01 July 2021

LOOKERS plc ("Lookers" or the "Group")

Preliminary results announcement for the year ended 31 December 2020

Full year 2021 outlook ahead of current expectations

Multiple growth opportunities ahead

Lookers plc, one of the leading UK motor retail and aftersales service groups, today announces its preliminary results for the year ended 31 December 2020 (the "year")

Highlights

- Revenue of £3.7bn (2019: £4.8bn) impacted by lockdown and trading restrictions throughout the year.
- Underlying profit before tax of £14.1m (2019: £4.0m) with strong performance in the second half of the year, more than offsetting a challenging first half. Statutory profit before tax of £2.0m (2019: Loss before tax £45.7m).
- Outperformance against the UK retail new car market of 9.6 percentage points with resilient trading in used cars and aftersales.
- Significant restructuring activity completed, reducing headcount, strengthening the Group's operating model and materially reducing the cost base. On track to deliver annualised savings of approximately £50m.
- Strong balance sheet with a valuable property portfolio of c.£300m (77p per share).
- Reduction in net debt benefitting from management actions. Net debt has reduced further in 2021, with a net cash position currently of approximately £18m.
- Revolving Credit Facility extension agreed with existing banking club for an initial £150m.
- FCA investigation into the Group's historic sales processes closed without sanctions, resulting in the release of the prior year £10.4m provision.

Financial Summary

	FYR 2020	FYR 2019	Var %
Underlying*			
Underlying profit before tax £m	£14.1m	£4.0m	253%
Underlying earnings per share (p)	2.93p	0.83p	253%
Statutory			
Revenue £m	£3,699.9m	£4,806.5m	(23%)
Profit/(loss) before tax £m	£2.0m	(£45.7m)	n/a
Loss per share (p)	(1.05p)	(10.74p)	90%
Dividend per share (p)	-	1.48p	-
Net debt £m**	£40.7m	£59.5m	31.6%

* Underlying profit before tax is profit before tax and non-underlying items. Underlying earnings per share is earnings per share after tax and before non-underlying items (see Note 3).

** Bank loans and overdrafts less cash and cash equivalents, excluding stocking loans, vehicle rental liabilities and lease liabilities under IFRS 16.

Strategic Priorities

- **Investment and development of the Group's omni-channel customer experience,** enhancing choice through a hybrid combination of digital engagement and high-quality forecourt service.

- **Harnessing growth from the transition to electric vehicles** through infrastructure investment and connected car services, alongside the roll-out of new aftersales products and services.

- **Continued focus on driving operational excellence** through further productivity improvements, effective cash management and a robust approach to capital allocation.

- **Focus and investment in people and systems** to support the Group's simplification, controls, engagement and transparency initiatives.

Current Trading and Outlook

- Trading in the first six months of the year has been exceptionally strong underpinned by robust consumer demand, ongoing outperformance of the UK retail new car market, improving used vehicle margins and the Group's self-help restructuring programme.

- As we look forward into the second half of 2021 there remains some uncertainty driven by the ongoing impact of COVID-19 and notable supply restrictions in both new and used vehicles which have been tightening in recent weeks.

- Notwithstanding these uncertainties given the strength of performance during the first half of 2021 the Board remains confident about the outlook for the remainder of 2021.

Mark Raban, Chief Executive Officer, said:

"2020 was a challenging year for the Group dealing with both the impact of COVID-19 and the Group's legacy issues.

We are emerging from this period operationally, financially and culturally as a better business, focused on putting the customer at the centre of everything we do.

We expect to build on the strong momentum within the business, underpinned by our excellent manufacturer relationships, omni-channel technology platform and fantastic Lookers colleagues. We are now in a great position to benefit from the many growth opportunities available for the business."

Details of results webcast

There will be a webcast at 9:30am UK time on 1 July for analysts and institutional investors. To register please contact MHP Communications on +44 (0)20 3128 8193 / 8778, or by email on lookers@mhpc.com

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The Company is registered in England at Lookers House, 3 Etchells Road, West Timperley, Altrincham WA14 5XS. Company registration number 00111876. LEI number 213800TSB8PJEACDAV33

Chairman's statement

Introduction

I was appointed Chairman of the Board on 4 September 2006 and it is with some sadness that I present my final Chairman's statement. The recruitment process for my successor is progressing as planned and I will step down when an appointment is confirmed later this year.

Like all businesses, over the years Lookers has experienced many challenges and none greater than those of 2020. The COVID-19 global pandemic resulted in the complete closure and severe disruption to our normal business operations and trading patterns throughout much of the year. This had a material impact on our financial performance. During this time, we made many changes and enhancements to our operating model which not only helped mitigate the impact of COVID-19 but also served to act as a catalyst for permanent change and improvement across the business.

In addition, in June 2020 we requested the FCA temporarily suspend our shares whilst we investigated potentially fraudulent transactions in one of our operating divisions, concluded a substantial independent investigation and delayed the publication of both the full year 2019 results and interim 2020 results. Following the successful conclusion of these matters, we requested and were granted restoration of our shares to the official list of the London Stock Exchange on 29 January 2021.

In June 2020 we also announced a material restructuring programme to prepare the business for a more sustainable future and to optimise the many opportunities we believe lie ahead.

The combination of these issues resulted in material uncertainty throughout much of the year.

"I am extremely grateful for the support and patience that we have received from our stakeholders, including the UK government, throughout what has been a very challenging period for both the business and our people."

Strategy

Following this period of uncertainty and reflecting on our learnings throughout the COVID-19 pandemic, we refreshed our strategy. The customer remains front and centre of everything we do, underpinned by the right brands in the right locations. Our strategic building blocks are centred on delivering operational excellence, providing an engaging and safe environment for all our colleagues and customers, enabling technology both front and back of house and simplifying and strengthening our policy framework.

Our strategic initiatives are focused on continuing with increasing our efficiency and improved cash management, digital investment, preparing for electrification which we see as the biggest opportunity in a generation and our controls enhancement programme.

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, we temporarily closed all our 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.

From the middle of May 2020 we progressively opened all our locations in a manner consistent with appropriate local regulations. We implemented new operational processes to ensure the appropriate COVID-19 secure protocols were in place protecting both staff and customers. This included the complete redesign of our sales processes to offer a fully contactless experience.

In November 2020 further restrictions came into effect and as a result we were only able to provide our customers with pre-booked aftersales appointments and to provide both new and used vehicles sales using our Click & Drive contactless solution as the showrooms remained closed. In December 2020 various regional and tiered restrictions were implemented across England, Scotland and Ireland.

On 4 January 2021 a third national lockdown commenced which saw our vehicle showrooms closed. This situation continued until 12 April 2021 (Northern Ireland - 30 April 2021) when we were delighted to be able to re-open the entire business as normal.

We remain committed to providing the best possible service whilst ensuring the well-being of both our colleagues and customers.

Restructuring

In June 2020 the Board undertook a review of the Group to consider the future operating model 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 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, protect and enhance the business over the long term.

Performance in 2020

The financial performance of the Group during the year was significantly impacted by the disruption caused by the COVID-19 global pandemic together with a number of non-underlying one-off costs resulting from the Group's restructuring programme, impairment of goodwill and costs in relation to the investigation and resolution of legacy accounting issues.

Statutory profit before tax for the year was £2.0m (2019: restated loss of £45.7m). Excluding the impact of non-underlying items, the Group recorded an underlying profit before tax* of £14.1m (2019: restated £4.0m).

The first six months of the year (H1) proved very challenging with the complete closure and lockdown of operations for over two months. As we emerged from lockdown, performance in the second six months of the year (H2) improved materially. This was driven by strong outperformance of the retail new car market, improved used car margins, the early benefits of the Group's restructuring initiatives and several operational improvements implemented during lockdown. Underlying profit before tax* in H2 was £50.2m (2019: loss (£18.1m)). Our performance in H2 brings me confidence that we can deliver our 1.5% - 2.0% target return on sales over the long term.

Refinancing

Throughout the year the Board was focused on preserving cash and protecting the Group's liquidity position. As at 31 December 2020 net debt* was £40.7m (2019: £59.5m). This reduction has been delivered through increased control and focus on all aspects of working capital management and a robust approach to capital allocation.

In May 2021 we agreed with our Banking Club a new credit facility providing an initial £150m expiring in September 2023. I would like to take the opportunity to thank our Banking Club for all their support over the last 18 months.

Regulatory relations

As previously reported, we have been working internally to review our governance, systems and controls including as they relate to our regulated activities. On 2 March 2021 we announced that the FCA had advised the Board of its decision to close the investigation against Lookers Motor Group Limited for the possible mis-selling of regulated products between January 2016 and June 2019. The FCA closed the investigation without applying any sanction but noted several concerns relating to the historic culture, systems and controls of the Group which the Board fully accepted.

The Group is satisfied that the FCA confirmation represents an adjusting event after the balance sheet date as this provides proof that there was not an obligating event and have therefore and have released the £10.4m provision made in the 2019 financial statements in 2020.

Management and Board changes

2020 was a year of significant change as we sought to refresh and reshape the Board to prepare for the significant opportunities and challenges ahead. Richard Walker, Sally Cabrini, Stuart Counsell and Tony Bramall all left the Board as planned during 2020.

We were delighted to appoint Mark Raban as Chief Executive Officer in February 2020 and Duncan McPhee as Chief Operating Officer in January 2021.

Anna Bielby was appointed as Interim Chief Financial Officer in January 2021 for a term of six months. Since then she has made a very valuable contribution to the Group. She has agreed to extend her assignment and will leave the Group at the end of July 2021 following completion of a number of big projects. A search for Anna's replacement is underway.

* Alternative performance measure - see Note 15

Heather Jackson was appointed Senior Independent Director and Chair of the Remuneration Committee in July 2020 and November 2020 respectively. On 13 April 2021 Heather advised the Board of her decision to step down to focus on her increasing non-executive directorships and business interests.

Vicky Mitchell assumed the role of Chair of Lookers Motor Group, the FCA regulated entity, in July 2020.

We were also pleased to appoint Robin Churchouse as an independent Non-Executive Director and Chair of Audit and Risk Committee in December 2020 and January 2021 respectively, and Paul Van der Burgh as Non-Executive Director in April 2021 and then as Senior Independent Director from May 2021.

As the search for my successor continues the Board has asked me to remain as Chair in order to ensure an orderly handover, and I therefore stood for re-election at the 2021 AGM.

I would like to thank all my Board colleagues, past and present, for their continued support and contribution to the Group.

