of used vehicles sold	2019: 100,764 2018: 97,709	1,6,7

Alternative performance measures

The Group uses a number of Alternative Performance Measures (APMs) which are non-IFRS (International Financial Reporting Standards) measures in establishing their financial performance. Like for Like is the collection of dealerships and other trading businesses that have both a full year of trading activity in the current year and prior year. The Group believes the APM's provide useful, historical financial information to assist investors and other stakeholders to evaluate the performance of the business and are measures commonly used by certain investors for evaluating the performance of the Group. APMs should be considered in addition to IFRS measures and are not intended to be a substitute for IFRS measurements.

Following the introduction of non-underlying items in the Statement of Total Comprehensive Income the Group's APMs have also been redefined to be based around underlying measures, whereas previously the basis had been to use adjusted profit measures. More details of the APM's and a reconciliation of the IFRS measures used in the Annual Report & Accounts to those APMs used for KPI monitoring are including in Note 18.

Financial statements

Presentational changes

From 1 January 2019 the Group adopted the new accounting standard IFRS 16: *Leases*. This standard introduces a comprehensive model for the identification of lease arrangements and accounting treatment for both lessors and lessees. Unless otherwise stated, the prior year financial comparatives contained within the Annual Report & Accounts have been restated to reflect the first-time adoption of IFRS 16. At 31 December 2019 the Group has right-of-use assets with a net book value of £107.7m, related lease liabilities of £134.1m and have repaid £21.3m of lease liabilities and associated interest charges during the year.

As announced on 10 March 2020 and subsequently updated in RNS announcements, following the identification of a potential fraud and other issues in an operating division, in conjunction with Grant Thornton the Board immediately commenced a two-stage Investigation. Initially, the first stage, conducted by Grant Thornton, reviewed the operating division concerned and subsequently the Board extended the work performed by Grant Thornton and also implemented an extensive internal review. Together these are considered "the Investigation". Further details of the Investigation are provided in the Chairman's Statement, Report of the Audit and Risk Committee and Financial Review.

The Investigation has led to the identification of a total of £21.8m of adjustments after tax to the 2019 balance sheet of which £13.5m relates to 2018 and earlier.

Adjustments affecting the year ending 31 December 2018 have been recorded in that financial year and the financial statement comparatives have been restated to this effect. Adjustments relating to periods prior to the year ending 31 December 2018 have been adjusted through opening reserves as at 1 January 2018.

The nature, cause and remediation of these errors and misstatements is considered below in Investigation and restatements.

Financial Results

Group results

Total revenue for the year remained static at £4,787.2m (2018: £4,828.3m) following increased contributions from used car, aftersales and leasing being offset by a reduction from new car sales. Gross profit remained comparable at £513.1m (2018: £513.1m) and represented a gross profit margin comparable with the prior year of 10.7% (2018: 10.6%). Whilst consistent year-on-year, the gross profit margin was flat in new and aftersales with contractions in both leasing & other and used margins, despite the latter seeing a 3.3% increase on like-for-like unit sales.

Operating profit

Operating profit has reduced by £84.0m to a loss of £13.2m due to the factors described below.

The 2019 movement on the prior year is largely driven by £84.0m increase in operating expenses.

The movement on operating expenses comprises:

Increase in staff costs	£15.4m
Increase in property costs	£3.7m
Risk and compliance	£2.1m
Increase marketing costs	£0.7m
Others (including additional operating costs from acquisitions)	£13.3m
Total underlying cost increases	**£35.2m**
Non-underlying	£48.8m
Total movement	**£84.0m**

Net interest charges

The Group's bank borrowings are based on a floating rate linked to LIBOR and net interest charges have increased by £3.4m primarily as a result of increased interest payable on higher average bank borrowings.

(Loss)/profit before tax

The effect of the non-underlying items noted above in conjunction with the higher interest cost and the reduced underlying operating profit to result in a pre-tax loss of £45.5m (2018: pre-tax profit of £41.9m).

Taxation

The Group's taxation credit for the year is £3.9m (2018: charge of £9.3m) which is composite of a corporation tax credit of £3.7m and a deferred tax credit of £0.2m. The Group's tax charge is considerably lower this year as a result of a reduction in the profits chargeable for taxation which is driven by the reduced underlying earnings and adjustments to prior year taxation charges totalling £2.9m. The Group's effective current tax rate is 8.1% compared with 22.2% in the prior year.

The reduced corporation tax charge coupled with the £9.3m of payments made on account during the year has resulted in a current tax recoverable of £9.8m being recorded in the Group statement of financial position.

Cash flow

Despite the loss for the year, cash generated from operations has increased by £30.3m to £221.1m a direct consequence of the focus that was placed on the Group's working capital during the second half of 2019. Cash generated from working capital totalled £69.0m (2018: £(11.5m)) during 2019 driven by tighter controls put in place across the Group around the management of inventory levels and debt recovery.

During this period the Group has also paid particular attention to the levels of inventory funding that is available to the Group and has increased the overall level of funding by £108.3m to £870.8m, representing 93.3% (2018: 80.7%) of inventory being funded at the balance sheet date.

Property, plant and equipment capital expenditure totalled £81.3m (2018: £47.6m) after including capitalised vehicle leases of £35.5m (2018: £26.1m) and represented the Group's investment in new or improved premises for dealerships, reflecting our ongoing commitment to improve our retail environment to maintain, modern and state of the art facilities. During the year the Group has invested in the new JLR facility at Aston Clinton in Buckinghamshire as well as at Audi in Farnborough, Guildford and Basingstoke.

The Group realised £17.6m from the disposal of freehold properties during the year. At 31 December 2019, the Group holds freehold and leasehold properties (excluding properties held for resale) with a combined net book value of £321.5m, (2018: £309.5m), which remains a key strength to the business.

Total loan repayments and net revolving credit facility movements resulted in a cash outflow of £38.7m (2018: £13.4m) as further inroads were made to reducing the overall net debt position of the Group.

Total net debt (excluding lease liabilities and stocking loans) at 31 December 2019 was £59.5m (2018: £85.9m).

Bank funding

The Group has a revolving credit facility of £250.0m arranged with five banks, (Bank of Ireland, Barclays, HSBC, Lloyds and NatWest), with a term to March 2022. There is also the potential to increase the facility up to an additional £50.0m to fund future acquisitions.

Interest is charged on the facility at a margin of between 1.3% and 2.25% above LIBOR, depending on the ratio of net bank debt to EBITDA. These facilities are subject to half yearly covenant tests on interest cover and net bank debt to EBITDA.

The banking club and the Group have agreed revised covenants for the period from June 2020 to June 2021 which reflects anticipated trading including the impact of COVID-19.

However, given the extent of downturn that was seen in wave 1 of COVID-19, the ongoing uncertainty of COVID-19, the risks in respect of Brexit and the macro-economic factors that could affect the Group, additional stress testing of revenue volumes was performed to model further downsides in the key assumptions, which the Directors considered to be severe, but plausible. This scenario, indicated that despite resilience of liquidity the aggregate of these factors gave rise to a material uncertainty which may cast significant doubt over the Company's and Group's ability to continue as a going concern in the event that, following a covenant breach, lenders elect to trigger a repayment of outstanding debt. Without actioning the various mitigating actions available, the Company and Group may be unable to realise assets and discharge liabilities in the normal course of business. In view of the various sensitivities and additional stress testing, the Board concludes that preparing the accounts on the basis of going concern is appropriate.

Dividends

We indicated in the Group's 2019 interim results statement that the Board would be reviewing its dividend policy. The Board remains mindful of its relationships with and commitments to all stakeholders and recognises the importance of dividends to Shareholders. It now intends to implement a policy where, subject to satisfactory trading prospects, dividends are covered around 3.0 to 3.5 times underlying earnings (previously 3.5 to 4.0 times) and paid in approximately one third (interim dividend) and two thirds (final dividend) split. In the light of the year's financial performance and in accordance with the new policy the Board is not recommending a final dividend for the year noting that the interim dividend for the year of 1.48p is covered 0.6 times by underlying earnings per share.

The Board has become aware of an issue concerning technical compliance with the Companies Act 2006 in relation to the interim dividend paid to Shareholders in respect of the 2013 financial year, and the interim and final dividends paid to Shareholders in respect of the 2014 and 2015 financial years (the "Dividends"). The Dividends were paid to Shareholders at a time when the Company did not hold adequate distributable reserves by reference to its last set of annual accounts (although there were sufficient reserves held in subsidiaries of the Company which could have been distributed to the Company in order to provide the Company with adequate reserves). In addition, the Company did not file with the Registrar of Companies (as required by the Companies Act 2006) additional "interim" accounts which might otherwise have demonstrated that the Company had the requisite level of reserves. The Group's historic reported trading results and financial condition are entirely unaffected; however, the Board proposes to put resolutions to Shareholders at the 2021 annual general meeting to address this past issue.

Pension schemes

The Group has three defined benefit pension schemes, The Lookers Pension Plan, The Dutton Forshaw Pension Plan and The Benfield Motor Group Pension Plan. All three schemes are closed to entry for new members and closed to future accrual. The asset values of the three pension schemes increased by £26.6m during the year due to the favourable movements in global investments during the year, but scheme liabilities increased by £13.4m. As a result, the net deficit included in the balance sheet decreased by £13.2m in the year.

The Group is currently in discussions with the respective scheme trustees and the Pensions Regulator with regard to the latest triennial valuation for the Lookers Pension Plan.

The combined deficit of the three schemes decreased in the year and is now £55.7m (2018: £68.9m). Relatively small changes in the bases of valuation can have a significant effect on the calculated deficit hence the movement in the calculated deficit can be subject to high levels of volatility.

Non-underlying Items

2019 has seen the recognition of a number of items disclosed as non-underlying within the financial statements and 2018 has been restated to reflect the Investigation:

	2019 £m	2018 £m
Gain on property disposal	(4.9)	(2.5)
Restructuring costs	14.3	-
Impairment of goodwill and intangible assets	30.4	-
VAT matters	(6.2)	-
FCA Investigation and provision	15.1	-
Additional pension past service costs	-	3.4
Accrual for potential tax penalties	1.0	-
Total non-underlying items at operating profit	49.7	0.9

The Board has taken the view that each of the following items relate to costs or incomes which are not incurred in the normal course of business or due to their size, nature and irregularity are not included in their assessment of financial performance. These have been presented separately on the face of the Statement of Total Comprehensive Income in order to reflect management's view of the core-trading performance of the Group in the current and preceding financial years.

Gain on Property Disposal

In November 2019 the Board announced an acceleration of its portfolio consolidation to drive the future financial performance of the Group. In line with the its strategy of partnering with the right brands in the right locations and working closely with its brand partners, the Board identified 15 dealerships for closure, relocation or consolidation into existing dealerships in adjacent territories.

Of the sites identified, 9 were owned on a freehold basis. The programme is now largely complete and has contributed significantly to the overall cash inflow of £17.6m and an accounting gain of £4.9m following the disposals of property, plant and equipment during the year.

Following the fully retrospective adoption of IFRS 16, the gains recorded following the Group's previous sale and leaseback transactions have been remeasured resulting in the £2.5m gain recorded in the year ending 31 December 2018.

Restructuring

As identified above in November 2019 the Group announced an acceleration of its portfolio consolidation which led to costs and charges incurred:

Redundancy and other closure costs	£8.8m
Impairment charges – assets held for sale	£3.7m
Impairment charges – right of use assets	£1.8m
Total restructuring costs	£14.3m

Total redundancy costs associated with this program amount to £4.3m and there have been other closure costs in relation to existing contracts and obligations relating to these dealerships totalling £4.5m recorded in the year. Due to the size and nature of the dealership closure programme, all related expenses (£8.8m) have been recorded as non-underlying within the financial statements.

As a consequence of this several properties have now been presented as assets held for sale on the Group's statement of financial position and have resulted in impairment charges of £3.7m being recorded in order to reflect their fair value less costs to sell. Notwithstanding, we expect to record a gain upon disposal in 2020 in respect of some of the other properties which have also been presented within assets held for sale in the statement of financial position.

The closure programme has also affected the carrying values of the right of use assets and impairment charges totalling £1.8m (2018: £nil) have been recognised in the year for property leases which are now considered onerous.

The Board has continued to review the operating portfolio during 2020 to ensure that the Group's key objectives and strategies can continue to be met. Subsequent to the year end and having worked closely with our brand partners, the Group has identified a further 12 dealerships (including 7 freehold sites) for either closure, consolidation or refranchising. It is estimated this will be completed in the second half of 2020. Following these closures, the Group will operate from a portfolio of 136 dealerships.

Goodwill and intangible impairments

Following the deterioration in trading performance the Group has recorded impairment charges totalling £30.4m (2018: nil) against the Group's intangible asset base. £29.8m (2018: £0.3m) of this has been charged against goodwill following the Group's annual impairment review and has resulted in reductions to the Group's BMW and Ford cash generating units (CGU's).

These adjustments are considered to be reflective of the comparative downturn in the CGU's value in use when compared with those that were expected when these past acquisitions were made.

None of these impairments have had a cash impact in the current year.

VAT matters

During the year the Group benefitted from a change in how HMRC view the VAT treatment of dealer deposit contributions which has given rise to a one-off credit totalling £5.6m. In addition, a one-off VAT charge totalling £2.0m has been made in relation to manufacturer deposit contributions. Following a challenge over the VAT accounting treatment of bonuses received from Motability the Group has recognised a credit of £2.6m in year ending 31 December 2019.

FCA Investigation

As previously announced, during 2018 the Board became aware of certain matters requiring review in relation to the Group's regulated activities.

At 31 December 2019 the Group has largely completed its remediation plan which has included a detailed past business review; implementation of a revised sales process; a full training exercise across the Group; implementation of new risk management and quality assurance frameworks; and several improvements to the Group's IT systems.

Total costs of this programme recorded in the year amount to £6.8m, £4.7m of which have been recorded as within non-underlying items as these represent non-recurring one-off costs for professional fees and setup costs.

As announced on 20 June 2019, the Group was informed by the FCA that it's Enforcement Division intends to carry out an Investigation into sales processes between the period of 1 January 2016 to 13 June 2019. This Investigation is underway with the full support of the Group and the FCA will reach its conclusions in due course.

The Board considers there to be a wide range of as yet unknown possible outcomes to the FCA review of historic sales practices and the ongoing Enforcement Investigation however it recognises there are likely to be liabilities that arise from the process. Therefore, the Board has made a provision of £10.4m for any liabilities which might arise. These liabilities are considered to be non-underlying in nature, are unlikely to crystallise within the next financial year and are disclosed in Note 13.

The Board takes this matter very seriously and continues to co-operate and co-ordinate fully with the FCA. We believe that adapting to developments in regulation, which affects the retail motor industry and the fast pace of changing customer demands and behaviours, is a key challenge and an important priority for the Group. When these improvements are fully deployed across the Group, our strengthened infrastructure and enhanced customer experience will create a robust and industry leading platform that will facilitate further growth.

We will provide further updates in respect of the ongoing remediation work and progression of the FCA Investigation as appropriate.

Additional pension past service costs

In the year ending 31 December 2018, £3.4m of enhanced past service pension costs were incurred in respect of pension harmonisation charges and have been treated as non-underlying items.

