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COMPANIES HOUSE

LOOKERS PLC

REGISTRATION NO:

111876

ANNUAL REPORT AND  
ACCOUNTS FOR THE  
YEAR ENDED  
31 DECEMBER 2008

**FINANCIAL CALENDAR**

29 May 2009

**Announcement of results for the full year**

26 June 2009

**Annual General Meeting**

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# Financial Highlights 2008

## Revenue

£1.78 billion

## Adjusted Profit from Operations

£33.9m\*

## Profit from Operations

£10.2m

## Adjusted Profit Before Tax

£14.0m\*

## Loss Before Tax

£14.9m

## Adjusted Earnings Per Share

5.34p\*

## Loss Per Share

8.82p

## Dividends Per Share

1.60p

\*Adjusted before amortisation of intangible assets, impairment of goodwill, exceptional items and debt issue costs.

**Revenue**

(Millions of pounds)

**\*Adjusted Profit  
from Operations**

(Millions of pounds)

**\*Adjusted Profit  
Before Tax**

(Millions of pounds)

**\*Adjusted Earnings  
Per Share**

(Pence)

**Dividends  
Per Share**

(Pence)

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Lookers is well placed to outperform the new car market and maximise the opportunities from its other revenue streams.

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**Phil White**  
Chairman

# Chairman's Review 2008

Phil White

**I am pleased to report that Lookers delivered a resilient performance given the unprecedented decline in new car sales volumes and used car values which impacted particularly strongly in the second half of 2008. We took decisive action to reduce costs across the franchise network whilst ensuring that the Group's aftersales and aftermarket parts distribution businesses continued to perform strongly. As a result, the business is now well placed to trade through the current downturn in the new car market.**

In a very challenging trading environment, the UK market for new cars fell by over 11 per cent. In Northern Ireland, where we are the clear market leader, the market was down 18 per cent. As a result, our own new car sales fell by 12 per cent across the UK and Northern Ireland on a like for like basis. Our franchise aftersales revenue showed good growth, up 5 per cent reflecting increased consumer focus on car maintenance and repair.

Our parts distribution business had an excellent year delivering 8 per cent growth in gross profit. The business has a strong trading momentum as, similar to dealership aftersales, a slower market for new cars boosts demand for aftermarket parts. As the national market leader in this attractive market, we are in a strong position to exploit multiple growth opportunities through the introduction of new products and services.

Overall, despite the turmoil in the new car market and following the recent restructuring, Lookers is well placed to outperform the new car market and maximise the opportunities from its other revenue streams.

## FINANCIAL HIGHLIGHTS AND DIVIDEND

Turnover increased by 5.7 per cent to £1.78 billion. Operating profit before amortisation, impairment and exceptional items decreased to £33.9 million from £40.0 million last year. Total exceptional items (including impairment of goodwill) amounted to £23.1 million, primarily in relation to restructuring and integration costs. Despite tight control of working capital, interest costs rose 33 per cent to £19.9 million following the impact of a full year of funding costs for the Dutton

Forshaw acquisition and the significant differential between base and LIBOR. The \*adjusted profit before tax was £14.0 million compared with an \*adjusted profit of £24.5 million last year. The \*adjusted earnings per share was 5.34p against 9.81p last year.

## BANK FACILITIES

The Group has reached agreement with its existing banking syndicate on new facilities of £210 million which have been extended to April 2012. The Board believes that these arrangements provide a sound financing structure for the medium term. The principal terms of the new facilities are summarised in the Finance Director's review. As expected in the current environment, these arrangements are more expensive than the previous facilities and the Board therefore continues to consider alternative sources of capital in order to minimise the additional cost of bank borrowings. The Board wishes to reduce debt in the near term and is therefore not proposing a final dividend. The total dividend for the year is 1.60p which was the interim dividend paid in November. As part of the new banking facilities, it has been agreed that the Group will pay no dividends before 30 June 2010. Following this period, the Board plans to review the Group's dividend policy as appropriate and within the restrictions placed upon it by the terms of the banking facilities and return to a progressive dividend policy when debt has been reduced to a more satisfactory level in the current economic climate.

