Company Registration No. 00143470

LOOKERS MOTOR GROUP LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2017

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2017

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R A Gregson
A C Bruce
N J McMinn

COMPANY SECRETARY

G MacGeekie

REGISTERED OFFICE

Lookers House
3 Etchells Road
West Timperley
Altrincham
WA14 5XS
United Kingdom

BANKERS

Barclays Bank PLC
The Royal Bank of Scotland Plc
Yorkshire Bank

Lloyds Banking Group
8th Floor
40 Spring Gardens
Manchester
M2 1EN

AUDITOR

Deloitte LLP
Statutory Auditor
2 Hardman Street
Manchester
M60 2AT
United Kingdom

STRATEGIC REPORT
For the year ended 31 December 2017

The Directors, in preparing this strategic report have complied with section 414c of the Companies Act 2006.

PRINCIPAL ACTIVITIES

The main activities of the Company during the year were the distribution and retailing of cars, the servicing of vehicles and the distribution of spare parts. The Company is part of the Lookers plc group of companies which operates a significant number of franchised vehicle dealerships within the UK and Ireland. Where referred to, the 'Group' relates to 'Lookers plc'. The Directors do not foresee any significant changes to the future prospects of the business or its main activities.

STRATEGIC AND OPERATIONAL REVIEW

The Company's strategy is to operate a diverse business in the UK motor sector. This includes operating with a wide range of manufacturer partners across a wide geographical area, both of which help to reduce exposure to anomalies or fluctuations in demand, which may affect specific manufacturers or locations.

The aim is to grow the business by a combination of organic growth in the existing business, where there are many opportunities for increasing revenue, as well as from targeted and selective acquisitions. We strive to deliver sector leading value whilst providing our customers with market leading customer service, optimising customer retention and being an outstanding Company that achieves our mission of customers for life. During 2016 and into 2017 we instigated a deakership rationalisation project which disposed of or closed a number of performing dealerships. The costs of closing these are reflecvted in the operating costs in 2017.

Turnover increased slightly by 5.5% to £1,091 million compared to £1,034 million last year with a corresponding increase in gross profit to £109.1 million from £106.7 million. This mainly was a result of our mix of vehicles sold being higher and costs being reduced due to a rationalisation programme in 2017 which disposed and closed a number of underperforming dealerships.

Overall the loss from operations in the year was £3.9 million compared to a profit of £2.1 million in the previous year.

Company Outlook

The Company has made a good start to the current financial year and we continue to outperform the new retail car market and aftersales continues to perform well, with the result that the Company is in ahead of both budget and prior year. We therefore expect the result for the first half year to be in line with both budget and last year.

Whilst the new car market remains challenging, we believe there are opportunities to grow the business in 2018 and beyond, particularly in used cars where we can benefit from economies of scale, the skills of our people and our ability to invest in improved technology. This, together with the Company's strong performance in 2017 and the previous five years, provide a firm foundation on which to deliver further growth.

However, there is still uncertainty resulting from the process for the UK to leave the EU. Whilst we have not yet noticed any significant difference in customer behaviour, particularly for orders of new and used cares, we have to remain aware of consumer confidence levels and the Pound-Euro exchange rate, both of which could have an impact on our business.

Corporate Social Responsibility, Human Rights and Diversity

The Company has a long-standing Corporate and Social Responsibility agenda and further details of this are included on page 51 of our Group's annual report. We are also very conscious of human rights issues within the Company and the key area that would impact our business would be across our supply chain. All of our directly employed staff are based in the UK and are covered by UK employment law. Our supply chain in the motor division is predominantly the major international motor manufacturers who clearly take these issues very seriously as well.

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

STRATEGIC REPORT (continued)
For the year ended 31 December 2017

STRATEGIC AND OPERATIONAL REVIEW (continued)

Mandatory Carbon Reporting

The Company is aware of, and supports, the new carbon reporting requirements. Separately, the Company reports each year to the Environment Agency under the government's Carbon Reduction Commitment (CRC) scheme. The mandatory reporting period for CRC is April to March. It is the intention of the Company to align the new carbon reporting period with those of CRC and consequently has issued its forth report on carbon footprint in the 2017 Annual Report for its Ultimate Holding Company, Lookers plc ("Group").