Investigation and restatements

The Investigation identified a number of adjustments. These adjustments affected cumulative retained earnings by £21.8m of which £8.3m related to the previously unreported 2019 financial statements and £13.5m related to prior years. Those relating to prior years have been subsequently adjusted through restating the comparatives in these financial statements. Further details of the impact of the adjustments on the previous years are disclosed in Note 19.

For the purposes of this report, and to assist understanding, the adjustments have been aggregated where the nature and cause of the misstatement is similar. These groupings are as follows:

- Correction of fictitious transactions;
- Correction of errors arising from inappropriate or inconsistent accounting standards application 'Policy misapplication'; and
- Correction of errors arising from weaknesses in controls grouped by nature 'Control weaknesses'.

We note that as illustrated in Note 19, further restatements were also required in respect of the adoption of IFRS 16 and some voluntary changes to presentational disclosure of the Income Statement for which further detail is included in that note.

A summary of the adjustments arising from the Investigation is included below:

Profit and loss items

Nature of adjustment	**2019 Impact - £m**	**2018 Impact - £m**	**Pre 2018 Impact - £m**	**Total**	**Reference**
Fictitious transactions	(1.2)	(1.6)	-	(2.8)	(a)
Policy misapplication					
Cash and bank	(0.3)	(0.7)	0.2	(0.8)	(b)
Leasing companies	0.3	0.3	(1.2)	(0.6)	(c)
Staff car schemes	(1.2)	0.4	(0.7)	(1.5)	(d)
	(1.2)	-	(1.7)	(2.9)	
Control weaknesses					
Property, plant and equipment and intangible assets	(5.9)	2.2	(6.2)	(9.9)	(e)
Manufacturer bonuses	(0.4)	(0.6)	(1.2)	(2.2)	(f)
Central finance function	1.6	(8.1)	2.5	(4.0)	(g)
Divisional finance function	(3.8)	0.9	(0.7)	(3.6)	(h)
	(8.5)	(5.6)	(5.6)	(19.7)	
Impact before taxation	(10.9)	(7.2)	(7.4)	(25.5)	
Taxation	2.6	0.8	0.3	3.7	
Total Retained Earnings Impact	(8.3)	(6.4)	(7.1)	(21.8)	

Analysis of the nature of the adjustments above are as follows:

(a) Fictitious transactions

One operating division created fictitious journal entries to recognise non-existent manufacturer bonuses. The initial misstatement was created in 2018, the entries being reversed in 2019 and further fictitious sums being recorded in 2019. These fictitious entries enabled the division to achieve its targets for the year, were entirely internal in nature and were never communicated to, reported to, nor claimed from the relevant manufacturer.

The transactions arose because of local management override and lack of central oversight and review, enabling unsubstantiated journals to be processed without challenge.

(b) Policy misapplication- Cash and bank

The Group had incorrectly accounted for debt issuance costs, not appropriately aligning them and amortising them in line with the duration of the relevant facilities. In addition, the Group had incorrectly omitted from the balance sheet a number of bank accounts that were held for the purposes of managing ring-fenced funds.

These errors arose because of lack of formality in accounting policies and also lack of thorough and diligent control standards around balance sheet reconciliations.

(c) Policy misapplication- Leasing companies

The Group has a division which provides vehicle leasing to commercial and business customers. The Group had adopted a variety of inconsistent accounting treatments for the vehicles, and in particular failed to correctly record and report vehicles as fixed assets where the Group retained a long-term financial interest in the vehicle such that control had not transferred. This division has a significant proportion of its business where it acts as either a disclosed agent or an undisclosed agent. In both instances, the Group previously treated the sale of vehicles to 3rd parties as 'vehicle sales', despite the Group retaining a buy-back right and therefore, continuing to control the assets. Instead, these vehicles should have been treated as rental fleet, to be depreciated over the term of the contracts to the buy-back date. Lease revenue associated with these contracts is recognised over the period of the contract term.

The profit impact has been included above. However, the main impact of rectifying these issues was the increase in rental fleet in fixed assets of £68.8m, reduction in inventory of £12.9m and the inclusion of vehicle lease creditors of £56.6m.

The errors arose because of lack of formality in accounting policies, failure to review and implement new accounting standards correctly, and lack of appropriate structure and training in the finance department.

(d) Policy misapplication- Staff car schemes

The Group operates a number of company staff car schemes which are operated by third party providers. The schemes have undergone HMRC review and are not a benefit to the employee but enable the franchises to make sales which count towards volume targets. In review of these schemes, it was identified that one of the arrangements should be accounted for in a manner consistent with that described above due to the Group retaining control of the assets. Furthermore, for this particular scheme, the nature of the arrangement and practical application means that all vehicles are continually marketed for sale to the market whilst being part of the scheme and are available for immediate sale at all times. As a consequence, to reflect the commercial substance of the arrangement, these particular vehicles have been recognised within inventory as disclosed in note 12, instead of being presented within fixed assets.

The errors arose because of Divisional management override changing the scheme from a standard structure to a non-compliant structure to drive volume target achievement and manufacturer bonuses. As a consequence of the management override, there was a failure to apply the appropriate accounting to this scheme. This included lack of formal documentation of appropriate accounting policies and procedures, lack of clear operational and financial approval for the scheme's operation, and failure to report and monitor the use of the scheme centrally.

The profit impact has been included above. However, the main impact of rectifying these issues was to include inventory of £31.6m and a net creditors of £32.4m.

(e) Control weakness- PPE and intangible assets

In a number of divisions there was inappropriate treatment of costs associated with capital projects. In some cases, costs relating to actual or proposed capital projects were incorrectly capitalised in a manner that was not consistent with IAS 16. In addition, costs that had been incurred in anticipation of a capital project remained on the balance sheet regardless of whether the project was likely to proceed and instances were identified where the period of depreciation for the costs exceeded the Group-mandated life of the asset.

The errors arose because of a lack of formal documentation of appropriate accounting policies and procedures, lack of approval to capitalise costs, and inadequate central oversight and review of balance sheet accounts.

(f) Control weakness- manufacturers bonuses

Manufacturers pay bonuses to the Group for a number of reasons, including the achievement of general volume targets and to support specific vehicle or customer types. The bonuses can be specific against a transaction or cumulative with rachet over a period for achieving different tier levels of sales. This leads to complexity in recognising the timing of income associated with the bonus. However, an overriding principle is that the bonus income should not be recognised until the vehicle that the bonus is associated with is sold outside the Group and until that point the bonus should be offset against the inventory value of the vehicle. The primary issue identified by the Investigation concerned the early recognition of manufacturer bonuses when the Group was not entitled to the income. This process wrongly inflated profit, simultaneously overstating the carrying value of inventory. There were also a smaller number of instances where manufacturer bonuses were inappropriately deferred following the achievement of annual profit targets.

One franchise division had high levels of fleet transactions over a number of years which triggered a complex series of manufacturer bonuses. These bonuses were not agreed with the manufacturer on a timely basis but were recorded as recoverable balances. Although the balances became aged and out with the manufacturer payment terms, they were not fully provided for in accordance with the appropriate debt provisioning policy. The aged balances were known to both local and central management, but a decision was taken not to provide in line with standard procedures. Offsetting this were a series of credit balances that remained unreconciled for a number of years, but which should have been recognised in the Income Statement to match the sales to which they related.

The errors arose from a lack of formal manufacturer bonus recognition procedures, failure to perform basic accounting reconciliations, lack of central oversight and failure to apply correct debt provisioning at a number of year ends.

(g) Control weakness- Central finance function

The Central finance function fulfils a number of accounting roles for the Group including the receipt of costs for the Group and recharging the costs to divisions, receipt of revenue from Group-wide sales and bonus contracts and distribution of the associated income to divisions and the maintenance of provisions for the Group relating to Group-wide or corporate activity.

For an extensive period of time the accounting and control of the Central finance ledgers was poor, lacked structure, process and oversight and this led to a significant level of under and over accruals across a number of years. In some cases the failure to identify recharges and revenue to divisions on a timely basis meant that the divisions did not recognise the costs, revenues or provisions accurately or in the correct period.

The issues arose because of lack of formal processes for transactions, unnecessarily complex recharging mechanisms, lack of reconciliations within the Central finance function or between the central finance function and the divisional teams, the absence of appropriate documentation to substantiate provisions and activity on provisions, and inadequate resourcing of the Central finance team. The adjustments primarily affected working capital balances.

(h) Control weakness- Divisional finance function

Similar to the issues identified in the Central finance function, the Investigation considered the quality of reconciliations within the divisional finance functions that led to the identification of issues including understatement of liabilities and inappropriate deferral of expenses.

The issues arose from inadequate reconciliation processes, lack of oversight and control, poor quality and under trained staff and lack of formal policies and procedures.

Taxation – the inclusion of tax as part of the restatements reflects the impact of the adjustments on the Group's corporation tax position. The low level of impact for 2017 and 2018 reflects management's conclusions that the recoverability of corporation tax is not sufficiently certain. This will be reconsidered once the returns have been resubmitted to the tax authorities.

Balance sheet items

In addition to the matters referred to above, a number of reclassifications were identified in finalising the 2019 financial statements. These included:

(i) Policy misapplication- bank balances

In prior years the Group had been misinterpreting the requirements of IAS 32, and had been netting off cash held against overdrafts with the same counterparty where there was a legal right of offset. A review of the interpretation of IAS 32 identified that the appropriate treatment was to separately present the overdrafts and cash held where there is no intention to settle amounts net. This has led to the restatement of Cash and Cash Equivalents and Overdrafts and Bank loans. Further details of the amounts involved are disclosed in note 14.

The errors arose because of lack of formality in accounting policies, failure to review and implement accounting standards correctly, and lack of appropriate structure and training in the finance department.

(j) Policy misapplication – consignment stock

Following an acquisition in prior years, the Group failed to ensure that the accounting policy for consignment stock was applied consistently to the newly acquired business. This has since been rectified in finalising the financial statements, resulting in an increase in stock and consignment stock creditors of £22m in 2017.

The error arose because of lack of formality of procedures to ensure that accounting policies were applied consistently for acquisitions.

Cash flow statement

With the exception of the omitted bank accounts referred to above, the impact of the adjustments does not affect the net movement in cash and cash equivalents for 2018. However, by adjusting for the items above, there have been a number of reclassifications of items between Operating, Investing and Financing cash flows. These are primarily attributed to the combination of the effect of the adoption of IFRS 16 and the correction of accounting policies applied to the Group's vehicle leasing companies. As detailed above, the Group previously treated these transactions as sales which was incorrect because control was retained. As a consequence, the cash flow statement previously treated such transactions as operating cash flows. In restating the cash flow statement for the revised policy, this results in:

- An increase in investing outflows to reflect the purchase of rental fleet assets; and
- An increase in financing inflows and outflows to reflect the financial liabilities arising in connection with the financing of the vehicle lease arrangements.

Remediation activity

We are addressing the issues identified with the steps in the table below

Remediation action	Addresses issues
Formalisation of accounting policies including upgrading technical accounting resource	(b),(c),(d),(e),(f),(g),(h) (i) and (j)
Implementation of formal financial processes and a procedures manual and training of all finance staff	(a),(b),(c),(d), (e), (f),(g),(h) (i) and (j)
Restructuring of Finance Team to more closely align to the Group operating model and implementation of a first line of defence operational finance review team	(a),(c),(d),(g),(h) (i) and (j)
Implementation of a minimum control standards compliance review of all dealerships and Head Office on a twice a year basis	(a),(c),(d), (e), (f), (g),(h), (i) and (j)
Implementation of a financial reporting attestation for senior finance and operation management on a twice a year basis	(a),(b),(c),(d), (e), (f),(g),(h) (i) and (j)
Implementation of a central approval, review and oversight process for all major financial reporting risk or judgemental areas	(a),(b),(c),(d), (e), (f),(g),(h) (i) and (j)
Standardisation where possible of the Dealer Management System allowing standardised processes and reporting, easier central visibility and interrogation of ledgers and centralisation of critical activities	(a),(c),(d),(e), (f),(g) (h) and (j)

The design of the remediation activity has included input from internal audit to provide quality assurance and robustness of the enhanced controls and procedures and internal audit will also provide a third line of defence assurance capability following the rollout of remediation activity

RISK OVERVIEW AND MANAGEMENT

Enterprise Risk Management Framework

Lookers is exposed to internal and external risks as part of our on-going activities. Enterprise risks are identified by the business on an ongoing basis and escalated through risk management processes and reporting. This is done through undertaking horizon scanning, maintaining ongoing dialogue with the business and keeping up to date with wider market and environment movements. These risks are managed as part of our business model. To manage our risks an Enterprise Risk Management Framework (ERMF) has been developed. The Enterprise Risk Management Framework defines the categorisation of the risks faced by Lookers and sets the high-level principles and underpinning minimum requirements for the identification, assessment, monitoring and controlling of each of those risk categories in line with Lookers' defined risk appetite. The aim is to support the business in embedding effective risk management and a strong risk management culture. The ERMF specifies the framework within which we identify and manage the principal risks to Lookers and the approach to managing them. We adopt a 'three lines of defence' model. The management of risk is embedded into each level of the business.

Three Lines of Defence

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

- **The First Line of Defence** (the business) are accountable for owning, taking and managing the risk
- **The Second Line of Defence** (Risk and Compliance) operate independently of the first line. They do not own the risk but instead independently oversee, advise and challenge the first line activity
- **The Third Line of Defence** (Internal Audit) provide independent assurance to the Board of the controls

Risk appetite framework

The risk appetite framework defines the level of risk we are willing to take across the different risk types. Risk appetite is key for our decision-making process, including ongoing business planning, new products approvals and business change initiatives.

In pursuing its business strategy, Lookers recognises a range of possible outcomes/objectives. The Board sets the "tone from the top" and provides a basis for ongoing dialogue between management and Board with respect to Lookers current and evolving risk profile, allowing strategic and financial decisions to be made on an informed basis.

Financial reporting

The Executive Directors oversee the preparation of the Group's annual corporate plan; the Board reviews and approves it and monitors actual performance against it on a monthly basis. When deemed appropriate, revised forecasts are prepared and presented for Board review and approval. To ensure that information consolidated into the Group's financial statements is in compliance with relevant accounting standards and the Group's own accounting policies, internal reporting data is reviewed regularly.

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

During 2019 there have been continued evolution of the Group's internal controls over financial reporting, including the development of a Financial Risk Policy and supporting Policy Standards and a review of the underpinning processes and procedures, as a part of the wider work on the Enterprise Risk Management Framework. Progress has been made in a number of key areas; however, the Board has identified areas where further improvement is required, both in respect of the ERMF requirements and in recognition of weaknesses identified from the fraud Investigation and balance sheet review performed by Grant Thornton. The Board considers the issues that were identified as being varied in nature arising from weaknesses in the design and implementation of policies and procedures, an insufficiently resourced and skilled finance function and instances of failure to follow policies and procedures where they existed. Further details of the causes are identified in the Financial Review. In parallel to this, consideration has also been made regarding the application and impact of the new IFRS which are relevant for this and previous reporting periods.

The Board has recognised the issues arising from the Grant Thornton Investigation, and the continued development of the ERMF and has implemented a review and improvement programme for financial reporting including support from PwC LLP. This programme will formalise current best practice, roles and responsibilities, improve documentation of processes, and invest in people and systems to improve consistency of financial reporting and reduce scope for management override. The three lines of defence model used throughout the Group will be further enhanced.