Dividends

The Board remains mindful of its relationships and commitments to all stakeholders. The dividend policy remains that subject to satisfactory trading prospects, dividends are covered around 3.0 to 3.5 times underlying earnings and paid in approximately one third (interim dividend) and two thirds (final dividend) split.

In the light of the financial performance during the period, continued uncertainty around COVID-19 and as part of its ongoing actions to protect the Group's balance sheet the Board has decided not to recommend any dividends for the year.

Current trading and financial outlook

In line with COVID-19 restrictions, the Group's showrooms remained closed until 12 April 2021 (Northern Ireland - 30 April 2021). Despite these restrictions, the Group continued to take orders and fulfil vehicle handovers through its dealership teams, call centres and website. These activities were underpinned by our Click & Drive and contact-less technology platform.

As we announced on 25 May 2021 and 28 June 2021, trading across the Group has been robust since the reopening of our dealerships. We continue to experience strong consumer demand and ongoing outperformance of the UK retail new car market. Used vehicle margins also remain strong, benefitting from improving residual values and greater operational focus. In addition to these market trends the Group continues to benefit from its enhanced hybrid omni-channel customer offer, and the decisive self-help restructuring initiatives implemented last year.

As we look forward into the second half of 2021 there remains some uncertainty driven by the ongoing impact of COVID-19 and notable supply restrictions in both new and used vehicles which have been tightening in recent weeks - the former in part due to the current worldwide semiconductor chip shortage.

Notwithstanding these uncertainties, given the strength of performance during the first half of 2021, the Board remains confident about the outlook for the remainder of 2021.

Conclusion

2020 was a very challenging year. I am extremely proud of how our people responded, showing real dedication and flexibility. I would like to personally thank the whole Lookers team for their understanding and dedication during such a challenging time for the Group.

We have always enjoyed strong relationships with our Original Equipment Manufacturer (OEM) Brand Partners and are grateful for their support across a range of financial and other measures during the year.

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 were a great disappointment. With these matters now resolved we can look to the future with increased confidence.

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.

It has been a great privilege to chair Lookers, and I wish all my colleagues, our stakeholders, and my successor as Chair every future success.

Phil White
Chairman
30 June 2021

Operating review

Market overview

The new car market in 2020 was severely disrupted by the COVID-19 global pandemic. UK new vehicle registrations at 1.63m was the lowest level on record since 1992 and represented a decline of 29.4% versus 2019. New vehicle registrations to fleet customers were 0.88m representing 54.2% of the total market, declining by 31.7%. New vehicles registrations to retail customers declined by 26.6%.

Registrations of diesel and petrol engines continued to decline being 48% and 33% below 2019 respectively. There are notable regulatory pressures facing our OEM Brand Partners in achieving emissions targets. As a result of changing customer preferences and the evolving legislative landscape the registrations of alternative fuel vehicles continued to gain market share and showed a growth of 67%. The Board believes that the continued migration towards pure electric vehicles represents a significant opportunity for the Group.

In the period the Group outperformed the new car market and currently enjoys a 6.2% (2019: 5.8%) share of the UK retail market.

The used car market remains an area of material opportunity for the Group. In 2020 there were approximately 6.8m used vehicle transactions. Throughout the COVID-19 global pandemic consumers have continued to favour private transportation and in the period after the first lockdown in particular the Group experienced strong demand for cheaper used cars as consumers sought second and third vehicles for the household.

Aftersales represents the servicing and repair of vehicles and sale of franchised parts. In the UK the car parc is approximately 36.7m 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. As the Group responded to COVID-19 we made many enhancements to our online capabilities including launching Click & Drive, online finance applications, remote document authorisation and contactless handover. These initiatives have helped to mitigate the financial impact of COVID-19 trading restrictions and to ensure the continued safety of customers and our colleagues.

Operations summary

Total revenue £3,699.9m (2019 restated: £4,806.5m) was 23.0% lower than 2019. Like-for-like (LFL*) revenue declined by 20.4% with revenue from new cars, used cars and aftersales all declining as a result of the temporary closure of the Group's dealerships as a consequence of the COVID-19 global pandemic.

Analysis of revenue

Revenue	2020 £m	2019 £m (restated)	Variance	2020 LFL £m	2019 LFL £m	LFL variance
New cars	1,709.3	2,226.4	(23.2%)	1,690.3	2,135.3	(20.8%)
Used cars	1,779.1	2,326.3	(23.5%)	1,757.1	2,214.3	(20.6%)
Aftersales	383.8	495.3	(22.5%)	378.0	470.0	(19.6%)
Leasing and other	148.4	153.3	(3.2%)	136.0	137.3	(0.9%)
Less: intercompany	(320.7)	(394.8)		(313.6)	(376.0)	
Total	**3,699.9**	**4,806.2**	**(23.0%)**	**3,647.8**	**4,580.9**	**(20.4%)**

* See Glossary of terms on Note 16

Analysis of gross profit

Gross profit	2020 £m	2019 £m (restated)	Variance	2020 LFL £m	2019 LFL £m	LFL variance
New cars	109.2	147.0	(25.7%)	107.6	143.3	(24.9%)
Used cars	117.9	138.1	(14.6%)	116.8	135.1	(13.5%)
Aftersales	164.6	211.9	(22.3%)	161.7	198.3	(18.5%)
Leasing and other	19.3	16.1	19.9%	18.0	17.7	1.7%
Total	**411.0**	**513.1**	**(19.9%)**	**404.1**	**494.4**	**(18.3%)**
Gross Margin %	11.1%	10.7%		11.1%	10.8%	

Gross profit decreased by 19.9% to £411.0m (2019: £513.1m) driven by the revenue shortfall. Gross margin at 11.1% was 0.4 percentage points ahead of 2019. Gross margin in the first six months of the year (H1) was broadly flat recovering in the second six months of the year (H2) as the Group drove stronger used vehicle margin.

New cars

New cars	2020	2019	Variance	2020 LFL	2019 LFL	LFL variance
Retail unit sales	46,665	59,212	(21.2%)	45,784	55,179	(17.0%)
Fleet unit sales	39,890	53,694	(25.7%)	39,834	52,687	(24.4%)
Total unit sales	**86,555**	**112,906**	**(23.3%)**	**85,618**	**107,866**	**(20.6%)**
Gross margin %	6.4%	6.6%		6.4%	6.7%	

The sale of new cars represented 26.6% (2019: 28.7%) of total gross profit. The COVID-19 global pandemic had a material impact on UK new car registrations during 2020. The start of lockdown during March resulted in a market decline of 44.4%, before the full impact was felt in April and May, with the market recording a decline of 97.3% and 89.0% respectively. This had a material impact on the overall H1 new car market which declined by 48.5%. Against this on a like-for-like basis, the Group's sale of new units declined by 45.2% representing a modest outperformance against the UK market.

In H2 the new car market showed some recovery with UK new vehicle registrations declining by 6.2% year-on-year. The Group's new vehicle sales performance improved materially in H2, benefitting from several operational initiatives and recording an outperformance of the total market by 16.2%.

Used cars

Used cars	2020	2019	Variance	2020 LFL	2019 LFL	LFL variance
Retail unit sales	78,341	100,764	(22.3%)	76,968	94,629	(18.7%)
Gross margin %	6.6%	5.9%		6.6%	6.1%	

The sale of used cars represented 28.7% (2019: 26.9%) of total gross profit. Like-for-like used unit sales declined by 18.7% which is a resilient result given the serious disruption caused by various lockdown restrictions throughout the year.

Gross margin was 0.7 percentage points ahead of 2019. In H1 gross margin was below last year's levels as the Group took active measures to reduce overall used car stock levels and significantly improve the ageing profile in response to the initial lockdown. These measures together with an improved market and robust residual values drove improved margin during H2.

We continue to focus on robust 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. During the period we made several enhancements to our business process's including unaccompanied test drives, a number of online enhancements and contactless handover all of which have helped mitigate the impact of lockdown restrictions and provide a catalyst for permanent positive change.

Aftersales

Aftersales	2020	2019	Variance	2020 LFL	2019 LFL	LFL variance
Revenue £m	383.8	495.3	(22.5%)	378.0	470.0	(19.6%)
Gross margin %	42.9%	42.8%		42.8%	42.2%	

Aftersales is a key part of the Group and represented 40% (2019: 41.3%) of total gross profit. On a like-for-like basis aftersales revenues were 19.6% down versus 2019. At the outset of lockdown, the Group asked for volunteers from its technicians and parts teams in order to maintain a presence at 41 aftersales locations supporting key workers.

Our workshops remained fully operational throughout H2 operating with upweighted COVID-19 secure protocols to protect both our customers and colleagues. We implemented online service check-in which has proved popular with customers and has helped to drive productivity.

We continue to focus on increasing the penetration of service plans. We now have 168,986 live service plan agreements, which is up 5% on 2019. Service plan contracts are a strong retention tool for the Group, creating a long lasting and sustainable relationship with our customers.

We remain fully committed to our ongoing technician apprentice scheme which has developed significantly over the past year.

Financial review

Financial performance

Despite operating against a backdrop of COVID-19 for the majority of the year, the Board is pleased with the financial performance of the business, recording an underlying profit before tax* of £14.1m ahead of 2019 restated £4.0m and a profit before tax of £2.0m (2019: restated loss of £45.7m).

The first half of the year was materially impacted by the COVID-19 pandemic which led to the closure of the Group's operations for a significant period. Despite this, restructuring, strong cost control actions and the development of the Group's omni-channel offering (including the launch of 'Click & Drive') led to a resilient performance in the second half, underpinned by significant outperformance of the retail UK new car market.

Revenue for the year was £3,699.9m which was 23.0% lower than last year (restated £4,806.5m). Like-for-like* revenue declined by 20.4% with revenue from new cars, used cars and aftersales all impacted by the COVID-19 pandemic. In line with revenue, gross profit decreased by £102.1m to £411.0m (2019: £513.1m). Gross profit margin was higher than the prior year at 11.1% (2019: 10.7%) largely as a result of strong used margins in the second half of the year, driven by a buoyant market and robust residual values.

Underlying net operating expenses at £368.0m (2019 restated: £476.2m) were 22.7% below last year. The Group's Statement of Consolidated Income includes the benefit of both a £34.9m receipt from the Government's job retention scheme and £10.2m of rates reductions under the Government's business rates holiday scheme. Excluding these items, underlying net operating expenses were 14.6% below last year as a result of ongoing focus and control of the Group's cost base.