In the event that alternative capital is secured which results in a significant reduction in the Group's leverage, the Board has agreed in principle with the lenders that the terms of the new facilities would be modified in certain areas, including margin, fees and dividend policy. It is anticipated that any alternative capital secured would be used to repay the loans with the highest margins first.

## BOARD CHANGES

Following the AGM in May 2008, David Mace retired as senior Non-Executive Director, having completed two terms. Bill Holmes joined the Board as a Non-Executive Director in June 2008 and brings with him many years' experience operating at a senior level in a professional accounting practice.

Peter Jones joined the Board in May 2008 and has recently been appointed Managing Director of the Motor Division. Peter was formerly Chief Executive of CD Bramall and has already proved to be an important asset to the Group.

On 19 May 2009, David Dyson resigned as Finance Director for personal reasons. I would like to thank David for his contribution to the Company's development over the last 17 years.

On 19 May 2009, Robin Gregson was appointed Finance Director and is well qualified to lead our finance functions given his previous experience of the motor sector.

## THE FUTURE

Our diversified business model gives the Group flexibility to adapt to changing market conditions to help protect profitability. During the year, new car sales were only 26 per cent of gross profit with aftersales and parts distribution representing 61 per cent, the balance from used car sales and other businesses.

In response to the unprecedented fall in new car sales in the second half of the year, we implemented the following initiatives to protect profitability and accelerate development of the Group's aftersales and parts distribution business:

- Rationalising the franchise network by removing satellite operations and re-directing new car volumes back into main hubs to reduce costs and improve productivity;
- Closure of loss making businesses;
- Targeted headcount reductions; and
- Increased investment in aftersales and aftermarket parts distribution business to take full advantage of market opportunities.

As a result of the actions we have taken, £12.0 million of annualised recurring savings will be realised in the current financial year. In addition, market area consolidations have transformed performance within our adjacent businesses as a result of higher volume throughput on a lower fixed cost base. We are also seeing excellent momentum in our aftersales and aftermarket parts distribution business.

Our ability to respond to the downturn in new car sales reflects the flexibility of our model and diversification of our revenue streams. We have a strong management team in place across all our businesses. As a result, the Group has established a solid platform to protect profitability in the current year whilst being strongly positioned to exploit any improvement in new car sales over the medium term.

Phil White  
Chairman  
29 May 2009



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Following the restructuring of our franchise network the Group is now better placed to outperform the current market downturn given our diversified business model.

”

**Ken Surgenor**  
Chief Executive



# Chief Executive's Review 2008

Ken Surgenor

The year was the most challenging for the motor retail sector in recent history with the overall new car market declining by over 11 per cent to 2.1 million unit sales. The market in Northern Ireland was hit significantly harder than the rest of the UK and overall Group new car sales fell by 12 per cent on a like for like basis. In addition, used car values began to decline significantly from May 2008 as consumer confidence declined and fuel prices rose by 30 per cent and there were serious doubts about the cost of Road Fund Licences on less fuel efficient, higher emission vehicles. There was a strong performance in aftersales and from our parts distribution business, which partially offset the reduction in operating profit contribution from new and used car sales.

Following the restructuring of our franchise network the Group is now better placed to outperform the current market downturn given our diversified business model. During the year 61 per cent of gross profit was generated by our aftersales and parts distribution businesses, with only 26 per cent generated from new car sales.

The aftermarket parts distribution business delivered another record year with strong growth in sales, profits and cash generation. The market outlook is positive, with estimates that the number of vehicles between 5 and 10 years old will increase by 4 per cent per annum over the next 5 years and more complex modern vehicles will increase demand for a greater variety of parts. As the market leader with a national footprint we are strongly placed to exploit this attractive market opportunity.

Prior to interest and tax, the Group remains highly cash generative and is backed by a freehold and long leasehold property portfolio with a net book value of £186.2 million.

## OPERATING REVIEW

### Franchised Business

The new car market started to decline from April 2008 as fuel prices increased and consumer confidence was hit by the economic uncertainty and worsened further due to the turmoil in the financial markets in the second half of the year. We experienced a significant impact on the volumes of our premium and volume brands from July 2008. The new car market fell by 22 per cent in the second half after a marginal decline in the first half, resulting in a decline of more than 11 per cent for the year as a whole. Lookers outperformed the new car market across the UK mainland, although the Northern Ireland market suffered a greater decline which impacted overall performance.