Controls have been designed to ensure that the Group's financial reporting presents a true and fair reflection of the Group's financial position. The Board has acknowledged the significant weakness in the control environment identified by the GT investigation and its own internal reviews. Responding to these weaknesses it has considered and approved significant improvements to the Group's financial reporting structure. Many of these improvements have been implemented although the process of improving controls will continue during the remainder of 2020 and 2021.

Overview of principal risks and uncertainties

Appreciating that the operation of any business entails an element of risk, the Board maintains a policy of continuous identification and review of risks which may cause the actual future Group results to differ materially from those expected. The tables below give an overview of the principal risks and their impacts faced by the Group aligned to an indication of corresponding controls and mitigating factors. These risks are not intended to represent an exhaustive list of all potential risks and uncertainties, and the factors outlined below should be considered in conjunction with the Group's system for managing risk as described below and in the Governance section of the Annual Report & Accounts.

Financial risks			
No.	Principal risk and description	Impact	Mitigating activity
1.	**Funding and liquidity risk** • The risk that Lookers does not hold enough liquid assets to meet our financial obligations. Funding risk is the risk that Lookers is unable to meet its strategic and business objectives due to lack of funding availability. Liquidity risk is the shorter-term risk that Lookers may be unable to access cash, or bank facilities such as deposits, overdrafts or loans, required to meet its day-to-day business requirements.	• Failure of the Group to secure Bank funding, leading to a dramatic reduction in profitability which may adversely change the lending decision by banks. • Failure of the Group to secure Bank funding, leading to lack of cash to meet short term funding needs owing to banking convents being breached.	• We ensure that this risk is managed by preparing regular financial forecasts to evaluate our funding and liquidity requirements for the foreseeable future. These forecasts are reviewed and approved, and appropriate solutions are put in place. • We ensure that monthly budget management accounts are monitored. • We ensure that debt to equity ratios remain in line with policies. • We ensure that the position with our Bank Club is kept under continual review including compliance of our covenants. • We ensure that cash, or short term, deposits exceed short term liabilities. • The management of this risk has been under close daily review throughout the period of the COVID-19 outbreak and tactical measures put in place as appropriate to ensure an appropriate level of liquidity and funding until such time as the business returns to our normal trading environment. • The Group applied for and received support from the Government's emergency measures for business, notably the Coronavirus Job Retention Scheme • We strive to achieve optimal working capital efficiency and debt repayment forecasting. We continually maintain open dialogue with the banking club
2.	**Pension risk** • The risk that Lookers does not adequately manage pension liabilities.	• Failure to manage the pension deficit leading to an increase in the deficit which	• We maintain relationships with pension trustees and deliver against pension investment plan. We have kept both the trustees and regulator informed as we have managed the threats posed by the business being temporarily

	• The Group is required to managing funding contributions to its defined benefit pension obligations.	impacts on the level of deficit payments we are required to make to the scheme. Indirectly it may also have an adverse implication on share price and credit rating. • Any deterioration in our credit rating would increase our cost of borrowing and may limit the availability or flexibility of future funding for the Group, thereby affecting our ability to invest, pay dividends or repay debt as it matures.	closed as a result of COVID-19. • We regularly review investment performance and liability. The investment strategy aims to partly mitigate the impact of increases in liabilities, for example by investing in assets that will increase in value if future inflation expectations rise. The assets held are also well diversified reducing the impact. • We maintain an open and ongoing dialogue with the pension trustees understanding their expectations of funding and sharing with them our financial status and performance.

It should be noted that the Group has had to respond to the crystallisation of two material risks in the period between year-end and producing the final ARA. The first was the identification of an internal fraud (misappropriation of expenses) in one of our trading divisions. This fraud (totalling circa £327K across multiple years) was perpetrated by one individual and he is now the subject of a criminal Investigation. Whilst investigating that fraud, we also identified a material misstatement in the year end accounts for that trading division that saw us pause the publication of our Annual Report & Accounts and undertake a forensic accounting Investigation across all our divisions and Central Functions.

The conclusion of this accounting Investigation has been disclosed in the Chairman's statement and the Financial Review. As a result of this exercise, we have accelerated the implementation of the Financial Risk minimum standards and controls mandated as a part of the ERMF. The second has been the emergence of COVID-19 and the range of management actions that the Group has had to take to protect both colleagues and customers. Both of these risks have had a material impact of the Groups risk profile and final reporting position.

The Board carries out a top down risk assessment of the most significant strategic risks to the achievement of the Group's strategic objectives.

These risks are considered to be those that could cause the greatest damage if not effectively evaluated, understood and managed. The Board keeps the Group's risk appetite under periodic review in light of changing market conditions and the Group's performance and strategic focus.

Regulatory risk			
No.	Principal risk and description	Impact	Mitigating activity
3.	**Regulatory compliance risk** • Where the Group's activities are subject to regulatory compliance there is risk that there will be failure to comply with applicable laws, regulations, and codes.	• Potential poor customer outcomes, loss or imposition of penalties, damages or fines. • Failure to address forthcoming regulatory developments. • Failure to maintain appropriate regulatory permissions for Lookers activities. • Failure to manage regulatory relationships effectively. Failure to comply with appropriate reporting disclosure and associated requirements.	• We have invested considerably during the year on capability and capacity within the Risk and Compliance function to support the business and manage our relationship with regulators and other stakeholders. • We have a Legal function which supports colleagues in identifying and limiting Legal risks. • We have undertaken a regulatory rule mapping risk assessment exercise to ensure applicable regulations are caught and built appropriate compliance frameworks. • We conduct horizon scanning processes to identify changes in regulatory expectations.

			These include any changes that may be required as a result of the FCA supervisory review and enforcement process. • We ensure that we maintain open and transparent relationships with our regulator. In the period we have continued to work closely not only with our Supervisory Team but also the Enforcement Team that are reviewing some of our historic sales practices and the Primary Market Oversight division who we have kept informed of the developments with the year-end accounts and suspension of our shares. • We have also engaged appropriate external advisors to provide knowledge and assurance to enable the Board to assess its compliance with its legal and regulatory obligations as and when appropriate. • We have identified a number of gaps in our financial reporting and financial control processes which we are addressing by formalising procedures, training staff, recruiting additional staff and implementing compliance reviews.

Conduct risk			
No.	Principal risk and description	Impact	Mitigating activity
4.	**Conduct risk** • Conduct risk is a risk that our behaviours, attitudes, motivations and actions lead to unfair customer outcomes or poor standards of customer conduct in our trading activities.	• Ineffective governance and monitoring arrangements leading to unfair customer outcomes. • A culture that does not put the customer at the heart of everything we do. • Failure to securely maintain and monitor our customer data. • Failure to have procedures in place to identify and treat vulnerable customers appropriately. • Failure to design products in accordance with the firm's business strategy or to meet customer needs. • Failure to manage complaints and investigate appropriately.	• We have invested considerably during the year on capability and capacity within the Compliance function to support the business and manage our relationship with the regulators and other stakeholders. We ensure that fair customer outcomes are embedded within our corporate strategy. • Our remuneration incentives, commissions and performance management practices are being designed to drive the right behaviours helping to deliver fair customer outcomes. • We continually work towards ensuring the accuracy, security and consistency of the customer data that we hold. • We ensure that identification and fair treatment of vulnerable customers is integral to the Lookers way of doing business. • We ensure new financial promotions, sales process and products design processes are based on robust market research and deliver clear and simple products that meet the needs of our customers. • We deliver effective training to help our people understand how they can deliver the best customer outcomes.

Financial crime risk			
No.	Principal risk and description	Impact	Mitigating activity
	Financial crime risk • The risk that Lookers is used to launder the proceeds of crime, finance terrorist activities, commit fraud or evade financial sanctions. This includes any actions perpetrated against Lookers involving fraud, theft, dishonesty, internal or external, misconduct or misuse of information relating to a financial market.	• We fail to protect our customers and our business from breaching obligations designed to prevent and deter the risk of Lookers being used to facilitate financial crime. • Failure to comply with the Group's obligations under the Corporate Criminal Offence legislation and the subsequent consequences	• We have put financial crime policies and procedures in place and trained our colleagues accordingly to ensure that all colleagues understand their obligations of reporting all Anti Money Laundering-related suspicions or concerns. • We ensure that colleagues understand their obligations and put in place processes that allow them to report all suspicions of internal fraud/malpractice by colleagues, contractors or suppliers. • We ensure that anonymous reporting processes are in place via the whistleblowing process. • Where instances of financial crimes arise such as the internal expenses fraud experienced in the reporting period these are thoroughly investigated and where appropriate criminal prosecution is pursued.

Strategic risk			
No.	Principal risk and description	Impact	Mitigating activity
6.	**Strategic and business risk** The risk that insufficient strategic planning and/or poor execution result in a failure to: • adequately manage relationships with the manufacturers. • adapt to changing market demands including autonomous driving, EVs and shared mobility demands. • adequately prepare for departure from the EU.	• Failure to demonstrate the value-add of the franchise model resulting in manufactures moving to direct to customer sales model. • Failure to meet customers demand for greener vehicles and adapt the business model to potentially lower demand of diesel vehicles resulting in revenue and profits suffering damage. • Failure to prepare for Brexit and the departure from the EU, impacting supply chain • General economic uncertainty or downturn in consumer confident arising from Brexit or other macro-economic issues e.g. a COVID-19 resulting in loss of revenue and operating profit.	• We have comprehensive management information which tracks performance against strategic objectives and allows dynamic adjustments to be made to inventories, pricing and procurement processes in order to respond to market forces. • We maintain manufacturer and brand diversity in order to reduce risk. • We continually work on improving existing day-to-day business relationships with manufacturers. • We consider our manufacturers when setting our own business objectives and strategies. • We ensure that research is conducted, and industry leading advice is sought when setting the strategic objectives. • The impact on our market of the COVID-19 outbreak is being carefully managed so that the firm is best placed when the restrictions are relaxed. • Work undertaken has included a shift in strategic focus to digital and contactless journeys, ensuring that we can meet the needs of our OEM partners and customers whilst ensuring safety, compliance and confidence. • We are working closely with our OEM partners who manage the global automotive supply chain to develop the necessary mitigating actions to address the eventual form that Brexit takes. • We mitigate economic risk by managing a balanced portfolio of new vehicle sales, used vehicle sales and after sales and continually optimising our Dealerships and operating model.

Operational risk			
No.	Principal risk and description	Impact	Mitigating activity
7.	Operational risk is defined as a failure of our people, policies or procedures and is divided into a number of subcategories (Level 2 Risks) including: **Information, IT and Cyber security and business continuity risk** • The Group relies heavily on its underlying IT infrastructure both from a day-to-day operational perspective but also to generate timely management information. • The Group processes personal information, failure to protect confidential or sensitive data could result in significant operational and reputational damage. • The Group is responsible for the safeguarding of data, in accordance with the DPA 2018 and related legislation. • As the Group clearly defines its digital presence it is also mindful of the additional Cyber risks that require identification from management. **Health, safety and wellbeing risk** • The Group does not have adequate learning, development, resource and succession planning arrangements in place. • The risk that Lookers is unable to meet its business objective including legal and regulatory compliance owing to poor health and safety management and failures to comply with legal obligations. **Third party supplier and outsourcing risk** • The risk that third-party suppliers and /or critical outsourcing provider are not appropriately managed in the event of supplier failure.	• The Group is unable to meet its current and future business objectives because of Information Technology systems failures, failing to keep pace with technological change, or logistical crisis and inadequate investment in systems and controls. • Business interruption without robust business continuity provisions could materially impact the ability to service customers and clients, resulting in reputational damage and associated financial loss. • Failure of the Group to develop, retain and motivate highly skilled employees, in a safe working environment that are necessary to support operations. • The Group fails to meet its legal and regulatory compliance, because of inappropriate sourcing decisions including outsourcing, errors or omissions in supplier contracts, and / or supplier failure. • The Group could be subject to Cyber-attack resulting in business interruption, theft of data or ransom.	• We have established Operational Risk policies which are regularly reviewed. • We continually invest in our IT infrastructure. • We are making risk management improvements involving people, processes and technology as well as prioritising the work according to our assessments of security and resilience exposure. • We have continued to tighten our control of sensitive personal data in accordance with the Data Protection Act 2018 requirements. • We are undertaking a wide-ranging programme of work to enhance our Cyber and information security controls. • We have implemented incident management processing to ensure major incidents are dealt with appropriately and problems are logged and actively progressed to resolution. • We undertake risk and control assessments to monitor compliance. • We continually monitor our mandatory regulatory training to ensure that all colleagues are kept informed. • We ensure that incident reporting including lessons learnt exercises take place to meet health and safety obligations. • We have established Third Party Supplier and critical outsourcing policies which are regularly reviewed. • We ensure where relevant, that all suppliers are subject to audits to ensure our suppliers are compliant with legal and regulatory requirements. • We have developed detailed health and safety protocols to ensure social distancing and safe working practices as we begin to reopen after the COVID-19 lockdown. This includes ensuring the right level of personal protective equipment (PPE) is available at all of our sites.

The assessment of key business risks has been updated from those disclosed in the 2018 Annual Report & Accounts to incorporate additional risks pertaining to Regulatory, Conduct and Financial Crime risks. The Operational risk category includes risks that were previously disclosed in the 2018 Annual Report & Accounts as separate risks. We have not provided a trend comparison of the risk from 2018 and 2019 as we have changed the risk groupings.

Statement of Total Consolidated Comprehensive Income
For the year ended 31 December 2019 and 31 December 2018

	Note	2019 £m	2018 (restated*) £m
Revenue	1	**4,787.2**	**4,828.3**
Cost of sales		(4,274.1)	(4,315.2)
Gross profit		**513.1**	**513.1**
Net operating expenses		(526.3)	(442.3)
Operating (loss)/profit		**(13.2)**	**70.8**
Underlying operating profit		36.5	71.7
Non-underlying items	2	(49.7)	(0.9)
Net interest	3	(32.3)	(28.9)
(Loss)/profit before taxation		**(45.5)**	**41.9**
Underlying profit before taxation		4.2	42.8
Non-underlying items		(49.7)	(0.9)
Tax credit/(charge)	4	3.9	(9.3)
(Loss)/profit for the year		**(41.6)**	**32.6**
Actuarial gains/(losses) on pension scheme obligations (not recycled to profit and loss)	15	7.1	(7.2)
Deferred tax on pension scheme obligations (not recycled to profit and loss)	4	(1.2)	1.2
Total other comprehensive income/(expense) for the year		**5.9**	**(6.0)**
Total comprehensive (expense)/income for the year		**(35.7)**	**26.6**
Attributable to:			
Shareholders of the company		(35.7)	26.6
(Loss)/earnings per share:			
Basic (loss)/earnings per share (p)	6	(10.69)	8.26
Diluted (loss)/earnings per share (p)**	6	(10.69)	7.94

*Details of the restatements due to presentational changes, correction of errors and adoption of IFRS 16 are in Note 19

**In the year ended 31 December 2019 the basic and diluted earnings per share are equal as a result of the Group incurring a loss for the year. This has therefore created an anti-dilutive impact.

