REGISTRATION NO: 111876

LOOKERS PUBLIC LIMITED COMPANY

REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

CONTENTS

Turnover	£1,231.6m	up 13%
Operating profit	£27.1m	up 31%
Adjusted profit before tax	£18.0m	up 28%
Adjusted earnings per share	37.7p	up 22%
Dividends per share	15.25p	up 26%

FINANCIAL CALENDER

Announcement of results for the full year	20 March 2006
Annual General Meeting	11 May 2006

"...an outstanding set of results..."

Fred Maguire
Chairman
20 March 2006

Chairman's Review 2005

The Board is delighted to be able to report that the Group has continued to achieve excellent progress during 2005, generating strong growth in turnover, profit* and earnings* which have enabled the Board to increase the total dividend payment by 26 per cent. The successes achieved reflect our development strategy and the effectiveness of our de-centralised dealer enfranchised operating model that delivers superior performance from our network, both in terms of customer satisfaction and profitability.

The benefits of a wide geographical coverage, a strong presence in used cars, and the car parts and service aftermarkets have enabled us to deliver an outstanding set of results.

Our scale and market strategy in each of the regional areas in which we operate has enabled us to reduce costs, bolt on additional businesses and further significantly improve efficiencies, and, thereby returns. Our de-centralised dealer enfranchised model is at the heart of our success in delivering superior returns from the franchises we operate. As further evidence of the success of this strategy and reflecting the existing strong relationships we enjoy with our manufacturer partners, we were recently awarded a new Land Rover dealership in Glasgow.

DIVIDEND AND FUTURE DIVIDEND POLICY

Following last year's excellent performance and the strong start to the current year, the Board is proposing a final dividend of 10.5 pence, bringing the total dividend for the year to 15.25 pence, an increase of 26 per cent. on 2004. Subject to final approval at the Annual General Meeting, the final dividend will be paid on 31 May 2006 to shareholders on the register at 18 April 2006.

In light of the Board's continued confidence in the future, it is intending to initiate a more progressive dividend policy, increasing the total dividend payable by 15 per cent. per annum, subject to maintaining an appropriate dividend cover. In conjunction with this and, as indicated last year, given the higher level of profit earned in the first half of the year, it is the Board's intention that a larger proportion of the dividend will be paid at the interim stage in successive years.

This increase in the final dividend and enhancement of the dividend policy reinforces the Board's commitment to creating further value and returning capital to shareholders. Further proposals regarding how we intend to create and return value to shareholders will be set out in the defence document which will be posted to shareholders after the Pendragon offer document has been posted, the timing of which is presently unclear.

REG VARDY ACQUISITION AND PENDRAGON OFFER

On 17 January 2006 we announced a recommended cash offer of 875p per share for Reg Vardy plc. We felt that this represented an attractive opportunity to build shareholder value through consolidation in the sector. Pendragon PLC subsequently announced a higher offer of 900p. The Board believed that it was not in our shareholders' interests to continue to pursue this opportunity at higher offer levels.

On 9 March 2006 Pendragon announced an all share offer for your Company. The Board, as advised by Rothschild, had no hesitation in unanimously rejecting this offer on the basis of its inadequacy both in terms of the value it places on your Company and also the real value of the Pendragon shares that are being offered. The Board's view was clear and augmented by the fact that there would be significant operational risks to Pendragon shareholders in a three way merger, all of which seems particularly unattractive when compared to the exciting future growth prospects for Lookers as a stand alone Company.

* Adjusted pre-exceptional items, goodwill impairment and amortisation of intangible assets.

"...we have again outperformed the market and continue to gain market share."

Ken Surgenor
Chief Executive
20 March 2006

Chief Executive's Review 2005

OPERATING REVIEW

Franchised Businesses

The success achieved in this business area is due to the combination of the scale which has been generated with its broad base of manufacturing partners and also the wide geographic spread of the operations.

In order to provide a first class service to our partners and customers, the Group operates a decentralised management structure with key management Directors taking responsibility for their respective franchises, and certain franchise Directors who are responsible for a number of dealerships in one or more regions also being the focal point of contact for the manufacturer.

We believe that the success of this approach is borne out by the fact that we have again outperformed the market and continue to gain market share. In addition, although the new car market was down 5 per cent. in 2005 and the more profitable retail content of new car sales fell by over 10 per cent., our new car sales were down only 3 per cent. by comparison and the retail element was down 7.5 per cent.

On the volume side of the business, Vauxhall has had another excellent year. We now have seventeen Vauxhall outlets operating in three significant market areas – the North West, the Midlands and Northern Ireland.

Of the prestige brands, Premier Automotive Group ("PAG") has also had a very satisfactory year. In total we now represent PAG in 22 outlets in three significant market areas – the South East, West of Scotland and Northern Ireland.

In addition, we have again improved our used car performance which, on a like-for-like basis, is 6 per cent. ahead of last year which had also shown a healthy increase on the previous year.

Through our Customer Care Centre in Liverpool we have also continued to improve our aftersales volumes and margins.

We have made significant improvements in our performance on sales of finance and insurance products within the franchised businesses as a result of the strengthening of the management team responsible for finance and insurance-related activities. This has contributed to these excellent results and will benefit us in the future.

Part of our acquisition strategy has always been to retain, motivate and incentivise the key people within the target businesses and exploit their experience to expand the Group in those specific markets or market areas. For example, when we first expanded into Scotland by acquiring Taggarts in 2003, we retained all the senior and middle management. Having reincentivised and remotivated them, they are now prospering under the Lookers banner, as is the business. Our record of people retention and motivation is second to none.

Notwithstanding the major disruption of refurbishments, new builds and relocations on 20 sites (representing 22 per cent. of our franchised outlets), we managed to achieve such a strong performance from this part of our business in 2005. The level of such activity is expected to be significantly lower in 2006 and we expect to reap the rewards of our increased investment in these sites through the improved facilities for customers and staff alike. In addition, the current year will benefit from the contribution from the 5 additional outlets acquired in 2005 together with the 6 which were acquired in 2006.

LOOKERS **BRISTOL TRADE CENTRE (BTC) - BRISTOL** (acquisition)

LOOKERS **ESSEX TRADE CENTRE (ETC) - ESSEX** (refurbishment)

LOOKERS **IAN SHIPTON CARS (ISC) - Burton-on-Trent** (acquisition)

USED CAR SUPERMARKETS

Our entry into the Used Car Supermarket business was effected by the acquisition of BTC at the end of January 2005. Having quickly appreciated the potential of this business we were able to add another strategic location by acquiring ISC in the Midlands, in May.

Many of the vehicles sold by these outlets are sourced from our existing franchise network, vehicles which would otherwise have been sold at auction. Unlike the used car operations on franchised sites, the Used Car Supermarkets give customers much wider choice as they can physically display more vehicles and offer all makes of used cars.

These businesses performed in line with our expectations during our period of ownership, and in 2006, we will see the benefits of a full year of trading combined with improved performance overall.

A third site in the South East was opened in January 2006. We now have outlets in the South East, South West and Midlands which are tracking to retail in excess of 12,000 cars a year providing significant scale to both enhance margins and reduce costs.

PARTS DISTRIBUTION

We acquired FPS Distribution ("FPS") in August 2004 and have successfully retained the senior and middle management of this business. The team is young and ambitious and is keen to grow the product offering and profitability. FPS has had a very strong performance in the year under review, achieving an operating profit of £4.6 million.

Recognising that there are significant opportunities to expand the distribution side of the business, the Company has put in place some initiatives to grow this, at little incremental cost. One such initiative has been the development of a series of programmes to be delivered under the "WDS" brand – Warehouse Distribution Services on a next day delivery cycle. The results of this will be seen in 2006 and beyond.

LOOKERS **FPS PARTS DISTRIBUTION - MULTIPLE LOCATIONS**

At present, the business is constrained by the capacity of its central warehouse, which is currently 55,000 square feet. A freehold site has been obtained and a purpose-built warehouse will be constructed which will immediately more than double that capacity, with the ability to expand to up to 200,000 square feet without increasing the footprint of the proposed building. This will be available for January 2007 and will enable the business to significantly expand its distribution activities.

In October, FPS acquired APEC Limited – a business specialising in dry braking parts. APEC is a highly respected and leading brand of braking parts in the United Kingdom and Irish aftermarkets. This business supplies the same customer base as FPS and complements that operation. In our short period of ownership, it has made a positive contribution and is in good shape to deliver its full year budget in 2006.

APEC BRAKING PARTS DISTRIBUTION - BRISTOL (acquisition)

ACQUISITIONS AND DISPOSALS

The fragmented nature of the motor retail and parts distribution industry offers significant opportunities to make earnings-enhancing acquisitions. An important component of our ability to successfully integrate acquisitions and to further develop them, is our track record of retaining local management.

At the end of January 2005, we acquired our first Used Car Supermarket in Bristol, taking us to the South West of England for the first time. Bristol Trade Centre ("BTC") was a well established business in the area. The management of this business was retained, enabling us to make our second acquisition in May of Ian Shipton Cars ("ISC") – a Used Car Supermarket in the Midlands. These two businesses have traded well during our period of ownership.

On 31 July we acquired PLP Motors, comprising of two Vauxhall outlets in Warrington and Widnes, a Saab service centre in Warrington and introduced Chevrolet to the Group for the first time in Warrington.

TAGGARTS **VOLVO - GLASGOW** (acquisition)

LOOKERS **VAUXHALL - WARRINGTON** (acquisition)

LOOKERS **JAGUAR - BURY ST EDMUNDS** (acquisition)

LOOKERS **LAND ROVER - BURY ST EDMUNDS** (acquisition)

CHARLES HURST **CHRYSLER JEEP - BELFAST** (new build)

LOOKERS **VW - NORTHALLERTON** (re-location)

LOOKERS **RENAULT - ALTRINCHAM** (new build)

LOOKERS **HONDA - NOTTINGHAM** (new build)

CHARLES HURST **TOYOTA - BELFAST** (re-franchise)

The following month we acquired the Volvo businesses from Murray Motors in Glasgow and Hamilton. During the course of 2006, these businesses will be relocated to existing under-utilised facilities in these market areas to sit alongside our other PAG brands – Jaguar and Land Rover. The full benefits of these acquisitions will be realised when these relocations have taken place.

In mid-October we acquired APEC Limited, based in Bristol which supplies dry braking parts and complements our FPS Distribution business.

In addition, during the year we have provided Vauxhall with a new facility in Belfast in our Northern Ireland market area. This will be the first time for five years that Vauxhall has been represented in that city and we fully anticipate it to contribute strongly in 2006 as it grows its customer base and volumes.

The total cost of these acquisitions was £35.0 million and they reflect our stated strategy of ensuring we have strong contributions from used car sales and aftersales which complement the revenue for new car sales. The annualised revenues of these acquisitions was £155.0 million and historically, these businesses generated an annualised operating profit of £3.4 million. We will enjoy the full year benefit of these acquisitions and their expected improvement in performance in 2006.

In our franchise business, we acquired 6 PAG dealerships on 28 February 2006, and during the year, Lookers also exited from 3 underperforming dealerships which were loss-making at the operating profit level (2005: £1.3m).

Our expansion strategy in the future will be to continue to acquire franchised businesses especially prestige, used car operations and aftersales businesses to improve the quantity and quality of earnings.

OUTLOOK

The Board believes that through Lookers' focus on and commitment to broadening revenue streams, strengthening relationships with manufacturers and stakeholders alike, driving consolidation and generating further efficiencies across the Group, 2006 will be yet another successful year of growth.

Already, the Group is making good progress and I am pleased to report that trading has been ahead of the Board's expectations across all areas of our businesses for the first two months of the year. In particular, our new car sales performance is well ahead of the market. In Northern Ireland, January is a key month and we are pleased to report that these operations enjoyed a strong performance with new car retail sales up by 18 per cent. on the same period in 2005. Overall volumes across the UK for one of the most important trading months, March, are also encouraging. Our used car supermarkets and aftersales businesses have also had a strong start to the year.

I would like to take this opportunity to thank my colleagues on the Board and all staff for their support, commitment and enthusiasm in helping to build this very successful Group and in producing the results we have been able to announce.

"Operating margins have increased by 16 per cent."

David Dyson
Finance Director
20 March 2006

Finance Director's Review 2005

FINANCIALS

Turnover has increased to £1.23 billion from £1.09 billion last year, representing growth of 13 per cent. of which approximately half was organic. We have continued to focus on driving operating efficiencies and cost reductions across the business whilst managing the integration of acquisitions and growing organically. As a result we have achieved an improvement in the adjusted operating margin from 1.9 per cent. to 2.2 per cent., an increase of 16 per cent.

Gross margins have increased by 20 basis points from 12 per cent. to 12.2 per cent. This, together with our tight control of operating costs, has resulted in a 31 per cent increase in operating profit before impairment, amortisation and exceptional items.

Profit before tax for the year was £16.4 million but, before exceptionals, impairment of goodwill and amortisation of intangible assets, was up 28 per cent. to £18.0 million. Adjusted earnings per share was 37.7 pence, an increase of 22 per cent.

Net exceptional items amount to a charge of £0.7 million compared with a credit of £12.5 million in 2004. Last year there was a net credit of £15.6 million in respect of VAT compared with £2.0 million this year. Of the remainder, £1.2 million charge relates to professional fees in connection with the aborted acquisition of Reg Vardy plc. The balance is made up of the costs to exit certain underperforming franchises.

Although new borrowings have been taken out to fund our expansion programme, our operating cashflow of £50.2 million (2004: £40.6 million) demonstrates our ability to quickly repay our borrowings.

A large proportion of the Group's borrowings is hedged allowing rates to fluctuate between certain acceptable parameters. The fair value of the hedge at the end of December resulted in a £0.4 million charge to be provided within the interest cost.

Over the last five years we have increased earnings and dividends at a compound growth rate of 21 per cent. and 13 per cent. respectively.

DIVIDENDS

Total dividend cover is 2.5 times based on adjusted earnings.

CASH FLOW AND CAPITAL EXPENDITURE

Despite the significant investments made in acquisitions and capital expenditure, our strong operating cash flow of £50.2 million has enabled us to maintain gearing levels at 82 per cent. compared with 72 per cent. the previous year.

PENSION DEFICIT

The Group has taken action to reduce its pension fund deficit by agreeing with the Trustees of the Pension Scheme to contribute an additional £2.1 million per annum for the three years up until the next formal valuation. The first of these contributions was made during 2005.

- ***TURNOVER HAS GROWN*** *ORGANICALLY AND BY ACQUISITION.*
- *OVER THE PAST FIVE YEARS* **DIVIDENDS HAVE GROWN** *AT A* **COMPOUND RATE OF 13 PER CENT.**
- *STRONG OPERATING* **CASH FLOWS OF £50.2 MILLION.**

NEW REGULATIONS

The investment made by the Group to ensure it received the necessary authorisations to sell insurance products from the Financial Services Authority and the ongoing investment to ensure staff remain fully competent to sell insurance products has positively impacted the customer experience and our success in selling these complementary products.

Used Car Supermarkets

...building on our success

On average, the used car market is approximately three times the size of the total new car market. Such a significant market has not gone unseen by Lookers, we recognised the need to increase our used car presence and therefore grow the ratio of used retail sales to new retail sales.
Used car supermarkets provide the ideal platform to enforce this strategy.

Consequently we actively pursued the acquisition of Bristol Trade Centre (BTC), a well-established business which is also the largest used car supermarket trading in the South West of England.

Through this strategic acquisition of BTC, Lookers was able to bring our buying power to bear and provide an additional source of high quality used cars from our franchise network that otherwise would have gone to auction. Together with BTC's inherent scale and proven management expertise, the Group not only established a firm foothold in this increasingly important area of motor retailing but we built a springboard to further expand it.

Building on this strength, we completed the acquisition of a second supermarket, Ian Shipton Cars (ISC) in Burton-on-Trent in the Midlands, only four months later. ISC, like BTC, was a privately held venture whose strategy was to sell nearly new cars at substantial discounts to new car prices.

Throughout the remainder of 2005, we changed the profile of ISC's stock and trading practices in order to concentrate more efficiently on trading traditional used cars that are, on average, 3 three years old. As a result of this shift, the supermarket is holding a strong, profitable foothold going into 2006, where the Group anticipates the foundation laid in the recent past will reap full benefit in this current year.

In January 2006, the Group opened Essex Trade Centre (ETC) in the South East, its third used car supermarket, using one of our existing, recently vacated sites which was easily converted at minimal cost. The site was simply too large for a franchise operation and had previously traded as a used car site. Located on the busy A12 between Colchester and Chelmsford, its large catchment area resulted in our three supermarkets on track to retail up to 12,000 units this year alone.

Our used car supermarkets offer customers a much wider choice of brands from one location compared to the traditional used car pitch on a franchised outlet. By displaying volume brands alongside prestige vehicles, whilst providing sufficient scale to display a wide variety of 4 X 4's and Multi-Purpose Vehicles (MPV's), Lookers provides its customers with unparalleled choice at outstanding value for money.

Models ...launched in 2005

CHRYSLER JEEP
GRAND VOYAGER

CHRYSLER JEEP
GRAND CHEROKEE

CHRYSLER JEEP
300C

VAUXHALL
VECTRA VXR

VAUXHALL
ASTRA SPORT HATCH

VAUXHALL
ZAFIRA

HONDA
CIVIC

CITROËN
C1

CITROËN
C4

LEXUS
RX 400

LEXUS
IS

RENAULT
CLIO 3

TOYOTA
AYGO

BENTLEY
CONTINENTAL FLYING SPUR

SEAT
ALTHEA

FERRARI F430 SPIDER	**FERRARI** SUPERAMERICA	**ASTON MARTIN** V8 VANTAGE
MAZDA MX5	**MAZDA** 5	**RANGE ROVER** SPORT
PEUGEOT 107	**PEUGEOT** 1007	**PEUGEOT** 407 COUPE
NISSAN PATHFINDER	**NISSAN** MURANO	**NISSAN** MICRA C+C
VW PASSAT	**VW** POLO	**VW** JETTA

Executive Directors

1. Ken Surgenor: Chief Executive

Aged 61. Commenced as a Director with Charles Hurst in 1986. Deputy Managing Director of the Charles Hurst Group in 1995, and appointed Managing Director in November 1996. Appointed to the Board in 1998 becoming Group Managing Director in January 2001 and appointed as Chief Executive in January 2002.