Principal Risks and Uncertainties

The Company is part of the Lookers plc Group and participates in its financing arrangement. Therefore it shares the same risks and uncertainties as the Group which are detailed below:

Global Economy

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

Brexit

Management continues to closely monitor developments in relation to Brexit and the potential consequential political and economic uncertainties in order to mitigate any risks to the business.

Manufacturers' Financial Stability

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

Government Legislation

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

Liquidity and Financing

The group uses a number of methods to fund its day to day business. These methods are (i) bank borrowings by way of committed borrowing facilities (Banking facilities of £225.0 million, maturing March 2020); (ii) from manufacturer and third party finance houses through uncommitted stocking facilities to fund the purchase of stock; and (iii) from suppliers by way of trade credit. A withdrawal of any of these financing facilities or a failure to renew them as they expire could lead to a significant reduction in the trading ability of the group. However the group's balance sheet has been strengthened significantly over the past five years and this together with the renewal of the group's banking facilities in 2015, provides sufficient liquidity and funding.

Block Exemption Aftersales / General Exemption Sales

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

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

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

STRATEGIC REPORT (continued)
For the year ended 31 December 2017

STRATEGIC AND OPERATIONAL REVIEW (continued)

Competitive Nature of the Market

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

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

Information Systems

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

Manufacturers' Influence

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

Approved and authorised for issue by the board and signed on their behalf by:

R A Gregson
Finance Director
14 June 2018

DIRECTORS' REPORT
For the year ended 31 December 2017

The Directors present the Annual Report and the audited financial statements for the year ended 31 December 2017.

DIVIDENDS

During the year interim dividends of £1,069,000 (2016: £2,830,000) were paid. The Directors do not recommend the payment of a final dividend (2016: £nil).

DIRECTORS

The following were Directors of the Company during the year and up to the date of signing the Financial Statements:

R A Gregson
A C Bruce
N J McMinn

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

EMPLOYEE INVOLVEMENT

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

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

The Lookers plc Company has a dedicated intranet site 'Engage' which keeps employees up-to-date with Company and Company developments and activities. Communicating in this manner ensures a consistent message.

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

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

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

EMPLOYMENT OF DISABLED PERSONS

The Company's recruitment policy sympathetically considers applications for employment from the disabled where they have the necessary abilities and skills to perform the job. If any employee becomes disabled during employment with the Company every effort is made to retrain that employee to perform a job appropriate to his/her abilities and skills. It is the Company's policy to encourage career development for its employees, including the disabled for whom further training is arranged, if necessary, to allow for special needs.

HUMAN RIGHTS

We are also very conscious of human rights issues within the company and the key area that would impact our business would be across our supply chain. All of our directly employed staff are based in the UK are covered by UK employment law. Our supply chain in the motor division is predominantly the major international motor manufacturers who clearly take these issues very seriously as well.

We are committed to ensuring that there is no modern slavery or Human trafficking in our supply chains or any part of our business. We are committed to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

DIRECTORS' REPORT (continued)
For the year ended 31 December 2017

GOING CONCERN

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

The Company is dependent upon funding from its ultimate parent Company, Lookers plc (the Parent). The Directors have received confirmation from the Parent that it will provide financial support as is necessary to enable the Company to meet its liabilities as they fall due for a period of at least 12 months from the date of signing these financial statements.

In considering the position of the Company as a going concern, and in the context of the uncertainties discussed in this report, the Company's Directors have taken into account the following information regarding the financial position of the Company headed by the Parent as disclosed in the financial statements of the Parent for the year ended 31 December 2017:

The company and the group meet their day to day working capital requirements through short-term stocking loans ad the revolving credit facility and its medium-term funding requirements through a term loan. At the year end the medium-term banking facilities included a revolving credit facility of up to £150.0 million and a term loan totalling £75.0 million, providing total facilities of £225.0 million. These facilities were renewed in September 2015 and are due for renewal in March 2020.

Stocking loans are provided by a variety of banks associated with a range of manufacturers and provide asset backed finance on vehicle inventories held during the year. At the 31 December 2017 the value of these stocking loans amounted to £326.4million.