Consolidated Statement of Financial Position
As at 1 January 2018, 31 December 2018 and 31 December 2019

	Note	Group 2019 £m	Restated * 2018 £m	Restated * 1 Jan 2018 £m
Non-current assets				
Goodwill	7	81.9	111.7	104.7
Intangible assets	8	114.2	113.4	111.3
Property, plant and equipment	9	429.2	416.8	410.3
Right of use assets	10	107.7	103.3	84.2
Deferred tax assets		-	-	-
		733.0	**745.2**	**710.5**
Current assets				
Inventories	12	956.5	972.9	941.8
Trade and other receivables		140.2	160.8	233.5
Current tax receivable		9.8	-	-
Rental fleet vehicles		59.4	54.2	60.9
Cash and cash equivalents		150.3	152.8	135.6
Assets held for sale	11	10.0	8.0	-
		1,326.2	**1,348.7**	**1,371.8**
Total assets		**2,059.2**	**2,093.9**	**2,082.3**
Current liabilities				
Bank loans and overdrafts	14	119.4	110.0	108.8
Trade and other payables		1,261.5	1,220.4	1,250.8
Lease liabilities	14	18.5	18.6	15.8
Current tax payable		-	3.3	1.9
		1,399.4	**1,352.3**	**1,377.3**
Net current (liabilities)/assets		**(73.2)**	**(3.6)**	**(5.5)**
Non-current liabilities				
Bank loans	14	90.4	128.7	122.8
Trade and other payables		42.3	39.3	39.0
Lease liabilities	14	115.6	109.8	89.3
Provisions	13	10.4	-	-
Pension scheme obligations	15	55.7	68.9	63.8
Deferred tax liabilities		34.0	33.0	31.6
		348.4	**379.7**	**346.5**
Total liabilities		**1,747.8**	**1,732.0**	**1,723.8**
Net assets		**311.4**	**361.9**	**358.5**
Shareholders' equity				
Ordinary share capital		19.5	19.4	19.9
Share premium		78.4	78.4	78.4
Capital redemption reserve		15.1	15.1	14.6
Retained earnings		198.4	249.0	245.6
Total equity		**311.4**	**361.9**	**358.5**

*Details of the restatements due to presentational changes, correction of errors and adoption of IFRS 16 are made below in Note 19.

Consolidated Statement of Changes in Equity
As at 1 January 2018, 31 December 2018 and 31 December 2019

Year ended 31 December 2018 (restated*)	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2018		19.9	78.4	14.6	272.1	385.0
Correction of errors		-	-	-	(7.1)	(7.1)
Effects of new accounting standards		0.0	0.0	0.0	(19.4)	(19.4)
As at 1 January 2018 (restated*)		19.9	78.4	14.6	245.6	358.5
Profit for the year		-	-	-	32.6	32.6
Total other comprehensive expense for the year		-	-	-	(6.0)	(6.0)
Total comprehensive income for the year		-	-	-	26.6	26.6
New shares issued		-	-	-	-	-
Share based compensation		-	-	-	1.7	1.7
Share buy-back		(0.5)	-	0.5	(9.3)	(9.3)
Foreign exchange translation differences		-	-	-	-	-
Dividends paid	5	-	-	-	(15.6)	(15.6)
As at 31 December 2018 (restated*)		**19.4**	**78.4**	**15.1**	**249.0**	**361.9**
Year ended 31 December 2019						
As at 1 January 2019		19.4	78.4	15.1	249.0	361.9
Loss for the year		-	-	-	(41.6)	(41.6)
Total other comprehensive income for the year		-	-	-	5.9	5.9
Total comprehensive expense for the year		-	-	-	(35.7)	(35.7)
New shares issued		0.1	-	-	-	0.1
Share based compensation		-	-	-	1.4	1.4
Foreign exchange translation differences		-	-	-	(0.4)	(0.4)
Dividends paid	5	-	-	-	(15.9)	(15.9)
As at 31 December 2019		**19.5**	**78.4**	**15.1**	**198.4**	**311.4**

*Details of the restatements due to presentational changes, correction of errors and adoption of IFRS 16 are made below in Note 19.

Consolidated Statement of Cash Flows
For the year ended 31 December 2019

	Note	2019 £m	Restated* 2018 £m
Cash flows from operating activities			
(Loss)/profit for the year		(41.6)	32.6
Tax (credit)/charge		(3.9)	9.3
Depreciation of property, plant and equipment, rental fleet and right of use assets		54.1	46.1
Profit on disposal of property, plant and equipment	2	(5.2)	(3.6)
Gain on lease surrenders		(0.4)	0.0
Amortisation of intangible assets		6.1	5.6
Share based compensation		1.4	1.7
Impairment of property, plant and equipment	2	4.3	-
Impairment of right of use assets	2	1.8	-
Impairment of intangible assets (underlying)	2	0.4	0.5
Impairment of goodwill and intangible assets (non-underlying)	3	30.4	-
Interest income excluding pension related interest	3	0.0	(0.3)
Interest payable excluding pension related interest and debt issue costs	3	30.0	26.4
Debt issue costs		0.4	1.1
Difference between pension charge and cash contributions		(6.1)	(2.1)
Proceeds from sale of vehicles for long term leasing		11.3	12.8
Proceeds from sale of rental fleet vehicles		58.7	72.2
Creation of provisions		10.4	-
Changes in inventories		23.1	(28.2)
Changes in receivables		20.6	49.6
Changes in payables		25.3	(32.9)
Cash generated from operations		221.1	190.8
Interest paid		(24.3)	(20.9)
Interest paid - finance leases		(5.7)	(5.5)
Interest received		0.0	0.3
Tax paid		(9.3)	(7.1)
Net cash inflow from operating activities		**181.8**	**157.6**
Cash flows from investing activities			
Purchase of property, plant and equipment		(45.8)	(21.5)
Purchase of vehicles for long term leasing		(35.5)	(26.1)
Purchase of rental fleet vehicles		(61.7)	(60.1)
Purchase of intangibles		(7.9)	(7.9)
Purchase of subsidiaries net of cash received		-	(13.7)
Proceeds from disposal of property, plant and equipment		17.6	35.1
Net cash outflow from investing activities		**(133.3)**	**(94.2)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares		0.1	-
Redemption of ordinary shares		-	(9.3)
Receipt of funding advanced for vehicle leasing arrangements		76.5	72.7
Repayment of funding advanced for vehicle leasing arrangements		(69.0)	(79.3)
Repayment of loans	14	(1.4)	(14.6)
Draw down on RCF	14	186.9	135.3
Repayment on RCF	14	(224.2)	(134.1)
Repayment of lease liabilities	14	(15.6)	(14.2)
Receipt of lease incentives	14	1.2	-
Dividends paid		(15.9)	(15.6)
Net cash outflow from financing activities		**(61.4)**	**(59.1)**
(Decrease)/increase in cash and cash equivalents		(12.9)	4.3
Cash and cash equivalents at 1 January		44.3	40.0
Cash and cash equivalents at 31 December		**31.4**	**44.3**

Analysis of cash and cash equivalents			
Cash and cash equivalents		150.3	152.8
Bank overdraft		(118.9)	(108.5)
Cash and cash equivalents at 31 December		**31.4**	**44.3**

*Details of the restatements due to presentational changes, correction of errors and adoption of IFRS 16 are made below

Notes to the financial statements
For the year ended 31 December 2019

Basis of preparation

These consolidated financial statements have been prepared in accordance with the accounting policies set out in the annual report for the year ended 31 December 2019. While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), as adopted for use in the EU, this announcement does not itself contain sufficient information to comply with IFRSs. The Group expects to publish full financial statements that comply with IFRSs within two working days.

The financial statements have been prepared on the historical cost basis of accounting except as disclosed in the accounting policies set out in the annual report for the year ended 31 December 2019. The same accounting policies, presentations and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements. The annual financial statements of Lookers plc are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The Directors have made an assessment of going concern, considering the Group's cash and liquidity position, current performance and outlook, which considered the impact of the COVID-19 pandemic, using the information available up to the date of issue of these financial statements. Management have modelled a number of adverse scenarios to assess the potential impact that COVID-19 may have on the Group's operations in addition to the scenarios discussed in the Viability Statement.

During the lockdown period management worked closely with its key OEM partners, who have positively supported the business through the first three quarters of 2020 and are continuing to do so. Management also took a number of immediate actions to protect the balance sheet and cash flow including temporary closure of most of the Group's trading operations, furloughing of the majority of employees, agreement of a Time to Pay Arrangement with HMRC, deferral of capital expenditure and identification of property assets available for sale and cessation of the FY19 dividend.

Additionally, management has taken a number of longer term actions to protect cash including accelerating and investing in the development of the Group's end-to-end online ordering capability, a comprehensive review of working capital management, taking additional measures to resize the operating footprint and cost base of the business, and changed operational practices to de-risk the intra-month cash requirements.

Following the first COVID-19 lockdown, management ran two forecast scenarios to assess the liquidity needs of the business and likely impact on banking covenants. Based on further updates from the government on re-opening management revisited several of the underlying assumptions in its financial forecasts for the remainder of FY20 and FY21-23 and prepared a 3 year forecast, with the benefit of greater clarity around certain strategic decisions, OEM engagement, SMMT predictions for the sector, the Job Retention Scheme and HMRC.

The forecast has been sensitised up to 31 December 2021 for what management consider a reasonable downside scenario being a 20% decline in aftersales revenue, a compound reduction in new, used and fleet volumes of 10-20%, a significant regulatory fine and the inability to dispose of surplus properties throughout 2021. Under this scenario, the business would continue to operate within the current banking covenants up until 31 December 2021.

However, given the extent of downturn that was seen in wave 1 of COVID-19, the ongoing uncertainty of COVID-19, the risks in respect of Brexit, the uncertainty of resolution of the ongoing regulatory investigations and the macro-economic factors that could affect the Group's ability to realise surplus properties, additional stress testing of revenue volumes was performed to model further downsides in the key assumptions over and above those previously set out which the Directors considered to be severe, but plausible. This scenario, indicated that despite resilience of liquidity the aggregate of these factors gave rise to a material uncertainty which may cast significant doubt over the Company's and Group's ability to continue as a going concern in the event that, following a covenant breach, lenders elect to trigger a repayment of outstanding debt. In addition, the Group is subject to certain reporting deadlines with its lenders. Delays in achievement of those deadlines could also cause a covenant breach. In such circumstances and without actioning the various mitigating actions available, the Company and Group may be unable to realise assets and discharge liabilities in the normal course of business. The Company and Group consolidated financial statements do not include the adjustments that would result if the Company and Group were unable to continue as a going concern.

In view of the various sensitivities and additional stress testing, the Board concludes that preparing the accounts on the basis of Going Concern is appropriate.

Notes to the financial statements

For the year ended 31 December 2019

1. Segmental reporting

In preparing the financial statements the Directors have reassessed and revised the presentation of the segmental information to better reflect the Group's revenue streams, gross profit contributions and the single-segment trading nature of the business' operations. No further disclosures have been made given the single segment trading nature of the business' operations which are predominantly transacted in the United Kingdom.

In preparing the revised presentation, revenues from leasing and other revenue channels have been shown separately from aftersales and all channels have been shown as gross totals prior to the elimination of intercompany trading activity so as to provide more granular detail around the Group's internal trading activities.

	2019 £m	Mix*	2018 (restated)** £m	Mix*
New cars	2,226.4	43.0%	2,364.7	45.8%
Used cars	2,326.3	44.9%	2,215.7	43.0%
Aftersales	495.3	9.5%	464.0	9.0%
Leasing and other	134.0	2.6%	115.3	2.2%
Less: intercompany	(394.8)	-	(331.4)	-
Revenue	**4,787.2**	**100%**	**4,828.3**	**100%**

*Mix calculation excludes the effect of intercompany revenues.

**Previously New car revenue was disclosed as £2,384.8m, Used car revenues was disclosed as £1,939.4m and Aftersales was disclosed as £545.3m. No disclosures were made with regards to Leasing and other, intercompany eliminations or the relative revenue channels gross profit contributions.

Notes to the financial statements
For the year ended 31 December 2019

2. Non-underlying items

The following details items of income and expenditure that the Group has classified as non-underlying in its statement of total comprehensive income.

	Note	2019 £m	2018 £m
Non-underlying items at operating profit			
1 - Gain on property disposals	9,11	(4.9)	(2.5)
2 - Impairment of property, plant and equipment	9	3.7	-
2 - Impairment of right of use assets	10	1.8	-
2 - Restructuring costs		8.8	-
3 - Impairment of goodwill and intangible assets	7	30.4	-
4 - Value added tax (VAT)		(6.2)	-
5 - Restructure of regulated activities		4.7	-
5 - FCA provision		10.4	-
6 - Additional pension past service costs		-	3.4
7 - Accrual for potential tax penalties		1.0	-
		49.7	0.9

1 - Property disposals relate to the net gains on the sale of a number of freehold properties during the current year. In the comparative period the net gains were recognised following the sale and leaseback of two properties.

2 - In addition to the group-wide restructuring, costs relating to site closure and impairment losses have been recognised during the year net of £0.6m of insurance income recorded herein.

3 - During the year the Directors have concluded that impairment charges against the carrying value of certain elements of the groups intangible asset base is required given the current market conditions.

4 - During the year the Group has benefitted from a change in how HMRC view VAT treatment for dealer deposit contributions which was previously uncertain and has given rise to a one-off credit of £5.6m in respect of prior periods. In addition, a one-off VAT charge totalling £2.0m has been made in relation to manufacturer deposit contributions and following a challenge over accounting for VAT on Motability sales, the Group has recognised a credit of £2.6m in year ending 31 December 2019.

5 - Costs totalling £4.7m in respect of the Group wide FCA focused restructure plan have been recorded as non-underlying. These costs represent the infrequently occurring set-up expenditure for the establishment of new processes and controls and governance structure in order to improve internal control, risk assurance systems and internal audit as well as delivering best practice and an enhanced customer experience. A provision of £10.4m has been recorded in respect of FCA related matters. See Note 13 for further details

6 - In the year ending 31 December 2018, £3.4m of enhanced past service pension costs were incurred in respect of pension harmonisation charges and have been treated as non-underlying items.

7 – An accrual of £1.0m has been recognised in respect of potential tax penalties arising from the understatement of taxable profits in prior years in some of the Group's subsidiary undertakings.

Notes to the financial statements
For the year ended 31 December 2019

3. Net interest

	2019 £m	2018 (restated) £m
Interest expense:		
Interest payable on bank borrowings	(10.0)	(5.6)
Interest on consignment, repurchase vehicle liabilities and stocking loans	(12.1)	(13.1)
Leasing finance interest	(2.2)	(2.2)
Interest on lease liabilities	(5.7)	(5.5)
Interest cost on defined benefit pension obligation	(8.1)	(7.4)
Debt issue costs	(0.4)	(1.1)
	(38.5)	(34.9)
Interest income:		
Interest income on bank balances	-	0.3
Interest income on pension scheme assets	6.2	5.7
	6.2	6.0
Net interest	(32.3)	(28.9)

4. Taxation

	2019 £m	2018 (restated) £m
Current tax (credit)/charge:		
Current year	(1.2)	11.1
Adjustment in respect of prior years	(2.5)	(1.8)
	(3.7)	9.3
Deferred tax (credit)/charge:		
Deferred tax - origination and reversal of temporary differences	0.2	-
Adjustment in respect of prior years	(0.4)	-
	(0.2)	0.0
Total tax (credit)/charge	(3.9)	9.3
Tax on items charged to other comprehensive income:		
Tax on pension scheme obligations	1.2	(1.2)
	1.2	(1.2)
Reconciliation of total tax		
(Loss)/profit before tax	(45.5)	41.9
Standard rate of corporation tax at 19% (2019: 19%)	(8.6)	7.9
Disallowable items	6.4	2.8
Share based compensation	0.7	0.5
Adjustment in respect of prior years	(2.9)	(1.8)
Difference on overseas tax rate	0.5	(0.1)
Total tax	(3.9)	9.3

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the deferred tax liability as at 31 December 2019 has been calculated at this rate. In the 11 March 2020 budget it was announced that the UK tax rate will remain at the current rate of 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the Group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have increased by £4.0m.