2. David Dyson: Finance Director

Aged 47. Chartered Accountant. Joined the Group in 1992 as Group Financial Controller after 12 years with Deloitte, Manchester. Appointed to the Board in 2002.

3. David Blakeman: Company Secretary

Aged 55. Solicitor. Joined the Group in 1984 and appointed a Director in 1989. In addition to his duties as Company Secretary he has responsibility for Group property and human resources.

4. Brian Schumacker: Operations Director

Aged 57. Joined the Group in 1982, becoming a Regional Director in 1995. Appointed a Director in 2000. He has Group responsibility for Honda, Saab, Renault (England), Seat, Vauxhall (England), Volkswagen, Group bodyshops and Internet and sub-prime operations.

5. Andrew Bruce: Operations Director

Aged 40. Joined the Group in 2000 and appointed to the Board in 2002. He was formerly UK Sales Director for Land Rover, and has Group responsibility for Chrysler Jeep, Citroën, Lexus, Mazda, Nissan, Renault (N.I.), PAG, Peugeot, Vauxhall (N.I.), Toyota and Specialist Cars.

6. Terry Wainwright: Operations Director

Aged 58. Joined the Group in 2004 following the acquisition of FPS. Appointed to the Board in October 2005, he has responsibility for the Group's Parts Division. He has over 35 years' experience in the Independent Automotive Aftermarket and has held senior positions with Quinton Hazel, GKN and Uniparts Group.

Non-Executive Directors

7. Fred Maguire: Chairman

Aged 64. Joined Charles Hurst in 1986 as Managing Director of Hurst Fuels having previously been involved in the oil and motor industries for 20 years. Appointed Chief Executive of Charles Hurst in 1989 and appointed to the Board of Lookers plc in 1996 becoming Chief Executive in April 1997, and Chairman in January 2001. He is also a Non-Executive Director of Automotive Retail Limited.

8. John Brown † ¥ Δ

Aged 61. Appointed in May 2005. Chartered Certified Accountant. Currently Non-Executive Director of Henry Boot Plc and Chairman of AIM listed Novera Energy Plc, Voller Energy Plc and Scott Harris Plc. Until July 2005 he was Chief Executive of Speedy Hire Plc, a company he founded in 1977 which is a market leader in its field with over 330 branches in the UK.

9. David Mace * † ¥ Δ

Aged 51. Appointed in 2002. Currently a Non-Executive Director of GW Pharmaceuticals plc and Center Parcs (UK) Group Plc. In 1987 he led a Management Buyout of Sea Life Centre (Holdings) Ltd from Norsk Hydro through to subsequent merger and flotation in 1992 as Vardon plc where he held the position of Director from 1992 to 1996.

10. Neil Clyne †

Aged 45. Appointed in 2002. Over 18 years' industry experience gained primarily in sales and sales management including a variety of roles within Woodchester Finance and Lloyds UDT. Currently Vice President of the European Auto Division of GE Consumer Finance.

* Senior Independent Director	¥ Member of the Remuneration Committee
† Member of the Audit Committee	Δ Member of the Nomination Committee

DIRECTORS' REPORT

for the year ended 31 December 2005

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2005.

1. **ACTIVITIES**

   The main activities of the Group are the sale, hire and maintenance of motor vehicles and motorcycles, including the sale of tyres, oil, parts and accessories.

2. **REVIEW OF DEVELOPMENTS**

   The full results for the year are set out on page 36.

   A review of the Group's activities and future developments are set out in the statements of the Chairman, Chief Executive and Finance Director.

3. **DIVIDENDS**

   Ordinary Shares of 25p each.

   An interim dividend of 4.75p per share (2004: 4.0p per share) was paid on 30 November 2005 and, subject to shareholders' approval, a final dividend of 10.5p per share (2004: 8.1p per share) is to be paid on 31 May 2006.

4. **DIRECTORS**

   The following were Directors of the Company at the end of the financial year. Their interests in the share capital of the Company were as follows:

	Ordinary Shares of 25p each	
	31.12.05	31.12.04 *
F. S. Maguire	330,715	330,715
H. K. Surgenor	147,149	141,897
D. V. Dyson	19,385	9,970
D. J. Blakeman	123,492	123,492
B. Schumacker	62,635	60,748
A. C. Bruce	-	-
T. M. Wainwright	-	-
J. E. Brown	10,000	-
D. C. Mace	-	-
N. Clyne	-	-

* or date of appointment if later.

All holdings are beneficial.

There was no change in the interests of the Directors in shares or share options of the Company between 31 December 2005 and 20 March 2006.

DIRECTORS' REPORT

for the year ended 31 December 2005 *(continued)*

The mid-market price of the ordinary shares at 31 December 2005 was 459.5p and the range during the year was 300.5p to 471.5p.

Directors retire by rotation. A. C. Bruce and D. C. Mace retire and, being eligible, offer themselves for re-election. T. M. Wainwright was appointed Executive Director on 17 October 2005 and J. E. Brown was appointed Non-Executive Director on 13 May 2005. In accordance with the Articles of Association, T. M. Wainwright and J. E. Brown will retire at the Annual General Meeting and, being eligible, offer themselves for re-election.

Neither D. C. Mace nor J. E. Brown has service contracts with the Company. Both have written terms of engagement.

In an Agreement dated 2 July 1987, the Company agreed to offer Woodchester Investments plc the opportunity to provide, on normal competitive terms, advances on hire purchase to customers of the Group.

Woodchester Investments plc which was acquired by General Electric Capital Corporation on 30 December 1997 and its affiliated companies, also provides certain facilities to the Group on competitive terms and in the normal course of business. N. Clyne and B. Devine as Directors of GE Capital Woodchester, have an interest in these Agreements.

There are no other contracts with the Company or its subsidiaries in which a Director of the Company has any interest, other than service contracts (Executive Directors) or letters of appointment (Non-Executive Directors).

5. APPROVAL OF THE DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report will be laid before the Annual General Meeting for adoption as a separate resolution from the Auditors' Report and the Company's accounts for the year ended 31 December 2005.

6. EMPLOYEES

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

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

The Group Newsletter (*Outlook*) is circulated periodically to all employees. The purpose of the Newsletter is to keep employees up to date with Group 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 updated to conform with current legislation.

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

7. ETHICAL EMPLOYMENT

It is the Group's policy to offer equal opportunities to disabled persons applying for vacancies and provide them with the same opportunities for employment, training, career development and promotion as are available to all employees, within the limitations of their aptitude and abilities. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and appropriate arrangements are made.

Employment within the Group is offered on the basis of the person's ability to work and not on the basis of race, individual characteristics, creed or political opinion.

8. SPECIAL BUSINESS OF THE ANNUAL GENERAL MEETING

(a) Renewal of Directors' power to allot shares

The Special Business of the Annual General Meeting includes an ordinary Resolution (Resolution 10) which gives the Directors the power to allot shares.

This authority, which will expire at the end of the Annual General Meeting to be held in 2007, is to allot up to £2,977,258 (11,909,031 shares), being 33.3% of the Company's issued ordinary share capital as at 20 March 2006. This represents one third of the issued ordinary share capital.

A similar resolution was passed at the last Annual General Meeting and the Directors intend to seek renewal of this authority at subsequent Annual General Meetings.

(b) Disapplication of statutory pre-emption rights

The Special Business of the Annual General Meeting includes a Special Resolution (Resolution 11) to disapply the pre-emption rights of shareholders to allow the issue of a limited number of shares.

DIRECTORS' REPORT

for the year ended 31 December 2005 *(continued)*

This is a resolution that the Directors propose each year at the Annual General Meeting. The Companies Act 1985 requires that, subject to certain exceptions, before Directors of a Company can issue any new shares for cash, the new shares must be offered first to the existing shareholders proportionately to their existing shareholding. This provision can create considerable administrative difficulty, particularly if a rights issue is made, because of the entitlements to fractions of shares which may arise and because of the restrictions imposed on the Company's ability to offer new shares to certain overseas shareholders by the laws of relevant overseas jurisdiction.
As in previous years, the authority would enable the Directors to avoid any difficulty which might arise in those circumstances. It is also customary each year for public companies to take a limited authority to issue new shares for cash without first offering those shares to existing shareholders. Therefore, through this resolution, the Directors are seeking an authority to issue small quantities of shares for cash. The authority is limited to the allotment of up to a maximum nominal value of *£446,588 (1,786,354 shares) in ordinary shares*, being 5% of the Company's issued ordinary share capital as at 20 March 2006. This will continue to provide the Directors with flexibility to act in the best interests of the shareholders when opportunities arise.

The authority the Directors are seeking will expire at the end of Annual General Meeting to be held in 2007. As usual, they intend to seek renewal of this authority at subsequent Annual General Meetings.

(c) Purchase of own shares
The Special Business of the Annual General Meeting includes a Special Resolution (Resolution 12) to authorise the Company to make market purchases of its own shares.

The resolution specifies the maximum number of shares the Company can buy up to a nominal value of £893,177 (3,572,709 shares) representing 10% of the Company's issued ordinary share capital as at 20 March 2006, and the maximum and minimum prices at which the Company can buy them, reflecting the requirements of the Companies Act 1985 and the Listing Rules of the UK Listing Authority.

As at 20 March 2006, the Company does not have any outstanding options to purchase its own shares pursuant to the authority to buy its own shares granted at the 2005 Annual General Meeting.

The Company would only buy shares on the London Stock Exchange. *The Board can only use the power to* buy shares after considering the effect on earnings per share and the benefits for longer term shareholders.

At the 2005 Annual General Meeting, the Company was authorised to make market purchases of its own shares. This resolution is to renew that authority for a further year. It does not mean that the Company will buy its own shares at any particular price or indeed at all. The Directors do not intend at present to use this power but wish to retain the flexibility to do so in the future.

The authority would expire at the end of the Annual General Meeting to be held in 2007. As usual the Directors intend to seek renewal of this authority at subsequent Annual General Meetings.

(d) Adoption of new articles of association of the Company as a special resolution (Resolution 13)
The Board is proposing the adoption of new Articles of Association of the Company (New Articles). The principal differences between the Company's existing Articles of Association (Existing Articles) and the proposed New Articles are as follows:

1 Retirement and re-appointment of Directors. The adoption of the Existing Articles preceded the publication in July 2003 of the current Combined Code on Corporate Governance. Unlike the Existing Articles, the New Articles therefore include provisions to comply with that Code which require that:

(a) when a Non-Executive Director has served as a Director for a continuous period of nine years he must retire from office, and may offer himself for re-appointment, at each subsequent annual general meeting; and

(b) a Director must retire from office, and may offer himself for re-appointment, at the third annual general meeting following his appointment or his last re-appointment by shareholders at an annual general meeting;

2 Electronic communication. The Company is keen, as the law and market practice develop, to communicate with its shareholders electronically and via websites. The New Articles contain updated provisions which reflect recent developments in electronic proxy voting and provisions which, if and when implemented by the Board, will allow shareholders holding shares in uncertificated form via CREST to lodge proxy appointments for general meetings via the CREST system. The New Articles also confirm the ability of the Company to settle dividend payments via CREST to shareholders who hold shares in uncertificated form.

Directors' Report

for the year ended 31 December 2005 *(continued)*

3 Treasury Shares. The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 permit the Company to purchase its own shares and, rather than cancel those shares, to hold them as treasury shares. The New Articles reflect the requirements of the Regulations, and Company law, to the effect that any such shares would carry no voting rights and no entitlement to any dividend for so long as they are held as treasury shares.

4 Borrowing Powers. Under the Existing Articles, the Directors are required to restrict the amount of the Company's borrowings such that the aggregate amount of such borrowings should not exceed a sum equal to two times the aggregate of the Company's paid up share capital and consolidated capital and revenue reserves. For this purpose, the amount of the consolidated reserves is calculated by reference to the latest audited consolidated balance sheet of the Company and its subsidiary undertakings, but after making certain adjustments including the deduction from the amount of the reserves of amounts attributable to goodwill or other intangible assets. The Directors are proposing certain amendments to these provisions, which are reflected in the New Articles, namely:

(a) following changes to the presentation of the Group's accounts brought about by the adoption of International Financial Reporting Standards, the Board believes it is no longer appropriate to deduct the value of goodwill and intangible assets from the calculation of the amount of the capital and revenue reserves; and

(b) the proposed new restriction on borrowings will be set at a multiple of 5 times the aggregate of the Company's paid up share capital and consolidated capital and revenue reserves.

The Directors believe that these amendments are reasonable and appropriate and will permit them the necessary flexibility to manage the Group's finances in the future.

5 Indemnity. The Companies (Audit, Investigations and Community Enterprise) Act 2004 has extended the scope of the indemnity provisions which companies are permitted to provide for the benefit of Directors and other officers. The New Articles reflect the new provisions introduced into the Companies Act 1985 by that legislation.

6 Other changes. In other respects, the terms of the New Articles reflect current best practice. Certain of the provisions have been re-ordered and re-worded so as to give greater clarity without altering their substantive effect.

Copies of the Existing Articles and the New Articles will be available for inspection at the Company's registered office and at the offices of Addleshaw Goddard, 150 Aldersgate Street, London EC1A 4EJ during normal business hours on each day (Saturdays, Sundays and public holidays excepted) from the date of posting this document until the conclusion of the Annual General Meeting, and also at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

9. Scrip Dividends

At the 2004 Annual General Meeting, the Directors were authorised to offer the ordinary shareholders of the Company the right to elect to receive new ordinary shares, credited as fully paid up, instead of cash in respect of the whole or part of any dividend declared by the Directors or approved by the shareholders.

In accordance with the mandate granted to the Directors of the Company at the last Annual General Meeting, the Board has decided to offer new ordinary shares in lieu of the final dividend to those shareholders holding shares on 18 April 2006 (the record date).

A circular setting out the terms of the offer will be sent to shareholders in due course.

10. Donations

Charitable donations amounted to £38,000 (2004: £19,000). No political donations were made (2004: £nil).

11. Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office and, in accordance with Section 384 of the Companies Act 1985, their re-appointment will be proposed at the Annual General Meeting.

12. Supplier Payments Policy

The Group does not formally follow the better payment practice code issued by the Department of Trade and Industry because, in line with industry practice, manufacturers insist upon direct access to our bank accounts and they take funds to pay for both vehicles and parts when they fall due. Other suppliers are generally paid in accordance with their terms of trading.

At 31 December 2005, the trade creditors of the Group and the Company represented 43 and 30 days (2004: 39 and 30 days) purchases respectively.

13. Derivatives and Financial Instruments

The Group's treasury activities are operated within policies and procedures approved by the Board, which include defined controls on the use of financial instruments managing the Group's risk. The major financial risks faced by the Group relate to interest rates and funding. The policies agreed for managing these financial risks have remained the same since the beginning of the period under review, and are summarised below.

The Group finances its operations by a mixture of retained profits, bank borrowings and commercial paper. To reduce the Group's exposure to movements in interest rates, the Group seeks to ensure that it has an appropriate balance between fixed and floating rate borrowings. The Group uses interest rate swaps and collars in order to manage its exposure to interest rate risk; all such arrangements are approved by the Board in line with its treasury policies. The Group has not sought to apply hedge accounting under IAS39 'Financial Instruments' in respect of these or any other of its financial assets and liabilities.

The Group seeks to ensure continuity of funding by taking out certain borrowings which are repayable in instalments over periods of at least five years. Short-term flexibility is achieved by overdraft facilities.

The Group has no significant exposure to foreign currency, nor does it undertake any trading in financial instruments.

Refer notes 13, 18 and 29 for further information in this area.

14. Substantial Shareholdings

On 20 March 2006 the following shareholders were, so far as the Directors are aware, interested in 3% or more of the issued ordinary share capital of the Company:

*Hamilton Finance Limited	8,767,142	shares	(24.5%)
Schroder Investment Management Limited	3,321,063	shares	(9.3%)
UBS AG	2,500,567	shares	(7.0%)
Deutsche Bank AG	2,296,031	shares	(6.4%)
Kenneth Henderson Cheevers	1,678,333	shares	(4.7%)
Aviva PLC	1,116,313	shares	(3.1%)

*A wholly owned subsidiary of General Electric Capital Corporation.

The Directors have not been notified of any other holders of 3% or more of the issued ordinary share capital.

By Order of the Board

D. J. Blakeman

D. J. Blakeman,
20 March 2006

STATEMENTS ON CORPORATE GOVERNANCE

for the year ended 31 December 2005

COMPLIANCE STATEMENT

The Board of Directors is collectively accountable to the Company's shareholders for good corporate governance and is committed to achieve compliance with the principles of corporate governance set out in the 2003 Combined Code ("the Code") of the listing rules of the Financial Services Authority.

Throughout 2005 the Company complied with the code provisions of the Code except as follows:

B1.6 The Code requires that notice or contract periods for service contracts be one year or less. The notice periods for H. K. Surgenor and D. J. Blakeman are two years. The Remuneration Committee has carried out a review and decided that the existing contracts would not be changed. The Committee felt it was not in the best interests of shareholders to pay for reduced notice periods given the ages of the Executives concerned. It is intended that future appointments made will be for notice periods of one year, but this will be reviewed in the light of market conditions.

C3.1 The Code requires that the Audit Committee comprises at least three Directors, all Non-Executive and independent and at least one with relevant financial experience. Throughout the year the Audit Committee comprised two Non-Executive Directors. In May 2005, G. J. Morris resigned from the Board after six years of service. At this time, J. E. Brown was appointed to the Board as a Non-Executive Director, and as Chairman of the Audit Committee. The Board considers that J. E. Brown has recent relevant financial experience. Therefore, from May 2005, the Audit Committee complied with the 'Non-Executive' and 'recent and relevant financial experience' requirements of the Code. Both of the Non-Executive Directors on the Committee are independent.