During the year, the Group's bank borrowings were based on a floating rate linked to LIBOR. Net finance costs were slightly below the prior year at £28.9m (2019: £32.9m). Given the unprecedented COVID-19 situation, the Board made the decision to make substantial drawings against the Group's revolving credit facility and hold these sums in cash, creating an inefficient liquidity position and increasing financing costs; however, this was offset by lower interest cost on vehicle rental liabilities and reduced stock levels.

Taxation

The Group's taxation charge for the year is £6.1m (2019: credit of £3.9m) which is composite of a corporation tax credit of £0.4m and a deferred tax charge of £6.5m. The Group's tax charge is considerably higher this year as a result of a significant increase in profits chargeable for taxation, capital gains resulting from property disposals, and the revaluation of the Group's deferred tax liabilities following the 11 March 2020 Budget announcement that the standard rate of corporation tax would remain at 19% instead of reducing to 17% from 1 April 2020. The current tax recoverable recorded in the Group statement of financial position has reduced from £9.8m to £1.1m following receipts received from HMRC during the year.

*Alternative performance measures - see Note 15

Cash flow

The Group's net cash inflow from operating activities is £37.8m (2019: restated £79.0m).

The prior year net cash inflow includes the benefit of increased stocking funding in 2019 (from 81% in 2018 to 93% in 2019) alongside a small delay in payments of trade and other payable balances at the end of that year.

In 2020, we have seen the unwind of those 2019 year end actions which did not repeat in 2020. We have also seen the continued focus on working capital, in particular tighter controls around the management of inventory and debtors. The year end Consolidated Statement of Financial Position shows a significant year on year reduction in inventory and debtors and we have also seen an improvement in the ageing profiles. Stock funding at the balance sheet date has remained consistent at 93%.

Property, plant and equipment capital expenditure totalled £13.8m (2019: £45.8m) reflecting significantly lower spend as a result of the COVID-19 pandemic as the Board took the decision to delay and cancel certain initiatives in order to protect the cash position of the Group.

The Group realised £18.0m from the disposal of freehold properties during the year (2019: £17.6m) and continues to benefit from its strong property portfolio. The net book value of freehold and leasehold properties was £301m (equivalent to 77 pence per share) at the year-end.

Net debt* (excluding lease liabilities, vehicle rental liabilities and stocking loans) at 31 December 2020 was £40.7m (2019: £59.5m). This includes the benefit of £15.6m of deferred VAT agreed under Government schemes.

Bank funding

At 31 December 2020, the Group had a revolving credit facility (RCF) of £238m provided by five banks (The Bank of Ireland, Barclays, HSBC, Lloyds and NatWest).

In May 2021, the Group agreed an amendment and extension to its RCF, with the same banks. The amended RCF is for an initial £150m and will expire on 30 September 2023. Under the amended facility, interest is charged at a margin of between 3.25% and 4.25% (above SONIA) based on the level of utilisation. The facility is subject to quarterly covenant tests on leverage, interest cover and a minimum EBITDA* per rolling twelve month period.

The Board has run a number of scenarios and stress tests in order to test the appropriateness of these facilities and based on the results of those tests, the Board supports the preparation of the Annual Report & Accounts on a Going Concern basis (see Basis of Preparation).

Dividends

As a result of the impact of the COVID-19 pandemic, the Board previously communicated that it will not be recommending a dividend for the year ended 31 December 2020.

The Board remains mindful of its relationships with, and commitments to, all stakeholders and recognises the importance of dividends to shareholders and will reinstate the payment of dividends as soon as it believes that it is prudent to do so.

As noted in our 2019 Annual Report & Accounts, the Board has become aware of an issue concerning technical compliance with the 2006 Act in relation to the payment of interim and final dividends in 2013, 2014 and 2015. The effect of these irregularities is that the interim and final dividends paid in 2013, 2014 and 2015 were paid to shareholders at a time when the Company did not hold adequate distributable reserves. However, 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.

To satisfy the steps required to rectify these irregularities, the Company will put forward a resolution at the Company's forthcoming General Meeting. The Company has put in place the necessary controls and processes to ensure that a similar issue will not reoccur.

Pension schemes

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

During June 2020 the former Dutton Forshaw Pension Plan trustees resolved to transfer all remaining assets and liabilities to The Lookers Pension Plan.

*Alternative performance measures - see Note 15

During the year the Group concluded its triennial valuation of The Lookers Pension Plan and received approval from its lenders to increase pension deficit payments to £12m plus expenses and PPF levy, all subject to increases linked to CPI. The revised contributions were effective from 1 July 2020.

The Group's triennial valuation of the Benfield Pension Plan was concluded in February 2021 with a continuation of deficit contributions of £0.3m plus expenses and PPF levy.

At 31 December 2020, the aggregate IAS 19 pension deficit is £79.3m (31 December 2019: £55.7m). The year on year increase arises as a result of the decrease in both corporate bond yields and discount rate, which has been partly offset by an increase in the schemes' asset values. The total actuarial loss on the Group's defined benefit pension schemes in the year was £32.5m (2019: gain of £7.1m).

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

The Group recorded net non-underlying costs of £12.1m during the year. The Board has taken the view that each of the following items relate to costs or income which are not incurred in the normal course of business or due to their size, nature and irregularity are not included in its assessment of financial performance. Non-underlying items have been presented separately on the face of the Statement of Total Comprehensive Income.

The principal items are as follows:

Restructuring costs and associated asset impairment £12.5m.

During the year, the Board took decisive restructuring actions to position the Group for a strong and sustainable future. This included the identification of 12 sites (2019: 15) for either closure, consolidation or refranchising. The Group now operates from a portfolio of 150 dealerships.

The Board also undertook a review of the Group's operating model in light of both its strategy and the structural changes taking place across the industry. This led to 1,500 redundancies being made. These costs are now complete.

Professional fees £9.2m

In our 2019 Annual Report & Accounts we detailed the Accounts investigation. During the year, the Group incurred certain professional fees in relation to procedures carried out by a number of different advisory firms. These costs are now complete.

During 2020, and into 2021, the Group has continued to improve its controls and governance and is making progress against the remediation. To date the Group has:

- Made progress in the formalisation of accounting policies, processes and procedures, focussing initially on financial reporting risk and judgemental areas
- Restructured the Finance team and recruited a Group Financial Controller
- Implemented a Financial Reporting attestation process for senior financial and operational management
- Continued to standardise the Group's Dealer Management System with more dealerships now aligned to the Group's agreed "blueprint."

Goodwill and intangible impairments £3.6m

In the first half of the year the Group made a non-cash impairment charge of £2.6m against its Ford cash generating unit, following a deterioration in market conditions. The Group also fully impaired its Lomond brand in the second half of the year, resulting in a noncash charge of £1.0m.

FCA provision £10.4m credit

In March 2021, the FCA advised the Board that it had decided to close its investigation against Lookers Motor Group Ltd for the possible mis-selling of regulated products between January 2016 and June 2019. The FCA investigation was closed without applying any sanction but noted several concerns relating to the historic culture, systems and controls of the Group which the Board fully accepted. The Group is satisfied that the FCA confirmation represents an adjusting event after the balance sheet date as this provides evidence that there was not an obligating event and have therefore released the £10.4m provision - created in the 2019 Annual Report & Accounts - into non-underlying items in 2020.

Gain on property disposal £3.1m credit

Following the closure of 15 dealerships in 2019, and a further 12 this year, a number of freehold properties no longer required within the Group have been disposed, generating a gain of £3.1m.

Prior period adjustments - Group

(a) IFRS 16 leases

During the course of our year end procedures we identified a number of leases which had been omitted in error from our IFRS 16 lease calculations. These omissions have a material impact on balance sheets at 1 January 2019 and 31 December 2019. As a result, and in line with IAS8, we have included this as a prior year adjustment. The most significant impact of this adjustment on the Group's 2019 Consolidated statement of financial position is an increase in right of use assets and lease liabilities of £11.3m and £12.8m respectively. Full details of this adjustment are set out in Notes 1 and 11.

(b) Rental fleet vehicles

In addition, as part of our year-end procedures, we identified that certain balances and transactions in the Group's Get Motoring UK Limited subsidiary had been incorrectly treated in respect of IFRS 16 in the Group's 20019 Annual Report & Accounts. Whilst the impact of this is not material to the Group's Financial Statements, the correct accounting treatment does impact the classification and treatment of particular Financial Statement line items and these have therefore been corrected. See Note 1 for details.

Prior period adjustment - Company

Dividend receipts

In preparing subsidiary Financial Statements the Directors identified a number of adjustments that had not been made in the 2019 Group Financial Statements and that impacted dividends paid by these subsidiaries to Lookers plc in 2019 and prior. This has required an adjustment to the Lookers plc Financial Statements. See Note 1d.

Anna Bielby
Interim Chief Financial Officer
30 June 2021

Risk overview and management

Enterprise risk management framework

As with all organisations, Lookers is exposed to a wide range of risks, both internal and external, as part of our on-going activities. The identification and management of those risks is integral to the achievement of our long-term goals which rely on our ability to identify and control those things that can hurt us and exploit opportunities that arise, both within our business and the wider market. We identify risks and assess the effectiveness of our control environment on an ongoing basis through robust risk management processes and reporting. As a part of this, we undertake horizon scanning to identify emerging risk, maintain ongoing dialogue with the business, provide management information to the Executive and the Board and keep up to date with developments in the automotive sector and wider economy. To assist, we have developed an Enterprise Risk Management Framework (ERMF) designed to deliver a common language that helps us define and categorise the risks that we face. It sets the high-level principles and underpinning minimum requirements for the identification, assessment, management and monitoring of each of those risk categories in line with Lookers' defined risk appetite.

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 exercises ownership of risk in the first line of business functions, and independent oversight and challenge of those risks and their management by its second line departments (Risk and Compliance). Internal Audit (the third line) are in place to provide independent assurance to the Board of the effectiveness of our controls. In summary the accountabilities between lines are split as follows:

- The first line of defence (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

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

In setting the risk appetite, the Board outlines the "tone from the top" and provides a basis for ongoing dialogue between management and Board with respect to our current and evolving risk profile, allowing strategic and financial decisions to be made on an informed basis.

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 2020 the Group's control environment has continued to evolve, including internal controls over financial reporting. The Financial Risk Policy and supporting Policy Standards have been further developed. A review of the underpinning processes and procedures has been undertaken and documented, including a strengthened balance sheet reconciliation process and a dedicated risk and control register. In addition, the Finance function has been strengthened with an enhanced operating model introduced across the period.