Notes to the financial statements
For the year ended 31 December 2019

5. Dividends

Group

	2019 £m	**2018 £m**
Interim dividend for the years ended 31 December 2019 and 2018 1.48p (2018: 1.48p)	5.8	5.8
Final dividend for the years ended 31 December 2018 and 2017 2.60p (2017: 2.48p)	10.1	9.8
	15.9	15.6

The Directors do not propose a final dividend in respect of the financial year ended 31 December 2019 (2018: final dividend 2.60p).

6. (Loss)/earnings per share

	2019	**2018 (restated)**
(Loss)/earnings attributable to ordinary shareholders (£m)	(41.6)	32.6
Weighted average number of shares in issue	389,182,654	394,662,632
Basic (loss)/earnings per share (p)	(10.69)	8.26
(Loss)/earnings attributable to ordinary shareholders (£m)	(41.6)	32.6
Dilutive effect of share based payment options and weighted average number of shares in issue	393,961,890	410,404,570
Diluted (loss)/earnings per share (p)	(10.69)	7.94
(Loss)/profit before tax (£m)	(45.5)	41.9
Add: Non-underlying items (£m)	49.7	0.9
Underlying profit before tax (£m)	4.2	42.8
Tax rate	19.0%	19.0%
Underlying tax (£m)	(0.8)	(8.1)
Underlying earnings attributable to ordinary shareholders (£m)	3.4	34.7
Weighted average number of shares in issue	389,182,654	394,662,632
Underlying basic earnings per share (p)	0.87	8.78

In the year ended 31 December 2019 the basic and diluted earnings per share are equal as a result of the Group incurring a loss for the year. This has therefore created an anti-dilutive impact. The diluted weighted average number of shares in issue in 2019 was 393,961,890. The weighted average number of ordinary shares in 2018 has been restated following a restatement to the Company's share capital at 31 December 2018 and earnings per share have been restated following the adoption of IFRS 16 and the recognition of prior period adjustments.

Notes to the financial statements
For the year ended 31 December 2019

7. Goodwill

Group

Cost	**2019 £m**	**2018 (restated) £m**	**2017 (restated) £m**
At 1 January	122.4	115.1	119.3
Correction of errors	-	-	(4.2)
At 1 January (restated)	122.4	115.1	115.1
Additions	-	7.3	-
As at 31 December	122.4	122.4	115.1
Aggregate impairment			
At 1 January	10.7	10.4	10.4
Charge for the year	29.8	0.3	-
As at 31 December	40.5	10.7	10.4
Carrying amount at 31 December	**81.9**	**111.7**	**104.7**

Following the Group's annual impairment review and a deterioration in expected market conditions underpinning the value in use calculations, an impairment charge of £29.8m has been recognised during the year (2018: £0.3m).

The following table summarises goodwill and intangibles with an indefinite useful economic life allocated by CGU:

CGU	**2019 Goodwill £m**	**2019 Licence and brands £m**	**2019 Total £m**	**2018 Goodwill £m**	**2018 Licence and brands £m**	**2018 Total £m**	**2017 Goodwill £m**	**2017 Licence and brands £m**	**2017 Total £m**
JLR	9.0	-	9.0	11.8	-	11.8	11.8	-	11.8
Audi	22.1	28.9	51.0	22.1	28.9	51.0	22.1	28.9	51.0
Charles Hurst	9.4	-	9.4	9.4	-	9.4	9.4	-	9.4
Renault Nissan Dacia	2.6	2.9	5.5	2.6	2.9	5.5	2.6	2.9	5.5
Mercedes-Benz	15.2	28.2	43.4	15.2	28.2	43.4	15.2	28.2	43.4
Volkswagen	6.9	15.9	22.8	6.9	15.9	22.8	7.2	15.9	23.1
Ford	7.4	2.9	10.3	24.8	2.9	27.7	17.5	2.9	20.4
BMW	0.0	21.7	21.7	9.6	22.3	31.9	9.6	22.3	31.9
Vauxhall	0.2	-	0.2	0.2	-	0.2	0.2	-	0.2
Fleet & Leasing	9.1	-	9.1	9.1	-	9.1	9.1	-	9.1
	81.9	**100.5**	**182.4**	**111.7**	**101.1**	**212.8**	**104.7**	**101.1**	**205.8**

Figures included in the 2017 and 2018 goodwill allocations by CGU have been re-presented following the recognition of prior period adjustments.

The Group’s three-year strategic review considers the Group’s profit and loss, cashflows, debt and other key financial ratios over the period.

7. Goodwill (continued)

There are a number of key assumptions within these forecasts and these have been based on management's past experience and knowledge of the market. The key assumptions that have been used in determining the value in use of each cash generating unit in the impairment model are set out in the table below:

Assumption	2019	2018	2017
One to five-year revenue growth	0.0% to 1.0%	0.0% to 1.4%	0.0% to 1.6%
One to five-year operating expenses growth	0.0% to 2.0%	0.0% to 1.1%	0.0% to 1.1%
Post year five growth rate	0%	0%	0%
Discount rate	8.51%	8.70%	9.70%

The value-in-use of each CGU is calculated using cash flow projections for a five-year period; from 1 January 2020 to 31 December 2024. These projections are based on the Board approved budget for the year ending 31 December 2020 forming the basis for the Group's strategic plan. The key assumptions in the most recent annual budget on which the cash flow projections are based relate to expectations of sales volumes and margins and expectations around changes in the operating cost base.

The pre-tax adjusted discount rate used has been calculated using the Group's estimated cost of capital, adjusted for the impact of IFRS 16 and benchmarked against externally available data.

As noted above an impairment of £29.8m has been recognised to reduce the carrying amount of goodwill in three cash generating units where the value in use estimation was lower than the associated carrying value. Acknowledging continued uncertainty in the UK economy, including the impact of post-Brexit negotiations, we have performed further sensitivity analysis. This principally has been a reduction in forecast revenues and associated margins of up to 5.5% and 2.5% respectively as well as up to 2.0% increase in direct costs. This shows that, with the exception of the JLR, Ford and BMW CGU's, no impairment arises in response to reasonable possible change scenarios as at 31 December 2019 balance sheet position. This sensitivity reduces the headroom on the Renault Nissan Dacia CGU to £0.9m and for the three CGU's that show additional impairment, the additional impairment that would arise is as follows:

CGU	Additional impairment - £m
JLR	15.9
Ford	11.9
BMW	5.9
Total	**33.7**

Details with regards to subsequent events effecting the carrying value of goodwill and non amortised intangible assets are considered in Note 16.

Since the finalisation of the impairment review the Group has merged the operational activities of the Renault Nissan Dacia CGU with that of the Vauxhall CGU. Subsequent impairment reviews will therefore be undertaken based on this revised CGU.

Notes to the financial statements
For the year ended 31 December 2019

8. Intangible assets

Group	Licences and brands £m	IT development £m	Total £m
Cost			
At 1 January 2018	102.6	23.8	126.4
Additions	-	7.9	7.9
At 31 December 2018	102.6	31.7	134.3
At 1 January 2019	102.6	31.7	134.3
Additions	-	7.9	7.9
At 31 December 2019	102.6	39.6	142.2
Accumulated amortisation and impairment			
At 1 January 2018	1.5	12.6	14.1
Correction of errors	-	1.0	1.0
At 1 January 2018 (restated)	1.5	13.6	15.1
Charge for the year	-	5.6	5.6
Correction of errors	-	0.2	0.2
At 31 December 2018 (restated)	1.5	19.4	20.9
At 1 January 2019	1.5	19.4	20.9
Charge for the year	-	6.1	6.1
Impairment charge	0.6	0.4	1.0
At 31 December 2019	2.1	25.9	28.0
Carrying amount			
As at 1 January 2018 (restated)	101.1	10.2	111.3
As at 31 December 2018 and 1 January 2019 (restated)	101.1	12.3	113.4
As at 31 December 2019	**100.5**	**13.7**	**114.2**

The impairment charge of £0.6m relating to licences and brands incurred in the year has been included in non-underlying items following the Group's annual impairment review. The impairment charge of £0.4m has been recorded in underlying items and has arisen following a review of the continued use of IT platforms that were capitalised in 2019.

At 31 December 2019 there is an amount of £nil (2018: £nil) committed for future capital expenditure.

Notes to the financial statements
For the year ended 31 December 2019
9. Property, plant and equipment

Group	Freehold property £m	Leasehold property £m	Motor vehicles for rental £m	Other £m	Total £m
Cost					
At 1 January 2018 (as stated)	267.8	77.7	-	77.3	422.8
Corrections of errors - policy misapplication	-	-	98.9	-	98.9
Corrections of errors - control weakness	1.4	4.2		(4.9)	0.7
Effect of IFRS 16	-	(5.8)	-	-	(5.8)
At 1 January 2018 (restated)	269.2	76.1	98.9	72.4	516.6
Additions	12.8	0.9	26.1	7.8	47.6
Additions from business combinations	11.4	0.5	-	0.6	12.5
Disposals	(13.2)	(0.1)	(1.0)	(3.3)	(17.6)
Transfers to inventories	-	-	(25.5)	-	(25.5)
Transfers to assets held for sale	(11.7)	-	-	-	(11.7)
Corrections of errors - control weakness	-		-	7.4	7.4
At 31 December 2018 (restated)	268.5	77.4	98.5	84.9	529.3
At 1 January 2019	268.5	77.4	98.5	84.9	529.3
Movements in foreign exchange	(1.0)	-	-	(0.1)	(1.1)
Additions	3.7	10.5	35.5	31.6	81.3
Disposals	(9.7)	(1.6)	(0.4)	(10.2)	(21.9)
Transfers	15.3	6.6	-	(21.9)	-
Transfers to inventories	-	-	(32.5)	-	(32.5)
Transfers to assets held for sale	(6.6)	-	-	-	(6.6)
At 31 December 2019	270.2	92.9	101.1	84.3	548.5
Accumulated depreciation and impairment					
At 1 January 2018 (as stated)	18.6	17.1	-	45.1	80.8
Corrections of errors - policy misapplication	-	-	29.8	-	29.8
Corrections of errors - control weakness	1.5	(0.4)	-	(2.9)	(1.8)
Effect of IFRS 16	-	(2.5)	-	-	(2.5)
At 1 January 2018 (restated)	20.1	14.2	29.8	42.2	106.3
Charge for the year	2.0	2.4	16.1	6.3	26.8
Disposals	(1.1)	-	(0.7)	(3.3)	(5.1)
Transfers to inventories	-	-	(14.3)	-	(14.3)
Transfers to assets held for sale	(1.2)	-	-	-	(1.2)
At 31 December 2018 (restated)	19.8	16.6	30.9	45.2	112.5
At 1 January 2019	19.8	16.6	30.9	45.2	112.5
Movements in foreign exchange	-	-	-	(0.1)	(0.1)
Charge for the year	2.5	3.0	19.0	9.5	34.0
Impairment loss	3.1	-	-	1.2	4.3
Disposals	(0.6)	(1.3)	(0.4)	(10.0)	(12.3)
Transfers to inventories	-	-	(17.6)	-	(17.6)
Transfers to assets held for sale	(1.5)	-	-	-	(1.5)
At 31 December 2019	23.3	18.3	31.9	45.8	119.3
Carrying amount					
As at 1 January 2018 (restated)	249.1	61.9	69.1	30.2	410.3
As at 31 December 2018 and 1 January 2019 (restated)	248.7	60.8	67.6	39.7	416.8
As at 31 December 2019	**246.9**	**74.6**	**69.2**	**38.5**	**429.2**

9. Property, plant and equipment (continued)

Assets in the course of construction relate to build costs that have been incurred but the property is not yet in use and are included in Other. The total of these assets held at 31 December is £3.6m (2018: £8.9m). These assets will be transferred to Freehold or Leasehold property when complete. Other includes plant and machinery, fixtures, fittings and tools and equipment.

Included within freehold property is freehold land at a cost of £7.5m (2018: £6.5m) which is not depreciated. At 31 December 2019 there is an amount of £7.2m (2018: £nil) committed for future capital expenditure.

Following the identification of prior period adjustments, the analysis of property plant and equipment has been altered to account for the restatement of leased motor vehicles for rental as property, plant and equipment. In addition, there are several other reclassifications as a result of the prior period adjustments.

During the year ending 31 December 2019 the total net book value of disposals from property amounted to £9.6m. Total proceeds received was £14.7m resulting in a gain on disposals of £5.1m.

Following the Group's restructuring program, an impairment charge of £3.1m has been recorded representing an adjustment to the expected recoverable values of assets subsequently transferred into assets held for sale. A further £1.2m has been recognised as an impairment loss against the carrying amount of affected assets following a fire at one of the Group's dealerships during 2019. At the balance sheet date £5.1m of properties have been reclassified into to assets held for sale. See Note 11 for further details.

Notes to the financial statements
For the year ended 31 December 2019

10. Right of use assets

Group	Property £m	Other £m	Total £m
Cost			
At 1 January 2018	205.3	3.6	208.9
Additions	30.7	2.4	33.1
Additions from business combinations	4.5	-	4.5
Retirements and surrenders	(0.4)	-	(0.4)
At 31 December 2018	240.1	6.0	246.1
Cost			
At 1 January 2019	240.1	6.0	246.1
Additions	19.5	2.9	22.4
Retirements and surrenders	(5.3)	(2.6)	(7.9)
At 31 December 2019	254.3	6.3	260.6
Accumulated depreciation and impairment			
At 1 January 2018	123.4	1.3	124.7
Charge for the year	10.4	2.6	13.0
Sale and leaseback remeasurement	5.2	-	5.2
Retirements and surrenders	(0.1)	-	(0.1)
At 31 December 2018	138.9	3.9	142.8
At 1 January 2019	138.9	3.9	142.8
Charge for the year	11.5	2.8	14.3
Impairment charge	1.8	-	1.8
Retirements and surrenders	(3.4)	(2.6)	(6.0)
At 31 December 2019	148.8	4.1	152.9
Carrying amount			
As at 1 January 2018	81.9	2.3	84.2
As at 31 December 2018 and 1 January 2019	101.2	2.1	103.3
As at 31 December 2019	**105.5**	**2.2**	**107.7**

Included within the Other category are leases for motor vehicles and IT equipment.