The Board - The Board of Directors at the start of the financial year under review comprised five Executive Directors and four Non-Executive Directors. Terry Wainwright, who joined the Group with the FPS acquisition in July 2004, was appointed to the Board on 17 October 2005 as the Director responsible for the Parts Division, G.J. Morris resigned from the Board in May 2005, and J. E. Brown was appointed at that time. Their names and brief biographies of the current Board appear on page 16. J. E. Brown and D. C. Mace are considered to be independent Non-Executive Directors.

B. Devine was appointed on 17 October 2005 as a replacement for R. Gaskin as an alternate Non-Executive Director to N. Clyne. They are appointed as GE Capital's representatives, and as such are not considered independent.

The Code requires a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-making process. The number and quality of the Non-Executive Directors on the Board, with their combination of diverse backgrounds and expertise, ensures this principle is met.

The Board recognises that its main functions are as follows:

- agreeing objectives, policies and strategies, and monitoring the performance of the executive management
- approval of the Group's strategic plans and business plans
- deciding on major changes in organisation and the shape of the Group, including entry into new fields of operation and departure from those which are no longer considered to be appropriate
- approving major individual capital projects

The Chairman takes responsibility for ensuring the Directors receive accurate, timely and clear information. Monthly financial information is provided to the Directors. Regular and ad hoc reports and presentations are circulated, with all Board and committee papers being issued in advance of meetings by the Company Secretary. In addition to formal Board meetings, the Chairman maintains regular contact with the Chief Executive and the other Directors to discuss specific issues. In furtherance of their duties, the Directors have full access to the services of the Company Secretary and may take independent professional advice at the Company's expense. The Board believes that given the experience and skills of its particular Directors, the identification of general training needs is best left to the individual's discretion. If any particular development need is identified through the Board's formal appraisal process or by an individual Director, the Company makes the necessary resources available.

Director roles - F. S. Maguire is the Non-Executive Chairman and H. K. Surgenor is the Chief Executive. The Chairman leads the Board and represents the Board to the Chief Executive. The Chief Executive manages the Group and implements the strategy and policies adopted by the Board. The division of responsibilities between the role of Chairman and Chief Executive has been set out in writing.

D. C. Mace is the Senior Independent Director and his prime responsibility is to provide a communication channel between the Chairman and the Non-Executive Directors and to ensure that the views of each Non-Executive Director are given due consideration.

The Company Secretary would minute any unresolved concerns expressed by any Director.

The Company maintains appropriate directors' and officers' insurance in respect of legal action against its Directors.

STATEMENTS ON CORPORATE GOVERNANCE

for the year ended 31 December 2005 *(continued)*

Attendance at meetings - The following table shows the attendance of Directors at regular board meetings and at meetings of the Audit, Remuneration and Nomination Committees.

Scheduled meetings held in 2005

	BOARD	AUDIT	REMUNERATION	NOMINATION
NUMBER HELD	8	3	4	2
NUMBER ATTENDED				
H. K. Surgenor	8	3*	4*	1*
D. V. Dyson	8	3*	2*	-
D. J. Blakeman	8	3*	4*	1*
B. Schumacker	8	-	-	-
A. C. Bruce	8	-	-	-
T. M. Wainwright	3	-	-	-
F. S. Maguire	8	3*	4	2
D. C. Mace	8	3	4	2
J. E. Brown (appointed 13 May 2005)	4	2	2	-
N. Clyne	5	-	-	-
G. J. Morris (retired 13 May 2005)	3	1	2	1
R. Gaskin (N.Clyne alternate)	1	-	-	-
B. Devine (N.Clyne alternate)	1	-	-	-

*in attendance by invitation of the committee.

APPOINTMENT AND SELECTION OF DIRECTORS

Appointments

The Code requires there to be a formal, rigorous and transparent procedure for the appointment of appropriate new Directors, which should be made on merit and against objective criteria. The Board has an established Nominations Committee for this purpose and its terms of reference are available from the Company Secretary.

The Board approves the appointment and removal of Directors.

The Board is aware of the other commitments of its Non-Executive Directors and is satisfied that these do not conflict with their duties as Non-Executive Directors of the Company.

None of the Executive Directors holds any Executive or Non-Executive positions on other boards.

Directors receive induction on their appointment to the Board as appropriate, covering matters such as the operation and activities of the Group (including key financial and business risks to the Group's activities), the role of the Board and the matters reserved for its decision, the tasks and membership of the principal Board Committees, the powers delegated to those committees, the Board's governance policies and practices, and the Group's latest financial information. The training and induction process for Directors takes into account the development of the Group and applicable governance standards. Major shareholders are offered the opportunity to meet new Directors as any appointments are made.

The requirement to propose Directors for re-appointment at regular intervals is met by applying the Company's Articles of Association. These require that at each Annual General Meeting not less than one-third of the Directors who are subject to retirement by rotation must retire, and that any Director, who was not appointed at either of the two previous Annual General Meetings and who has served as a Director for more than two years since appointment or last re-appointment, has to retire.

In accordance with the Code, each new Non-Executive Director is appointed for a specified term, being an initial period from appointment to the next Annual General Meeting where they will be subject to re-appointment at that meeting, for a further period ending not later than the Annual General Meeting held three years thereafter. There is a general assumption on the part of the Board that Non-Executive Directors will not normally be invited to stand for re-appointment after serving six years.

Nomination Committee

The Nomination Committee comprises F. S. Maguire, J. E. Brown (replacing G. J Morris) and D. C. Mace and throughout 2005 was chaired by F. S. Maguire. The Committee reviews the size, structure and composition of the Board and Committees and makes recommendations to the Board with regard to any changes that are considered necessary. The Committee also reviews the time required of Non-Executive Directors.

The Nominations Committee is responsible for assisting the Board in the formal selection and appointment of Directors and considers succession planning for the Board. It also considers potential candidates and recommends appointments of new Directors to the Board. The appointments are based on merit and against objective criteria including the time available and commitment which will be required of the potential Director.

Statements on Corporate Governance

for the year ended 31 December 2005 *(continued)*

In choosing new Non-Executive Directors, the Committee starts by obtaining the views of its professional advisors. The Committee has the power to employ the services of such advisors as it deems necessary in order to carry out its responsibilities and may retain appropriate executive search consultants having prepared a job specification for the role.

Performance Evaluation Appraisal

Annually the Non-Executive Directors are appraised individually by the Chairman, and the Non-Executive Directors, led by the senior Non-Executive Director, together appraise the Chairman.

In 2005, all members of the Board completed a questionnaire regarding Board processes and performance. The Chairman reported the collective findings to the Board in December 2005 and agreed actions required. The Audit, Remuneration and Nomination Committee Chairmen appraise their performance in a similar way on an annual basis.

Accountability and Audit

Going Concern

After reviewing the Group's budget for the current year and its medium term plans, the Directors are confident that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future. They have therefore continued to adopt the going concern basis in preparing the accounts.

Directors' Statement of Responsibilities

The Directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the Income Statements and cashflows of the Company and Group for the financial year.

In preparing the accounts, the Directors are required to select appropriate accounting policies and apply them consistently, to make reasonable and prudent judgements and estimates, and to state that all accounting standards which they consider to be applicable have been followed, save as disclosed in the notes to the accounts. The Directors are also required to prepare the accounts on the going concern basis unless it is inappropriate to do so.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985.

The Directors also have responsibility for ensuring the operation of systems of internal control and for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the Lookers plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Audit Committee

The Audit Committee comprises J. E. Brown (replacing G. J. Morris) and D. C. Mace, and during 2005 was chaired firstly by G. J. Morris and from May 2005 by J. E. Brown. The committee met three times during 2005, with the Chief Executive, Finance Director and the internal and external auditors attending as required.

The Audit Committee has reviewed the effectiveness of the system of internal control during the year ended 31 December 2005. This has included consideration of Group-wide risk assessment and of internal audit and internal control exercises undertaken throughout the Group. The Audit Committee has also considered reports from internal and external auditors. The Audit Committee has reported the results of its work to the Board. The Board has considered these reports when undertaking its review of the effectiveness of the Group's system of internal control.

The Audit Committee is responsible for reviewing a wide range of financial matters including the interim and year end accounts, matters relating to the external audit, corporate governance matters and monitoring the Group's internal and operational controls. The Audit Committee's terms of reference are available from the Company Secretary.

The Audit Committee has considered the arrangements for the reporting by employees of concerns about possible improprieties in financial reporting or other matters, as set out in the Employee Handbook, and has concluded that there is a reasonably clear and adequately defined system for reporting of concerns. This policy and system of reporting will be reviewed annually.

Part of the Committee's responsibility in relation to external auditors is to review the nature of their independence and the extent of the non-audit services they provide. The report from PricewaterhouseCoopers LLP confirming their independence and objectivity was reviewed by the Chairman of the Audit Committee and the Finance Director.

The Committee conducted a formal evaluation of the effectiveness of the external audit process and held independent meetings with the external auditors, and has reported on its conclusions to the Board. The Committee has recommended to the Board the re-appointment of the external auditors. Non-audit services are placed with whichever firm is believed to deliver the best value for money, having regard to our external auditors' independence if PricewaterhouseCoopers LLP were to be appointed. The Group has for many years had separately appointed tax advisors.

Internal Control

The Code requires the Company to maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets. The Board must review the effectiveness of the system at least annually, covering all material controls, including financial, operational and compliance controls and risk management systems, and report to shareholders that it has done so. The Turnbull Report, adopted by the UK Listing Authority, provides guidance for compliance with that part of the Code.

The Board is considering the latest guidance on internal control issued by the Financial Reporting Council, which will be mandatory for the Company for the 2006 financial year. At this stage, it does not believe it will result in any significant change to its policies and procedures.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. The process has been in place throughout the year and up to the date of approval of the Annual Report and Accounts. It is regularly reviewed by the Board and accords with the guidelines set out in the Turnbull Report.

The Directors acknowledge that they are responsible for the Group's system of internal control, for setting policy on internal control and for reviewing the effectiveness of internal control. The role of management is to implement Board policies on risk and control. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group has an internal audit function that reports to the Audit Committee. Detailed control procedures exist throughout the operations of the Group and compliance is monitored by management, internal auditors, and, to the extent that they consider necessary to support their audit report, external auditors.

The Audit Committee has reviewed the effectiveness of the system of internal control during the year ended 31 December 2005. This has included consideration of Group-wide risk assessment and internal control exercises undertaken throughout the Group. The Audit Committee has also considered reports from internal and external auditors. The Audit Committee has reported the results of its work to the Board. The Board has considered these reports when undertaking its review of the effectiveness of the Group's system of internal control.

Relations with Shareholders

The Company places considerable importance on communications with shareholders and responds to them on a wide range of issues. It has an ongoing programme of dialogue and meetings with major institutional shareholders, where a wide range of relevant issues including strategy, performance, management and governance are discussed. The Chairman makes himself available to meet any major shareholder, as required.

All Company announcements are posted on our website - www.lookers.co.uk as soon as they are released. Our website contains a dedicated investor relations section with an archive of past announcements and presentations, historical financial performance, share price data and a calendar of events.

The principal communication with private investors is through the Annual Review, the Interim Report and the Annual General Meeting. A presentation is made at the Annual General Meeting to facilitate greater awareness of the Group's activities. Shareholders are given the opportunity to ask questions of the Board and of the Chairman of each Board Committee and to meet the Directors informally after the meeting. Separate resolutions are proposed for each item of business and the 'for' and 'against' and 'abstention' proxy votes cast in respect of each resolution proposed at the Meeting are counted and announced after the shareholders present have voted on each resolution. Notice of the Annual General Meeting is posted to shareholders at least twenty-one days before the date of the Annual General Meeting.

Corporate Social Responsibility Review

for the year ended 31 December 2005

Corporate Social Responsibility Management

The Main Board of Lookers is responsible for setting the Group's strategy, values and standards regarding social, environmental and ethical issues. It delegates the responsibility for implementing strategy and instilling values and standards throughout the Group's businesses. The operating companies each include social, environmental and ethical issues in their risk assessment processes. This enables the Main Board to ensure that any potential problems are identified and contingency strategies are in place.

Lookers and the Environment

Lookers' activities do have an impact on the environment. The Group is keen to fulfil its legal obligations on this issue and has a Group-wide environmental policy in place. The need to deal with contamination, waste oil and asbestos issues is at the forefront of the Group's concerns.

On a wider level, Lookers supports a number of industry initiatives and the Group also engages in all environmental issues raised by stakeholders, consumers, suppliers, shareholders and employees.

The Group aims to encourage the reduction of energy and water consumption and actively investigates employees' suggestions to help reduce the amount of waste. An electrical testing monitoring regime is in force throughout the Group. Use of the latest building materials is made in the construction of new sites and the refurbishment of existing locations. For instance, modern heating controls include both timers and thermostats.

Lookers aims to improve its energy, water and fuel efficiency over the coming year throughout the Group's expanding operations. As part of this policy, the Group is working in partnership with a major energy management systems company to help create a better environment by reducing the amount of harmful emissions released into the atmosphere for everyone's future benefit. Savings of up to 30% in annual heating spend can be achieved as well as producing a comfortable working environment for staff. The system is recognised for ISO 14001.

Lookers and Ethics

Lookers believes that integrity in its relationships with customers, suppliers, staff, shareholders, regulatory agencies and the community is important and gains the respect of all its stakeholders.

Lookers makes every effort to ensure its people are aware of these expectations and that they contribute to the high standards required of them. This statement, together with Lookers corporate values, is at the heart of how Lookers conducts its business, externally in its relationships with stakeholders and internally through its performance management and promotion processes.

Lookers as an Employer

People are crucial to Lookers' success. This approach is reflected in Lookers' policies on recruitment and retention, proposed new staff share scheme, staff communication, and health and safety.

Recruitment and Retention

Lookers ensures that it has fair employment terms for its people. Employment handbooks set out formal policies for key issues such as equal opportunities, disciplinary and grievance procedures, sexual, religious and racial harassment.

Lookers' Human Resources Manager is responsible for raising employment standards and implementing best practice employment policies throughout the organisation. Performance reviews are conducted at least once a year and include an assessment of each individual's training needs.

Lookers has a comprehensive training programme for its people which has received industry recognition in the form of national awards for the automotive industry.

Staff Communication

Lookers believes that its people have a right to be kept informed. Regular discussions take place to keep people updated and to seek out their ideas and opinions.

Face-to-face dialogue between managers and staff takes place regularly; information is communicated through Lookers' intranet, which is used by over 50% of employees every week. Lookers also uses newsletters and updates to keep its staff informed.

Health and Safety

Lookers aims to do all that is reasonably practicable to ensure the health, safety and welfare of its people, and others who may be affected by its activities. The Main Board maintains ultimate responsibility for health and safety issues at Lookers with the manager responsible for the day-to-day responsibility, supported by all levels of management. This policy is defined in the Group's Health and Safety policy statement and all staff are issued with, or have access to, a detailed health and safety guide.

The statistics for the Group, under UK Health and Safety regulations for the year ended 31 December 2005 are set out below:

	2005
Number of fatalities	0
Injuries resulting in absence over three days	26
Major injuries reported under RIDDOR*	2
Dangerous occurrences reported under RIDDOR*	0
Number of enforcement notices issued by HSE	0
Number of prohibition notices issued by HSE	0

*Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995

Lookers and the Community

Lookers is committed to playing an active role in the communities it serves. All Lookers' businesses operate their own community programmes and fundraising charity events.

In addition, some charities are supported at a Group level such as the motor trades BEN appeal.

DIRECTORS' REMUNERATION REPORT

for the year ended 31 December 2005

INTRODUCTION

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 ("the Regulations"). The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles of Good Governance relating to Directors' Remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be laid before members. The Regulations require the auditors to report to the Company's members on the "auditable part" of the Directors' Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for audited and unaudited information.

UNAUDITED INFORMATION

Remuneration Committee

The members of the Remuneration Committee during the financial year were D.C. Mace, Chairman and G.J. Morris until 12 May 2005 when he resigned. J. E. Brown was appointed to the Board on 13 May 2005 and served as a member of the Remuneration Committee. All these members of the Remuneration Committee are independent Non-Executive Directors to the Board. F.S. Maguire was also a member for the whole year.

Remuneration Policy

The policy of the Committee is to ensure that the Directors are fairly rewarded for their individual contributions to the Group's overall performance and to provide a competitive remuneration package to Executive Directors, including long-term incentive plans and granting of share options to attract, retain and motivate individuals of the calibre required and ensure that the Group is managed successfully in the interests of shareholders.

When selecting appropriate comparisons, the Committee has regard to the Group's turnover, market worth and business sector.

No Director plays a part in any decision about his own remuneration. Full details of Directors' remuneration, fees and share options are set out on pages 30 and 31. Directors retiring by rotation are shown in the Directors' Report on page 18. None of the Executive Directors currently has any long-term incentives other than the Executive Incentive Performance Plan ("EIPP") which was approved at the Annual General Meeting in May 2003, and the Matching Share Plan ("MSP") which was approved at the Annual General Meeting in May 2005.

The Remuneration Committee, in determining remuneration policy, has given full consideration to Section B of the best practice provisions annexed to the Listing Rules of the Financial Services Authority.

The Company's policy is that a substantial proportion of the remuneration of the Executive Directors should be performance related. The annual bonus scheme enables the Executive Directors to earn annual incentive payments on a sliding scale up to 100% of their basic salary. The main elements of their remuneration package are as follows:

Basic Annual Salary and Benefits in Kind

Each Executive Director's basic salary is reviewed annually by the Committee. In deciding upon appropriate levels of remuneration, the Committee has regard to rates of pay for similar jobs in comparable companies as well as internal factors such as performance.