The Board continues to oversee a programme of work to further enhance finance controls. These enhancements address the issues previously identified in the Financial Review.

Controls have been designed to ensure that the Group's financial reporting presents a true and fair reflection of the Group's financial position. Many of these improvements have been implemented although the process of further improving controls will continue during 2021.

Principal risks and uncertainties

Appreciating that the operation of any business entails an element of risk, the Board maintains a policy of continuous identification, management and review of risks which may threaten the achievement of our strategic objectives.

These risks are those that could cause the greatest damage if not effectively identified, assessed 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.

Directors' responsibilities statement

The Directors confirm to the best of their knowledge:

- The Financial Statements have been prepared in accordance with the applicable set of accounting standards and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group and Company.
- The Annual Report & Accounts includes a fair review of the development and performance of the business and the financial position of the Group and Company, together with a description of the principal risks and uncertainties that they face.
- The Annual Report & Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

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

Mark Raban
Chief Executive Officer
30 June 2021

Basis of preparation

The financial information presented in this preliminary announcement is extracted from, and is consistent with, the Group's audited financial statements for the year ended 31 December 2020. The financial information set out below does not constitute the Company's statutory financial statements for the periods ended 31 December 2020 or 31 December 2019 but is derived from those financial statements. Statutory financial statements for 2020 will be delivered following the Company's annual general meeting. The auditors have reported on those financial statements; their report was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The financial information in this announcement has been extracted from the Group's Annual Report and Accounts for the year ended 31 December 2020 and is prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. Whilst the financial information included in this preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS and the financial information set out does not constitute the Company's statutory accounts for the current or prior year.

Going concern

The Directors have considered the future prospects and performance of the Group and have made an assessment of going concern considering the Group's cash and liquidity position, current performance and outlook, which assessed the restrictions put in place by the UK Government to control the impact of the COVID-19 pandemic, using the information available up to the date of issue of the financial statements.

During the lockdown restrictions throughout 2020 and 2021, management worked closely with its key OEM Brand Partners, who have positively supported the business and are continuing to do so. Management has continued to take action to protect the balance sheet and cash flow including accepting UK Government support measures including the Coronavirus Job Retention Scheme and the Expanded Retail Discount 2020/21 for business rates in addition to other self-help measures through a significant cost reduction programme, the deferral of capital expenditure, identification of property assets available for sale and cessation of the FY20 dividend.

Additionally, management has taken a number of longer term actions to protect cash including continued investment in the development of the Group's end-to-end online ordering capability through the use of Click & Drive, a comprehensive review of working capital management, and changed operational practices to de-risk the intra-month cash requirements.

At the date of approval of the consolidated Financial Statements, the UK is returning to some level of normality as lockdown restrictions are eased, however the Directors are cautiously monitoring the potential impact for future disruption. The UK Government is very well progressed in the roll out of the vaccination programme which should help the UK manage the future impact from the pandemic.

Banking facilities and funding position

As at 31 December 2020 the Group had £238m of committed revolving credit facilities due to expire on 31 March 2022. In recognition of the trading uncertainty through 2020 the financial covenants were renegotiated and included a suspension of the interest cover ratio and replacement with EBITDA and Liquidity covenants. The Group has satisfied each of those financial covenants.

The Group's revolving credit facilities were successfully renegotiated with its existing Banking Club in May 2021, for an initial amount of £150m and with an extension to September 2023. The profitability and cash generation of the Group has rebased the size of facility required to support the ongoing working capital needs of the Group following the restructuring of operations and reduced footprint of the Group and closure of sites in 2020. The amended facilities return to more normal covenant tests including core leverage, interest cover and EBITDA testing on a quarterly basis with effect from June 2021.

The Group has not made use of any borrowing under the COVID-19 Corporate Financing Facility or the Coronavirus Large Business Interruption Loan Scheme.

In addition to the revolving credit facility, the Group has stocking funding lines which were utilised at £210.0m as at 31 December 2020 (2019: £337.1m).

Assessment of the Group's financial position

The Group experienced significant disruption as a result of the impact of the COVID-19 pandemic, the details of which are set out in the Operating Review and the Financial Review.

The Directors have considered the potential impact of ongoing measures to manage the impact of COVID-19 pandemic and considered the possible medium term-risks on the macroeconomic impact the restrictions could have on the UK economy across the period to June 2022. The Directors have also considered the potential disruption to supply of new vehicles following the worldwide shortage of semiconductor chips.

Management has modelled a number of adverse scenarios to assess the potential impact that COVID-19 and possible stock shortages may have on the Group's operations in addition to the scenarios discussed in the Viability Statement. The Directors acknowledge that there remains uncertainty regarding the timing of a full return to the UK economic activity following the easing of restrictions in the UK and the potential for some further disruption to the UK economy. The Group has demonstrated significant resilience to issues faced during 2020.

The business has adapted to a new omni-channel operating platform and has shown great resilience to the issues faced in 2020 and 2021. This is underpinned by a strong balance sheet which has been reinforced by the renegotiation of the core funding facilities. The support received from OEM Brand Partners, the UK Government and other key partners has contributed to a strong financial position and places the Group in a strong position to manage its way through other future potential disruptions.

The conclusion of a trade deal between the UK and the EU has created more confidence with supply chains. The impact of Brexit has thus far been immaterial and the Directors do not expect it to cause any material impact to the supply chain or cause any issues with access to skilled labour.

To support the assessment of the Group's ability to continue as a going concern, the Directors have modelled a Base Case and three downside scenarios as follows.

- A medium-term downside scenario, where further lockdown measures occur in quarter 4 of 2021 followed by a recession in the first half of 2022 caused by macro-economic conditions.

- A medium-term downside scenario, where potential stock restrictions are caused by the impact of semiconductor chip shortages. This sensitivity reduces volumes of new, used and fleet sales from September 2021 to March 2022. This would be partly offset by a reduction in operating costs. Normal trading performance is expected to resume from April 2022. As this potential issue continues to evolve, a second more severe sensitivity was run to further test the Group's resilience. The additional sensitivity reduces volumes of new and fleet volumes further and extends the downturn out to June 2022. This is partly offset by an increase in used volumes - though these are still below the Base Case - and reflects both slightly stronger gross margins and a modest reduction in operating costs.

- A reverse stress test scenario, which is designed to breach either liquidity or financial covenants. This scenario is driven from Base Case and sensitises a reduction in vehicles sales volumes and aftersales revenue only from April 2021. The scenario assumes a constant reduction in aftersales revenues from April 2021 and various reductions in vehicle volumes at increments over the period to June 2022. It does not reflect any mitigating actions which the Board could take.

In each of the scenarios the Directors have assumed that property disposals between May 2021 and June 2022 are postponed and therefore increase the net debt by the same value. Throughout 2020 and despite the impact of COVID-19, Management achieved several surplus property disposals with a net profit to book value. Under the base case and medium-term downside scenarios, the Group is forecast to comply with the financial covenants set out in its funding agreements and operate comfortably within its banking facility limits. The Government has reacted to the impact of COVID-19 by initiating demonstrable financial support to the macro-economy and implemented a world leading roll out of the vaccine.

The Group has equally reacted well to previous COVID-19 lockdowns as demonstrated by the performance in the four months to April 2021, where the Group has consistently outperformed the market.

The reverse stress test scenario models a decrease in sales volumes and aftersales revenues not factoring in management taking any significant mitigating actions. If the Group experienced a significant reduction in aftersales or vehicle sales revenue, the Board would take a series of actions to protect the business as evidenced in 2020.

Based on the findings above, the Directors are confident in the scenarios tested that there are no liquidity issues and that any potential breaches in financial covenants can reasonably be prevented or avoided through mitigating actions, as we have demonstrated very well in 2020.

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.

Statement of Total Consolidated Comprehensive Income

For the year ended 31 December 2020 and 31 December 2019

	Note	2020 £m	Restated* 2019 £m
Revenue	2	**3,699.9**	**4,806.5**
Cost of sales		(3,288.9)	(4,293.4)
Gross profit		**411.0**	**513.1**
Net operating expenses		(380.1)	(525.9)
Operating profit/(loss)		**30.9**	**(12.8)**
Underlying operating profit		43.0	36.9
Non-underlying items	3	(12.1)	(49.7)
Finance costs	4	(28.9)	(32.9)
Profit/(loss) before taxation		**2.0**	**(45.7)**
Underlying profit before taxation		14.1	4.0
Non-underlying items	3	(12.1)	(49.7)
Tax (charge)/credit	5	(6.1)	3.9
Loss for the year (attributable to shareholders of the Company)		**(4.1)**	**(41.8)**
Exchange differences on translation of foreign operation (may be recycled to profit and loss)**		0.3	(0.4)
Actuarial (losses)/gains on pension scheme obligations (not recycled to profit and loss)		(32.5)	7.1
Deferred tax on pension scheme obligations (not recycled to profit and loss)		7.3	(1.2)
Total other comprehensive (expense)/income for the year		**(24.9)**	**5.5**
Total comprehensive expense for the year (attributable to shareholders of the Company)		**(29.0)**	**(36.3)**

Loss per share:			
Basic loss per share (p)	7	(1.05)	(10.74)
Diluted loss per share (p)***	7	(1.05)	(10.74)

*See Note 1 for details.
** In the year ended 31 December 2019 the exchange difference loss of £0.4m was incorrectly disclosed directly in equity.

*** In the years ended 31 December 2020 and 31 December 2019 the basic and diluted earnings per share are equal as a result of the Group incurring a loss for the year.