11. Assets held for sale

Lower of carrying amount and fair value less cost to sell	Group 2019 £m	Group 2018 £m	Group 2017 £m
At 1 January	8.0	-	-
Net transfers from property, plant and equipment and financial liabilities	5.1	8.0	-
Disposals	(3.1)	-	-
At 31 December	10.0	8.0	-

During the year the total carrying amount disposed from held for sale amounted to £3.1m. Total proceeds received was £2.9m resulting in a loss on property disposals of £0.2m. As a result of the restructuring events during 2019 certain properties have been transferred from property, plant and equipment into assets held for sale at 31 December 2019.

Notes to the financial statements
For the year ended 31 December 2019
12. Inventories

Group	2019 £m	2018 (restated) £m	2017 (restated) £m
Goods for resale	398.7	464.9	443.2
Vehicle spare parts for resale	24.1	28.0	34.6
Consignment vehicles	533.7	480.0	464.0
	956.5	972.9	941.8

Total write-offs of £0.0m (2018: £0.1m, 2017: £0.0m) have been incurred during the year and there has been no reversals of past write-downs (2018: none, 2017: none). Stocking loans provided by third party finance houses are secured over the vehicles used for the provision of such finance.

Included within goods for resale are vehicles leased out to staff employees on short-term lease arrangements via a third party but are still actively marketed for immediate sale to third parties by the Group as the group has not relinquished control of these vehicles. As at 31 December 2019 these total £33.0m (2018: £26.1m, 2017 £21.3m).

At 31 December 2019 the Group had entered into a number of future purchase commitments amounting to £11.6m (2018: £8.1m, 2017: £3.2m) which are not recognised in the financial statements.

13. Provisions

	Group 2019 £m	2018 £m	2017 £m
Provision in respect of regulatory matters	10.4	-	-
At 31 December	**10.4**	**-**	**-**

Group	Provisions for other charges
At 1 January 2019	-
Created in the year	10.4
Utilised during the year	-
At 31 December 2019	**10.4**

The Group is currently in discussion with the FCA on a number of matters including the past business review, ongoing enforcement review and the events that led to the delay in publishing the Annual Report & Accounts and the suspension of shares on 1 July 2020. After careful consideration of the open matters, the Board has concluded that it is more likely than not that the Group will incur an outflow of economic resources in respect of at least some of these matters and has therefore recorded a provision at 31 December 2019. The spectrum of possible outcomes which includes restitution of customer detriment, additional costs associated with the regulated activities and potential sanctions (which may or may not include a fine) is broad and the considered outcome based on that range is £10.4m.

14. Financial instruments

Movement in financial liabilities	At 1 Jan 2019 £m	Net RCF movement £m	Loan repayment £m	Lease incentives £m	Lease repayment £m	Lease receipt £m	Non-cash movement £m	At 31 Dec 2019 £m
Other loans	11.5	-	(1.4)	-	-	-	-	10.1
RCF	118.7	(37.3)	-	`	`	-	(0.6)	80.8
Lease liabilities	128.4	-	-	1.2	(15.6)	-	20.1	134.1
Vehicle rental finance liabilities	89.7	-	-	-	(69.0)	76.5	-	97.2
	348.3	(37.3)	(1.4)	1.2	(84.6)	76.5	19.5	322.2
Cash and cash equivalents	(152.8)							(150.3)
Bank overdraft	108.5							118.9
Net debt excluding lease and vehicle rental liabilities	**85.9**							**59.5**
Net debt including lease and vehicle rental liabilities	**304.0**							**290.8**

Non-cash movements in relation to IFRS 16 relate to the recognition and de-recognition of lease liabilities.

Movement in financial liabilities	At 1 Jan 2018 £m	Net RCF movement £m	Debt arising on acquisition £m	Loan repayment £m	Lease repayment £m	Lease receipt £m	Non-cash movement £m	At 31 Dec 2018 £m
Term loans	75.0	-	-	(5.0)	-	-	(70.0)	0.0
Other loans	15.2	-	5.9	(9.6)	-	-	-	11.5
RCF	45.8	1.2	-	-	-	-	71.7	118.7
Lease liabilities	105.1	-	-	-	(14.2)	-	37.5	128.4
Vehicle rental finance liabilities	96.3	-	-	-	(79.3)	72.7	-	89.7
	337.4	1.2	5.9	(14.6)	(93.5)	72.7	39.2	348.3
Cash and cash equivalents	(135.6)							(152.8)
Bank overdraft	95.6							108.5
Net debt excluding lease and vehicle rental liabilities	**96.0**							**85.9**
Net debt including lease and vehicle rental liabilities	**297.4**							**304.0**

A non-cash movement of £1.7m arose in the prior year following the retranslation of a Euro denominated loan and the reclassification and amortisation of the Group's debt issue costs. Non-cash movements in relation to IFRS 16 relate to the recognition and de-recognition of lease liabilities.

15. Pensions

The Group operates three defined benefit pension schemes, The Lookers Pension Plan (operated by Lookers plc company), The Dutton Forshaw Group Pension Plan and the Benfield Group Pension Plan. The summary of the assets, liabilities and surplus or deficits of these schemes are summarised below. The Group's risk management strategy for pension liabilities is summarised within the Strategic Review section.

During the previous year the Dutton Forshaw Group Pension Plan merged with the Lookers Pension Plan. Some assets were retained in the Dutton Forshaw Group Pension Plan to cover any remaining scheme liabilities and associated costs with closing the scheme.

	The Lookers Pension Plan 2019 £m	The Dutton Forshaw Group Pension Plan 2019 £m	The Benfield Group Pension Plan 2019 £m	Total 2019 £m
Defined benefit obligation	(283.1)	(2.7)	(14.2)	(300.0)
Scheme assets	226.4	4.4	13.5	244.3
(Deficit)/surplus	(56.7)	1.7	(0.7)	(55.7)
Amounts recognised in the income statement	2.8	0.1	-	2.9
Actuarial gains/(losses) recognised in the statement of comprehensive income	6.8	0.1	0.2	7.1
Cumulative fair value losses on plan assets	(10.5)	-	(1.0)	(11.5)

	The Lookers Pension Plan 2018 £m	The Dutton Forshaw Group Pension Plan 2018 £m	The Benfield Group Pension Plan 2018 £m	Total 2018 £m
Defined benefit obligation	(271.2)	(2.8)	(12.6)	(286.6)
Scheme assets	201.8	4.5	11.4	217.7
(Deficit)/surplus	(69.4)	1.7	(1.2)	(68.9)
Amounts recognised in the income statement	5.8	0.3	0.2	6.3
Actuarial losses recognised in the statement of comprehensive income	(6.5)	(0.1)	(0.6)	(7.2)
Cumulative fair value losses on plan assets	(17.3)	(0.1)	(1.2)	(18.6)

16. Subsequent events

COVID-19

Subsequent to the balance sheet date the UK is subject to the COVID-19 pandemic. The impact of COVID-19 on the UK resulted in the Group making the decision to temporarily close all of its dealerships and subsequently reopen following appropriate local restrictions and actions to ensure the safety and wellbeing off all staff members. The Group considers COVID-19 to be a non-adjusting subsequent event.

Given the inherent uncertainties it is not possible at this time to fully quantify the impact of COVID-19 nor provide a quantitative assessment of this impact. In light of the temporary closure of Group's dealerships and with the support of the banking club, the Group Board has made a further draw down on its revolving credit facility in order to ensure it has sufficient cash reserves available to meet its short term financial liabilities.

The Board's impairment review assessment over goodwill and non-amortised intangible assets was based on economic and market conditions prevalent at 31 December 2019.

The impact of COVID-19 is likely to result in a contraction of the market and thereby have a detrimental timing impact on the Group's expected revenues and cash inflows. As a result of this expected contraction in revenues and volumes, the level of manufacturer bonus is expected to decrease as a result of decreased volumes. It is too early to fully quantify what the impact will be in terms of the cash realisation relating to the Group's inventories and whether the Group's property portfolio and the carrying values of goodwill and non amortised intangible assets will be adversely affected.

The Group has also reassessed the impact on the Lookers Pension Plan (the Group's largest scheme) at 30 September 2020. The deficit of this scheme has been estimated to increase to £69.7m based on a decrease in the discount rate applied of 1.6% which has increased the estimate of the total of the defined benefit obligation. This increase in the benefit obligation has been offset somewhat by an increase in expected returns of scheme assets but not to the same extent. The effect of these is shown in the increase in the overall scheme deficit compared with 31 December 2019. The combined schemes had contributions of £9.0m in 2019.

Other pension scheme matters

During 2020 the Dutton Forshaw Pension Plan trustees resolved the transfer of all remaining assets and liabilities to the Lookers Pension Plan which has resulted in the Dutton Forshaw Pension Plan retaining negligible scheme assets and liabilities.

The negotiation of the Lookers Pension Plan triennial review which was completed on 31 March 2019 remains ongoing. The impact of the events in the Group and Covid-19 has delayed negotiations with the Trustees. The Pension Regulator has engaged with the Trustees and is monitoring progress of the negotiations. Working closely with the actuary and advisors, management has negotiated a position in principle with Trustees to increase payments to £12.0m plus expenses over a similar time profile for the Lookers Pension Plan. This is above the limit of £9.0m set out in the current RCF facility. This was approved by the Board on 13 November 2020. It will now require approval from the Group’s Lenders to increase the pension deficit payments on this scheme.

In a ruling issued on 20 November 2020, the High Court indicated that the trustees of the Group's defined benefit schemes could not rely on any statutory provisions, scheme rules or any discharge agreements made with the transferring members that would prevent the schemes needing to pay additional top-ups in respect of GMP equalisation. As a result, all transfers out since 17 May 1990 will need to be equalised. The Group is currently assessing the potential impact of this ruling on transfers out from its relevant pension schemes but does not believe that this impact will be material.

Fraud investigation

During the first quarter of 2020 the Board became aware of potentially fraudulent transactions arising in one of its operating divisions and in March 2020, in conjunction with Grant Thornton LLP, the Board commenced an investigation focused on the operating division concerned and identified certain misrepresented debtor balances in respect of bonus receivables together with a number of fraudulent expenses claims.

At the request of the Board the initial investigation was extended across all operating divisions. The investigation has finalised and has resulted in a number of prior period adjustments presented in the financial statements.

Notes to the financial statements
For the year ended 31 December 2019

16. Subsequent events (continued)

Post year end restructuring and portfolio management

The Board has considered the future structure of Lookers in light of potential demand, a smaller dealership estate and the structural changes taking place across the industry. As a result, the Group took the difficult decision to commence redundancy consultations across all areas of the Group which has resulted in approximately 1,500 redundancies. The Board carefully considered all options and regrettably considered this action as being necessary in the current environment to sustain and protect the Lookers business over the long term.

In addition and having worked closely with our brand partners, the Group identified a further 12 dealerships (including seven freehold sites) for either closure, consolidation or refranchising. It is estimated this will be completed by the end of 2020. Following these closures, the Group will operate from a portfolio of 136 dealerships.

17. Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

		Sales to related parties £m	Purchases from related parties £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Key management personnel of the Group:					
Other directors' interests:	2019	0.9	0.4	-	-
	2018	-	0.1	-	-

During 2019, Group companies made sales at market prices to Winterquay Limited, Bramall Properties Limited and Vantage Motor Group Limited. During both 2019 and 2018, Group companies made purchases at market prices from Bramall Properties Limited. These are considered to be related parties due to them having directors common to those of Lookers plc.

Notes to the financial statements
For the year ended 31 December 2019

18. Reconciliation of Alternative Performance Measures

The Group uses a number of Alternative Performance Measures (APMs) which are non-IFRS measures in establishing their financial performance. Like for Like is the collection of dealerships and other trading businesses that have both a full year of trading activity in the current year and prior year. The Group believes these Measures provide useful, historical financial information to assist investors and other stakeholders to evaluate the performance of the business and are measures commonly used by certain investors for evaluating the performance of the Group. In particular, the Group uses Measures which reflect the underlying performance on the basis that this provides users of the financial statements with additional useful information to better assess the a more relevant focus on the core business performance of the Group. Details of the definitions of APM's are made within the Glossary. The table below shows restated comparative figures to show the impact of the adjustments identified in the notes below. A reconciliation of the statutory measures to the Alternative Performance Measures is set out below:

Like-for-like revenue	**2019**	**2018 - restated***
Revenue (£m)	**4,787.2**	**4,828.3**
Less: Non like-for-like revenue	(228.3)	(244.3)
Like-for-like revenue (£m)	**4,558.8**	**4,584.0**
Gross profit margin		
Revenue (£m)	**4,787.2**	**4,828.3**
Gross profit (£m)	**513.1**	**513.1**
Gross profit margin (%)	**10.7%**	**10.6%**
Underlying operating profit (£m)		
Operating (loss)/profit (£m)	**(13.2)**	**70.8**
Add: Non-underlying items (£m) - Note 2	49.7	0.9
Underlying operating profit (£m)	**36.5**	**71.7**
Underlying profit before tax and underlying basic EPS		
(Loss)/profit before tax (£m)	**(45.5)**	**41.9**
Add: Non-underlying items (£m) - Note 2	49.7	0.9
Underlying profit before tax (£m)	**4.2**	**42.8**
Tax rate (%)	19.0%	19.0%
Underlying tax (£m) - Note 6	(0.8)	(8.1)
Underlying profit after tax (£m)	3.4	34.7
Weighted average number of shares in issue - Note 6	389,182,654	394,662,632
Underlying basic EPS (p)	**0.87**	**8.78**
Property portfolio and property portfolio by share		
Property, plant and equipment (£m)	**429.2**	**416.8**
Less: Other property, plant and equipment (£m) - Note 9	(36.6)	(37.8)
Less: Motor vehicles (£m) - Note 9	(73.7)	(72.1)
Property portfolio (£m)	**318.9**	**306.9**
Share capital at 31 December	390,138,374	389,038,358
Property portfolio per share (p)	**81.7**	**78.9**
Net debt excluding lease liabilities		
Bank loans and overdrafts (£m)	**209.8**	**238.7**
Less: Cash and cash equivalents (£m)	(150.3)	(152.8)
Net debt (£m)	**59.5**	**85.9**

Notes to the financial statements
For the year ended 31 December 2019

19. Other presentational changes, prior period adjustments and impact of IFRS 16

Non-underlying items
In preparing the financial statements the Board have taken the view to present the statement of total comprehensive income incorporating the disclosure of underlying and non-underlying items separately. Non-underlying items are n Note 2.

The Board have concluded that in preparing the current year statement of total comprehensive income; share based compensation charges, net interest on pension scheme obligations and debt issue costs will all be recorded within underlying profit before tax as it is no longer the view of the Board that these items are non-underlying.
In addition, in order to better reflect the retail nature of the Group's operations, expenses disclosed within administration expenses and distribution costs have been reclassified to be disclosed within Net operating expenses.

Correction of errors
During the preparation of the financial statements for the year ended 31 December 2019 the Group has identified a significant number of prior period adjustments including rectification of accounting errors, application of appropriate accounting standards and the grossing up and restatement of balance sheet accounts. Due to the number of adjustments identified and the range of income statement and balance sheet captions the adjustments relate to the effect of such adjustments are described by the following three prior period adjustment categories:

- Fictitious transactions recorded with no commercial substance or merit
- Corrections for the misapplication of the Group's accounting policies
- Corrections required following failures in the Group's internal control and processing

Further details of these adjustments are made in the restatement tables below.