Annual Bonus Payments

All Executive Directors participate in an annual bonus scheme payable upon the Group exceeding pre-determined profit level targets and at the discretion of the Remuneration Committee. Bonus payments are not pensionable.

Pension Arrangements

The Group operates a defined benefit scheme for its full-time employees. D.V. Dyson, B. Schumacker and A. C. Bruce are members of this scheme which provides a pension of up to two-thirds of final pensionable salary on retirement at age 60 years. The defined benefit scheme also provides lump sum death-in-service benefit and pension benefits based on final pensionable salary. H.K. Surgenor and D.J. Blakeman participate in money purchase arrangements.

Directors' Remuneration Report

for the year ended 31 December 2005 *(continued)*

Share Option Incentives

The Company operates a share option scheme under which Executive Directors and senior executives are granted options from time to time by the Board. The last grants were made in September 2001. Once awarded, exercise of share options is conditional on the achievement by the company of performance targets set out at the time of grant.

The Executive Incentive Performance Plans

Selected Executive Directors as detailed on page 31 participate in the EIPP which was approved by the shareholders at the 2003 Annual General Meeting.

Awards under the EIPP are in the form of performance bonuses payable in cash and are based on adjusted earnings per share growth targets over a pre-determined performance period. For the 2003-2005 EIPP, the calculation is based on UK GAAP adjusted earnings per share growth.

In respect of performance bonuses for 2003, 2004 and 2005, the performance period ended on 31 December 2005, which is three years after the commencement of the performance period. Performance is measured on earnings per share growth over the three year period and bonuses will be payable where the growth in earnings per share of the Company has exceeded the growth in the Retail Price Index (RPI) by 10% or more. Participating Executives will receive a percentage of their gross salary dependent upon the level of growth over and above the RPI. At 10% over the RPI, participating Executives may earn 20% of gross salary. A stepped scale is then applied up to a maximum of 200% of gross salary if the increase in earnings per share over the period is 50% over and above the RPI. The relevant bonus percentage will be applied to the Executives' gross annual salary at the end of the performance period to arrive at any bonus payable.

Any executive who receives a performance bonus under this plan will be required to invest 20% of their net bonus in the Lookers plc MSP. The Executive will also be given the opportunity to invest up to a further 30% of their net bonus in the MSP.

At the 2005 Annual General Meeting, shareholders approved the terms of the 2006 - 2008 EIPP and MSP. Details of the schemes are identical to the outgoing schemes referred to above.

Directors' Contracts

The details of the Directors' individual service contracts are set out in the table below. In the event of termination of an Executive Director's service contract, depending upon the circumstances, the Company may be liable to pay compensation to the Executive Director equivalent to salary that would have been received during the contract period, together with any bonus earned on a pro rata basis to the date of termination. The Company's policy in the event of the termination of an Executive Director's service contract is to avoid any payment to an Executive Director in excess of their contractual entitlement and so aim to ensure that any liability is mitigated to the fullest extent possible.

	Date of Contract	Notice Period	Contractual Termination Payments
H. K. Surgenor	17 August 2004	2 years	Basic salary and benefits for unexpired term
D. V. Dyson	17 August 2004	1 year	Basic salary and benefits for unexpired term
D. J. Blakeman	17 August 2004	2 years	Basic salary and benefits for unexpired term
B. Schumacker	17 August 2004	1 year	Basic salary and benefits for unexpired term
A. C. Bruce	17 August 2004	1 year	Basic salary and benefits for unexpired term
T. M. Wainwright	12 August 2004	1 year	Basic salary and benefits for unexpired term

All contracts are rolling contracts.

Non-Executive Directors

The Remuneration of the Non-Executive Directors is determined by the Board within the limits set out in the Articles of Association. Non-Executive Directors cannot participate in the Company's share option schemes and are not eligible for pension arrangements.

DIRECTORS' REMUNERATION REPORT

for the year ended 31 December 2005 *(continued)*

Performance Graph

The following graph shows the Group's performance, measured by total shareholder return. The Group has been benchmarked against the FTSE Small-Cap Index which is considered to be an appropriate comparison to other public companies of a similar size.

DIRECTORS' REMUNERATION REPORT

for the year ended 31 December 2005 *(continued)*

AUDITED INFORMATION

DIRECTORS' EMOLUMENTS

	Fees £000	Salary £000	Annual Bonus £000	Benefits-in-kind £000	2005 Total £000	2004 Total £000
F. S. Maguire	126	-	-	19	145	237
H. K. Surgenor	-	290	200	16	506	479
D. V. Dyson	-	187	130	12	329	298
D. J. Blakeman	-	135	75	12	222	244
B. Schumacker	-	146	80	7	233	272
A. C. Bruce	-	146	80	11	237	239
T. M. Wainwright	-	18	4	5	27	-
D. C. Mace	27	-	-	-	27	25
J. E. Brown	17	-	-	-	17	-
G. J. Morris	10	-	-	-	10	25
Total	180	922	569	82	1,753	1,819

Neither N. Clyne, B. Devine nor R. Gaskin received any emoluments in their roles as Non-Executive Directors of the Company. Fees include £10,000 (2004: £25,000) for consultancy services provided by Consult for Success of which G. J. Morris is a Director. Benefits in kind include items such as a company car, fuel and life assurance premiums. Details of Directors' shareholdings are shown in the Directors' Report on page 17. The relative importance of performance and non-performance elements of remuneration are set out within the Remuneration Policy.

The Directors waived emoluments for the year ended 31 December 2005 totalling £ nil (2004: £188,000). Total emoluments for 2004 included a special bonus paid in respect of the gross £19 million exceptional VAT receipt. In addition to the above, 2005 is the final year of the current EIPP awards which are set out on page 31.

DIRECTORS' PENSION ENTITLEMENT

Set out below are details of the pension benefits to which each of the Executive Directors is entitled.

	Additional accrued benefits earned in the year £000	Accrued entitlement £000	Transfer value 31 December 2005 £000	Transfer value 31 December 2004 £000	Increase in transfer value £000
D. V. Dyson	8	29	329	204	125
B. Schumacker	3	40	690	566	124
A. C. Bruce	7	14	123	48	75

Pension increases are in line with Limited Price Indexation. Death-in-service pays at four times salary and death-in-retirement pays benefits at 50%. The accrued pension entitlement is the amount that the Director would receive if he retired at the end of the year. The increase in the transfer value is the difference between the accrued benefit at the year end and that at the previous year end. All transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. The transfer values disclosed above do not represent a sum paid or payable to the individual Director. Instead they represent a potential liability of the pension scheme.

	Additional accrued benefits earned in the year (excluding inflation) £000	Transfer value of increase in accrued benefits £000
D. V. Dyson	7	82
B. Schumacker	2	33
A. C. Bruce	7	64

H.K. Surgenor and D.J. Blakeman have individual money purchase pension plans. The Company made contributions to the personal money purchase plans for H.K. Surgenor of £37,000 (2004: £35,000) and for D.J. Blakeman of £25,000 (2004: £44,000).

DIRECTORS' REMUNERATION REPORT
for the year ended 31 December 2005 *(continued)*

DIRECTORS' SHARE OPTIONS
Aggregate emoluments disclosed do not include any amounts for the value of options to acquire ordinary shares in the Company granted to, or held, by the Directors. Details of the Directors' share options are as follows:

	Scheme	Date of Grant	Earliest Exercise Date	Expiry Date	Exercise price (pence)	Number at 1 January 2004	Exercised in Year	Number at 31 December 2005
F. S. Maguire	Executive	29.9.2001	26.9.2004	25.9.2008	124.0	26,125	-	26,125
D.V. Dyson	Company	26.9.2001	26.9.2004	25.9.2011	124.0	9,239	9,239	-
A.C. Bruce	Company	26.9.2001	26.9.2004	25.9.2011	124.0	12,466	-	12,466

The mid - market price of the ordinary shares at 31 December 2005 was 459.5p and the range during the year was 300.5p to 471.5p.

The market price when D.V. Dyson exercised his share options was 330.0p. None of the terms for the share option schemes has varied during the year.

There is no further entitlement to share options.

GAINS MADE BY DIRECTORS ON SHARE OPTIONS
The table below shows gains made by individual Directors before tax from the exercise of share options during 2005 and 2004. The gains are calculated as at the exercise date, although the shares acquired in both 2005 and 2004 have been retained.

	2005 £000	2004 £000
F. S. Maguire	-	193
H. K. Surgenor	-	49
D.V. Dyson	19	-
D.J. Blakeman	-	22
B. Schumacker	-	27
	19	291

DIRECTORS' INTERESTS IN THE EXECUTIVE INCENTIVE PERFORMANCE PLAN
Awards to Executive Directors under the EIPP for the three years ending 31 December 2005 are as follows:

	At 1 January 2005 £000	Amount awarded £000	At 31 December 2005 £000
H.K. Surgenor	520	180	700
D.V. Dyson	330	120	450
D. J. Blakeman	252	28	280
B. Schumacker	273	37	310
A.C. Bruce	273	37	310

Amounts owing at 31 December 2005 were paid in March 2006 following the achievement of growth in adjusted EPS of 118% over RPI over the three year performance period.

DIRECTORS' REMUNERATION REPORT

for the year ended 31 December 2005 *(continued)*

Details of the performance conditions attaching to the EIPP are set out on page 28. Bonuses under the EIPP are payable in cash based on the Executive's salary at the end of each performance period. The amount at 31 December 2005 represents the actual award for each Executive, based on their salary at 31 December 2005.

All awards under the EIPP are in respect of qualifying service. There have been no variations in the terms and conditions of scheme interests during the year.

The Company's Register of Directors' Interests contains full details of Directors' shareholdings and options to subscribe.

By Order of the Board

D. J. Blakeman,
20 March 2006

PRICEWATERHOUSECOOPERS

Independent auditors' report to the shareholders of Lookers plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Lookers plc for the year ended 31 December 2005 which comprise the Group and Parent Company Accounting Policies, the Group and Parent Company Income Statements, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of Directors and auditors
The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where it is expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the review of the Chairman, Chief Executive and Finance Director, the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Corporate Governance Statement and the Corporate Social Responsibility Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the Group's and the Parent Company's affairs as at 31 December 2005 and of the Group's and the Parent Company's profit and cashflows for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester

PricewaterhouseCoopers LLP

20 March 2006

Principal Accounting Policies

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

1. **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union and implemented in the UK, and IFRIC interpretations and with those parts of the Companies Act, 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. A summary of the more important Group accounting policies is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses during the reporting period. Areas where such estimates and assumptions are used include the carrying value and useful economic lives of assets, provision for income taxes and provisions for future expenses arising from legal or constructive obligations existing at the balance sheet date. These estimates and assumptions are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from these estimates.

2. **Basis of consolidation**

The consolidated financial statements comprise the accounts of the Company and its subsidiary undertakings. An undertaking is regarded as a subsidiary if the Group has control over its operating and financial policies. The profits and losses of subsidiary undertakings are consolidated as from the effective date of acquisition or to the effective date of disposal.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of completion, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of acquired subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

3. **Turnover**

Turnover is measured at invoice price, excluding discounts and value added taxes, and principally comprises external vehicle sales, parts, servicing and bodyshop sales. Vehicle and parts sales are recognised at the time of delivery to the customer. Service and bodyshop sales are recognised in line with the work performed. Turnover also comprises commissions receivable for arranging vehicle financing. Commissions are based on agreed rates and income is recognised at the time of approval of the vehicle finance by the finance provider.

4. **Segmental reporting**

A business segment is a group of assets and operations engaged in providing goods and services that is subject to risks and returns that are different from those of other business segments. The business segments are set out in note 1.

A geographical segment is engaged in providing goods and services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

5. **Goodwill arising on consolidation**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity at the date of the acquisition. Goodwill on acquisitions of subsidiaries is shown separately on the Balance Sheet. Goodwill arising on acquisitions is tested annually for impairment and is carried at cost less accumulated impairment losses.

6. **Intangible assets**

Intangible assets acquired on a business combination are capitalised separately from goodwill if the 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. The useful life of customer relationships is expected to be up to 20 years, and the useful lives of acquired brands varies between 5 years and indefinite life. The Group has no internally generated intangible assets.

7. **Investments**

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

8. **Property, plant and equipment**

Assets are stated at their deemed cost less depreciation. With the exception of certain properties which were revalued on 31 December 2003, all assets are recorded at historical cost. The basis of the revaluation, being open market value was, in the opinion of the Directors, approximate to fair value and has been adopted as deemed cost on transition to IFRS. The Group has adopted the cost model under IAS 16.

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.

PRINCIPAL ACCOUNTING POLICIES (continued)

Plant, 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. Property, plant and equipment are transferred to "Non current assets classified as held for resale" when management expect their disposal to be completed within one year from the balance sheet date. Non current assets classified as held for resale are stated at the lower of net book value or expected proceeds.

9. 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.

10. LEASES
Assets purchased under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligation is charged to the Income Statement so as to give a constant rate of charge on the remaining balance of the obligation.
Rental costs under operating leases are charged to the Income Statement in equal annual amounts over the periods of the leases.

11. 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 Group recognises consignment stock in its balance sheet when there has been a substantial transfer of the risks and rewards of ownership. The related liabilities are included in trade creditors.

12. FINANCIAL ASSETS AND LIABILITIES
The Group only enters into derivative financial instruments in order to minimise the Group's underlying exposures to interest rate risk. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Gains and losses on remeasurement are taken to the Income Statement. The Group does not apply hedge accounting under IAS39 'Financial Instruments' for any of its financial instruments. Details of the Group's other financial assets and liabilities are given in note 29.

13. DEFERRED TAXATION
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 substantially 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 Group 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.

14. PENSION COSTS
The Group operates the "Lookers Pension Plan" which is a defined benefit pension scheme providing benefits based on final pensionable salary. The defined benefit scheme defines the amount of pension benefit that an employee will receive on retirement, dependent on one or more factors including age, years of service and salary. This scheme has now been closed to new members.

The last triennial valuation was carried out at 31 December 2004 by Mercer Human Resource Consulting Limited and has been updated to 31 December 2005 by a qualified independent actuary to take account of IAS19 requirements.

Under IAS19, the defined benefit surplus or deficit is included on the Group's balance sheet. Liabilities are calculated based on the current yields on high quality corporate bonds and on market conditions. Surpluses are only included to the extent that they are recoverable through reduced contributions in the future or through refunds from the scheme.

The current service cost and any past service costs are included in the Income Statement within operating costs. The expected return on the scheme assets, net of the impact of the unwinding of the discount on scheme liabilities, is included within finance costs.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited, net of deferred tax, each year to reserves and shown in the Statement of Recognised Income and Expense.
Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditioned on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.

The Group also provides pension arrangements for employees and certain Directors under defined contribution schemes. Contributions for these schemes are charged to the income statement in the year in which they are payable.

15. 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. In the balance sheet, bank overdrafts are included in current borrowings.

INCOME STATEMENTS

for the year ended 31 December 2005

	Note	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Continuing operations					
Revenue	1	1,231.6	1,093.8	-	-
Cost of sales		(1,081.4)	(962.8)	-	-
Gross profit		150.2	131.0	-	-
Distribution costs		(90.9)	(81.7)	-	-
Administrative expenses		(38.8)	(34.1)	(5.7)	(2.9)
Other operating income		3.2	9.4	17.8	18.5
Profit from operations		23.7	24.6	12.1	15.6
Operating profit before amortisation, impairment and exceptional items		27.1	20.7	13.2	8.4
Amortisation of intangible assets	9	(0.7)	(0.2)	-	-
Impairment of goodwill	8	(0.2)	-	-	-
Total exceptional items	3	(2.5)	4.1	(1.1)	7.2
Profit from operations		23.7	24.6	12.1	15.6
Interest payable	2	(9.2)	(6.9)	(5.6)	(3.8)
Interest receivable	2	1.9	8.7	4.2	10.4
Profit before tax, amortisation, impairment and exceptional items		18.0	14.1	10.0	6.6
Amortisation of intangible assets		(0.7)	(0.2)	-	-
Impairment of goodwill		(0.2)	-	-	-
Total exceptional items including interest income on VAT refund		(0.7)	12.5	0.7	15.6
Profit on ordinary activities before taxation	3	16.4	26.4	10.7	22.2
Taxation	4	(4.8)	(7.1)	-	(4.7)
Profit for the year	25	11.6	19.3	10.7	17.5
Continuing operations					
Earnings per share					
Basic earnings per share	6	32.7p	55.0p	30.0p	32.9p
Diluted earnings per share	6	32.6p	54.9p	30.0p	32.8p

Statements of Recognised Income and Expense

for the year ended 31 December 2005

		Group		Company	
	Note	2005 £m	2004 £m	2005 £m	2004 £m
Actuarial losses recognised in post retirement benefit scheme	27	(3.1)	(4.6)	(3.1)	(4.6)
Movement on deferred taxation on pension liability		0.9	1.4	0.9	1.4
Net losses recognised directly in equity		(2.2)	(3.2)	(2.2)	(3.2)
Profit for the financial period		11.6	19.3	10.7	17.5
Total recognised income and expense for the period		9.4	16.1	8.5	14.3

BALANCE SHEETS

for the year ended 31 December 2005

	Note	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
NON-CURRENT ASSETS					
Goodwill	8	20.3	15.2	-	-
Intangible assets	9	16.8	13.4	-	-
Property, plant and equipment	10	137.2	106.2	0.4	0.3
Investment in subsidiaries	11	-	-	53.7	53.7
Deferred tax asset	20	-	-	6.6	5.9
		174.3	134.8	60.7	59.9
CURRENT ASSETS					
Inventories	12	190.8	140.4	-	-
Trade and other receivables	13	66.8	52.2	93.1	79.4
Derivative financial instruments	18	-	-	-	-
Cash and cash equivalents	14	2.4	2.5	28.5	11.0
		260.0	195.1	121.6	90.4
Non current assets classified as held for resale		-	1.8	-	-
TOTAL ASSETS		434.3	331.7	182.3	150.3
CURRENT LIABILITIES					
Financial liabilities					
- Bank loans and overdrafts	17	21.2	16.5	14.3	12.8
- Hire purchase obligations	17	0.1	0.1	-	-
- Derivative financial instruments	18	0.4	-	0.4	-
Trade and other payables	15	239.8	156.7	36.3	22.5
Current tax liabilities	16	7.6	8.1	2.2	4.9
Short term provisions	19	0.9	1.4	-	-
		270.0	182.8	53.2	40.2
NET CURRENT (LIABILITIES)/ASSETS		(10.0)	12.3	68.4	50.2
Non-current liabilities					
Financial liabilities					
- Bank loans	17	52.7	43.7	46.4	33.7
- Hire purchase obligations	17	-	-	-	-
Retirement benefit obligation	27	19.2	18.0	19.2	18.0
Deferred tax liabilities	20	1.4	0.8	-	-
Long term provisions	19	0.8	2.2	-	-
		74.1	64.7	65.6	51.7
TOTAL LIABILITIES		344.1	247.5	118.8	91.9
NET ASSETS		90.2	84.2	63.5	58.4
SHAREHOLDERS' EQUITY					
Ordinary share capital	21	8.9	8.8	8.9	8.8
Share premium	22	2.6	1.5	2.6	1.5
Capital redemption reserve	23	14.6	14.6	14.6	14.6
Retained earnings	24	64.1	59.3	37.4	33.5
Total equity	25	90.2	84.2	63.5	58.4

The financial statements on pages 34 to 65 were approved by the Directors on 20 March 2006.
Signed on behalf of the Directors.