Consolidated and Company Statements of Financial Position

As at 31 December 2019 and 31 December 2020

	Note	Group 2020 £m	Restated * 2019 £m	Restated * 2018 £m	Company 2020 £m	Restated * 2019 £m	Restated * 2018 £m
Non-current assets							
Goodwill	8	79.3	81.9	111.7	-	-	-
Intangible assets	9	110.8	114.2	113.4	11.1	13.5	12.0
Property, plant and equipment	10	399.9	429.2	416.8	0.7	0.8	0.9
Right of use assets	11	117.6	119.0	110.6	0.8	1.1	1.2
Investment in subsidiaries		-	-	-	126.8	126.8	126.8
Deferred tax assets		-	-	-	14.2	9.5	12.2
		707.6	**744.3**	**752.5**	**153.6**	**151.7**	**153.1**
Current assets							
Inventories	12	655.2	956.5	972.9	-	-	-
Trade and other receivables		124.6	168.3	182.6	327.4	356.1	399.3
Current tax receivable		1.1	9.8	-	3.4	11.7	8.8
Rental fleet vehicles		30.1	32.0	32.9	-	-	-
Cash and cash equivalents		243.0	150.3	152.8	0.1	17.4	19.2
Assets held for sale		13.0	10.0	8.0	-	-	-
		1,067.0	**1,326.9**	**1,349.2**	**330.9**	**385.2**	**427.3**
Total assets		**1,774.6**	**2,071.2**	**2,101.7**	**484.5**	**536.9**	**580.4**
Current liabilities							
Bank loans and overdrafts		116.9	119.4	110.0	36.5	40.6	25.9
Trade and other payables		911.8	1,261.5	1,220.4	61.1	149.2	139.1
Lease liabilities		19.1	20.1	19.8	0.5	0.7	0.6
Current tax payable		-	-	3.3	-	-	-
		1,047.8	**1,401.0**	**1,353.5**	**98.1**	**190.5**	**165.6**
Net current assets/(liabilities)		**19.2**	**(74.1)**	**(4.3)**	**232.8**	**194.7**	**261.7**
Non-current liabilities							
Bank loans		166.8	90.4	128.7	158.4	81.4	118.7
Trade and other payables		39.8	42.3	39.3	-	-	-
Lease liabilities		125.3	126.8	117.0	0.4	0.4	0.6
Provisions	13	-	10.4	-	-	-	-
Pension scheme obligations		79.3	55.7	68.9	77.0	56.6	69.4
Deferred tax liabilities		33.2	34.0	33.0	-	-	-
		444.4	**359.6**	**386.9**	**235.8**	**138.4**	**188.7**
Total liabilities		**1,492.2**	**1,760.6**	**1,740.4**	**333.9**	**328.9**	**354.3**
Net assets		**282.4**	**310.6**	**361.3**	**150.6**	**208.0**	**226.1**

Shareholders' equity						
Ordinary share capital	19.5	19.5	19.4	19.5	19.5	19.4
Share premium	78.4	78.4	78.4	78.4	78.4	78.4
Capital redemption reserve	15.1	15.1	15.1	15.1	15.1	15.1
Retained earnings	169.4	197.6	248.4	37.6	95.0	113.2
Total equity	**282.4**	**310.6**	**361.3**	**150.6**	**208.0**	**226.1**

The loss after tax for the Company was £33.9m (2019: restated loss of £9.3m). The financial statements of Lookers plc, registered no. 111876 were approved by the Directors on 30 June 2021.

Signed on behalf of the Board of Directors

M. D. Raban
Director

Consolidated Statement of Changes in Equity

As at 1 January 2019, 31 December 2019 and 31 December 2020

Year ended 31 December 2019	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2019		19.4	78.4	15.1	249.0	361.9
Correction of errors*		-	-	-	(0.6)	(0.6)
As at 1 January 2019 (restated)		19.4	78.4	15.1	248.4	361.3
Loss for the year (restated)		-	-	-	(41.8)	(41.8)
Total other comprehensive income for the year		-	-	-	5.5	5.5
Total comprehensive expense for the year (restated)		-	-	-	(36.3)	(36.3)
New shares issued		0.1	-	-	-	0.1
Share based compensation		-	-	-	1.4	1.4
Dividends paid	6	-	-	-	(15.9)	(15.9)
As at 31 December 2019		**19.5**	**78.4**	**15.1**	**197.6**	**310.6**
Year ended 31 December 2020						
As at 1 January 2020		19.5	78.4	15.1	197.6	310.6
Loss for the year		-	-	-	(4.1)	(4.1)
Total other comprehensive expense for the year		-	-	-	(24.9)	(24.9)
Total comprehensive expense for the year		-	-	-	(29.0)	(29.0)
Share based compensation		-	-	-	0.8	0.8
As at 31 December 2020		**19.5**	**78.4**	**15.1**	**169.4**	**282.4**

*Opening reserves at 1 January 2019 have been restated by £0.6m and the loss for the year in the year ended 31 December 2019 has been restated by £0.2m in relation to corrections to lease accounting entries in one of the Group's subsidiaries and following further adjustments in relation to the adoption of IFRS 16.

Retained earnings include £16.5m (2019: £16.5m) of non-distributable reserves relating to properties which had been revalued under UK GAAP, but treated as deemed cost under IFRS.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020 and 31 December 2019

	Note	2020 £m	2019 (restated) £m
Cash flows from operating activities			
(Loss) for the year		(4.1)	(41.8)
Tax charge/(credit)		6.1	(3.9)
Depreciation of property, plant and equipment, rental fleet and right of use assets		51.2	52.3
Profit on disposal of property, plant and equipment		(3.1)	(4.9)
Gain on lease surrenders		(1.2)	(0.4)
Gain on disposal of right of use asset associated with rental fleet vehicles		(1.9)	(3.3)
Amortisation of intangible assets		4.8	6.1
Share based compensation		0.8	1.4
Impairment of property, plant and equipment		5.0	4.3
Impairment of right of use assets		0.4	1.8
Impairment of intangible assets (underlying)		-	0.4
Impairment of goodwill and intangible assets (non-underlying)		3.6	30.4
Finance costs excluding pension related finance costs and debt issue costs	4	27.3	30.6
Debt issue costs	4	0.5	0.4
Difference between pension charge and cash contributions		(8.9)	(6.1)
Purchase of rental fleet vehicles		(21.8)	(17.4)
Purchase of right of use assets associated with rental fleet vehicles		(1.9)	(3.3)
Purchase of vehicles for long term leasing		(27.8)	(35.5)
Changes in provisions	13	(10.4)	10.4
Changes in inventories		355.1	57.4
Changes in receivables		43.4	14.7
Changes in payables		(359.8)	25.3
Cash generated from operations		57.3	118.9
Finance costs paid		(21.2)	(24.3)
Finance costs paid - finance leases		(6.1)	(6.3)
Tax refunded/(paid)		7.8	(9.3)
Net cash inflow from operating activities		**37.8**	**79.0**
Cash flows from investing activities			
Purchase of property, plant and equipment		(13.8)	(45.8)
Purchase of intangibles		(3.0)	(7.9)
Finance lease rentals collected		4.0	6.2
Proceeds from disposal of property, plant and equipment		18.0	17.6
Net cash inflow/(outflow) from investing activities		**5.2**	**(29.9)**

For the year ended 31 December 2020 and 31 December 2019

Cash flows from financing activities		
Proceeds from issue of ordinary shares	-	0.1
Receipt of funding advanced for vehicle leasing arrangements	74.8	76.5
Repayment of funding advanced for vehicle leasing arrangements	(84.1)	(69.0)
Repayment of loans	(0.6)	(1.4)
Draw down on RCF	150.0	186.9
Repayment on RCF	(72.0)	(224.2)

Repayment of lease liabilities		(15.3)	(16.2)
Receipt of lease incentives		-	1.2
Dividends paid	6	-	(15.9)
Net cash inflow/(outflow) from financing activities		**52.8**	**(62.0)**
Increase/(decrease) in cash and cash equivalents		95.8	(12.9)
Cash and cash equivalents at 1 January		31.4	44.3
Cash and cash equivalents at 31 December		**127.2**	**31.4**

Analysis of cash and cash equivalents		
Cash and cash equivalents	243.0	150.3
Bank overdraft	(115.8)	(118.9)
Cash and cash equivalents at 31 December	**127.2**	**31.4**

Notes to the financial information

For the year ended 31 December 2020

1a Statement of Total Comprehensive Income (restated) for the year ended 31 December 2019

Group	As previously reported 31 December 2019 £m	Correction of errors	Restated 31 December 2019 £m
Revenue	**4,787.2**	**19.3**	**4,806.5**
Cost of sales	(4,274.1)	(19.3)	(4,293.4)
Gross profit	**513.1**	**-**	**513.1**
Net operating expenses	(526.3)	0.4	(525.9)
Operating loss	**(13.2)**	**0.4**	**(12.8)**
Underlying operating profit	36.5	0.4	36.9
Non-underlying items below operating profit	(49.7)	-	(49.7)
Finance costs	(32.3)	(0.6)	(32.9)
Loss before taxation	**(45.5)**	**(0.2)**	**(45.7)**
Underlying profit before taxation	4.2	(0.2)	4.0
Non-underlying items	(49.7)	-	(49.7)
Tax credit	3.9	-	3.9
Loss for the year (attributable to shareholders of the Company)	**(41.6)**	**(0.2)**	**(41.8)**
Exchange differences on translation of foreign operation (may be recycled to profit and loss)	(0.4)	-	(0.4)
Actuarial losses on pension scheme obligations	7.1	-	7.1
Deferred tax on pension scheme obligations	(1.2)	-	(1.2)
Total other comprehensive income for the year	**5.5**	**-**	**5.5**
Total comprehensive expense for the year	**(36.1)**	**(0.2)**	**(36.3)**
(Loss) per share:			
Basic (loss) per share (p)	(10.69)	(0.05)	(10.74)
Diluted (loss) per share (p)	(10.69)	(0.05)	(10.74)

In preparing the IFRS16 adjustments for the year ended 31 December 2020 the Directors identified errors in the underlying calculations. These errors originated at the point of initial adoption for the leases in question, so adjustments to the statement of financial position at 1 January 2019 were required to increase the amounts recorded within right of use assets by £7.3m, to increase total lease liabilities by £8.4m and to decrease retained earnings by £1.1m. Adjustments to the statement of financial position at 31 December 2019 were required to increase the amounts recorded within right of use assets by £11.3m, to increase total lease liabilities by £12.8m and to decrease retained earnings by £1.5m. The impact of these adjustments has been to increase the loss for the year ended 31 December 2019 by £0.4m, being the net impact of a £0.6m increase in finance costs and £0.2m reduction in net operating expenses. The adjustments had no overall impact on cashflows, however cash inflows from operating activities increased by £0.6m and cash outflows from financing activities decreased by £0.6m.