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

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

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

AUDITOR

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

- so far as each is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Approved and authorised for issue by the board and signed on their behalf by:

R A Gregson

Finance Director

14 June 2018

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF LOOKERS MOTOR GROUP LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Lookers Motor Group Limited (the 'company') which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOOKERS MOTOR GROUP LIMITED (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOOKERS MOTOR GROUP LIMITED (continued)

Carl Acton

Carl Acton BA (Hons) FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor
Manchester, United Kingdom
15 June 2018

INCOME STATEMENT
For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
REVENUE	2	1,091,264	1,034,385
Cost of sales		(982,166)	(927,653)
GROSS PROFIT		109,098	106,732
Selling and distribution costs		(73,437)	(68,871)
Administration costs		(39,592)	(35,775)
(LOSS)/PROFIT FROM OPERATIONS		(3,931)	2,086
Impairment of investments	11	-	(3,621)
Interest payable	3	(2,664)	(2,161)
LOSS BEFORE TAXATION	4	(6,595)	(3,696)
Tax charge for the year	5	1,545	(403)
LOSS FOR THE YEAR		(5,050)	(4,099)

All turnover and results for the year and the prior year arise from continuing operations.

The Company has no other comprehensive income or expense in either year other than those included in the results above, and therefore no statement of comprehensive income has been presented.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
As at 1 January 2016	23,500	12	16,872	40,384
Dividend paid	-	-	(2,830)	(2,830)
Loss for the year	-	-	(4,099)	(4,099)
As at 31 December 2016	23,500	12	9,943	33,455
Dividend paid	-	-	(1,069)	(1,069)
Loss for the year	-	-	(5,050)	(5,050)
As at 31 December 2017	23,500	12	3,824	27,336

The accompanying notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	2017 £'000	2016 £'000
NON-CURRENT ASSETS			
Goodwill	8	12,109	10,534
Intangible assets	9	-	-
Property, plant and equipment	10	10,706	9,614
Investments	11	184,687	184,120
		207,502	204,268
CURRENT ASSETS			
Inventories	12	188,553	213,355
Trade and other receivables	13	130,653	135,293
Cash and cash equivalents		19,267	17,313
		338,473	365,961
TOTAL ASSETS		545,975	570,229
CURRENT LIABILITIES			
Bank overdrafts		(42,508)	(42,495)
Trade and other payables	15	(470,127)	(486,711)
Current tax liabilities	16	(5,329)	(6,719)
		(517,964)	(535,925)
NET CURRENT LIABILITIES		(179,491)	(169,964)
Bank loans and overdrafts		(29)	(72)
Deferred tax	17	(646)	(787)
		(675)	(859)
TOTAL LIABILITIES		(518,639)	(536,784)
NET ASSETS		27,336	33,445
CAPITAL AND RESERVES			
Called-up share capital	18	23,500	23,500
Share premium account		12	12
Retained earnings		3,824	9,943
SHAREHOLDER'S EQUITY		27,336	33,455

The accompanying notes form an integral part of the financial statements.

The financial statements of Lookers Motor Group Limited, (registered number 00143470) were approved by the Board of Directors and authorised for issue on 14 June 2018 and were signed on its behalf by:

R A Gregson
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. ACCOUNTING POLICIES

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

General information

Lookers Motor Group Limited is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Lookers House, 3 Etchells Road,West Timperley, Altrincham, WA14 5XS.
The functional currency of the Company is considered to be pounds sterling as because that is the currency of the primary economic environment in which the Company operates.

The nature of the Company's operations and its principal activities are set out in the Strategic Report.

Basis of preparation

The financial statements have been prepared on the historical cost basis as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The Company has applied FRS 101 'Reduced Disclosure Framework' incorporating the Amendments to FRS 101 issued by the FRC in July 2016 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2016 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2017.

Adoption of new and revised Standards Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

ADOPTION OF NEW AND REVISED STANDARDS

Where applicable the company has adopted the relevant standards in accordance with our ultimate parent company, Lookers plc. Specific details of new, amended and revised standards as noted in the group financial statements are as follows:

Amendments to IFRSs that are mandatorily effective for the current year
In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
The Group has adopted the amendments to IAS 12 for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

Annual Improvements to IFRSs 2014-2016 Cycle
The Group has adopted the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group. IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

ADOPTION OF NEW AND REVISED STANDARDS (continued)

Annual Improvements to IFRSs 2014-2016 Cycle (continued)

New and revised IFRSs in issue but not yet effective At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and [in some cases] had not yet been adopted by the EU:

IFRS 9 Financial Instruments
IFRS 15 Revenue from Contracts with Customers (and the related Clarifications)
IFRS 16 Leases
IFRS 17 Insurance Contracts
IFRS 2 Classification and Measurement of (amendments) Share-based Payment Transactions
IFRS 4 Applying
IFRS 9 Financial Instruments with (amendments)
IFRS 4 Insurance Contracts
IAS 40 Transfers of Investment Property (amendments)
IFRS 10 and Sale or Contribution of Assets between an
IAS 28 Investor and its Associate or Joint Venture (amendments) Annual Amendments to
IFRS 1 First-time Adoption Improvements of International Financial Reporting to IFRSs standards and IFRS 28 Investments in 2014-2016 Associates and Joint Ventures Cycle
IFRIC 22 Foreign Currency Transactions and Advanced Consideration
IFRIC 23 Uncertainty over Income Tax Treatments

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 9 Financial Instruments

The Group is required to adopt IFRS 9 Financial Instruments from 1 January 2018. IFRS 9 largely retains the classification requirements of IAS 39 so the Group does not expect any significant differences relating to the valuation of Financial assets or Financial liabilities

IFRS 9 Financial Instruments is mandatory for reporting periods commencing on or after 1 January 2018. These financial statements have not adopted IFRS 9 early but whilst there will be changes in disclosure, there are not expected to be any material changes in the value of financial assets or financial liabilities.

Financial assets

These financial statements have been prepared using IAS 39 financial instruments. IAS 39 classifies financial assets into classes according to their nature i.e. loans and receivables, held to maturity or available for sale. IFRS 9, by contrast, classifies assets according to the business model for their realisation, as determined by the expected contractual cashflows. This classification determines the accounting treatment, and the new classification under IFRS 9 is by reference to the accounting treatment i.e. amortised cost, fair value through other comprehensive income or fair value through profit and loss.

Impairment of financial assets.

The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date.

The new impairment model will apply to the Group's financial assets that are debt instruments measured at amortised costs or FVTOCI as well as the Group's receivables.

IFRS 9 also requires that impairment of financial assets be shown as a separate line item in either the statement of comprehensive income or the income statement. Under IAS 39 the Group recorded the impairment of its financial assets (trade and other receivables) within operating expenses. IFRS 9 largely retains the classification requirements of IAS 39 so there are not expected to be any material differences

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

1. **ACCOUNTING POLICIES (continued)**

ADOPTION OF NEW AND REVISED STANDARDS (continued)

IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2016.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group recognises revenue from the following major sources:

Sale of Insurance, commission and warranty products.
The group recognises income upon the sale of Insurance, finance and warranty policies sold when the customers buys one of its products relating to vehicles or service work. The group in these instances acts as an agent for various finance and insurance houses and revenue is recognised when the customer receives the product.

Under IFRS 15, revenue recognition will be based on whether the Group controls the specific goods and services before transferring them to the end customer, rather than whether it has exposure to significant risks and rewards associated with the sale of goods. Under IFRS 15, the Revenue relating to these products will be recognised over the period which the customer can exercise their rights under the Insurance, commission and warranty product and therefore revenue should be recognised over the period of that prevailing Insurance, commission or warranty product. The Group's initial assessment of the impact of the effect of adopting IFRS 15 would indicates that there would be no change to current practice and therefore no adjustment will be required.

Revenue generated from the sale of motor vehicles and aftersales services.
Revenue is currently recognised when vehicles or aftersales services have been supplied. Under IFRS 15, revenue will be recognised when a customer obtains control of the goods. The Group's initial assessment of the impact of the effect of adopting IFRS 15 would indicates that there would be no change to current practice and therefore no adjustment will be required.

Transition
The Group is required to adopt IFRS 15 for the year ended 31 December 2018 and will plan to use the cumulative effect method without restatement of comparatives.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

1. **ACCOUNTING POLICIES (continued)**

ADOPTION OF NEW AND REVISED STANDARDS (continued)

IFRS 16 Leases

IFRS 16, which has not yet been endorsed by the EU, introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The Group is currently considering whether adopt IFRS 16 for the year ending 31 December 2018. No decision has been made about whether to use any of the transitional options in IFRS 16.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected because operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16. As at 31 December 2017, the Group has non-cancellable operating lease commitments of £319.4m.

IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review.

In contrast, for finance leases where the Group is a lessee, as the Group has already recognised an asset and a related finance lease liability for the lease arrangement, and in cases where the Group is a lessor (for both operating and finance leases), the directors of do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements.
Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, capital management, presentation of comparative information in respect of certain assets, impairment of assets, standards not yet effective, financial instruments and related party transactions.

Where relevant, equivalent disclosures have been given in the group financial statements of Lookers Plc. The group financial statements of Lookers plc are available to the public and can be obtained as set out in note 23.

Going concern

This financial information has been prepared on a going concern basis. Further information on the Directors' consideration of going concern is given in the Directors' Report.

Critical accounting estimates and judgements

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

Pensions

The Company participates in the Lookers Pension plan which is a defined benefit pension scheme providing benefits based on final pensionable salary. The contributions paid by the Company are accounted for as if it were a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities in the defined benefit scheme on a consistent and reasonable basis.

The impact of the pension estimates on the Company's financial statements can be seen in note 19.

Goodwill and intangible assets

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

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

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

Revenue recognition

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

Profit from operations

Profit from operations is stated before net interest costs and debt issue costs.

Intangible assets

Intangible assets acquired on a business combination are capitalised separately from goodwill if the asset is separable and if fair value can be measured reliably on initial recognition. Intangible assets so acquired are carried at cost less accumulated amortisation and any impairment losses. Amortisation is provided on a straight line basis to allocate the cost of the asset over its estimated useful life. This category's asset includes computer software which has an estimated useful life of 4 years. The Company has no internally generated intangible assets.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets at the date of the acquisition. Goodwill is not subject to amortisation and is tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less disposal costs, and value in use. Goodwill is carried at cost less accumulated impairment losses. There is a departure from FRS101 due to the non-amortisation of goodwill with the overriding purpose of presenting a true and fair view.

Investments

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

Impairment of assets

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

Property, plant and equipment

Assets are stated at their historical cost less depreciation. The Company has adopted the cost model under IAS 16, 'Property plant and equipment.'

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

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

Leases

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

Inventories

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

Effective Interest Method

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

Loans and receivables

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

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

Impairment of financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

1. **ACCOUNTING POLICIES (continued)**

Financial instruments

Debt instruments

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

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Taxation

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

1. **ACCOUNTING POLICIES (continued)**

Taxation (continued)

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

Pension costs

The Company takes part in the Lookers plc defined benefit pension scheme, which is a multi-employer scheme. It is not possible to allocate the assets and liabilities of the scheme between the different member companies and therefore in the books of the Company the scheme is treated as a defined contribution scheme with contributions charged to the Income Statement in the year in which they are payable. Further detail on the pension scheme is given in note 19.

The Company also provides pension arrangements for employees under defined contribution schemes. Contributions for these schemes are changed to the Income Statement in the year in which they are payable.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise deposits with banks and financial institutions, bank and cash balances, and liquid investments, net of bank overdrafts.

Effective interest Method

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

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

Loans and receivables

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

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

Impairment of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

1. **ACCOUNTING POLICIES (continued)**

Effective interest Method (continued)

Impairment of financial assets (continued)

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

Financial instruments

Debt instruments

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

Financial liabilities

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

Dividends

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

Repurchase commitments

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

2. **REVENUE**

	2017 £'000	2016 £'000
To external customers	1,039,492	1,002,330
To group companies	51,178	31,933
Overseas	594	122
	1,091,264	1,034,385

There is only one class of business, being motor franchises and all revenue is derived from this activity, and relates to primarily to trading within the United Kingdom.

3. **INTEREST PAYABLE**

	2017 £'000	2016 £'000
Interest payable:		
Bank interest	1,113	353
Interest on consignment stocks	1,551	1,808
Interest payable	2,664	2,161

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

4. LOSS BEFORE TAXATION

	2017 £'000	2016 £'000
Profit before taxation is calculated after taking into account the following items charged within operating profit:		
Staff costs (note 6)	71,706	68,138
Operating lease rentals payable - hire of plant and machinery	119	119
- property	2,270	2,126
Depreciation - owned assets	3,181	1,970
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	50	50
Fees payable to the Company's auditor for other services – tax services only	9	9
Loss on sale of fixed assets	68	26

5. TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2017 £'000	2016 £'000
Current tax (credit) / expense		
Current year	(1,184)	342
Adjustment in respect of prior years	(220)	(311)
	(1,404)	31
Deferred tax charge		
Deferred tax	11	148
Adjustment in respect of prior years	(152)	224
	(141)	372
Tax (credit)/expense for the year	(1,545)	403

The tax charge was affected by the following factors:

	2017 %	2016 %
Standard rate of corporation tax	19.2	20.0
Items not allowable for taxation	(1.4)	120.1
Withdrawal of Industrial buildings allowance	-	656.4
Adjustments in respect of previous years	5.6	(118.1)
Change in rate	-	(141.1)
Effective rate of tax on current profit	23.4	537.3

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' remuneration

The Directors' emoluments were borne by Lookers plc and not recharged. This is because fair apportionment is not possible as services are provided to multiple entities (2016: same).

	2017 No.	2016 No.
Average number of persons employed		
Production	527	516
Sales and distribution	997	1,058
Administration	692	666
	2,216	2,240
	£'000	**£'000**
Staff costs during the year (including Directors)		
Wages and salaries	64,616	61,440
Social security costs	6,322	5,915
Pension costs	768	783
	71,706	68,138

7. DIVIDENDS

	2017 £'000	2016 £'000
For the year end 31 December		
Interim dividend of 4.5p per share (2016: 12p)	1,069	2,830

8. GOODWILL

	2017 £'000	2016 £'000
Cost		
At 1 January	14,410	13,119
On acquisition of subsidiaries	1,575	1,291
At 31 December	15,985	14,410
Aggregate impairment		
At 1 January and 31 December	3,876	2,626
Impairment	-	1,250
	3,876	3,876
Net book value		
At 31 December	12,109	10,534

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

8. GOODWILL (continued)

During the year, the acquired goodwill was tested for impairment in accordance with IAS 36. Following the impairment test, a goodwill impairment charge of £1.3m was deemed necessary (2016: £nil). This impairment was in relation to various franchise dealerships following deterioration in trading.

For the purposes of impairment testing of goodwill and intangible assets, the Directors recognise the Company's Cash Generating Units ("CGU") to be connected groupings of dealerships. The recoverable amount of each CGU's goodwill and intangible assets is based on value in use using Board approved budgeted projections over the next five years for each CGU to calculate each CGU's discounted cash flows to perpetuity, where individual budgets are produced for all businesses within the Company. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year and the impairment calculation is sensitive to these key assumptions.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. An annual growth rate of 1.6% (2016: 1.6%) (UK GDP) is assumed and a risk adjusted discount rate applied.

The discount rates are estimated based on the Company's cost of capital which is calculated after consideration of market information and risk adjusted for individual circumstances with all units carrying a goodwill value operating in the UK and the motor retail or related sector a single pre-tax discount rate of 9.71% (2016: 9.71%) has been applied.

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

9. INTANGIBLE ASSETS

Software

	2017 £'000	2016 £'000
Cost		
At 1 January and 31 December	1,477	1,477
Amortisation		
At 1 January and 31 December	1,477	1,477
At 31 December	1,477	1,477
Net book value		
At 31 December	-	-

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold £'000	Assets in construction £'000	Long leasehold £'000	Short leasehold £'000	Plant and machinery £'000	Fixtures, fittings tools and equipment £'000	Total £'000
Cost							
At 1 January 2017	1,594	500	3,349	1,679	8,770	9,843	25,735
Additions	-	370	706	-	2,229	1,896	5,201
Disposals	(32)	(500)	(692)	(1,679)	(650)	(726)	(4,279)
At 31 December 2017	1,562	370	3,363	-	10,349	11,013	26,657
Accumulated depreciation							
At 1 January 2017	37	-	1,771	1,274	6,313	6,726	16,121
Charge for the year	24	-	340	29	1,063	1,725	3,181
Disposals	-	-	(672)	(1,303)	(650)	(726)	(3,351)
At 31 December 2017	61	-	1,439	-	6,726	7,725	15,951
Net book value							
At 31 December 2017	1,501	370	1,924	-	3,623	3,288	10,706
At 31 December 2016	1,557	500	1,578	405	2,457	3,117	9,614