H. K. Surgenor
D. V. Dyson
} Directors

CASH FLOW STATEMENTS

for the year ended 31 December 2005

	Note	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Cash flows from operating activities					
Net profit		11.6	19.3	10.7	17.5
Adjustments for:					
Tax		4.8	7.1	-	4.7
Depreciation	3	4.7	4.1	0.3	0.2
Dividend received		-	-	(10.2)	(5.9)
Profit on disposal of plant and equipment	3	-	(0.2)	-	-
Profit on disposal of properties	3	(0.4)	(0.2)	-	-
Cost of aborted Reg Vardy bid	3	1.2	-	1.2	-
Impairment of goodwill	3	0.2	-	-	-
Amortisation of intangible assets	3	0.7	0.2	-	-
Interest income		(0.1)	(0.3)	(2.4)	(2.0)
Interest receivable on VAT refund		(1.8)	(8.4)	(1.8)	(8.4)
Interest payable		9.2	6.9	5.6	3.4
Changes in working capital (excluding effects of acquisitions and disposal of subsidiaries)					
Increase in inventories		(40.1)	(24.6)	-	-
(Decrease)/increase in trade and other receivables		(8.5)	3.0	(13.7)	(35.3)
Increase in payables		73.0	31.5	13.1	2.1
Difference between pension charge and cash contributions		(2.5)	(0.5)	(2.5)	(0.5)
Movement in provisions		(1.8)	2.7	-	-
Cash generated from operations		50.2	40.6	0.3	(24.2)
Interest paid		(8.4)	(5.9)	(5.1)	(2.4)
Interest received		1.9	8.7	4.2	10.4
Tax paid		(4.0)	(2.4)	(2.5)	(0.6)
Net cash from operating activities		39.7	41.0	(3.1)	(16.8)
Cash flows from investing activities					
Acquisition of subsidiaries (net of cash acquired)		(34.6)	(34.9)	-	-
Purchase of property, plant and equipment		(19.9)	(11.9)	(0.3)	(0.2)
Proceeds from sale of property, plant and equipment		2.6	10.5	-	-
Proceeds from sale of business		1.9	0.5	-	-
Dividends received		-	-	10.2	5.9
Net cash (used)/generated by investing activities		(50.0)	(35.8)	9.9	5.7
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital		0.1	0.3	0.1	0.3
Repayment of loans		(13.5)	(16.9)	(9.9)	(13.2)
Net proceeds from issue of new bank loans		24.0	30.0	24.0	30.0
Principal payments under HP agreements		(0.2)	(0.1)	-	-
Dividends paid to group shareholders		(3.5)	(3.9)	(3.5)	(3.9)
Net cash from financing activities		6.9	9.4	10.7	13.2
(Decrease)/increase in cash and cash equivalents		(3.4)	14.6	17.5	2.1
Cash and cash equivalents at 1 January		2.5	(12.1)	10.9	8.8
Cash and cash equivalents at 31 December		(0.9)	2.5	28.4	10.9

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2005

1. SEGMENTAL REPORTING
Primary reporting format - business segments

Year ended 31 December 2005	Franchised businesses £m	Used car Supermarkets £m	Parts Distribution £m	Agriculture £m	Group £m
Continuing operations					
Turnover	1,100.6	44.8	76.6	9.6	1,231.6
Segmental result	16.0	1.4	5.9	0.2	23.5
VAT refund	0.2	-	-	-	0.2
Interest expense					(9.2)
Interest income					0.1
Interest on VAT refund	1.8				1.8
Profit before taxation					16.4
Taxation					(4.8)
Profit for the financial year from continuing operations attributed to shareholders					11.6
Segmental assets	333.0	28.3	69.2	3.4	433.9
Unallocated assets					
- Property, plant and equipment					0.4
Total assets	333.0	28.3	69.2	3.4	434.3
Segmental liabilities	235.3	12.8	32.0	3.4	283.5
Unallocated liabilities					
- Corporate borrowings					60.6
Total liabilities	235.3	12.8	32.0	3.4	344.1
Other segmental items					
Capital expenditure (including acquisitions)	19.7	11.1	6.7	0.2	37.7
Depreciation (note10)	3.9	0.1	0.6	0.1	4.7
Amortisation of intangible assets (note 9)	-	0.2	0.5	-	0.7
Impairment of goodwill (note 8)	0.2	-	-	-	0.2
Impairment of trade receivable (note 13)	0.1	-	0.1	-	0.2

Year ended 31 December 2004	Franchised businesses £m	Used car Supermarkets £m	Parts Distribution £m	Agriculture £m	Group £m
Continuing operations					
Turnover	1,054.9	-	28.6	10.3	1,093.8
Segmental result	15.4	-	1.5	0.4	17.3
VAT refund	7.3				7.3
Interest expense					(6.9)
Interest income					0.3
Interest on VAT refund	8.4				8.4
Profit before taxation					26.4
Taxation					(7.1)
Profit for the financial year from continuing operations attributable to shareholders					19.3

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005 *(continued)*

1. SEGMENTAL REPORTING *(continued)*

Year ended 31 December 2004	Franchised businesses £m	Used car Supermarkets £m	Parts Distribution £m	Agriculture £m	Group £m
Segmental assets	279.0	-	50.4	2.0	331.4
Unallocated assets					
- Property, plant and equipment					0.3
Total assets	279.0	-	50.4	2.0	331.7
Segmental liabilities	181.6	-	17.5	1.9	201.0
Unallocated liabilities					
- Corporate borrowings					46.5
Total liabilities	181.6	-	17.5	1.9	247.5
Other segmental items					
Capital expenditure (including acquisitions)	12.4	-	1.9	0.1	14.4
Depreciation (note 10)	3.8	-	0.2	0.1	4.1
Amortisation of intangible assets (note 9)	-	-	0.2	-	0.2
Impairment of trade receivables (note 13)	0.3	-	0.1	-	0.4

As at 31 December, the Group is organised into 4 main business segments:
Franchised businesses, Used car supermarkets, Parts distribution and Agriculture

Segment assets include property, plant and equipment, inventories, debtors and operating cash. Segment liabilities comprise operating liabilities and exclude certain corporate borrowings. Capital expenditure comprises additions to property, plant and equipment, including additions resulting from acquisitions through business combinations.

Secondary format - geographical segment

The Group operates wholly within the UK

	Revenue		Segmental assets		Capital expenditure	
	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m
Continuing operations						
UK	1,231.6	1,093.8	434.3	331.7	37.7	14.4

COMPANY

The Company's business is to invest in its subsidiaries and, therefore, it operates in a single segment.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005 *(continued)*

2. FINANCE COSTS - NET

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Interest expense				
On amounts wholly repayable within 5 years:				
Interest payable on bank borrowings	(5.7)	(3.7)	(4.3)	(2.9)
Interest payable on hire purchase contracts	(0.1)	(0.2)	-	-
Interest on consignment vehicle liabilities	(2.4)	(2.0)	-	-
Fair value losses - interest rate swaps and collars	(0.4)	-	(0.4)	-
Interest due to group companies	-	-	(0.3)	(0.5)
Net interest on pension scheme (note 27)	(0.6)	(0.4)	(0.6)	(0.4)
On amounts wholly repayable or in part after 5 years:				
- Interest payable on bank borrowings	-	(0.6)	-	-
Interest and similar charges payable	(9.2)	(6.9)	(5.6)	(3.8)
Interest income:				
Bank interest	0.1	0.3	-	0.1
Interest received from group companies	-	-	2.4	1.9
Other interest	-	-	-	-
Interest received on VAT refund	1.8	8.4	1.8	8.4
Total interest receivable	1.9	8.7	4.2	10.4
Finance costs - net	(7.3)	1.8	(1.4)	6.6

3. PROFIT BEFORE TAXATION

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
The following items have been included in arriving at operating profit				
Staff costs (note 7)	95.7	80.6	3.1	3.2
Depreciation of property, plant and equipment:				
- Owned assets	4.6	4.0	0.3	0.2
- Under finance leases	0.1	0.1	-	-
Amortisation of intangibles	0.7	0.2	-	-
Impairment of goodwill	0.2	-	-	-
Profit on sale of plant and equipment	-	(0.2)	-	-
Other operating lease rentals payable				
- Plant & Machinery	1.4	1.4	-	-
- Property	2.4	2.7	-	-
Exceptional items:				
VAT refund	0.2	7.3	0.2	7.3
Loss on termination of businesses	(1.9)	(3.4)	(0.1)	(0.1)
Cost of aborted Reg Vardy bid	(1.2)	-	(1.2)	-
Profit on disposal of properties	0.4	0.2	-	-
	(2.5)	4.1	(1.1)	7.2

The terminated businesses represent the closure of certain franchised branches. These activities did not constitute a separate major line of business and so have not been classified as discontinued.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005 *(continued)*

3. PROFIT BEFORE TAXATION *(continued)*

Services provided by the Group's auditor and network firms.

During the year the Group obtained the following services from the Group's auditor at costs as detailed below:

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Audit services				
- Statutory audit	0.2	0.2	-	-
Further assurance services				
- Transaction related regulatory reporting	0.3	0.2	0.3	0.2
Other services not covered above	-	-	-	-
Total	0.5	0.4	0.3	0.2

4. TAXATION

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Current tax expense				
Current year	5.3	9.2	0.3	4.9
Adjustment in respect of prior years	(0.5)	(0.1)	(0.5)	-
	4.8	9.1	(0.2)	4.9
Deferred tax expense				
Deferred tax	0.3	(1.7)	0.2	(0.2)
Adjustment in respect of prior years	(0.3)	(0.3)	-	-
	-	(2.0)	0.2	(0.2)
Total income tax expense in income statement	4.8	7.1	-	4.7

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Tax on items charged to equity				
Deferred tax on pension liability	0.9	1.4	0.9	1.4

The tax charge was affected by the following factors:

	Group 2005	Group 2004	Company 2005	Company 2004
Standard rate of corporation tax	30.0%	30.0%	30.0%	30.0%
Inter Group dividend	-	-	(28.7)%	(8.0)%
Group relief	-	-	-	(0.8)%
Capital profits and other non-taxable items	-	-	3.6%	-
Items not allowable for taxation	6.9%	1.6%	-	-
Capital gains	(2.5)%	(2.0)%	-	-
Adjustments to prior year's taxation	(4.9)%	(1.8)%	(5.1)%	(0.1)%
Other items	-	(1.0)%	-	0.1%
	29.5%	26.8%	(0.2)%	21.2%

The future tax charge will be effected by the levels of expenditure not deductible for taxation and profits on sale of properties.

5. DIVIDENDS

	Group and Company 2005 £m	Group and Company 2004 £m
Final dividend 8.1p paid 31 May 2005 (2004: 7.7p)	2.9	2.7
Interim dividend 4.75p paid 30 November 2005 (2004: 4.0p)	1.7	1.4
	4.6	4.1

In addition, the Directors are proposing a final dividend in respect of the financial year ending 31 December 2005 of 10.5p per share which will absorb an estimated £3.8m of shareholders' funds. It will be paid on 31 May 2006 to Shareholders who are on the register of members on 18 April 2006.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005 *(continued)*

6. EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on profits on ordinary activities after taxation amounting to £11.6m (2004: £19.3m) and a weighted average of ordinary shares in issue during the period 35,523,586 (2004: 35,133,817)

The diluted earnings per share is based on the weighted average number of shares, after taking account of the dilutive impact of shares under option of 56,573 (2004: 85,266).

Adjusted earnings per share is stated before amortisation of intangible assets, impairment of goodwill, loss on disposal/termination of businesses, the profit on disposal of properties, exceptional VAT refund and related interest, costs of the aborted Reg Vardy bid and is calculated on profits of £13.4m (2004: £10.8m) for the period.

Continuing operations	2005 Earnings £m	2005 Earnings per share p	2004 Earnings £m	2004 Earnings per share p
Basic EPS				
Earnings attributable to ordinary shareholders	11.6	32.7	19.3	55.0
Effect of dilutive securities		(0.1)		(0.1)
Diluted EPS	11.6	32.6	19.3	54.9
Adjusted EPS				
Earnings attributable to ordinary shareholders	11.6	32.7	19.3	55.0
Amortisation of intangible assets and impairment of goodwill	0.9	2.5	0.2	0.6
Exceptional items (net)	0.7	2.0	(12.5)	(35.6)
Tax on exceptional items (net)	0.2	0.5	3.8	10.8
	13.4	37.7	10.8	30.8

7. INFORMATION REGARDING EMPLOYEES

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Employee costs during the year				
Wages & salaries	85.7	72.2	2.6	2.6
Social security costs	8.0	6.7	0.3	0.3
Other pension costs	2.0	1.7	0.2	0.3
	95.7	80.6	3.1	3.2

	2005 No.	2004 No.	2005 No.	2004 No.
Average number employed during the year (including Directors)				
Productive	1,237	1,011	-	-
Selling and distribution	2,121	1,830	-	-
Administration	1,133	794	76	77
	4,491	3,635	76	77

	2005 £m	2004 £m	2005 £m	2004 £m
Key management compensation				
Salaries and short term employee benefits	1.9	2.1	1.6	1.8
Post-employment benefits	0.2	0.2	0.1	0.2
Long term benefits	2.0	1.6	2.1	1.6
	4.1	3.9	3.8	3.6

The key management compensation given above includes Directors.

During the year the aggregate gains made on the exercise of share options by Directors was £19,000 (2004: £216,000). Further details of Directors' remuneration is included in the Directors' Remuneration Report on page 27.

8. GOODWILL

Group	2005 £m	2004 £m
Cost		
As at 1 January	15.2	10.6
On acquisition (note 26)	5.3	4.6
As at 31 December	20.5	15.2
Aggregate impairment		
As at 1 January	-	-
Impairment for the year	0.2	-
As at 31 December	0.2	-
Net book amount at 31 December	20.3	15.2

During the year, the acquired goodwill was tested for impairment in accordance with IAS 36. Following the impairment test, a goodwill impairment charge of £0.2m has been recognised within administrative expenses. For the purposes of impairment testing of goodwill and intangible assets, the Directors recognise the Group's Cash Generating Units (CGU) to be connected groupings of dealerships, the Used Car Supermarket operations and each subsidiary comprising the Parts Division. 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 terminal value. An annual growth rate of 2.25% (UK GDP) is assumed and a risk adjusted discount rate reflecting the Group's Weighted Average Cost of Capital (WACC) is applied.

9. INTANGIBLE ASSETS

Group	Customer relationships £m	Brands £m	Total £m
Acquired intangible assets			
Cost			
As at 1 January 2005	9.7	3.9	13.6
On acquisition (note 26)	1.8	2.3	4.1
As at 31 December 2005	11.5	6.2	17.7
Aggregate amortisation and impairment			
As at 1 January 2004	0.2	-	0.2
Charge for the year	0.5	0.2	0.7
As at 31 December 2005	0.7	0.2	0.9
Net book amount at 31 December 2005	10.8	6.0	16.8
Cost			
As at 1 January 2004	-	-	-
On acquisition	9.7	3.9	13.6
As at 31 December 2004	9.7	3.9	13.6
Aggregate amortisation and impairment			
As at 1 January 2004	-	-	-
Charge for the year	0.2	-	0.2
As at 31 December 2004	0.2	-	0.2
Net book amount at 31 December 2004	9.5	3.9	13.4

Within Brands, intangible assets of £4.7m (2004: £3.9m) are deemed by the Directors to have an indefinite life which is confirmed by the annual impairment test.
All amortisation charges in the year have been recognised within administrative expenses.
The impairment testing for intangible assets is performed as described in note 8.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005 *(continued)*

10. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold property £m	Long leasehold property £m	Short leasehold property £m	Plant & machinery £m	Fixtures, fittings, tools & equipment £m	Total £m
As at 1 January 2005	67.0	30.4	2.0	9.2	12.8	121.4
On acquisition (note 26)	12.6	4.0	0.2	0.5	0.4	17.7
Additions in year	9.9	2.7	2.4	2.1	2.9	20.0
Disposals	(0.4)	(1.3)	-	(0.8)	(0.7)	(3.2)
As at 31 December 2005	89.1	35.8	4.6	11.0	15.4	155.9
Accumulated depreciation						
As at 1 January 2005	1.1	0.5	0.2	5.8	7.6	15.2
Charge for the year	0.4	0.3	0.2	1.3	2.5	4.7
Disposals	-	(0.1)	-	(0.5)	(0.6)	(1.2)
As at 31 December 2005	1.5	0.7	0.4	6.6	9.5	18.7
Net book value at 31 December 2005	87.6	35.1	4.2	4.4	5.9	137.2

Group	Freehold property £m	Long leasehold property £m	Short leasehold property £m	Plant & machinery £m	Fixtures, fittings, tools & equipment £m	Total £m
As at 1 January 2004	68.3	28.2	1.6	10.4	11.3	119.8
On acquisition (note 26)	0.4	-	0.3	0.2	1.6	2.5
Additions in year	6.3	2.3	0.1	1.4	1.8	11.9
Disposals	(8.0)	(0.1)	-	(2.8)	(1.9)	(12.8)
As at 31 December 2004	67.0	30.4	2.0	9.2	12.8	121.4
Accumulated depreciation						
As at 1 January 2004	0.7	0.1	0.1	7.0	7.5	15.4
Charge for the year	0.5	0.4	0.1	1.2	1.9	4.1
Disposals	(0.1)	-	-	(2.4)	(1.8)	(4.3)
As at 31 December 2004	1.1	0.5	0.2	5.8	7.6	15.2
Net book value at 31 December 2004	65.9	29.9	1.8	3.4	5.2	106.2

Assets held under finance leases, capitalised and included in plant & machinery and fixtures and fittings:

	2005 £m	2004 £m
Cost	0.4	0.6
Aggregate depreciation	(0.1)	(0.2)
	0.3	0.4

In accordance with IFRS1, 'First time adoption of International Reporting Standards', and IAS 16, 'Property, Plant and equipment' the Group has adopted the cost model, electing to use revaluations made under previous UK GAAP as deemed cost for its freehold and leasehold properties.