Currently the Group operates 121 retail outlets across 31 franchises operating from 79 locations. In order to achieve an in-depth focus on and understanding of each of the brands, we continue to operate our efficient, decentralised management structure, with key management directors taking responsibility for their respective franchises across the UK.

In July we commenced a full strategic review of our franchise network to identify opportunities to rationalise through the removal of underperforming and loss making outlets and consolidating satellite operations, re-directing new and used car volumes and aftersales back into main hubs to reduce costs and improve productivity. From April 2008 to the end of March 2009 the Group has exited 21 satellite and main market area operations, and dual franchised a further 7 businesses. It has been pleasing to note that the revenues retained by the outlets adjacent to the closed sites have exceeded our expectations. As a result of the above initiatives, we have closed businesses that lost £2.0 million in 2008, reduced total headcount by circa 9.3 per cent and generated annualised savings of approximately £12.0 million.

**Overview of franchise breakdown**

PRESTIGE	48
----------	----

VOLUME	73
--------	----

MOTORCYCLES	2
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**Proportion invested in Prestige brands**

Alfa Romeo	1
Aston Martin	1
Bentley	1
Chrysler	2
Dodge	2
Ferrari	1
Honda	6
Hummer	1
Jaguar	4
Jeep	2
Land Rover	8
Lexus	2
Maserati	1
Mercedes-Benz	8
Saab	2
Smart	3
Volvo	3

**Volume**

Chevrolet	3
Citroën	4
Fiat	2
Ford	8
Hyundai	2
Kia	3
Mazda	1
Nissan	4
Peugeot	3
Renault	9
Seat	1
Toyota	5
Vauxhall	17
Volkswagen	11

**Proportion invested in Motorcycle brands**

BMW	1
Yamaha	1

We have also implemented measures to reduce stock holding across the network which continued into 2009. Targeted stock reductions of used cars, and demonstrators, in order to match sales rates and improve stock turn, have resulted in a reduction in demonstration/used car stock of approximately £31 million. This has had a significant impact on working capital. During the second half of the year used car values came under pressure, the combination of a general oversupply of nearly new cars, customers downsizing, and the fall in consumer confidence reducing demand. This did have a significant impact on gross margin although valuations stabilised at the end of the year and have recovered strongly in 2009, which is expected to continue as used vehicles become increasingly difficult to source.

We experienced good organic growth in aftersales during the year. This reflected further improvements to our customer relationship marketing initiatives including a strengthened health check process, expansion of our customer support centres and further strengthening of customer loyalty. We continue to monitor "customer satisfaction" levels to ensure that our service offering is second to none. As a result, the Group increased its market share of the retail and fleet aftersales market during 2008. Whilst aftersales has traded in line with our expectations, despite the significant decline in internal work, we are confident that this can be developed still further.

#### **Independent Aftermarket Parts Distribution**

Our independent aftermarket parts division delivered a very strong performance, highlighting the strength of our diversified business model, as the slower market for new cars continued to boost demand for aftermarket parts. During the year we continued to build our market leading offer, expanding our product ranges and strengthening our national infrastructure.

FPS, the only national distributor of quality branded automotive hard parts, delivered strong results contributing £6 million of operating profit. The business now operates from 19 regional depots supported by our National Distribution Centre in Sheffield. The relocation of three sites to new, expanded premises was completed during the year, allowing substantially wider ranges to be carried at all three sites and for exhausts to be added to the product portfolio.

Particular growth was achieved during the year with the distribution of power transmission products and the growth in sales of parts for Japanese and Korean vehicles.

Apec Limited, our braking parts specialist also performed well. The business is the market leader in the UK and Irish markets for aftermarket 'dry' braking components and during 2008 expanded its product range into the hydraulic braking market. Following this, a significant customer contract was renewed at the end of the year for a further three years, including approval for hydraulic braking. Investment also took place in the IT infrastructure during the year, with the server platform being upgraded and a new website being constructed ready for a spring launch.

BTN Turbocharger Service Limited also delivered a robust performance in 2008, with good sales growth on the back of increased penetration of the motor factor market and the introduction of online ordering towards the end of the year.