In addition, as part of our year end procedures, we identified that certain balances and transactions in the Group's Get Motoring UK Limited subsidiary had been incorrectly treated in respect of IFRS 16. Rental fleet vehicles acquired via sale and repurchase agreements had incorrectly been recognised as owned assets within current assets. As the Group has the right to control the vehicles only for a period of time the transactions should have been treated as leases. In addition, adjustments have been recorded to change the treatment of the subsequent rental of these vehicles, in which the Group acts as lessor, from operating leases to finance leases as these sub-leases are for substantially the entire period of the lead leases. The combined impact of these adjustments to the statement of financial position at 1 January 2019 is an increase to trade and other receivables of £21.8m (being the recognition of a repurchase debtor at the contractual repurchase amount (£20.8m) and finance lease receivable (£1.0m)), a reduction in rental fleet vehicles of £21.3m, and an increase in retained earnings of £0.5m. Adjustments to the statement of financial position at 31 December 2019 have increased trade and other receivables by £28.1m (being the recognition of a repurchase debtor at the contractual repurchase amount (£26.7m) and finance lease receivable (£1.4m)), reduced rental fleet vehicles by £27.4m, and increased retained earnings by £0.7m. The impact of these adjustments has been to reduce the loss for the year ended 31 December 2019 by £0.2m. Despite no overall impact to cashflows, the adjustments described above decrease both cash inflows from operating activities and cash outflows from investing activities by £6.2m in the Consolidated Statement of Cash Flows for the year ended 31 December 2019. In addition the treatment of proceeds from sale of rental fleet vehicles has been corrected, alongside the treatment of proceeds from sale of vehicles for long term leasing, to remove both the proceeds and associated profits from the face of the cashflow statement, with adjustments recorded against changes in inventories. These adjustments have no overall impact on the Consolidated Statement of Cash Flows, or any sub-categories included within.

Further, the profit on sale of owned rental fleet vehicles in the Group's Get Motoring UK Limited subsidiary had been incorrectly recorded net within the statement of consolidated comprehensive income for the year ended 31 December 2019 as disposals of fixed assets but should have been presented as sales of inventories. Adjustments to recognise sale proceeds and costs separately have increased revenues and cost of sales by £19.3m, with no change to profit for the year.

Separately, purchase of vehicles for long term leasing and purchase of rental fleet vehicles were incorrectly presented as investing cash outflows. In accordance with IAS 7, as these vehicles are subsequently held for sale the cashflows should be presented within operating activities. As a result these have been reclassified in the Consolidated Statement of Cash Flows for the year ended 31 December 2019, decreasing cash flows from operating activities and cash outflows from investing activities by £97.2m.

1b Statement of Financial Position (restated)

Group	As previously reported 31 December 2019 £m	Correction of errors £m	At 31 December 2019 (restated) £m	As previously reported 1 January 2019 £m	Correction of errors £m	At 1 January 2019 (restated) £m
Non-current assets						
Goodwill	81.9	-	81.9	111.7	-	111.7
Intangible assets	114.2	-	114.2	113.4	-	113.4
Property, plant and equipment	429.2	-	429.2	416.8	-	416.8
Right of use assets	107.7	11.3	119.0	103.3	7.3	110.6
	733.0	11.3	744.3	745.2	7.3	752.5
Current assets						
Inventories	956.5	-	956.5	972.9	-	972.9
Trade and other receivables	140.2	28.1	168.3	160.8	21.8	182.6

Current tax receivable	9.8	-	9.8	-	-	-
Rental fleet vehicles	59.4	(27.4)	32.0	54.2	(21.3)	32.9
Cash and cash equivalents	150.3	-	150.3	152.8	-	152.8
Assets held for sale	10.0	-	10.0	8.0	-	8.0
	1,326.2	0.7	1,326.9	1,348.7	0.5	1,349.2
Total assets	2,059.2	12.0	2,071.2	2,093.9	7.8	2,101.7
Current liabilities						
Bank loans and overdrafts	119.4	-	119.4	110.0	-	110.0
Trade and other payables	1,261.5	-	1,261.5	1,220.4	-	1,220.4
Lease liabilities	18.5	1.6	20.1	18.6	1.2	19.8
Current tax payable	-	-	-	3.3	-	3.3
	1,399.4	1.6	1,401.0	1,352.3	1.2	1,353.5
Net current liabilities	(73.2)	(0.9)	(74.1)	(3.6)	(0.7)	(4.3)
Non-current liabilities						
Bank loans	90.4	-	90.4	128.7	-	128.7
Trade and other payables	42.3	-	42.3	39.3	-	39.3
Lease liabilities	115.6	11.2	126.8	109.8	7.2	117.0
Provisions	10.4	-	10.4	-	-	-
Pension scheme obligations	55.7	-	55.7	68.9	-	68.9
Deferred tax liabilities	34.0	-	34.0	33.0	-	33.0
	348.4	11.2	359.6	379.7	7.2	386.9
Total liabilities	1,747.8	12.8	1,760.6	1,732.0	8.4	1,740.4
Net assets	311.4	(0.8)	310.6	361.9	(0.6)	361.3

Shareholders' equity						
Ordinary share capital	19.5	-	19.5	19.4	-	19.4
Share premium	78.4	-	78.4	78.4	-	78.4
Capital redemption reserve	15.1	-	15.1	15.1	-	15.1
Retained earnings	198.4	(0.8)	197.6	249.0	(0.6)	248.4
Total equity	**311.4**	**(0.8)**	**310.6**	**361.9**	**(0.6)**	**361.3**

1c Consolidated Statement of Cash Flows (restated)

Group	As previously reported 31 December 2019 £m	Correction of errors £m	At 31 December 2019 (restated) £m
Cash flows from operating activities			
Loss for the year	(41.6)	(0.2)	(41.8)
Tax credit	(3.9)	-	(3.9)
Depreciation of property, plant and equipment, rental fleet and right of use assets	54.1	(1.8)	52.3
Profit on disposal of property, plant and equipment	(5.2)	0.3	(4.9)
Gain on lease surrenders	(0.4)	-	(0.4)
Gain on disposal of right of use asset associated with rental fleet assets	-	(3.3)	(3.3)
Amortisation of intangible assets	6.1	-	6.1
Share based compensation	1.4	-	1.4
Impairment of property, plant and equipment	4.3	-	4.3
Impairment of right of use assets	1.8	-	1.8
Impairment of intangible assets (underlying)	0.4	-	0.4
Impairment of goodwill and intangible assets (non-underlying)	30.4	-	30.4
Finance costs excluding pension related finance costs and debt issue costs	30.0	0.6	30.6
Debt issue costs	0.4	-	0.4
Difference between pension charge and cash contributions	(6.1)	-	(6.1)
Proceeds from sale of vehicles for long term leasing	11.3	(11.3)	-
Proceeds from sale of rental fleet vehicles	58.7	(58.7)	-
Purchase of rental fleet vehicles	-	(17.4)	(17.4)
Purchase of right of use assets associated with rental fleet vehicles	-	(3.3)	(3.3)
Purchase of vehicles for long term leasing	-	(35.5)	(35.5)
Changes in provisions	10.4	-	10.4
Changes in inventories	23.1	34.3	57.4
Changes in receivables	20.6	(5.9)	14.7
Changes in payables	25.3	-	25.3
Cash generated from operations	221.1	(102.2)	118.9
Finance costs paid	(24.3)	-	(24.3)

Finance costs paid - finance leases	(5.7)	(0.6)	(6.3)
Tax refunded/(paid)	(9.3)	-	(9.3)
Net cash inflow from operating activities	**181.8**	**(102.8)**	**79.0**
Cash flows from investing activities			
Purchase of property, plant and equipment and own use vehicles	(45.8)	-	(45.8)
Purchase of vehicles for long term leasing	(35.5)	35.5	-
Purchase of rental fleet vehicles	(61.7)	61.7	-
Purchase of intangibles	(7.9)	-	(7.9)
Finance lease rentals collected	-	6.2	6.2
Proceeds from disposal of property, plant and equipment	17.6	-	17.6
Net cash outflow from investing activities	**(133.3)**	**103.4**	**(29.9)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares	0.1	-	0.1
Receipt of funding advanced for vehicle leasing arrangements	76.5	-	76.5
Repayment of funding advanced for vehicle leasing arrangements	(69.0)	-	(69.0)
Repayment of loans	(1.4)	-	(1.4)
Draw down on RCF	186.9	-	186.9
Repayment on RCF	(224.2)	-	(224.2)
Repayment of lease liabilities	(15.6)	(0.6)	(16.2)
Receipt of lease incentives	1.2	-	1.2
Dividends paid	(15.9)	-	(15.9)
Net cash outflow from financing activities	**(61.4)**	**(0.6)**	**(62.0)**
Decrease in cash and cash equivalents	**(12.9)**	**-**	**(12.9)**
Cash and cash equivalents at 1 January	44.3	-	44.3
Cash and cash equivalents at 31 December	**31.4**	**-**	**31.4**

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

2. Segmental reporting

The Group presents segmental information to better reflect the Group's revenue streams and the single-segment trading nature of the business' operations. No further disclosures have been made given the single segment trading nature of the business' operations which are predominantly transacted in the United Kingdom. All channels have been shown as gross totals prior to the elimination of intercompany trading activity so as to provide more granular detail around the Group's internal trading activities.

Group	2020 £m	Mix*	2019 (restated) £m	Mix* (restated)
New cars	1,709.3	42.5%	2,226.4	42.8%
Used cars	1,779.1	44.3%	2,326.3	44.7%
Aftersales	383.8	9.5%	495.3	9.5%
Leasing and other	148.4	3.7%	153.3	3.0%
Less: intercompany	(320.7)	-	(394.8)	-
Revenue	**3,699.9**	**100%**	**4,806.5**	**100%**

*Mix calculation excludes the effect of intercompany revenues.

3. Non-underlying items

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

Group	2020 £m	2019 £m
Non-underlying items at operating profit		
1 - Gain on property disposals	(3.1)	(4.9)
2 - Impairment of property, plant and equipment	3.4	3.7
2 - Impairment of right of use assets	0.4	1.8
2 - Gain on lease surrenders	(1.2)	(0.4)
2 - Restructuring costs	9.9	9.2
3 - Impairment of goodwill and intangible assets	3.6	30.4
4 - Value added tax (VAT)	-	(6.2)
5 - Restructure of regulated activities	-	4.7
5 - FCA provision	(10.4)	10.4
6 - Accrual for potential tax penalties	-	1.0
7 - Professional fees	9.2	-
8 - Finance overpayments	0.3	-
Non-underlying items at operating profit	12.1	49.7

1 - Property disposals relate to the net gains on the sale of a number of freehold properties during the current and prior year.

2 - During the year, the Board took decisive restructuring actions to position the Group for a strong and sustainable future. This included the closure, consolidation or refranchising of 12 sites (2019: 15 sites). In addition to the Group-wide restructuring, costs relating to site closure and impairment losses have been recognised during the current and prior year net of £1.6m (2019: net of £0.6m income) insurance income.