The Group's freehold and leasehold properties were revalued on 31 December 2003, by independent qualified valuers on the basis of open market value in England and Scotland by Messrs. Donaldsons, Chartered Surveyors, and in Northern Ireland by Messrs. Hamilton Osborne King, Chartered Surveyors. The Directors are satisfied that open market value approximates to fair value.

10. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company	Fixtures, fittings, tools & equipment £m
Cost	
As at 1 January 2005	1.3
Transfer from Group Companies	0.1
Additions in year	0.3
Disposals	(0.1)
As at 31 December 2005	1.6
Accumulated depreciation	
As at 1 January 2005	1.0
Transfer from Group Companies	-
Charge for the year	0.3
Disposals	(0.1)
As at 31 December 2005	1.2
Net book value at 31 December 2005	0.4

Company	Fixtures, fittings, tools & equipment £m
Cost	
As at 1 January 2004	1.1
Additions in year	0.2
Disposals	-
As at 31 December 2004	1.3
Accumulated depreciation	
As at 1 January 2004	0.8
Charge for the year	0.2
Disposals	-
As at 31 December 2004	1.0
Net book value at 31 December 2004	0.3

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005 *(continued)*

11. INVESTMENTS

	2005 £m	Company 2004 £m
Cost		
At 1 January	53.7	57.8
Transfer to subsdiary company	-	(4.1)
At 31 December	53.7	53.7

Details of the principal subsidiary undertakings are as follows:

DSM Autos Limited
Bolling Investments Limited
Charles Hurst Limited
Charles Hurst Motors Limited
Lookers North West Limited
Lookers Southern Limited
Lookers Birmingham Limited
FPS Distribution Limited
Apec Limited

All subsidiaries are incorporated and registered in England and operate in England and Wales with the exception of Charles Hurst Limited and Charles Hurst Motors Limited which are incorporated, registered and operate in Northern Ireland and Scotland. All subsidiary companies are wholly owned with the exception of Lookers Birmingham Limited and Charles Hurst Motors Limited in which 99% shareholdings are held.

A full list of subsidiary undertakings will be annexed to the Company's next Annual Return.

12. INVENTORIES

	2005 £m	Group 2004 £m
Goods for resale	137.3	111.2
Bulk deposits paid for vehicles on consignment	1.5	2.1
Consignment vehicles	52.0	27.1
	190.8	140.4

Vehicle stocks held under consignment stocking agreements which are not deemed to be assets of the Group under the provisions of IFRS and are not included in the balance sheet amounted to £ nil (2004: £1.5m).

13. TRADE AND OTHER RECEIVABLES

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Amounts falling due within one year:				
Trade debtors	56.9	43.4	-	0.1
Less: provision for impairment of receivables	(0.9)	(0.8)	-	-
	56.0	42.6	-	0.1
Amounts owed by group undertakings	-	-	90.2	76.1
Other debtors	4.3	4.1	2.0	2.9
Prepayments	6.5	5.5	0.9	0.3
	66.8	52.2	93.1	79.4

Concentrations of credit risk with respect to trade receivables are limited due to the Group'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 provision for doubtful receivables.

14. CASH AND CASH EQUIVALENTS

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Cash at bank and in hand	2.4	2.5	28.5	11.0

15. TRADE AND OTHER PAYABLES

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Trade payables	129.1	95.1	1.8	1.9
Consignment vehicle creditors	52.0	27.1	-	-
Amounts owed to group undertakings	-	-	5.3	4.0
Amounts owed to related parties (all trading balances)	11.3	9.5	8.4	7.3
Other tax and social security payable	7.6	5.7	-	0.1
Other creditors	21.2	8.0	14.9	7.5
Accruals & deferred income	18.6	11.3	5.9	1.7
	239.8	156.7	36.3	22.5

16. CURRENT TAX LIABILITIES

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Current tax liabilities	7.6	8.1	2.2	4.9

17. BORROWINGS

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Current				
Unsecured bank loans	17.9	16.5	14.3	12.8
Bank overdrafts	3.3	-	-	-
Hire purchase creditors	0.1	0.1	-	-
	21.3	16.6	14.3	12.8
Non-current				
Unsecured bank loans	52.7	43.7	46.4	33.7
Hire purchase creditors	-	-	-	-
	52.7	43.7	46.4	33.7
Total borrowings	74.0	60.3	60.7	46.5

Interest rate information is disclosed in note 18 (financial instruments)

The company is jointly and severally liable under cross guarantees within the Group for bank loans and overdrafts which amounted to £13.4m (2004: £13.6m).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2005 *(continued)*

17. BORROWINGS *(continued)*

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Bank loans and overdraft repayable:				
Less than one year	21.2	16.5	14.3	12.8
More than one year and not more than two years	17.7	13.2	14.1	9.4
More than two years and not more than five years	35.0	30.0	32.3	23.8
Five years or more	-	0.5	-	0.5
	73.9	60.2	60.7	46.5

Of this amount £74.0m (2004: £60.2m) is repayable in instalments commencing up until 2010 (2004: 2010).

£6,000 of hire purchase creditors are repayable between one and five years (2004: £5,000).

18. DERIVATIVE FINANCIAL INSTRUMENTS

The objectives, policies and strategies for holding or issuing financial instruments adopted by the Board are given in the Directors' Report. Instruments held at the year end are set out below, and in note 29.

Interest rate collar and swaps

The notional principal amounts of the outstanding interest rate collar at 31 December 2005 was £50.0m (2004: £11.9m). This collar reduces over time between the balance sheet date and 31 August 2010. The collar has a floor of 3.75% and a cap of 5.75%. If the 3 month LIBOR fixes at, or below 3.75%, then the Group pays 4.84% for that fixing, resetting every quarter.

Its fair value at 31 December 2005 was a liability of £0.4m (2004: £nil). At 31 December 2004, the Group held both interest rate swaps and an interest rate collar. The fair value of these instruments at that date was £nil.

The Directors have based their estimation of these financial instruments' fair value on the valuation provided by the external financial institutions counter party.

Forward exchange contracts

During the year the Group acquired APEC, which holds forward exchange contracts as a commercial hedge against some of its Euro and US Dollar purchases. At 31 December 2005 the principal amount of these contracts was £9.6m, all of which mature during 2006. The fair value of those held at the year end and of those held at the date of acquisition was £nil.

19. PROVISIONS

Group	Dilapidations £m	Closure costs £m	Total £m
As at 1 January 2005	0.8	2.8	3.6
Charged to Income Statement	-	1.4	1.4
Utilised in year	-	(3.3)	(3.3)
As at 31 December 2005	0.8	0.9	1.7

Provisions have been allocated between current and non-current as follows:

	2005 £m	2004 £m
Current	0.9	1.4
Non-current	0.8	2.2
	1.7	3.6

19. PROVISIONS *(continued)*

Dilapidations

On the acquisition of FPS Distribution Limited in 2004, a dilapidation provision was recognised as a fair value adjustment. The Company operates from a number of leasehold premises under full repairing leases and, at the time of the acquisition, it was recognised that repairs were required to put the buildings back into the state of repair required under the leases. Currently, these leases are expected to expire between 2007 to 2018.

Closure costs

In 2004, the Group gave two years written notice to MG Rover in accordance with its Franchise Agreement to exit from its four MG Rover outlets. The provision related to the costs associated with the onerous contract and the exit from the franchise. In 2005 MG Rover went into receivership and the Group closed all outlets during 2005. Consequently the provision was utilised.

In July 2005, the Group gave written notice to Nissan UK in accordance with its Franchise agreement to exit from its three mainland Nissan outlets. In November 2005 the Group sold one of these sites and since the year end, one further site has been sold with the other being closed in January 2006. The costs associated with the closure, sale and the onerous elements of the contract were £0.9m and these were fully provided at 31 December 2005.

20. DEFERRED TAXATION

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2004: 30%). The movement on the deferred tax account is as shown below:

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
As at 1 January 2005	0.8	-	(5.9)	(4.3)
On acquisition (note 26)	1.5	4.2	-	-
Charged/(credited) to Income Statement (note 4)	-	(2.0)	0.2	(0.2)
Credited to Statement of Recognised Income and Expenditure	(0.9)	(1.4)	(0.9)	(1.4)
As at 31 December 2005	1.4	0.8	(6.6)	(5.9)

The deferred tax charged to equity during the current and prior year related to the deferred tax movement on the pension liability.

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

The movements on deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balance net.

Group

Deferred tax liabilities	Accelerated tax depreciation £m	Capital gains £m	Total £m
As at 1 January 2005	4.7	2.7	7.4
On acquisition (note 26)	0.9	0.9	1.8
Charged/(credited) to Income Statement	0.2	(0.5)	(0.3)
As at 31 December 2005	5.8	3.1	8.9

Deferred tax assets	Employee benefits £m	Short term timing differences £m	Total £m
As at 1 January 2005	(5.4)	(1.2)	(6.6)
On acquisition (note 26)	-	(0.3)	(0.3)
Charged/(credited) to Income Statement	0.6	(0.3)	0.3
Charged to Statement of Recognised Income and Expense	(0.9)	-	(0.9)
As at 31 December 2005	(5.7)	(1.8)	(7.5)

Net deferred tax liability	
As at 31 December 2005	1.4
As at 31 December 2004	0.8

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005 *(continued)*

20. DEFERRED TAXATION *(continued)*

Company
Deferred tax assets

	Employee benefits £m	Provisions £m	Accelerated tax depreciation £m	Total £m
As at 1 January 2005	(5.4)	(0.4)	(0.1)	(5.9)
Charged/(credited) to Income Statement	0.6	(0.4)	-	0.2
Charged to Statement of Recognised Income and Expense	(0.9)	-	-	(0.9)
As at 31 December 2005	(5.7)	(0.8)	(0.1)	(6.6)

21. SHARE CAPITAL

Group and Company	Shares	2005 £m	Shares	2004 £m
Authorised				
Ordinary shares of 25p each	54,000,000	13.5	54,000,000	13.5
Alloted, called up and fully paid ordinary shares of 25p each				
At 1 January	35,354,132	8.8	35,016,959	8.7
Alloted under share option schemes	50,564	-	260,460	0.1
Alloted on scrip issue	322,397	0.1	76,713	-
As at 31 December	35,727,093	8.9	35,354,132	8.8

Potential issues of ordinary shares
Certain senior executives hold options to subscribe for shares in the Company at prices of 104.0p and 124.0p under the share option schemes approved by shareholders on 12 March 1998.
Options on 50,564 shares were exercised during 2005 and options on 4000 shares lapsed. The number of shares subject to options, the periods in which they were granted and the periods in which they may be exercised are given below.

Year of grant	Exercise price pence	Exercise period	2005 Numbers	2004 Numbers
1998	104.0	2001 - 2008	25,500	35,500
1999	82.5	2002 - 2009	-	14,700
2001	124.0	2004 - 2011	33,456	63,320
2001 (executive scheme)	124.0	2004 - 2008	26,125	26,125
			85,081	139,645

22. SHARE PREMIUM

Group and Company	£m
At 1st January 2004	1.1
Arising on issue of new shares	0.4
At 1st January 2005	1.5
Arising on issue of new shares	1.1
As at 31 December 2005	2.6

23. CAPITAL REDEMPTION RESERVE

Group and Company	£m
At 1 January 2004 and 31 December 2005	14.6

24. RETAINED EARNINGS

	Group £m	Company £m
At 1 January 2004	47.3	23.3
Net profit for the year	19.3	17.5
Dividends paid	(4.1)	(4.1)
Actuarial losses on defined benefit pension scheme	(4.6)	(4.6)
Deferred taxation on pension liability	1.4	1.4
As at 31 December 2004	59.3	33.5
Net profit for the year	11.6	10.7
Dividends paid	(4.6)	(4.6)
Actuarial losses on defined benefit scheme	(3.1)	(3.1)
Deferred taxation on pension liability	0.9	0.9
As at 31 December 2005	64.1	37.4

Retained earnings include £18.0m (2004: £18.1m) of non distributable reserves relating to properties which had been revalued under UK GAAP, but treated as deemed cost under IFRS. The minority interests share of earnings is £38,000 (2004: £30,000).

25. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

Statement of changes in equity	Share capital £m	Share premium £m	Other reserve £m	Retained earnings £m	Total £m
Group					
At 1 January 2004	8.7	1.1	14.6	47.3	71.7
New shares issued	0.1	0.4	-	-	0.5
Profit for year	-	-	-	19.3	19.3
Dividends	-	-	-	(4.1)	(4.1)
Actuarial losses on defined benefit pension scheme (note 27)	-	-	-	(4.6)	(4.6)
Deferred taxation on pension liability	-	-	-	1.4	1.4
At 31 December 2004	8.8	1.5	14.6	59.3	84.2
New shares issued	0.1	1.1	-	-	1.2
Profit for year	-	-	-	11.6	11.6
Dividends	-	-	-	(4.6)	(4.6)
Actuarial losses on defined benefit pension scheme (note 27)	-	-	-	(3.1)	(3.1)
Deferred taxation on pension liability	-	-	-	0.9	0.9
At 31 December 2005	8.9	2.6	14.6	64.1	90.2

Included within the Group's total equity are minority interests of £38,000 (2004: £30,000)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005 *(continued)*

25. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY *(continued)*

Statement of changes in equity	Share capital £m	Share premium £m	Other reserve £m	Retained earnings £m	Total £m
Company					
At 1 January 2004	8.7	1.1	14.6	23.3	47.7
New shares issued	0.1	0.4	-	-	0.5
Profit for year	-	-	-	17.5	17.5
Dividends	-	-	-	(4.1)	(4.1)
Actuarial losses on defined benefit pension scheme (note 27)	-	-	-	(4.6)	(4.6)
Defered taxation on pension liability	-	-	-	1.4	1.4
At 31 December 2004	8.8	1.5	14.6	33.5	58.4
New shares issued	0.1	1.1	-	-	1.2
Profit for year	-	-	-	10.7	10.7
Dividends	-	-	-	(4.6)	(4.6)
Actuarial losses on defined benefit pension scheme (note 27)	-	-	-	(3.1)	(3.1)
Defered taxation on pension liability	-	-	-	0.9	0.9
At 31 December 2005	8.9	2.6	14.6	37.4	63.5

26. ACQUISITIONS AND DISPOSALS

Acquisitions

On 31 January 2005 the Group acquired the business and assets of Bristol Trade Centre for a cash consideration of £8.5m.

A table detailing the assets and liabilities acquired at fair value is set out below.

	Carrying value pre-acquisition £m	Provisional fair value £m
Intangible assets - brands	-	0.8
Tangible fixed assets	5.4	5.1
Inventories	2.3	2.0
Net assets acquired	7.7	7.9
Goodwill		0.6
Consideration - satisfied by cash		8.5

On 12 of May 2005 the Group acquired the business and assets of Ian Shipton Cars for a cash consideration of £12.1m.

A table detailing the assets and liabilities acquired at fair value is set out below.

	Carrying value pre-acquisition £m	Provisional fair value £m
Intangible assets - brands	-	0.7
Tangible fixed assets	4.9	4.9
Inventories	3.9	3.9
Payables	(0.2)	(0.2)
Net assets acquired	8.6	9.3
Goodwill		2.8
Consideration - satisfied by cash		12.1

26. ACQUISITIONS AND DISPOSALS *(continued)*

On 1 August 2005 the Group acquired the entire share capital of PLP Motors Limited for a cash consideration of £3.2m and on 8 August 2005 the Group acquired two Volvo dealerships from John Martin Group Limited for a cash consideration of £1.3m. Neither of these acquisations were considered material to the Group.

A table detailing the assets and liabilities acquired at fair value is set out below.

	Carrying value pre-acquisition £m	Provisional fair value £m
Tangible fixed assets	4.5	4.5
Inventories	1.8	1.8
Receivables	0.8	0.8
Payables	(3.1)	(3.1)
HP Creditors	(0.1)	(0.1)
Taxation		
- current	-	-
- deferred	(0.5)	(0.5)
Cash and cash equivalents	0.1	0.1
Net assets acquired	3.5	3.5
Goodwill		1.0
Consideration - satisified by cash		4.5

On 12 October 2005 the Group acquired the entire share capital of Apec Limited for a cash consideration of £9.8m.
A table detailing the assets and liabilities acquired at fair value is set out below.