## OUTLOOK

The decisive action taken in 2008 to reduce costs across the franchise network has positioned the Group well to outperform the new car market, and indeed our own like for like car sales for the first three months are 7.5 per cent ahead of the market.

We remain focused on managing costs and will continue to take measures where appropriate which will see our annualised cost base fall further.

Our used car performance is significantly ahead on a like for like basis, and our aftersales business continues to perform well.

As a result, the Group is highly cash generative and our first quarter performance is ahead of expectations, and the first quarter of last year, despite the new car market pressures.

Our independent aftermarket parts business has made a strong start to the year and this area of our business continues to benefit as the slower demand for new cars continues to boost car repairs. The scheduled opening of our new distribution facility in Glasgow is on track and it will become available in the second half of the year. This purpose built, freehold property is substantially larger than the old site, allowing the distribution of the complete product range of components, including the exhaust programme.

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Our independent aftermarket parts division delivered a very strong performance...

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Further investment is also underway at the NDC in Sheffield to come on stream during the third quarter to support continued growth in the core business and new product segments.

We believe that continuing consumer confidence fragility dictates that 2009 will be challenging for the new car market. However, the impact of the recently announced scrappage scheme which has proved to be highly successful in other European countries, should ultimately benefit new car registrations, and we will evaluate and maximise the opportunities that this presents to the full.

Our diversified business model and market-leading aftersales offering, coupled with the actions we have taken across our franchise operations and the realisation of £12.0 million of cost savings in the current financial year mean that we are well placed to take advantage of opportunities which may arise, and to emerge from this downturn as a stronger and more efficient business.

**Ken Surgenor**  
Chief Executive  
29 May 2009



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Despite the challenging trading environment, turnover increased by 5.7 per cent to £1.78 billion...

”

Robin Gregson  
Finance Director

# Finance Director's Review 2008

Robin Gregson

**Despite the challenging trading environment, turnover increased by 5.7 per cent to £1.78 billion from £1.68 billion following the inclusion of a full year of Dutton Forshaw.**

Profit before tax, amortisation, exceptional items and debt issue costs for the year was £14.0 million compared to £24.5 million in the prior year, with a loss on ordinary activities before taxation falling to £14.9 million compared to a profit of £23.0 million in the prior year. This resulted in a basic loss in earnings per ordinary share of 8.82p compared to earnings per share of 9.09p in the prior year and \*adjusted earnings per ordinary share of 5.34p compared to 9.81p in the prior year.

Net exceptional items (including impairment of goodwill) amounted to £23.1 million compared to £0.4 million in 2007, £14.1 million of which related to the actions taken to restructure the franchise division. However, following the actions taken, it is anticipated that the payback will be within one year.

Interest costs were significantly higher than the previous year because of the impact of a full year of the Dutton Forshaw acquisition and the relatively high cost of LIBOR against base rate.

The Company has a significant portion of its debt hedged, but at rates prevalent up to as late as October 2008. Unfortunately, since that time base rates have been cut several times resulting in these hedged positions being expensive in the short term. However, £48.0 million of hedged facilities return to floating rates in October 2009.

## CASH FLOW AND CAPITAL EXPENDITURE

Cash generated from operations was £23.7 million compared to £60.1 million in the prior year as working capital reductions were used to pay down stock facilities.

As set out in the Chairman's Review, the Group has reached agreement with its banking syndicate to extend its existing banking facilities to 30 April 2012. Whilst this will involve higher financing costs the Board believes that the additional flexibility that these arrangements deliver are in the interests of the Group and provide a sound financing structure for the medium term.

Following this amendment to the Group's banking facilities, the Group will have available a revolving credit facility of £53 million and two term loans totalling £157

million. Details of the three principal bank loans are as follows:

- A term loan of £107 million with a margin of 4.0% above LIBOR;
- a revolving credit facility of £53 million with a margin of 4.0% over LIBOR;
- a loan of £50 million which can be repaid in whole or part at any time with a margin of up to 10% over LIBOR, of which, 6% can be rolled into the principal.
- a one-off arrangement fee of 1.5% on the total facilities plus an anniversary fee of 0.75% on the total facilities is payable on each anniversary of the facility agreement date;
- the Board will recruit the services of an adviser in agreement with the banks to assist in certain planned initiatives regarding financial reporting, accounting systems, management information and capital structure;
- covenants (interest cover, debt to EBITDA, debt service cash cover, and capex) are at levels that provide sufficient headroom and flexibility for the Group until maturity of the facilities in April 2012.