11. INVESTMENTS

Shares in Company undertaking

	2017 £'000	2016 £'000
Cost		
At 1 January	187,751	155,768
Investments in subsidiary companies	567	31,983
At 31 December	188,318	187,751
Aggregate impairment		
At 1 January and 31 December	3,631	-
Impairment	-	3,631
At 31 December	3,631	3,631
Net book value		
At 31 December	184,687	184,120

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

11. INVESTMENTS (CONTINUED)

The above investment at 1 January 2016 represents a 100% interest in the ordinary share capital of Lomond Motors Limited, a Company incorporated in Scotland, Lookers Colborne Limited, a company incorporated in the UK, Jackson and Edwards Limited and PLP Motors Limited. The two latter companies are both dormant companies registered in England and Wales.

Lomond Motors Limited registered office is 520 Hillington road, Braehead, Glasgow, G52 4UB. The other subsidiary companies noted above have the same registered office as the Ultimate parent company (note 23).

The Company has taken advantage of the exemption from the requirement to produce Company financial statements conferred in Section 400 of the Companies Act 2006 on the grounds that it is a wholly owned subsidiary of Lookers plc, a Company registered in England and Wales.

In the opinion of the Directors, the aggregate value of the shares in and amounts owing from the Company's unconsolidated subsidiary undertakings is not less than the total amount at which they are stated in the balance sheet.

12. INVENTORIES

	2017 £'000	2016 £'000
Goods for resale	100,441	101,765
Consignment vehicles	88,112	111,590
	188,553	213,355

In the opinion of the directors, there is no material difference between the carrying amount of inventories and their replacement cost.

13. TRADE AND OTHER RECEIVABLES

	2017 £'000	2016 £'000
Gross trade receivables	31,845	44,252
Less provision for impairment of receivables	(730)	(523)
Net trade receivables	31,115	43,729
Amounts owed by Company undertakings	88,196	82,094
Taxation and social security	4,491	3,842
Other debtors	1,098	1,556
Prepayments and accrued income	5,753	4,072
	130,653	135,293

Amounts owed by Company undertakings are unsecured, interest free and have no fixed date of repayment. Concentrations of credit risk with respect to trade receivables are limited due to the Company's customer base being large and unrelated. Due to this, the Directors believe there is no further credit risk provision required in excess of normal doubtful receivables.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

13 TRADE AND OTHER RECEIVABLES (CONTINUED)

	2017 £'000	2016 £'000
Movement in the allowance for doubtful receivables		
Balance at 1 January	523	289
Increase in allowance recognised in Income Statement	207	234
Balance at 31 December	730	523

In determining the recoverability of the trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Value of trade receivables

	2017 £'000	2017 %	2016 £'000	2016 %
Not impaired:				
Neither past due nor impaired	25,065	80.6	38,746	88.6
Past due up to 3 months but not impaired	5,438	17.5	4,983	11.4
Past due 3 to 6 months but not impaired	415	1.3	-	-
Past due 6 to 12 months but not impaired	[illegible]	0.6	-	-
	31,115	100.0	43,729	100.0

14. OTHER FINANCIAL ASSETS

	2017 £'000	2016 £'000
Investments carried at cost:		
Non-current		
Investments in subsidiaries	184,687	184,120
Loans carried at amortised cost:		
Loans to group companies	88,196	82,094
Disclosed in the financial statements as:		
Current assets – trade and receivables	88,196	82,094
Non-current assets – investments in subsidiaries	184,687	184,120

15. TRADE AND OTHER PAYABLES

	2017 £'000	2016 £'000
Trade payables	58,816	66,607
Repurchase commitments	72,771	60,818
Consignment vehicle creditors	88,112	111,589
Amounts owed to Company undertakings	233,772	233,503
Taxation and social security	3,777	1,670
Other creditors	2,870	2,203
Accruals and deferred income	10,009	10,321
	470,127	486,711

Amounts due to Company undertakings are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

16. CURRENT TAX LIABILITIES

	2017 £'000	2016 £'000
Corporation tax	5,329	6,719

17. DEFERRED TAX

Deferred tax is calculated in full on temporary timing differences under the liability method using a tax rate of 17% (2016: 17%). The movement in the deferred tax account is as shown below:

	2017 £'000	2016 £'000
Deferred tax liability (asset) at 1 January	787	414
Charged to income statement	(141)	373
Deferred tax liability at 31 December	646	787

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets because the Directors deem it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the year are shown below.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and the intention is to settle the balances net.