		Carrying value pre-acquisition £m	Provisional fair value £m
Intangible fixed assets	- brands	-	0.8
	- customer relationships	-	1.8
Property, plant and equipment		3.2	3.2
Inventories		3.3	3.0
Receivables		5.5	5.2
Payables		(3.8)	(4.1)
Taxation			
- current		(0.2)	(0.2)
- deferred		(1.0)	(1.0)
Cash and cash equivalents		0.2	0.2
Net assets acquired		7.2	8.9
Goodwill			0.9
Consideration - satisified by cash			9.8

Fair value adjustments contain some provisional amounts that will be finalised in the 2006 accounts. Additional goodwill of £35,000 has been recognised in relation to fair value adjustments on prior year acquisitions.

It has not been possible to obtain reliable, comparable financial information for the pre-acquisition period of the acquired businesses and consequently the annualised revenue and profit of the acquired businesses from the first day of the financial year has not been disclosed.

Disposals

On 30 November 2005 the Group disposed of the Nissan dealership at Waltham Abbey for a cash consideration of £1.9m

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005 *(continued)*

27. PENSIONS

Pension Schemes

The Group's pension plan "The Lookers Pension Plan", which is a defined benefit scheme providing benefits based on final pensionable salary. The Lookers Pension Plan, which is a funded scheme, is administered by William M. Mercer Limited. The scheme has been registered with the Registrar of Pensions. The assets of the scheme are held separately from those of the Group, being held in separate funds by the Trustees of the Lookers Pension Plan.

The Group has applied IAS19 (Revised 2004) to this scheme and the following disclosures relate to this standard. The Group recognises any actuarial gains and losses in each period in the Statement of Recognised Income and Expenses.

The pension charge for the scheme for 2005 was £1.5m (2004: £1.5m).

A valuation update was made as at 31 December 2005 by a qualified independent actuary to take account of the IAS 19 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.

Based on actuarial advice and using the assumptions below in calculating the scheme's liabilities, the total value of these liabilities under IAS 19 are £76.5m at 31 December 2005 (2004: £65.4m).

The fair value of assets of the scheme and the expected rates of return on each class of assets are:

	Expected rate of return 2005	Market value 2005 £m	Expected rate of return 2004	Market value 2004 £m
Equities	7.1%	38.0	7.9%	33.0
Bonds	4.1%	17.1	4.5%	14.2
Cash	4.5%	2.2	4.0%	0.1
Total fair value of assets		57.3		47.3

27. PENSIONS *(continued)*

The overall net deficit between the assets of the Group's defined benefit scheme and the actuarial liabilities of the scheme which has been recognised on the balance sheet are as follows:

	2005 £m	2004 £m
Fair value of scheme assets	57.3	47.4
Actuarial value of scheme liabilities	(76.5)	(65.4)
Deficit in the scheme	(19.2)	(18.0)
Related deferred tax asset (note 20)	5.7	5.4
Net pension liability	(13.5)	(12.6)

The amounts recognised in the Income Statements are as follows:

	2005 £m	2004 £m
Current service cost	0.9	1.4
Gains on curtailments and settlements	-	(0.3)
Total included in administrative expenses	0.9	1.1
Interest on obligation	3.6	3.4
Expected return on scheme assets	(3.0)	(3.0)
Total included in finance costs (note 2)	0.6	0.4
Total defined benefit expenses	1.5	1.5

Changes in the present value of the defined benefit obligation are as follows:

Opening defined benefit obligation	65.4	57.3
Service cost	0.9	1.4
Contributions by employees	0.7	0.4
Interest cost	3.6	3.4
Actuarial losses	1.8	-
Gains on curtailments and settlements	-	(0.3)
Benefits paid	(2.3)	(3.3)
Changes in assumptions	6.4	6.5
Closing defined benefit obligation	76.5	65.4

Change in the fair value of scheme assets:

Opening fair value of scheme assets	47.3	43.6
Expected return	3.0	3.0
Actuarial gains	5.2	1.9
Contributions by employer	3.4	1.7
Contributions by employee	0.7	0.4
Benefits paid	(2.3)	(3.3)
Closing fair value of scheme assets	57.3	47.3

The actual return on Scheme Assets was £8.2m (2004: £4.8m).
None of the Scheme's assets was invested in Lookers plc or property occupied by Lookers plc.
In addition to the 12.6% of pensionable payroll to fund accruing pensions, the Company contributed an additional £2.1m in 2005. The Group expects to maintain a similar level of pension contributions in 2006.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005 *(continued)*

27.PENSIONS *(continued)*

	2005 £m	2004 £m
Total amount of actuarial losses recognised in the Statement of Recognised Income and Expense in the year:	(3.1)	(4.6)
Cumulative amount of actuarial losses recognised in the Statement of Recognised Income and Expense at year end:	(7.7)	(4.6)
The major categories of scheme assets as a percentage of total scheme assets are as follows:		
Equities	66.3%	69.9%
Bonds	29.8%	30.0%
Cash	3.9%	0.1%
Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):		
Discount rate	5.00%	5.60%
Expected return on assets	6.13%	6.87%
Future salary increases	3.30%	3.40%
Future pension increases	2.50%	2.80%
Life expectancy at age 65 for:		
current pensioners - males	84.0	84.0
current pensioners - females	87.0	87.0
future pensioners - males	84.0	84.0
future pensioners - females	87.0	87.0

Future pension increases were changed from Limited Price Indexation (LPI) with a maximum of 5% to LPI with a maximum of 2.5% during 2005.

Where investments are held in bonds and cash, the expected long term rate of return is taken to be the yields generally prevailing on such assets at the balance sheet date. A higher rate of return is expected on equity investments, which is based more on realistic future expectations than on the returns that have been available historically. The overall expected long term rate of return on assets is then the average of these rates taking into account the underlying asset portfolio of the pension plan.

Amounts for the current and previous period are as follows:	2005	2004
Defined benefit obligation	76.5	65.4
Scheme assets	57.3	47.4
Deficit	(19.2)	(18.0)
Experience losses on plan liabilities	(1.8)	-
Experience gains on plan assets	5.2	1.9

The Group and Company provides pension arrangements for certain Directors under defined contribution schemes. The Group has recently introduced a defined contribution Stakeholder Pension Scheme for employees. The Income Statement account charge for the year in respect of defined contribution schemes was £0.5m (2004: £0.2m).

28.RELATED PARTY TRANSACTIONS

Hamilton Finance Limited (a wholly owned subsidiary of General Electric Capital Corporation) owns 24.5% of the issued ordinary share capital of the Company. GE Capital and its subsidiaries are therefore considered to be related parties in accordance with the definition included in IAS 24. During the year the Group entered into a number of transactions with the related party, details of which are summarised below.

General Electric Capital Corporation and its subsidiary companies have been given the opportunity to provide, on normal competitive terms, advances on hire purchase to customers of the Group. This agreement expires on 31 December 2006. During the year, the Group received £5.2m (2004: £4.1m) commission income under this agreement. The amount outstanding at the year end was £0.8m (2004: £0.2m).

In addition, the Group holds advances from GE Capital in relation to future hire purchase agreements that the Group expects to arrange for GE Capital. At the year end the balance included in other creditors was £10.4m (2004: £9.4m).

The Group has paid £10,000 (2004: £25,000) for consultancy services provided by Consult for Success, of which G. J. Morris is a Director.

Key management compensation is included in note 7.

29. FINANCIAL ASSETS AND LIABILITIES

The objectives, policies and strategies for holding or issuing financial instruments adopted by the Board are given in the Directors' Report. Details regarding the Group's derivative financial instruments at 31 December 2005 and 2004 are given in note 18. The Group's other financial assets and liabilities are detailed below.

Fair values
The fair values of the Group's trade receivables, cash and cash equivalents, trade payables (which include liabilities in respect of interest-bearing consignment stock), short term provisions and loans and overdrafts with a maturity of less than one year are assumed to approximate to their book value.
The fair value of the Group's non-current provision is not materially different to its fair value.
The Group's other non-current financial liabilities are all subject to floating interest rates and so their fair value also approximates to book value.

Maturity of financial liabilities
The maturity profile of the carrying amount of the Group's non-current financial liabilities at 31 December 2005 and 2004 are given in note 17.

Borrowing facilities
The Group has the following undrawn committed borrowing facilities available at 31 December 2005 and 2004 which expire:

	2005 £m	2004 £m
In less than one year	59.7	53.3

The above facilities represent loans and overdrafts which are repayable on demand, but for which the facilities have been confirmed.
The minimum lease payments under finance lease are given in note 17. The present value of the Group's non-current finance lease liabilities is not materially different to their book value.

Interest rate profile
Financial assets comprise cash of £4.0m (2004: £2.5m).
An analysis of the Group's loans and overdrafts between fixed and floating rates is given below.

	2005 Financial Liabilities £m	2004 Financial Liabilities £m
Fixed Rate	-	2.0
Floating Rate	70.6	58.3
Total	70.6	60.3

Interest rates on the Group's floating rate liabilities are based on the London Interbank rate. The weighted average interest of the fixed rate liabilities at 31 December 2004 was 5.84%. The weighted average period for which interest on such liabilities were fixed was three months at the 31 December 2004. At 31 December 2005 all of the Group's bank loans and overdrafts are potentially exposed to re-pricing within 12 months of the balance sheet date (2004: 12 months).

Foreign currencies
The majority of the Group's activities are transacted in sterling although some of its purchases are made in Euros and US Dollars. The Group manages the foreign currency risk associated with these foreign currency purchases through the use of forward contracts as a commercial hedge. The Group has not sought hedge accounting under IAS 39 in respect of these contracts.

30. OPERATING LEASE COMMITMENTS - MINIMUM LEASE PAYMENTS

	2005		2004	
Group	Property £m	Plant & equipment £m	Property £m	Plant & equipment £m
Commitments under non-cancellable operating leases expiring:				
Within one year	4.1	0.6	4.3	1.0
Within two to five years	11.8	1.0	13.2	0.8
After five years	22.0	0.1	26.6	-
	37.9	1.7	44.1	1.8

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005 *(continued)*

31. CONTINGENT GAIN

Additional amounts may be receivable from HM Revenue and Customs in respect of over payments of VAT in previous years. These will not be recognised until they have been agreed.

32. POST BALANCE SHEET EVENT.

On 28 February 2006 the Group acquired the business and certain assets of six dealerships from H.R. Owen Plc. The consideration was approximately £5.4m paid in cash.

33. RECONCILIATION OF NET ASSETS AND PROFIT UNDER UK GAAP TO IFRS

Lookers plc reported under UK GAAP in its previously published financial statements for the year ended 31 December 2004. The analysis below shows a reconciliation of net assets and profits as reported under UK GAAP as at 31 December 2004 to the revised net assets and profit under IFRS as reported in these financial statements. In addition, there is a reconciliation of net assets under UK GAAP to IFRS as at the transition date for the Company, being 1 January 2004.

	Note	Group 2004 £m	Company 2004 £m
Reconciliation of profit before interest			
Profit before interest reported under UK GAAP		24.4	15.9
Dividends	(a)	-	0.4
Revaluation of properties	(b)	(0.1)	-
Pensions	(c)	(0.7)	(0.7)
Amortisation of intangible assets	(d)	(0.2)	-
Goodwill	(e)	1.2	-
Profit before interest reported under IFRS		24.6	15.6

	Note	Group 2004 £m	Company 2004 £m
Reconciliation of profit for the year			
Profit for the year reported under UK GAAP		18.9	17.9
Dividends	(a)	-	0.4
Revaluation of properties	(b)	0.1	-
Pensions	(c)	(0.8)	(0.8)
Amortisation of intangible assets	(d)	(0.1)	-
Goodwill	(e)	1.2	-
Fair value of derivative	(f)	-	-
Profit for the year reported under IFRS		19.3	17.5

33. RECONCILIATION OF NET ASSETS AND PROFIT UNDER UK GAAP TO IFRS *(continued)*

Reconciliation of equity at 1 January 2004 (date of transition to IFRS)

Group	Note	Previous GAAP £m	Effect of transition to IFRS £m	IFRS £m
Non-current assets				
Goodwill		10.6	-	10.6
Other intangible assets		-	-	-
Property, plant and equipment	(b)	92.7	11.6	104.3
		103.3	11.6	114.9
Current assets				
Inventories		97.5	-	97.5
Trade and other receivables	(c)	41.3	(1.1)	40.2
Derivative financial instruments	(f)	-	0.1	0.1
Cash and cash equivalents		-	-	-
		138.8	(1.0)	137.8
Non current assets classified as held for resale		3.5	-	3.5
Total assets		245.6	10.6	256.2
Current liabilities				
Bank loans and overdrafts		26.2	-	26.2
Hire purchase obligations		-	-	-
Derivative financial instruments	(f)	-	-	-
Trade and other payables	(a)	113.2	(2.7)	110.5
Tax liabilities		1.1	-	1.1
		140.5	(2.7)	137.8
Net current (liabilities)/assets		(1.7)	1.7	-
Non-current liabilities				
Bank loans		33.1	-	33.1
Hire purchase obligations		-	-	-
Retirement benefit obligation	(c)	-	13.6	13.6
Deferred taxation	(b) (c)	1.4	(1.4)	-
		34.5	12.2	46.7
Total liabilities		175.0	9.5	184.5
Net assets		70.6	1.1	71.7
Shareholders' equity				
Share capital		8.7	-	8.7
Share premium		1.1	-	1.1
Revaluation reserve	(b)	7.4	(7.4)	-
Capital redemption reserve		14.6	-	14.6
Retained earnings		38.8	8.5	47.3
Total equity		70.6	1.1	71.7

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005 *(continued)*

33. RECONCILIATION OF NET ASSETS AND PROFIT UNDER UK GAAP TO IFRS *(continued)*

Reconciliation of equity at 31 December 2004

Group	Note	Previous GAAP £m	Effect of transition to IFRS £m	IFRS £m
Non-current assets				
Goodwill	(d)	23.5	(8.3)	15.2
Other intangible assets		-	13.4	13.4
Property, plant and equipment	(b)	94.8	11.4	106.2
		118.3	16.5	134.8
Current assets				
Inventories		140.4	-	140.4
Trade and other receivables	(c)	54.4	(2.2)	52.2
Derivative financial instruments	(f)	-	-	-
Cash and cash equivalents		2.5	-	2.5
		197.3	(2.2)	195.1
Non current assets classified as held for resale		1.8	-	1.8
Total assets		317.4	14.3	331.7
Current liabilities				
Bank loans and overdrafts		16.5	-	16.5
Hire purchase obligations		0.1	-	0.1
Derivative financial instruments	(f)	-	-	-
Trade and other payables	(a)	159.6	(2.9)	156.7
Tax liabilities		8.1	-	8.1
Short term provisions		1.4	-	1.4
		185.7	(2.9)	182.8
Net current assets		11.6	0.7	12.3
Non-current liabilities				
Bank loans		43.7	-	43.7
Hire purchase obligations		-	-	-
Retirement benefit obligation	(c)	-	18.0	18.0
Deferred taxation	(b) (d)	0.1	0.7	0.8
Long term provisions		2.2	-	2.2
		46.0	18.7	64.7
Total liabilities		231.7	15.8	247.5
Net assets		85.7	(1.5)	84.2
Shareholders' equity				
Share capital		8.8	-	8.8
Share premium		1.5	-	1.5
Revaluation reserve	(b)	6.7	(6.7)	-
Capital redemption reserve		14.6	-	14.6
Retained earnings		54.1	5.2	59.3
Total equity		85.7	(1.5)	84.2

33. RECONCILIATION OF NET ASSETS AND PROFIT UNDER UK GAAP TO IFRS *(continued)*

Reconciliation of equity at 1 January 2004 (date of transition to IFRS)

Company	Note	Previous GAAP £m	Effect of transition to IFRS £m	IFRS £m
Non-current assets				
Property, plant and equipment		0.3	-	0.3
Investment in subsidiaries		57.8	-	57.8
Deferred tax assets		-	4.3	4.3
		58.1	4.3	62.4
Current assets				
Trade and other receivables	(a) (c)	47.0	(7.0)	40.0
Derivative financial instruments	(f)	-	0.1	0.1
Cash and cash equivalents		8.8	-	8.8
		55.8	(6.9)	48.9
Total assets		113.9	(2.6)	111.3
Current liabilities				
Bank loans and overdrafts		11.8	-	11.8
Derivative financial instruments	(f)	-	-	-
Trade and other payables	(a)	22.4	(2.7)	19.7
Tax liabilities		0.5	-	0.5
		34.7	(2.7)	32.0
Net current assets		21.1	(4.2)	16.9
Non-current liabilities				
Bank loans		18.0	-	18.0
Retirement benefit obligation	(c)	-	13.6	13.6
Deferred taxation	(b) (c)	0.1	(0.1)	-
		18.1	13.5	31.6
Total liabilities		52.8	10.8	63.6
Net assets		61.1	(13.4)	47.7
Shareholders equity				
Share capital		8.7	-	8.7
Share premium		1.1	-	1.1
Capital redemption reserve		14.6	-	14.6
Retained earnings		36.7	(13.4)	23.3
Total equity		61.1	(13.4)	47.7

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005 *(continued)*

33. RECONCILIATION OF NET ASSETS AND PROFIT UNDER UK GAAP TO IFRS *(continued)*

Reconciliation of equity at 31 December 2004

Company	Note	Previous GAAP £m	Effect of transition to IFRS £m	IFRS £m
Non-current assets				
Property, plant and equipment	(b)	0.3	-	0.3
Investment in subsidiaries		53.7	-	53.7
Deferred tax asset	(c)	-	5.9	5.9
		54.0	5.9	59.9
Current assets				
Trade and other receivables	(a) (c)	86.2	(6.8)	79.4
Derivative financial instruments	(f)	-	-	-
Cash and cash equivalents		11.0	-	11.0
		97.2	(6.8)	90.4
Total assets		151.2	(0.9)	150.3
Current liabilities				
Bank loans and overdrafts		12.8	-	12.8
Derivative financial instruments	(f)	-	-	-
Trade and other payables	(a)	24.3	(1.8)	22.5
Tax liabilities		4.9	-	4.9
		42.0	(1.8)	40.2
Net current assets		55.2	(5.0)	50.2
Non-current liabilities				
Bank loans		33.7	-	33.7
Retirement benefit obligation	(c)	-	18.0	18.0
Deferred taxation	(b) (d)	0.2	(0.2)	-
		33.9	17.8	51.7
Total liabilities		75.9	16.0	91.9
Net assets		75.3	(16.9)	58.4
Shareholders' equity				
Share capital		8.8	-	8.8
Share premium		1.5	-	1.5
Capital redemption reserve		14.6	-	14.6
Retained earnings		50.4	(16.9)	33.5
Total equity		75.3	(16.9)	58.4

33. RECONCILIATION OF NET ASSETS AND PROFIT UNDER UK GAAP TO IFRS *(continued)*

Notes

(a) Under UK GAAP, companies were required to provide for their final dividend in their closing balance sheet and in advance of the dividend being declared and approved by the Annual General Meeting. Under IAS 10 the dividend cannot be provided in the year end balance sheet as, at that date, the dividend did not represent a liability. At 31 December 2004 accrued dividends of £2.9m (1 January 2004: £2.7m) were removed from other liabilities. In the Company at 31 December 2004 dividends receivable of £5.6m (1 January 2004 £5.9m) were removed from amounts owed by Group undertakings.