IFRS 16

The fully retrospective adoption of IFRS 16 has resulted in the recognition of right of use assets totalling £84.2m at 1 January 2018. Lease premiums with a net book value totalling £3.3m previously capitalised within property, plant and equipment have been reclassified to right of use assets. The effect of this has been to increase total assets by £80.9m. Lease liabilities less than one year and movements in accruals of £0.7m for onerous leases previously recognised increase current liabilities by £15.1m. Non-current liabilities have increased by £85.2m after the recognition of long-term lease liabilities totalling £89.3m and deferred tax of £4.1m. Previously reported Shareholders' funds have decreased by £19.4m.

Profit for the year ending 31 December 2018 has been affected by an increase in depreciation of £13m, an increase in interest costs of £5.5m offset by a decrease in operating lease rental costs of £19.7m. In addition, right of use asset remeasurements for sale and leaseback transactions totalling £5.2m has been recognised. The effect of these adjustments has resulted in adjustment to profit for the year from £37.1m to £32.6m.

At 31 December 2018, right of use assets total £103.3m. Lease premiums with a net book value totalling £3.2m previously capitalised within property, plant and equipment have been reclassified to right of use assets. Lease liabilities less than one year and movements in accruals of £0.7m for onerous leases previously recognised increase current liabilities by £17.9m. Non-current liabilities have increased by £106.1m after the recognition of long-term lease liabilities totalling £109.8m and deferred tax of £3.7m. Previously reported Shareholders' funds have decreased by £23.9m.

In respect of Lookers plc company, right of use assets totalling £1.3m at 1 January 2018 (£1.2m at 31 December 2018), short term lease liabilities totalling £0.5m at 1 January 2018 (£0.6m at 31 December 2018) and long term lease liabilities totalling £0.8m at 1 January 2018 (£0.6m at 31 December 2018) have been recognised. There was negligible impact on the adoption of IFRS 16 on Shareholders' funds at 1 January 2018 and 31 December 2018.

The transition to IFRS 16 has resulted in a number of accounting judgments and estimates to be made, with a key one being the discount rate used in the calculation of the lease liability, which involves estimation. Discount rates are calculated on a lease by lease basis. For the property leases that make up substantially all of the Group's lease portfolio this been based on estimates of incremental borrowing costs. These will depend on the date of lease inception and the lease term. As a result, reflecting the breadth of the Group's lease portfolio, the transition approach adopted has required estimation of historic discount rates, and estimations as to lease lives has resulted in a number of discount rates within a wide range

Prior period adjustments

The reconciliation on pages below demonstrates the effect of the changes in presentational basis, the correction of the prior period error and the impact of changing accounting policies from those adopted in the 2018 financial statements to those now comprising the 2018 comparative period.

Notes to the financial statements
For the year ended 31 December 2018

Statement of Total Comprehensive Income (restated)

Group	As previously reported 31 December 2018 £m	Presentational adjustments £m	Correction of errors - fictitious transactions £m	Correction of errors - accounting policy misapplication £m
Revenue	**4,879.5**	**0.0**	**(1.6)**	**(45.7)**
Cost of sales	(4,364.0)	0.0	0.0	48.7
Gross profit	**515.5**	**0.0**	**(1.6)**	**3.0**
Distribution costs	(294.6)	294.6	0.0	0.0
Administration expenses	(153.3)	153.3	0.0	0.0
Share based compensation	(1.7)	1.7	0.0	0.0
Net operating expenses		(441.9)	0.0	(0.1)
Gain on property, plant and equipment	7.7	(7.7)	0.0	0.0
Operating profit	**73.6**	**(0.0)**	**(1.6)**	**2.9**
Underlying operating profit	73.6	(4.3)	(1.6)	2.9
Non-underlying items below operating profit		4.3	0.0	0.0
Net interest	(18.3)	(2.2)	0.0	(2.9)
Net interest on pension scheme obligations	(1.7)	1.7	0.0	0.0
Debt issue costs	(0.5)	0.5	0.0	0.0
Profit before taxation	**53.1**	**(0.0)**	**(1.6)**	**(0.0)**
Underlying profit before taxation	53.1	(4.3)	(1.6)	(0.0)
Non-underlying items		4.3	0.0	0.0
Tax charge	(9.6)	0.0	0.0	0.0
Profit for the year	**43.5**	**(0.0)**	**(1.6)**	**(0.0)**
Actuarial losses on pension scheme obligations	(7.2)	0.0	0.0	0.0
Deferred tax on pension scheme obligations	1.2	0.0	0.0	0.0
Total other comprehensive expense for the year	**(6.0)**	**0.0**	**0.0**	**0.0**
		0.0	0.0	0.0
Total comprehensive income/(expense) for the year	**37.5**	**(0.0)**	**(1.6)**	**(0.0)**
(Loss)/earnings per share:				
Basic (loss)/earnings per share (p)	11.02	-0.00	-0.41	-0.00
Diluted (loss)/earnings per share (p)	10.60	-0.00	-0.39	-0.00
Non-underlying items at operating profit				
Gain on property, plant and equipment		7.7	0.0	0.0
Share based compensation		0.0	0.0	0.0
Past service cost on pension scheme obligations		(3.4)	0.0	0.0
VAT credits		0.0	0.0	0.0
Goodwill impairment		0.0	0.0	0.0
	0.0	**4.3**	**0.0**	**0.0**
Non-underlying items below operating profit				
Net interest on pension scheme obligations		0.0	0.0	0.0
Debt issue costs		0.0	0.0	0.0
	0.0	**0.0**	**0.0**	**0.0**
Non-underlying items at profit before tax		**4.3**	**0.0**	**0.0**

Notes to the financial statements
For the year ended 31 December 2018
Statement of Total Comprehensive Income (restated) continued

Group	Correction of errors - control weaknesses £m	Subtotal - £m	Impact of IFRS 16 £m	As restated 31 December 2018 £m
Revenue	**(3.9)**	**4,828.3**	**0.0**	**4,828.3**
Cost of sales	0.1	**(4,315.2)**	0.0	**(4,315.2)**
Gross profit	**(3.8)**	**513.1**	0.0	**513.1**
Distribution costs	0.0	0.0	0.0	0.0
Administration expenses	0.0	0.0	0.0	0.0
Share based compensation	0.0	0.0	0.0	0.0
Net operating expenses	(1.8)	**(443.8)**	1.5	**(442.3)**
Gain on property, plant and equipment	0.0	0.0	0.0	0.0
Operating profit	**(5.6)**	**69.3**	**1.5**	**70.8**
Underlying operating profit	(5.6)	65.0	6.7	71.7
Non-underlying items below operating profit	0.0	4.3	(5.2)	(0.9)
Net interest	0.0	(23.4)	(5.5)	(28.9)
Net interest on pension scheme obligations	0.0	0.0	0.0	0.0
Debt issue costs	0.0	0.0	0.0	0.0
Profit before taxation	**(5.6)**	**45.9**	**(4.0)**	**41.9**
Underlying profit before taxation	(5.6)	41.6	1.2	42.8
Non-underlying items	0.0	4.3	(5.2)	(0.9)
Tax charge	0.8	(8.8)	(0.5)	(9.3)
Profit for the year	**(4.8)**	**37.1**	**(4.5)**	**32.6**
Actuarial losses on pension scheme obligations	0.0	(7.2)	0.0	(7.2)
Deferred tax on pension scheme obligations	0.0	1.2	0.0	1.2
Total other comprehensive expense for the year	**0.0**	**(6.0)**	**0.0**	**(6.0)**
	0.0	0.0	0.0	0.0
Total comprehensive income/(expense) for the year	**(4.8)**	**31.1**	**(4.5)**	**26.6**
(Loss)/earnings per share:				
Basic (loss)/earnings per share (p)	-1.22	9.40	-1.14	8.26
Diluted (loss)/earnings per share (p)	-1.17	9.04	-1.10	7.94
Non-underlying items at operating profit				
Gain on property, plant and equipment	0.0	7.7	(5.2)	2.5
Share based compensation	0.0	0.0	0.0	0.0
Past service cost on pension scheme obligations	0.0	(3.4)	0.0	(3.4)
VAT credits	0.0	0.0	0.0	0.0
Goodwill impairment	0.0	0.0	0.0	0.0
	0.0	**4.3**	**(5.2)**	**(0.9)**
Non-underlying items below operating profit				
Net interest on pension scheme obligations	0.0	0.0	0.0	0.0
Debt issue costs	0.0	0.0	0.0	0.0
	0.0	**0.0**	**0.0**	**0.0**
Non-underlying items at profit before tax	**0.0**	**4.3**	**(5.2)**	**(0.9)**

Details of the presentational adjustments, corrections of errors and impact of adoption of IFRS 16 are made below

Notes to the financial statements
As at 1 January 2018 and 31 December 2018
Statement of Financial Position (restated)

Group	As previously reported 31 December 2018 £m	Correction of errors - ficticious transactions £m	Correction of errors - accounting policy misapplication £m	Correction of errors - control weaknesses £m	Impact of IFRS 16 £m	At 31 December 2018 (restated) £m
Non-current assets						
Goodwill	116.2	0.0	0.0	(4.5)	0.0	111.7
Intangible assets	114.6	0.0	0.0	(1.2)	0.0	113.4
Property, plant and equipment	350.9	0.0	67.7	1.4	(3.2)	416.8
Right of use assets	0.0	0.0	0.0	0.0	103.3	103.3
	581.7	**0.0**	**67.7**	**(4.3)**	**100.1**	**745.2**
Current assets						
Inventories	1,027.7	0.0	(54.8)	0.0	0.0	972.9
Trade and other receivables	179.5	(1.6)	(1.2)	(15.9)	0.0	160.8
Current tax receivable	0.0	0.0	0.0	0.0	0.0	0.0
Rental fleet vehicles	54.2	0.0	0.0	0.0	0.0	54.2
Cash and cash equivalents	44.4	0.0	108.4	0.0	0.0	152.8
Assets held for sale	8.0	0.0	0.0	0.0	0.0	8.0
	1,313.8	**(1.6)**	**52.4**	**(15.9)**	**0.0**	**1,348.7**
Total assets	**1,895.5**	**(1.6)**	**120.1**	**(20.2)**	**100.1**	**2,093.9**
Current liabilities						
Bank loans and overdrafts	2.6	0.0	107.4	0.0	0.0	110.0
Trade and other payables	1,235.7	0.0	(5.5)	(9.1)	(0.7)	1,220.4
Lease liabilities	0.0	0.0	0.0	0.0	18.6	18.6
Current tax payable	0.9	0.0	0.0	2.4	0.0	3.3
	1,239.2	**0.0**	**101.9**	**(6.7)**	**17.9**	**1,352.3**
Net current assets	**74.6**	**(1.6)**	**(49.5)**	**(9.2)**	**(17.9)**	**(3.6)**
Non-current liabilities						
Bank loans	128.7	0.0	0.0	0.0	0.0	128.7
Trade and other payables	19.4	0.0	19.9	0.0	0.0	39.3
Lease liabilities	0.0	0.0	0.0	0.0	109.8	109.8
Pension scheme obligations	68.9	0.0	0.0	0.0	0.0	68.9
Deferred tax liabilities	40.0	0.0	0.0	(3.3)	(3.7)	33.0
	257.0	**0.0**	**19.9**	**(3.3)**	**106.1**	**379.7**
Total liabilities	**1,496.2**	**0.0**	**121.8**	**(10.0)**	**124.0**	**1,732.0**
Net assets	**399.3**	**(1.6)**	**(1.7)**	**(10.2)**	**(23.9)**	**361.9**
Shareholders' equity						
Ordinary share capital	19.4	0.0	0.0	0.0	0.0	19.4
Share premium	78.4	0.0	0.0	0.0	0.0	78.4
Capital redemption reserve	15.1	0.0	0.0	0.0	0.0	15.1
Retained earnings	286.4	(1.6)	(1.7)	(10.2)	(23.9)	249.0
Total equity	**399.3**	**(1.6)**	**(1.7)**	**(10.2)**	**(23.9)**	**361.9**

Notes to the financial statements

As at 1 January 2018 and 31 December 2018

Statement of Financial Position (restated)

Group	As previously reported 1 January 2018 £m	Correction of errors - ficticious transactions £m	Correction of errors - accounting policy misapplication £m	Correction of errors - control weaknesses £m	Impact of IFRS 16 £m	At 1 January 2018 (restated) £m
Non-current assets						
Goodwill	108.9	0.0	0.0	(4.2)	0.0	104.7
Intangible assets	112.3	0.0	0.0	(1.0)	0.0	111.3
Property, plant and equipment	342.0	0.0	69.1	2.5	(3.3)	410.3
Right of use assets	0.0	0.0	0.0	0.0	84.2	84.2
	563.2	**0.0**	**69.1**	**(2.7)**	**80.9**	**710.5**
Current assets						
Inventories	984.1	0.0	(42.3)	0.0	0.0	941.8
Trade and other receivables	241.1	0.0	(1.6)	(6.0)	0.0	233.5
Current tax receivable	1.0	0.0	0.0	(1.0)	0.0	0.0
Rental fleet vehicles	60.9	0.0	0.0	0.0	0.0	60.9
Cash and cash equivalents	45.3	0.0	90.3	0.0	0.0	135.6
Assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0
	1,332.4	**0.0**	**46.4**	**(7.0)**	**0.0**	**1,371.8**
Total assets	**1,895.6**	**0.0**	**115.5**	**(9.7)**	**80.9**	**2,082.3**
Current liabilities						
Bank loans and overdrafts	19.6	0.0	89.2	0.0	0.0	108.8
Trade and other payables	1,228.1	0.0	26.5	(3.1)	(0.7)	1,250.8
Lease liabilities	-	0.0	0.0	0.0	15.8	15.8
Current tax payable	0.0	0.0	0.0	1.9	0.0	1.9
	1,247.7	**0.0**	**115.7**	**(1.2)**	**15.1**	**1,377.3**
Net current assets	**84.7**	**0.0**	**(69.3)**	**(5.8)**	**(15.1)**	**(5.5)**
Non-current liabilities						
Bank loans	123.5	0.0	(0.7)	0.0	0.0	122.8
Trade and other payables	36.8	0.0	2.2	0.0	0.0	39.0
Lease liabilities	-	0.0	0.0	0.0	89.3	89.3
Pension scheme obligations	63.8	0.0	0.0	0.0	0.0	63.8
Deferred tax liabilities	38.8	0.0	0.0	(3.1)	(4.1)	31.6
	262.9	**0.0**	**1.5**	**(3.1)**	**85.2**	**346.5**
Total liabilities	**1,510.6**	**0.0**	**117.2**	**(4.3)**	**100.3**	**1,723.8**
Net assets	**385.0**	**0.0**	**(1.7)**	**(5.4)**	**(19.4)**	**358.5**
Shareholders' equity						
Ordinary share capital	19.9	0.0	0.0	0.0	0.0	19.9
Share premium	78.4	0.0	0.0	0.0	0.0	78.4
Capital redemption reserve	14.6	0.0	0.0	0.0	0.0	14.6
Retained earnings	272.1	0.0	(1.7)	(5.4)	(19.4)	245.6
Total equity	**385.0**	**0.0**	**(1.7)**	**(5.4)**	**(19.4)**	**358.5**

Details of the corrections of errors and impact of adoption of IFRS 16 are made below

Notes to the financial statements
For the year ended 31 December 2018
Statement of Cash Flows (restated)