3 - During the current and prior year the Directors have concluded that impairment charges against the carrying value of certain elements of the Group's intangible asset base are required (Ford CGU goodwill impairment £2.6m - see Note 8; Lomond brand impairment £1.0m - see Note 9).

4 - During the prior 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 was made in relation to manufacturer deposit contributions and following a challenge over accounting for VAT on Motability sales the Group recognised a credit of £2.6m in year ended 31 December 2019.

5 - Costs totalling £4.7m in respect of the Group-wide FCA focused restructure plan were recorded as non-underlying in the prior year. These costs represented 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 was recorded in the year ended 31 December 2019 in respect of FCA matters. This provision was released in the year ended 31 December 2020. See Note 13 for further details.

6 - An accrual of £1.0m was recognised in the prior year in respect of potential tax penalties arising from the understatement of taxable profits in prior years in some of the Group's subsidiary undertakings.

7 - Professional fees incurred in relation to dealing with the Group's share suspension and investigation into prior period accounting irregularities have been treated as non-underlying items.

8 - £0.3m of additional costs have been incurred during the current year in respect of rectifying historic issues in relation to finance overpayments.

4. Finance costs

Group	Note	2020 £m	2019 (restated) £m
Finance costs:			
On revolving credit facility		(3.9)	(3.3)
On other bank borrowings		(1.6)	(2.7)
On consignment, repurchase vehicle liabilities and stocking loans		(14.0)	(16.1)
On vehicle rental finance liabilities		(1.7)	(2.2)
On lease liabilities		(6.1)	(6.3)
Debt issue costs		(0.5)	(0.4)
		(27.8)	(31.0)
Net pension costs:			
On defined benefit pension obligation		(6.1)	(8.1)
On pension scheme assets		5.0	6.2
		(1.1)	(1.9)
Finance costs		(28.9)	(32.9)

Amounts disclosed in the year ended 31 December 2019 have been reanalysed to show a more detailed split of finance costs and have been restated for prior year adjustments. See Note 1.

5. Taxation

Group	2020 £m	2019 £m
Current tax credit		
Current year	-	(1.2)
Adjustment in respect of prior years	(0.4)	(2.5)
	(0.4)	(3.7)
Deferred tax charge/(credit):		
Deferred tax - origination and reversal of temporary differences	3.5	0.2
Deferred tax rate adjustment	5.0	-
Adjustment in respect of prior years	(2.0)	(0.4)
	6.5	(0.2)
Total tax charge/(credit)	6.1	(3.9)
Tax on items (credited)/charged to other comprehensive income:		
Tax on pension scheme obligations	(7.3)	1.2
	(7.3)	1.2

	2020 £m	2019 £m
Reconciliation of total tax		
Profit/(loss) before tax	2.0	(45.7)
Standard rate of corporation tax at 19% (2019: 19%)	0.4	(8.7)
Disallowable items	1.4	6.5
Capital gains	1.3	-
Share based compensation	0.5	0.7
Adjustment in respect of prior years	(2.4)	(2.9)
Deferred tax rate adjustment	5.0	-
Difference on overseas tax rate	(0.1)	0.5
Total tax	6.1	(3.9)

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. Deferred tax assets and liabilities have been recalculated based on a rate of 19% as at 31 December 2020 which has given rise to an overall increase in the Group's deferred tax base and an increased charge in the current period.

A UK corporation tax rate of 25% was announced in the Chancellor's Budget of 3 March 2021, along with a temporary extension to the loss carry-back rules allowing up to £2.0m of tax losses to be carried back to the preceding three periods. The 25% rate will apply from 1 April 2023 and the carry-back of losses is expected to apply to years ending 31 December 2020 and 31 December 2021. If these two measures had been substantively enacted at the balance sheet date the Group's deferred tax liability would have increased by £10.4m and the current tax asset increased by £0.3m.

6. Dividends

Group	2020 £m	2019 £m
Interim dividend for the year ended 31 December 2020 nil p (2019: 1.48p)	-	5.8
Final dividend for the year ended 31 December 2019 nil p (2019: 2.60p)	-	10.1
	-	15.9

The Directors do not propose a final dividend in respect of the financial year ended 31 December 2020 (2019: nil).
As noted in the 2019 Annual Report & Accounts, the Board has become aware of an issue concerning the technical compliance with the 2006 Act in relation to the payment of interim and final dividends in 2013, 2014 and 2015. The effect of these irregularities is that the interim and final dividends paid in 2013, 2014 and 2015 were paid to shareholders at a time when the Company did not hold adequate distributable reserves. However, 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.

To satisfy the steps required to rectify these irregularities, the Company will put forward a resolution at the Company's forthcoming General Meeting.

7. Loss per share

Group	2020	2019 (restated)
Loss attributable to ordinary shareholders (£m)	(4.1)	(41.8)
Weighted average number of shares in issue	390,138,374	389,182,654
Basic loss per share (p)	(1.05)	(10.74)
Loss attributable to ordinary shareholders (£m)	(4.1)	(41.8)
Dilutive effect of share based payment options and weighted average number of shares in issue	390,138,374	389,182,654
Diluted loss per share (p)	(1.05)	(10.74)

Profit/(loss) before tax (£m)	2.0	(45.7)
Add: Non-underlying items (£m)	12.1	49.7
Underlying profit before tax (£m)	14.1	4.0
Tax rate	19.0%	19.0%
Underlying tax (£m)	(2.7)	(0.8)
Underlying earnings attributable to ordinary shareholders (£m)	11.4	3.2
Weighted average number of shares in issue	390,138,374	389,182,654
Underlying basic earnings per share (p)	2.93	0.83

In the years ended 31 December 2020 and 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 2020 was 398,084,323 (2019: 393,961,890).

8. Goodwill

Group

Cost	2020 £m	2019 £m
At 1 January and 31 December	122.4	122.4
Aggregate impairment		
At 1 January	40.5	10.7
Charge for the year	2.6	29.8
At 31 December	43.1	40.5
Carrying amount at 31 December	79.3	81.9

Following the Group's annual impairment review and a deterioration in expected market conditions and site closures underpinning the value in use calculations, an impairment charge of £2.6m has been recognised during the year (2019: £29.8m). The 2020 charge of £2.6m was recognised in the first half of the year. No additional goodwill impairment was required following management's year end impairment reviews.

In 2020 the Group has merged the operational activities of the former Renault Nissan Dacia CGU with that of the former Vauxhall CGU to form one new revised CGU. No impairments were identified during the annual impairment review on either the new or old CGU allocation basis in relation to this CGU.

Details of the £1.0m impairment of intangible assets is given in Note 9.

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

CGU	2020 Goodwill £m	2020 Licences and brands £m	2020 Total £m	2019 Goodwill £m	2019 Licences and brands £m	2019 Total £m
JLR	9.0	-	9.0	9.0	-	9.0
Audi	22.1	27.9	50.0	22.1	28.9	51.0
Charles Hurst	9.4	-	9.4	9.4	-	9.4
Ford	4.8	2.9	7.7	7.4	2.9	10.3
Mercedes-Benz	15.2	28.2	43.4	15.2	28.2	43.4
Volkswagen	6.9	15.9	22.8	6.9	15.9	22.8
BMW	-	21.7	21.7	-	21.7	21.7
Vauxhall Renault Nissan Dacia	2.8	2.9	5.7	2.8	2.9	5.7
Fleet & Leasing	9.1	-	9.1	9.1	-	9.1
	79.3	99.5	178.8	81.9	100.5	182.4

The Group's three year strategic review considers the Group's profit and loss, cashflows, debt and other key financial ratios over the period. 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 value-in-use of each CGU is calculated using cash flow projections for a five-year period; from 1 January 2021 to 31 December 2025. These projections are based on the Board approved strategic plan to 31 December 2023. The key assumptions in the strategic plan on which the cash flow projections are based relate to expectations of sales volumes and margins and expectations around changes in the operating cost base. The assumptions made are based on the Board's understanding of the extent and duration of the COVID-19 related trading restrictions currently imposed in addition to the current macro-economic context and outlook, past experience adjusted for expected changes, and external sources of information.

The key assumptions that have been used in determining the value in use of each cash generating unit in the impairment model are set out in the table below:

Assumption	2020	2019	2018
Three to five year revenue growth	0.0% to 1.4%	0.0% to 1.0%	0.0% to 1.4%
Three to five year operating expenses growth	0.0% to 2.0%	0.0% to 2.0%	0.0% to 1.1%
Post year five growth rate	0%	0%	0%
Discount rate	9.87%	8.51%	8.70%

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

As noted above an impairment of £2.6m has been recognised in the current year to reduce the carrying amount of goodwill in the Ford CGU. This impairment was recorded during the preparation of the Group's interim Financial Statements and appreciated the uncertainty COVID-19 was causing the business and on the market conditions at that time. In accordance with IFRIC 10 Interim Financial Reporting and Impairment, impairments recorded in interim Financial Statements are not permitted to be reversed should changes in facts and circumstances result in the recoverable amount of the CGU being higher than its carrying amount at the subsequent impairment test date. Having performed a number of additional sensitivity tests including modelling the impact of the Group's sensitised going concern model and increasing the WACC rate by 1.0% no additional disclosures are considered necessary as neither of these models resulted in any impairment. In addition a reverse stress test on the base case model was performed in order to eradicate the headroom on the CGU that started with the least headroom in the base case model. In order to achieve this a change in circumstances beyond what the Board considers to be a reasonable change in circumstances and assumptions would be required. As a result, no additional sensitivity disclosures have been disclosed.

9. Intangible assets

Group	Licences and brands £m	IT development £m	Total £m
Cost			
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
At 1 January 2020	102.6	39.6	142.2
Additions	-	3.0	3.0
Reclassifications to property, plant and equipment	-	(0.6)	(0.6)
At 31 December 2020	102.6	42.0	144.6
Accumulated amortisation and impairment			
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
At 1 January 2020	2.1	25.9	28.0
Charge for the year	-	4.8	4.8
Impairment charge	1.0	-	1.0
At 31 December 2020	3.1	30.7	33.8

Carrying amount			
As at 1 January 2019	101.1	12.3	113.4
As at 31 December 2019 and 1 January 2020	100.5	13.7	114.2
As at 31 December 2020	**99.5**	**11.3**	**110.8**

Intangible assets are considered as part of the Group's annual impairment review (see Note 8).

An impairment charge of £1.0m has been made relating to the Group's Lomond brand. Following a review of the Group's marketing positioning the Board are now of the view that the value previously attributed to the Lomond brand has now been diminished and as such have recorded an impairment charge in the year as a non-underlying item.