(b) The Group has adopted the cost model under IAS 16. IFRS 1 includes an exemption allowing fair value to be used as deemed cost at the date of transition. Certain of the Group's properties were revalued on 31 December 2003, but this revaluation was not included in the UK GAAP accounts. The basis of the revaluation, being open market value was, in the opinion of the Directors, approximate to fair value and has been adopted as deemed cost on transition. At 31 December 2003, £11.6m was transferred to the Revaluation Reserve, and at 1 January 2004 the balance of the Revaluation Reserve was transferred to Revenue Reserves. An amount of £2.7m was transferred to deferred tax relating to the revaluation.

(c) The Group previously accounted for its participation in the Lookers Pension Plan, a Group wide defined benefit scheme, under SSAP 24. On adoption of IAS 19, the pension prepayment and related deferred taxation are no longer required. At 31 December 2004 an amount of £1.6m (1 January 2004: £0.7m) being the SSAP 24 prepayment net of deferred tax was written off.

Under IAS 19, retirement benefit liabilities are presented gross on the balance sheet. At 31 December 2004 a liability of £18.0m (1 January 2004: £13.6m) has been provided together with an associated deferred tax asset of £5.4m (1 January 2004: £4.1m).

(d) Under IAS 38, intangible assets acquired as part of a business combination are required to be separately identifed from goodwill. In August 2004 the Group acquired FPS, which gave rise to such intangible assets. As a result, £13.6m was reclassified from goodwill to intangible assets. Of this balance, £0.2m (related tax of £0.1m) net of tax had been amortised by 31 December 2004.

(e) Under IFRS 3 Goodwill is not amortised but instead must be tested for impairment at least annually. IFRS 1 includes an exemption allowing goodwill to be "frozen" at net book value at the date of transition. Opening goodwill at 1 January 2004 was £10.6m. Goodwill of £1.2m previously amortised in the year to 31 December 2004 has been reversed.

(f) In accordance with IAS 39, derivatives held by an entity have to be carried at fair value with movements in the fair value being taken to the Income Statement. At 31 December 2004, the Group had a number of interest rate swaps and an interest rate collar in place. At 31 December 2004 derivatives with a net fair value of £12,000 (1 January 2004: £30,000) were recognised.

(g) IFRS 1 includes an option to apply IFRS 2 'share based payments' only to share based payments granted on or after 7 November 2002. The Group have availed themselves of the option not to apply IFRS 2 to the existing share options issued before 7 November 2002.

Trading Outlets and Interests in Major Subsidiary Companies

as at 31 December 2005

FRANCHISES

Vauxhall
Belfast
Birkenhead
Birmingham
Blackburn
Chester
Ellesmere Port
Heswall
Lisburn
Liverpool
Portadown
Selly Oak
Speke
St. Helens
Wallasey
Warrington
Widnes
Yardley

Volkswagen
Blackburn
Burnley
Darlington
Middlesbrough
Northallerton

Nissan
Belfast
Camden
Dundonald
Mill Hill
Newtownabbey

Peugeot
Belfast
Knock

Citroën
Belfast

Renault
Altrincham
Bangor
Belfast
Chelmsford
Chester
Colchester
Lisburn
Macclesfield
Newtownabbey
Newtownards
Northwich
Southend
Stockport

Toyota
Belfast
Chelmsford
Dundonald
Newtownabbey
Rayleigh
Romford

Seat
Stockport

Mazda
Motherwell

Chevrolet
Warrington

Hyundai
Belfast
Motherwell

Luxury/Specialist Franchises
Aston Martin
Belfast

Ferrari
Belfast

Jaguar
Belfast
Glasgow (2 outlets)
Motherwell
Portadown

Chrysler / Jeep
Belfast

Honda
Derby
Liverpool
Mapperley
Nottingham
Southport
Warrington

Land Rover
Belfast
Bishop's Stortford
Chelmsford
Hadleigh
Motherwell

Lexus
Belfast
Hadleigh

Maserati
Belfast

Bentley
Belfast

Saab
Chester
Liverpool

Volvo
Chelmsford
Glasgow
Hadleigh
Hamilton

Motorcycles
Belfast - **Yamaha**
Newtownabbey - **BMW**

Tyres
Belfast - Boucher Road
Belfast - Sydenham Road
Coleraine
Dundonald
Omagh
Portadown

USED CAR SUPERMARKETS

Bristol
Burton-on-Trent
Witham

PARTS DISTRIBUTION

FPS
Barking
Birmingham
Bristol
Cardiff
Charlton
Colchester
Glasgow
Leeds
Leicester
Liverpool
Luton
Maidstone
Manchester
Newcastle
Preston
Reading
Sheffield
Southampton
Staples Corner

APEC
Bristol

AGRICULTURAL DIVISION

Darley Dale
Tuxford

Major Subsidiary Companies
DSM Autos Limited
Bolling Investments Limited
Charles Hurst Limited
Charles Hurst Motors Limited
Lookers North West Limited
Lookers Southern Limited
Lookers Birmingham Limited
FPS Distribution Limited
APEC Limited

Website: www.lookers.co.uk

FIVE YEAR RECORD

for the year ended 31 December 2005

	Year ended 31 December 2001 £m	Year ended 31 December 2002 £m	Year ended 31 December 2003 £m	Year ended 31 December 2004 £m	Year ended 31 December 2005 £m
TURNOVER	717.9	790.4	961.4	1,093.8	1,231.6
Profit before tax, amortisation, impairment and exceptional items	10.4	10.6	13.1	14.1	18.0
Amortisation/impairment	(0.7)	(0.7)	(0.9)	(0.2)	(0.9)
Net exceptional items	0.4	1.9	1.8	12.5	(0.7)
Profit before taxation	10.1	11.8	14.0	26.4	16.4
Taxation	(2.5)	(3.0)	(3.6)	(7.1)	(4.8)
Profit attributable to shareholders	7.6	8.8	10.4	19.3	11.6
Non-equity dividend per share*	8.0p	8.0p	-	-	-
Equity dividend per share*	9.35p	10.0p	11.0p	12.1p	15.25p
Basic earnings per ordinary share	18.9p	22.6p	30.1p	55.0p	32.7p
Adjusted earnings per ordinary share	19.8p	19.3p	26.2p	30.8p	37.7p
AS AT PERIOD END					
Shareholders' interests					
Share capital	23.0	22.5	8.7	8.8	8.9
Reserves					
- non-distributable	23.0	8.1	23.1	34.4	35.2
- distributable	26.9	46.3	38.7	41.0	46.1
	72.9	76.9	70.5	84.2	90.2

Figures for 2004 differ from those originally reported due to amendment following the introduction of International Financial Reporting Standards. Those figures reported prior to 2004 are under UK GAAP.

*Dividends per share are based on interim dividend paid and final dividend declared for the year.

NOTICE OF MEETING

Incorporated in England under the Companies Act 1985 Registered No. 111876

NOTICE IS HEREBY GIVEN that the ninety-sixth Annual General Meeting of Lookers plc ("the Company") will be held at the Members Suite, Lancashire County Cricket Club, Old Trafford, Manchester, M16 0PX on 11 May 2006 at 12 noon for the following purposes:

1. To approve and adopt the financial statements for the year ended 31 December 2005 together with the reports thereon of the Directors and Auditors (Resolution 1).

2. To receive and approve the Directors' Remuneration Report for the year ended 31 December 2005 (Resolution 2).

3. To declare a final dividend of 10.5p per share on the ordinary share capital of the Company (Resolution 3).

4. To re-elect A. C. Bruce as a Director who retires in accordance with the Articles of Association (Resolution 4).

5. To re-elect D. C. Mace as a Director who retires in accordance with the Articles of Association (Resolution 5).

6. To re-elect T. M. Wainwright as a Director who retires in accordance with the Articles of Association (Resolution 6).

7. To re-elect J. E. Brown as a Director who retires in accordance with the Articles of Association (Resolution 7).

8. To re-appoint PricewaterhouseCoopers LLP as Auditors (Resolution 8).

9. To authorise the Directors to fix the remuneration of the Auditors (Resolution 9).

10. To authorise the Directors to generally and unconditionally in accordance with section 80 Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80) up to an aggregate nominal amount of £2,977,258 (11,909,031 shares) during the period commencing on the date of the passing of this Resolution and expiring on the date of the next Annual General Meeting of the Company but so that this authority shall allow the Company to make, before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and, notwithstanding such expiry, the Directors may allot relevant securities in pursuance of such offers or agreements (Resolution 10).

11. A Special Resolution, to empower the Directors to allot equity securities (as defined for the purposes of Section 95 of the Companies Act 1985 ("the Act")) pursuant to Section 80 of the Act, as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited:

(i) to the allotment of equity securities in connection with any rights issue in favour of holders of ordinary shares in the capital of the Company on the register of members at such record date or dates as the Directors may determine for the purposes of the issue where the equity securities respectively attributable to the interests of all such shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares in the capital of the Company held by the ordinary shareholders, and for the avoidance of doubt, the Directors may make such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of overseas jurisdictions or the requirements of any regulatory body; and

(ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities having an aggregate maximum nominal amount of £446,588 (1,786,354 shares) in the case of ordinary shares.

and this power shall expire on the date of the next Annual General Meeting of the Company after the passing of this Resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired (Resolution 11).

NOTICE OF MEETING
(continued)

12. As a Special Resolution, to authorise the Company both generally and unconditionally to make market purchases (within the meaning of Section 163 of the Companies Act 1985) of ordinary shares of 25p each in the capital of the Company provided that:

    (i) the aggregate maximum Nominal Value of ordinary shares hereby authorised to be purchased is £893,177 (3,572,709 shares);

    (ii) the minimum price which may be paid for ordinary shares is 25p per ordinary share;

    (iii) the maximum price which may be paid for ordinary shares is an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased;

    (iv) the authority hereby conveyed shall expire at the conclusion of the next Annual General Meeting of the Company, unless such authority is renewed prior to such time; and

    (v) the Company may make a contract to purchase ordinary shares under the authority hereby conveyed prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares in pursuance of any such contract (Resolution 12).

13. As a Special Resolution, that the regulations set out in the printed document produced to the meeting and signed by the Chairman thereof be and they are hereby adopted as the Articles of Association of the Company, to the complete exclusion of all existing Articles of Association of the Company (Resolution 13).

Registered Office:
776 Chester Road
Stretford
Manchester M32 0QH

By order of the Board
D. J. Blakeman, Secretary

20 March 2006

Notes:

1. The Company specifies (pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001) that ordinary shareholders registered in the Company's register as at 6.00pm on 9 May 2006, are entitled to attend and speak at the Meeting and to vote on all resolutions proposed at the Meeting. We will disregard any entries on the register after this time in determining who is entitled to attend and vote.

2. A member entitled to attend, speak and vote at the Meeting is entitled to appoint a proxy to attend, speak and, upon a poll, vote in his/her stead. A member may nominate a proxy of his/her choice who need not be a member of the Company.

3. Appointment of a proxy will not preclude a member from, attending, speaking and voting at the Meeting should he/she subsequently wish to do so.

4. A form of proxy is enclosed on page 71 for use by shareholders in respect of Resolutions 1 to 13.

5. A form of proxy must be lodged with the Company's Registrars, Capita Registrars' Proxy Department, P.O. Box 25 Beckenham, Kent B73 4BR, not less than 48 hours before the time appointed for the holding of the Annual General Meeting or any adjourned Meeting.

   The following information is available for inspection on any weekday (except Saturday) during usual business hours at the Registered Office of the Company and will, on the date of the Annual General Meeting be available for inspection from 11.45am until the conclusion of that Meeting:

   (a) A statement of transactions of Directors (and their family interests) in the Capital of the Company.

   (b) The Memorandum and Articles of Association of the Company.

Shareholders' Information

Dividend Timetable

Ordinary: Interim - end of November
Final - end of May

The Annual General Meeting is normally held in mid-May each year.

Share Quotes

Share prices of the ordinary shares are shown in the *Financial Times* and also appear in several other newspapers. The ordinary share price is also shown daily on Teletext (BBC 1 page 227 and Channel 4, page 524).

Up to the minute Lookers ordinary share price can be obtained by calling the *Financial Times* City Line on 0906 8433218 (calls from within the UK cost 60p per minute).

Shareholder Benefits

We operate a scheme which provides all registered private shareholders holding a minimum of 1,000 ordinary shares with an additional £100 discount off the price of any new motor vehicle purchased from any of the Group's garages. The private registered shareholder negotiates their purchase of the new car in the normal way and the £100 is an additional discount obtained from the Company Secretary.

Bankers And Professional Advisers

Principal Bankers

National Australia Bank
Barclays Bank PLC
The Royal Bank of Scotland plc
Lloyds TSB
Bank of Ireland
HSBC Bank plc

Registrars and Transfer Office

Capita Registrars.
Woodsome Park,
Fenay Bridge
Huddersfield HD8 0LA

Auditors

PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester M2 3PW

Solicitors

Addleshaw Goddard
100 Barbirolli Square,
Manchester M2 3AB

Stock Brokers

Numis Securities Limited
Cheapside House
138 Cheapside
London
EC2V 6LH

Financial Advisers

Rothschilds
82 King Street,
Manchester M2 4WQ

Lookers

Form of Proxy

TO BE RETURNED BY ORDINARY SHAREHOLDERS ONLY

For use at the Annual General Meeting to be held at 12.00 noon on Thursday 11 May 2006.

I/we *(block capitals)* ....

of ....

being (a) member(s) of the above-named Company hereby appoint **Henry Kenneth Surgenor** or failing him **David Victor Dyson** (both Directors of the Company) or failing him

....

of ....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 11 May 2006, and at any adjournment thereof.

I/we direct that my/our vote(s) attaching to my/our.............. ordinary shares be cast on the resolutions referred to in the Notice of Meeting as indicated by an X as shown below:

RESOLUTIONS	For	Against
1. Adoption of Financial Statements, Directors and Auditor's Reports		
2. Approval of Directors' Remuneration Report		
3. Approval of Final dividend		
4. Re-election of A. C. Bruce		
5. Re-election of D. C. Mace		
6. Re-election of T. M. Wainwright		
7. Re-election of J. E. Brown		
8. Re-appointment of PricewaterhouseCoopers LLP		
9. Authorisation of Directors to fix Auditors' Remuneration		
10. Authorise Directors to allot up to 11,909,031 ordinary shares under Section 80 of the Companies Act 1985		
11. As a Special Resolution to authorise the Directors to allot up to 1,786,354 ordinary shares as if Section 89(1) of the Companies Act 1985 did not apply to such allotment.		
12. As a Special Resolution to authorise the purchase of 3,572,709 ordinary shares under Section 163 of the Companies Act 1985		
13. As a Special Resolution to adopt the new Articles of Association of the Company		

Dated...day of..2006

Name *(block capitals)* ....

Signed ....

Notes

1. Only Shareholders on the Company's register at 6.00pm on 9 May 2006 are entitled to attend and speak at the Meeting and to vote on all resolutions proposed at the Meeting.
2. A member entitled to attend, speak and vote at the Meeting is entitled to appoint a proxy to attend, speak and, upon a poll, vote in his/her stead. A member may nominate a proxy of his/her choice who need not be a member of the Company.
3. Appointment of a proxy will not preclude a member from, attending, speaking and voting at the Meeting should he/she subsequently wish to do so.
4. In the case of a corporation, this proxy must be under its common seal, or under the hand of an officer or attorney duly authorised in writing.
5. In the case of joint holders, the proxy of the first-named holder on the register of members will be accepted to the exclusion of the votes of the other joint holders.
6. A proxy to be valid must be lodged with the Company's Registrars, Capita Registrars, Proxy Department, P.O. Box 25 Beckenham, Kent B73 4BR, not less than 48 hours before the time fixed for the Meeting.
7. If the Form of Proxy is returned without an indication as to how the proxy shall vote on any particular matter, the proxy will exercise his/her discretion as to whether he/she votes and if so, how. The person appointed as proxy may also vote as he or she sees fit on any other business (including amendment to a resolution) which may properly come before the Meeting.
8. You are entitled to appoint a proxy of your own choice. To appoint someone other than Henry Kenneth Surgenor or David Victor Dyson as your proxy, cross out Henry Kenneth Surgenor, or failing him, David Victor Dyson, and write on the dotted line the full name and address of your proxy. The change should be initialled.
9. Any alteration made to this Form of Proxy must be initialled.

THIRD FOLD AND TUCK IN

BUSINESS REPLY SERVICE
Licence No. MB122

FIRST FOLD

Capita Registrars
Lookers plc
Proxy Department
PO Box 25
Beckenham
Kent B73 4BR

SECOND FOLD