	2017 £'000	2016 £'000
Deferred tax (liabilities)/assets:		
Depreciation in excess of capital allowance	646	787

The standard rate of tax applied to reported profit on ordinary activities is 19% (2016 20%). The applicable tax rate has changed following substantive enactment of the Finance Act 2016 which was substantively enacted on 6 September 2016 contains provisions to further reduce the rate of corporation tax to 17% with effect from 1 April 2020. Accordingly deferred tax assets and liabilities have been calculated at the rates which will be in force when the timing differences are projected to reverse.

18. CALLED-UP SHARE CAPITAL

	2017 £'000	2016 £'000
Allotted, called-up, and fully paid		
23,500,000 ordinary shares of £1	23,500	23,500

19. FINANCIAL COMMITMENTS

Contingent liabilities

The Company is jointly and severally liable under cross guarantees within the Lookers plc Company for loans *and overdrafts. The total Company borrowing at the year-end amounted to £75,000,000 (2016: £85,000,000).*

The weighted average interest rate paid during the year on the bank loans was 1.88% (2016: 1.88%).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

20. PENSIONS

The Company participates in the Lookers Pension plan which is a defined benefit pension scheme providing benefits based on final pensionable salary. The contributions paid by the Company are accounted for as if it were a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities in the defined benefit scheme on a consistent and reasonable basis.

During the year the majority of the assets and liabilities of the Dutton Forshaw Group Pension Plan were transferred to the Lookers Pension Plan, so that the Dutton Forshaw Group Pension Plan has now merged with the Lookers Pension Plan. Some assets have been retained in the Dutton Forshaw Group Pension Plan to cover liabilities that remain with the scheme as well as the costs of closing the scheme. The scheme is financed with assets held in independently administered funds. A valuation update was made as 31 December 2017 by a qualified independent actuary to take account of the IAS 19 (revised) requirements. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the scheme's assets at their 31 December market value.

The employer's future service contribution rate has been adjusted to take into account the deficit disclosed by the valuation, spread over the average remaining service lives of the members of the scheme. The scheme was closed to future accrual on 31 May 2011 and up to that date the agreed contribution rate was 20%.

The overall net deficit between the assets of the combined Company's defined benefit scheme and the actuarial liabilities of the scheme amounts to £63,812,000 (2016: £39,866,000). In line with IAS 19 (revised) disclosures relating to the pension scheme operated by Lookers are provided in the consolidated financial statements for Lookers Plc.

The charge relating to the defined benefit scheme in the year was £120,000 (2016: £156,000). An amount of £67,000 (2016: £64,000) is included within accruals being the outstanding contributions to the Lookers plc scheme.

21. RELATED PARTY TRANSACTIONS

The company has taken advantage of the reduced disclosure exemption available in FRS 101 to disclose transactions entered into between the Company and other fully owned subsidiaries of Lookers Plc.

The Company's key management are remunerated by its ultimate parent undertaking, Lookers plc and accordingly these amounts are disclosed in the consolidated financial statements of Lookers plc. Their management of the Company forms only a small part of their responsibilities within the wider Lookers Company and so it is not possible to accurately identify that element of their remuneration which is directly attributable to Lookers Motor Group Limited.

22. LEASE COMMITMENTS

	2017		2016	
	Property	**Plant and equipment**	**Property**	**Plant and equipment**
	£'000	**£'000**	**£'000**	**£'000**
Commitments for future minimum lease payments under non-cancellable operating leases falling due as follows:				
within one year	2,919	78	2,418	19
Within two to five years	10,496	43	8,875	-
After five years	20,346	-	16,147	-
	33,761	121	27,440	19

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

23. ULTIMATE PARENT COMPANY

The Company's immediate parent Company is Lookers Motor Holdings Limited. In the opinion of the Directors, the Company's ultimate parent and controlling Company is Lookers plc, which is the parent undertaking of the smallest and largest Company to consolidate these financial statements. Lookers Motor Holdings Limited and Lookers plc are both companies registered in England and Wales. Copies of the financial statements of both companies can be obtained from Lookers plc, Lookers House, 3 Etchells Road,West Timperley, Altrincham, WA14 5XS.