At 31 December 2020 there is an amount of £nil (2019: £nil) committed for future capital expenditure.

10. Property, plant and equipment

Group	Freehold property £m	Leasehold property £m	Motor vehicles for rental £m	Other £m	Total £m
Cost					
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
At 1 January 2020	270.2	92.9	101.1	84.3	548.5
Movements in foreign exchange	1.1	-	-	0.1	1.2
Additions	3.0	1.2	28.9	8.5	41.6
Disposals	(14.1)	(3.0)	(2.8)	(13.3)	(33.2)
Transfers	(2.5)	3.2	4.2	(4.9)	-
Transfers from intangible assets	-	-	-	0.6	0.6
Transfers to inventories	-	-	(34.6)	-	(34.6)
Transfers to assets held for sale	(7.8)	(2.4)	-	-	(10.2)
At 31 December 2020	**249.9**	**91.9**	**96.8**	**75.3**	**513.9**
Accumulated depreciation and impairment					
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

At 1 January 2020	23.3	18.3	31.9	45.8	119.3
Movements in foreign exchange	-	-	-	0.1	0.1
Charge for the year	2.9	2.5	16.8	10.0	32.2
Impairment loss	0.2	-	-	1.3	1.5
Disposals	(3.1)	(2.2)	(1.9)	(13.1)	(20.3)
Transfers to inventories	-	-	(18.0)	-	(18.0)
Transfers to assets held for sale	(0.8)	-	-	-	(0.8)
At 31 December 2020	22.5	18.6	28.8	44.1	114.0

Carrying amount					
As at 1 January 2019	248.7	60.8	67.6	39.7	416.8
As at 31 December 2019 and 1 January 2020	246.9	74.6	69.2	38.5	429.2
As at 31 December 2020	**227.4**	**73.3**	**68.0**	**31.2**	**399.9**

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 £4.3m (2019: £3.6m). 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 (2019: £7.5m) which is not depreciated. At 31 December 2020 there is an amount of £7.3m (2019: £7.2m) committed for future capital expenditure.

During the year ended 31 December 2020 the total net book value of disposals from property amounted to £12.0m (2019: £9.6m). Total proceeds received was £14.5m (2019: £14.7m) resulting in a gain on disposals of £2.5m (2019: £5.1m).

Following the Group's restructuring program, an impairment charge of £1.5m (2019: £3.0m) has been recorded representing an adjustment to the expected recoverable values of assets. In the prior year, a further £1.3m 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 £9.4m (2019: £5.1m) of properties have been reclassified into to assets held for sale.

11. Right of use assets

Group	Property £m	Other £m	Total £m
Cost			
At 1 January 2019	240.1	6.0	246.1
Correction of errors*	18.2	-	18.2
At 1 January 2019 (restated)	258.3	6.0	264.3
Additions	24.5	6.2	30.7
Retirements and surrenders	(5.3)	(5.9)	(11.2)
At 31 December 2019	277.5	6.3	283.8
Cost			
At 1 January 2020	277.5	6.3	283.8
Additions	12.7	3.7	16.4
Retirements and surrenders	(11.0)	(2.9)	(13.9)
At 31 December 2020	279.2	7.1	286.3
Accumulated depreciation and impairment			
At 1 January 2019	138.9	3.9	142.8
Correction of errors*	10.9	-	10.9
At 1 January 2019 (restated)	149.8	3.9	153.7
Charge for the year	12.5	2.8	15.3
Impairment charge	1.8	-	1.8
Retirements and surrenders	(3.4)	(2.6)	(6.0)
At 31 December 2019	160.7	4.1	164.8
At 1 January 2020	160.7	4.1	164.8
Charge for the year	12.4	2.6	15.0
Impairment charge	0.4	-	0.4
Retirements and surrenders	(10.5)	(1.0)	(11.5)
At 31 December 2020	163.0	5.7	168.7
Carrying amount			
As at 1 January 2019	108.5	2.1	110.6
As at 31 December 2019 and 1 January 2020	116.8	2.2	119.0
As at 31 December 2020	**116.2**	**1.4**	**117.6**

*Details of the correction of errors are shown in Note 1.

Included within the Other category are leases for motor vehicles and IT equipment.
A charge of £0.4m (2019: £1.8m) has been recognised following the cessation of trade from certain dealerships during the year thereby giving rise to an impairment charge which has been treated as a non-underlying item (see Note 3).

12. Inventories

Group	2020 £m	2019 £m
Goods for resale	255.7	398.7
Vehicle spare parts for resale	17.2	24.1
Consignment vehicles	382.3	533.7
	655.2	956.5

Total write-offs of £nil (2019: £nil) have been incurred during the year and there have been no reversals of past write-downs (2019: 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 2020 these total £23.6m (2019: £33.0m).

At 31 December 2020 the Group had entered into a number of future purchase commitments amounting to £4.8m (2019: £11.6m) which are not recognised in the financial statements.

13. Provisions

Group

	2020 £m	2019 £m
Provision in respect of regulatory matters	-	10.4
At 31 December	**-**	**10.4**

Group	Provisions for other charges 2020 £m	Provisions for other charges 2019 £m
At 1 January	10.4	-
Created in the year	-	10.4
Released during the year	(10.4)	-
At 31 December	**-**	**10.4**

In the year ended 31 December 2019, after careful consideration of the open matters with the FCA (namely 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) the Board 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 recorded a provision at 31 December 2019. The spectrum of possible outcomes included restitution of customer detriment, additional costs associated with the regulated activities and potential sanctions was considered broad and the considered outcome based on that range was considered to be £10.4m.

On 2 March 2021 the Group announced that the FCA had advised the Board of its decision to close the investigation against Lookers Motor Group Limited, the Group's FCA regulated entity, for the possible mis-selling of regulated products, and associated issues relating to potential customer detriment. In closing the case, the FCA further advised the Board that it did not intend to use its statutory powers to apply any sanctions against the Group in relation to the matters under investigation. As the investigation specifically covers the period from January 2016 to June 2019, the Group is satisfied that the FCA confirmation represents an adjusting event after the balance sheet date as there is no longer an obligating event and have therefore released the £10.4m provision into non-underlying items in the year ended 31 December 2020.

14. Subsequent events

COVID-19

On 4 January 2021 a third national lockdown was implemented. The business has been able to continue to operate with pre-booked aftersales service being provided supplemented by new and used car sales activity being carried out via 'Click & Drive'. This activity has continued in earnest up to 12 April 2021 when all of the Group's dealerships fully re-opened and began trading normally. The Board continues to consider the effects of COVID-19 as an event affecting underlying activities.

FCA regulatory matters

On 2 March 2021 the Group announced that the FCA had advised the Board of its decision to close the investigation against Lookers Motor Group Limited, the Group's FCA regulated entity, for the possible mis-selling of regulated products, and associated issues relating to potential customer detriment. In closing the case, the FCA further advised the Board that it did not intend to use its statutory powers to apply any sanctions against the Group in relation to the matters under investigation. As the investigation specifically covers the period from January 2016 to June 2019, the Group is satisfied that the FCA confirmation represents an adjusting event after the balance sheet date as there is no longer an obligating event and have therefore released the £10.4m provision into non-underlying items in the year ended 31 December 2020.

Banking facilities

In May 2021 the Group successfully renegotiated its revolving credit facilities with its existing club of banks for an initial amount of £150m with an extension to September 2023. The amended facilities include core leverage, interest cover and EBITDA covenants which are tested on a quarterly basis commencing 30 June 2021.

15. Reconciliation of Alternative Performance Measures

The Group uses a number of Alternative Performance Measures (APM) which are non-IFRS measures in establishing their financial performance. Like for Like is the collection of dealerships and other trading businesses that have both a full year of trading activity in the current year and prior year. The Group believes the APM provide useful, historical financial information to assist investors and other stakeholders to evaluate the performance of the business and are measures commonly used by certain investors for evaluating the performance of the Group. In particular, the Group uses APM which reflect the underlying performance on the basis that this provides users of the financial statements with additional useful information to better assess the core business performance of the Group. Details of the definitions of APM are made within the Glossary in Note 16. A reconciliation of the statutory measures to the APM is set out below:

Like-for-like revenue	2020	2019*
Revenue (£m)	**3,699.9**	**4,806.5**
Less: Non like-for-like revenue	(52.1)	(225.6)
Like-for-like revenue (£m)	**3,647.8**	**4,580.9**

Gross profit margin		
Revenue (£m)	**3,699.9**	**4,806.5**
Gross profit (£m)	**411.0**	**513.1**
Gross profit margin (%)	**11.1%**	**10.7%**

Underlying operating profit (£m)		
Operating profit/(loss) (£m)	**30.9**	**(12.8)**
Add: Non-underlying items (£m)	12.1	49.7
Underlying operating profit (£m)	**43.0**	**36.9**

EBITDA and underlying EBITDA (£m)		
Operating profit/(loss) (£m)	**30.9**	**(12.8)**
Add: Depreciation (£m)	51.2	52.3
Add: Amortisation (£m)	4.8	6.1
EBITDA (£m)	**86.9**	**45.6**
Add: Non-underlying items (£m)	12.1	49.7
Underlying EBITDA (£m)	**99.0**	**95.3**

Underlying profit before tax and underlying basic EPS		
Profit/(loss) before tax (£m)	**2.0**	**(45.7)**
Add: Non-underlying items (£m)	12.1	49.7
Underlying profit before tax (£m)	**14.1**	**4.0**
Tax rate (%)	19.0%	19.0%
Underlying tax (£m)	(2.7)	(0.8)
Underlying profit after tax (£m)	11.4	3.2
Weighted average number of shares in issue	390,138,374	389,182,654
Underlying basic EPS (p)	**2.93**	**0.83**

Property portfolio and property portfolio by share		
Property, plant and equipment (£m)	**399.9**	**429.2**
Less: Other property, plant and equipment (£m)	(31.2)	(38.5)
Less: Motor vehicles (£m)	(68.0)	(69.2)
Property portfolio (£m)	**300.7**	**321.5**
Share capital at 31 December	390,138,374	390,138,374
Property portfolio per share (p)	**77.1**	**82.4**

Net debt excluding lease liabilities and rental vehicle finance liabilities		
Bank loans and overdrafts (£m)	**283.7**	**209.8**
Less: Cash and cash equivalents (£m)	(243.0)	(150.3)
Net debt (£m)	**40.7**	**59.5**

*2019 restated

16. 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, vehicle rental 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

Details of the reconciliations of APMs to statutory measures are made in Note 15.