	As previously reported 31 December 2018 £m	Correction of errors £m	Correction of errors - leasing £m	Impact of IFRS 16 £m	At 31 December 2018 (restated) £m
Cash flows from operating activities					
Profit for the year	43.5	(6.7)	0.3	(4.5)	32.6
Tax charge	9.6	(0.8)		0.5	9.3
Depreciation of property, plant and equipment, rental fleet and right of use assets	20.6	(3.6)	16.1	13.0	46.1
Profit on disposal of property, plant and equipment	(8.2)	-	(0.6)	5.2	(3.6)
Amortisation of intangible assets	5.6	-		-	5.6
Impairment of right of use assets	-	-		-	0.0
Impairment of goodwill	0.0	0.3		-	0.3
Impairment of intangible assets	-	0.2		-	0.2
Share based compensation	1.7	-		-	1.7
Interest income	(0.3)	-		-	(0.3)
Interest payable	18.6		2.3	5.5	26.4
Debt issue costs	0.5	0.6		-	1.1
Difference between pension charge and cash contributions	(2.1)	-		-	(2.1)
Purchase of rental fleet vehicles	(89.4)	89.4			0.0
Proceeds from sale of vehicles for long term leasing	0.0		12.8		12.8
Proceeds from sale of rental fleet vehicles	90.3	(90.3)	72.2		72.2
Changes in inventories	1.4	(32.5)	2.9	-	(28.2)
Changes in receivables	48.9	0.7		-	49.6
Changes in payables	(60.4)	38.4	(10.9)	-	(32.9)
Cash generated from operations	80.3	(4.3)	95.1	19.7	190.8
Interest paid	(18.6)	0.0	(2.3)		(20.9)
Interest paid - finance leases	-			(5.5)	(5.5)
Interest received	0.3			-	0.3
Tax paid	(7.1)			-	(7.1)
Net cash inflow from operating activities	**54.9**	**(4.3)**	**92.8**	**14.2**	**157.6**
Cash flows from investing activities					
Purchase of property, plant and equipment	(25.7)	4.2		-	(21.5)
Purchase of vehicles for long term leasing	0.0		(26.1)		(26.1)
Purchase of rental fleet vehicles	0.0		(60.1)	-	(60.1)
Purchase of intangibles	(7.9)	-		-	(7.9)
Purchase of subsidiaries net of cash received	(13.7)	-		-	(13.7)
Proceeds from disposal of property, plant and equipment	35.1	-		-	35.1
Net cash outflow from investing activities	**(12.2)**	**4.2**	**(86.2)**	**0.0**	**(94.2)**
Cash flows from financing activities					
Proceeds from issue of ordinary shares	0.0	-		-	0.0
Redemption of ordinary shares	(9.3)	-		-	(9.3)
Increase in leasing finance liabilities			72.7		72.7
Repayment of leasing finance liabilities			(79.3)		(79.3)
Repayment of loans	(14.6)	-		-	(14.6)
Draw down on RCF	135.3	-		-	135.3
Repayment on RCF	(134.1)	-		-	(134.1)
Repayment of lease liabilities	-	-		(14.2)	(14.2)
Dividends paid	(15.6)	-		-	(15.6)
Net cash outflow from financing activities	**(38.3)**	**0.0**	**(6.6)**	**(14.2)**	**(59.1)**
Increase in cash and cash equivalents	**4.4**	**(0.1)**	**0.0**	**0.0**	**4.3**
Cash and cash equivalents at 1 January	38.9	1.1		0.0	40.0
Cash and cash equivalents at 31 December	**43.3**	**1.0**	**0.0**	**0.0**	**44.3**
Analysis of cash and cash equivalents					
Cash and cash equivalents	44.4	108.4		0.0	152.8
Bank overdraft	(1.1)	(107.4)		0.0	(108.5)

Cash and cash equivalents at 31 December	**43.3**	**1.0**	**0.0**	**0.0**	**44.3**

Details of the corrections of errors and impact of adoption of IFRS 16 are made below

Notes to the financial statements

As at 1 January 2018 and 31 December 2018

Notes of restatements

As detailed in the Financial Review, a number of restatements and adjustments were identified arising from the Investigation and subsequent internal review. The nature and cause of the items are detailed in the Financial Review. This note summarises the impact of the adjustments to each financial year and to each of the primary financial statements.

For the purposes of this report, the adjustments have been aggregated where the nature and cause of the misstatement is similar. These groupings are as follows:

- Correction of fictitious transactions;
- Correction of errors arising from inappropriate or inconsistent accounting standards application 'Policy misapplication'; and
- Correction of errors arising from weaknesses in controls grouped by nature 'Control weaknesses'.

Statement of Total Consolidated Comprehensive Income

Presentational adjustments

This column discloses the reclassification of distribution costs, administration expenses and share based payments to net operating expenses, the reclassification of debt issue costs to net interest expense and the introduction of non-underlying items. These reclassifications are presentational only and do not change the reported result for the year ending 31 December 2018..

Correction of errors - fictitious transactions

Correction of error totalling £1.6m in relation to the fictitious entries created in one of the Group's operating entities for manufacturer bonus credits in the year ending 31 December 2018.

Correction of errors - accounting policy misapplication

Correction of errors in relation to misapplication of accounting policies. These consist of the following categories of adjustments:

1 - Adjustments to correctly recognise ring-fenced cash and associated financial liabilities, adjustments to disclose cash and overdrafts gross of any offsetting and adjustments to impair unamortised debt issue costs in the year ending 31 December 2018

2 - Adjustments to correct the accounting entries made within the Group's leasing business units including adjustments to recognise revenue and cost of sales in addition to the recognition of increased depreciation and lease interest charges. Balance sheet adjustments relate to the reclassification of inventories to property, plant and equipment and the recognition of lease buy-back creditors and deferred income

3 - Adjustments to correct the accounting entries made within the Group's motor trading business units with regards to company staff car schemes. This has resulted in adjustments to revenue and cost of sales in addition to balance sheet adjustment for inventories, trade and other receivables and trade and other payables

Year ending 31 December 2018/Adjustment #	1	2	3	Total
Impact on profit before tax - £m	-0.7	0.3	0.4	0
Opening reserves impact - £m	0.2	-1.2	-0.7	-1.7

Correction of errors - control weaknesses

Correction of errors in relation to failures in internal control and processing. These consist of the following categories of adjustments:

4 - Adjustments in relation to corrective accounting entries to property plant and equipment, goodwill and intangible assets which principally effects net operating expenses and associated balance sheet cost and accumulated depreciation and impairment totals

5 - Adjustments in relation to corrective measures for the recognition of manufacturer bonus income in cost of sales and motor vehicle trade debtors

6 - Adjustments in relation to corrective measures across the head office accounting function which has resulted in corrections to a number of trade and other receivable and trade and other payable balances in relation to cut-off errors and recharge accounting which have affected net operating expenses

7 - Adjustments in relation to corrective measures across the divisional accounting functions which has resulted in corrections to a number of trade and other receivable and trade and other payable balances in relation to cut-off errors and recharge accounting which have affected net operating expenses

Year ending 31 December 2018/Adjustment #	4	5	6	7	Total
2018 Impact on profit before tax - £m	2.2	-0.6	-8.1	0.9	-5.6
Opening reserves impact - £m	-6.2	-1.2	2.5	-0.5	-5.4

Impact of IFRS 16

Adjustments in relation to the fully retrospective adoption of IFRS 16

Consolidated statement of financial position

Correction of errors - fictitious transactions

Correction of error totalling £1.6m in relation to the fictitious entries created in one of the Group's operating entities for manufacturer bonus credits in the year ending 31 December 2018.

Correction of errors - accounting policy misapplication

Correction of errors in relation to misapplication of accounting policies. These consist of the following categories of adjustments:

1 - Adjustments to correctly recognise ring-fenced cash and associated financial liabilities, adjustments to disclose cash and overdrafts gross of any offsetting and adjustments to impair unamortised debt issue costs in the year ending 31 December 2018

2 - Adjustments to correct the accounting entries made within the Group's leasing business units including adjustments to recognise revenue and cost of sales in addition to the recognition of increased depreciation and lease interest charges. Balance sheet adjustments relate to the reclassification of inventories to property, plant and equipment and the recognition of lease buy-back creditors and deferred income

3 - Adjustments to correct the accounting entries made within the Group's motor trading business units with regards to company staff car schemes. This has resulted in adjustments to revenue and cost of sales in addition to balance sheet adjustment for inventories, trade and other receivables and trade and other payables

8 - Adjustments to correctly recognise consignment inventories and associated financial liabilities in accordance with the Group's accounting policies at 1 January 2018

31 December 2018/Adjustment #	1	2	3	8	Total
Impact on non-current assets	-	67.7	-	-	67.7
Impact on current assets	107.8	(57.1)	1.7	-	52.4
Impact on current liabilities	108.3	(8.4)	2.0	-	101.9
Impact on non-current liabilities	-	19.9	-	-	19.9

1 January 2018/Adjustment #	1	2	3	8	Total
Impact on non-current assets	-	69.1	-	-	69.1
Impact on current assets	88.8	(55.8)	(6.2)	19.6	46.4
Impact on current liabilities	89.3	12.3	(5.5)	19.6	115.7
Impact on non-current liabilities	(0.7)	2.2	-	-	1.5

Correction of errors - control weaknesses

Correction of errors in relation to failures in internal control and processing. These consist of the following categories of adjustments:

4 - Adjustments in relation to corrective accounting entries to property plant and equipment, goodwill and intangible assets which principally effects net operating expenses and associated balance sheet cost and accumulated depreciation and impairment totals

5 - Adjustments in relation to corrective measures for the recognition of manufacturer bonus income in cost of sales and motor vehicle trade debtors

6 - Adjustments in relation to corrective measures across the head office accounting function which has resulted in corrections to a number of trade and other receivable and trade and other payable balances in relation to cut-off errors and recharge accounting which have affected net operating expenses

7 - Adjustments in relation to corrective measures across the divisional accounting functions which has resulted in corrections to a number of trade and other receivable and trade and other payable balances in relation to cut-off errors and recharge accounting which have affected net operating expenses

31 December 2018/Adjustment #	4	5	6	7	Total
Impact on non-current assets	(4.3)	-	-	-	(4.3)
Impact on current assets	(5.1)	(1.8)	(7.6)	(1.4)	(15.9)
Impact on current liabilities	(5.4)	-	(2.0)	0.7	(6.7)
Impact on non-current liabilities	-	-	-	(3.3)	(3.3)

1 January 2018/Adjustment #	4	5	6	7	Total
Impact on non-current assets	(2.7)	-	-	-	(2.7)
Impact on current assets	(4.3)	(1.2)	(2.6)	1.1	(7.0)
Impact on current liabilities	(0.8)	-	(5.1)	4.7	(1.2)
Impact on non-current liabilities	-	-	-	(3.1)	(3.1)

Correction of errors - accounting policy misapplication

Correction of errors in relation to failures in internal control and processing. These consist of the following categories of adjustments:

9 - Adjustments in relation to corrective accounting entries to property plant and equipment and intangible assets which principally effects net operating expenses and associated balance sheet cost and accumulated depreciation and impairment totals

10 - Adjustments in relation to corrective measures across the head office accounting function which has resulted in corrections to a number of trade and other receivable and trade and other payable balances in relation to cut-off errors and recharge accounting which have affected net operating expenses

31 December 2018/Adjustment #	9	10	Total
Impact on non-current assets	(1.0)	-	(1.0)
Impact on current assets	-	9.8	9.8
Impact on current liabilities	-	9.5	9.5
Impact on non-current liabilities	-	-	-

1 January 2018/Adjustment #	9	10	Total
Impact on non-current assets	1.0	-	1.0
Impact on current assets	-	18.9	18.9
Impact on current liabilities	-	15.7	15.7
Impact on non-current liabilities	-	-	-

Impact of IFRS 16

Adjustments in relation to the fully retrospective adoption of IFRS 16

Consolidated cash flow statement

With the exception of the omitted bank accounts referred to above, the impact of the adjustments does not affect the net movement in cash and cash equivalents for 2018. However, by adjusting for the restatements above, there

have been a number of reclassifications of items between Operating, Financing and Investing cash flows. These are primarily attributed to the effect of the adoption of IFRS 16 as disclosed on page [x] and the correction of accounting policies applied to the Group's vehicle leasing companies. As detailed above, the Group previously treated these transactions as sales which was incorrect because control was retained. As a consequence the cash flow statement previously treated such transactions as operating cash flows. In restating the cash flow statement for the revised policy, this primarily results in:

- an increase in investing outflows of to reflect the purchase of £86.2m rental fleet assets; and

- an increase in financing inflows of £72.7m and outflows of £79.3m to reflect the financial liabilities arising in connection with the financing of the vehicle lease arrangements

GLOSSARY OF TERMS

Introduction

In the reporting of the financial statements, the Directors have adopted various Alternative Performance Measures (APMs) of financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS). These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry. APMs should be considered in addition to IFRS measures and are not intended to be a substitute for IFRS measurements.

Purpose

The Directors believe that these APMs provide additional useful information on the underlying performance and position of the Group.

APMs are also used to enhance the comparability of information between reporting periods by adjusting for irregularity factors which affect IFRS measures, to aid the user in understanding the Group's performance.

Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes. The key APMs that the Group has focused on this period are as follows:

Performance measure	Definition	Why we measure it
Like-for-like (LFL)	These are calculated where dealerships have contributed twelve months of revenue and profit contribution in both the current and comparative periods presented.	To provide a consistent overview of comparative trading performance
Gross profit margin	Gross profit as a percentage of revenue.	A measure of the significant revenue channels' operational performance
Non-underlying items	Relate to costs or incomes which are not incurred in the normal course of business or due to their size, nature and irregularity are not included in the assessment of financial performance in order to reflect management's view of the core-trading performance of the Group.	A key metric of the Group's non-underlying business performance.
Underlying operating profit	Operating profit before the impact of non-underlying items as defined above.	A key metric of the Group's underlying business performance.
Underlying profit before tax	Profit before tax before the impact of non-underlying items as defined above.	A key metric of the Group's underlying business performance
Profit after tax	Profit after tax before the impact of non-underlying items as defined above.	A key metric of the Group's underlying business performance
Underlying earnings per share (EPS)	Earnings per share before the impact of non-underlying items as defined above.	A key metric of the Group's underlying business performance

Net debt	Bank loans and overdrafts less cash and cash equivalents. Lease liabilities and stocking loans are not included in net debt.	A measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength
Property portfolio	The net book value of freehold and leasehold properties as at the balance sheet date.	A key metric of the Group's statement of financial position
New car unit sale	A new vehicle sale which has generated revenue for the Group.	A measure of statistical volumes and indicator of operational performance
Used car unit sale	Any vehicle sold that isn't a new car unit sale.	A measure of statistical volumes and indicator of operational performance
Car parc	The approximate number of vehicles on the UK road network.	A measure of the UK market size and indicator for growth opportunities
New car market	Total number of annual new vehicle unit registrations made in the UK as defined by the Society of Motor Manufacturers and Traders (SMMT).	A measure of the UK market size and indicator for growth opportunities
New car market share	The Group's annual share of the new car market calculated as a percentage of the Group's new car unit sales to the new car market size.	Our relative performance against the UK market