## PROPERTY PORTFOLIO

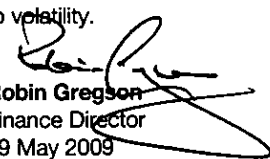
The net book value of our portfolio of freehold and long leaseholds at 31 December 2008 amounted to £186.2 million against £185.2 million last year. Of this amount £5.4 million has been disclosed within current assets held for sale.

## DIVIDENDS

The Board's priority is to focus on debt reduction, following which it will return to a progressive dividend policy.

## PENSION DEFICIT

The market value of pension assets has fallen significantly since the half year and as a result, the pension deficit for both defined benefit schemes has increased to £27.7 million compared to £23.8 million in the prior year. The Board continues to look at its options with respect to those schemes to reduce both its costs and exposure to volatility.

  
Robin Gregson  
Finance Director  
29 May 2009

# Executive Directors

## 1. KEN SURGENOR: Chief Executive

Aged 64. 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. ROBIN GREGSON: Finance Director

Aged 48. Chartered Accountant. Joined the Group in May 2009. Previously Group Finance Director of Cardpoint plc and CD Bramall plc, whom he joined in 1996 following 15 years with Deloitte, Leeds.

## 3. PETER JONES: Managing Director (Motor Division)

Aged 52. Joined the Group and appointed to the Board in May 2008 and appointed as Managing Director of the Motor Division in January 2009. He has Group responsibility for used car supermarkets and contract hire/leasing. He was formally CEO of CD Bramall plc and Director of Bramall & Jones Limited.

## 4. BRIAN SCHUMACKER: Operations Director

Aged 60. Joined the Group in 1982, becoming a Regional Director in 1995. Appointed as Director in 2000, he has Group responsibility for Chevrolet (England), Fiat, Ford, Honda, Kia (England), Nissan (England), Renault (England), Saab, Seat, Vauxhall (England), Group bodyshops, Internet and sub-prime operations.

## 5. ANDREW BRUCE: Operations Director

Aged 43. 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 Alfa Romeo, Chrysler, Jeep, Dodge (N.I.), Citroën, Hyundai, Kia (N.I.), Motorcycles, Lexus, Mazda, Mercedes-Benz, Nissan, PAG, Peugeot, PSA, Renault (N.I.), Smart, Specialist Cars, Toyota, Vauxhall (N.I.) and Volkswagen.

## 6. TERRY WAINWRIGHT: Operations Director

Aged 61. 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

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Our diversified business model gives the Group flexibility to adapt to changing market conditions to help protect profitability.

”

**Phil White**  
Chairman

**7. PHIL WHITE:** Chairman ¥ Δ

Aged 59. Appointed in September 2006. Chief Executive of National Express for nearly 10 years transforming it into one of the UK's leading transportation Groups.

**8. TONY BRAMALL**

Aged 73. Appointed in June 2006. Chairman and Director of CD Bramall plc until February 2004.

**9. JOHN BROWN** \* † ¥ Δ

Aged 64. Appointed in May 2005. Chartered Certified Accountant. Currently Non-Executive Chairman of Norcros plc and AIM listed Voller plc, he is also a Non-Executive Director of Henry Boot plc. Until July 2005 he was Chief Executive of Speedy Hire Plc, a company he founded in 1977 which is the market leader in its field.

**10. BILL HOLMES** † ¥ Δ

Aged 56. Appointed in June 2008. Previously managing partner of the Leeds office of BDO Stoy Hayward, whom he joined in 2002 from Arthur Andersen where he had been a partner since 1988. Prior to joining Arthur Anderson he qualified as an Inspector of Taxes with HM Revenue & Customs.

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

# Financial Statements 2008

# Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2008.

## 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. ENHANCED BUSINESS REVIEW

An analysis of the functional performance of the Group, along with an analysis of financial Key Performance Indicators ("KPIs") is provided on pages 2 to 19. The main financial KPIs of the Group are turnover, profit before tax, earnings per share, gearing and cash flow from operations. The additional information required to be disclosed in the Enhanced Business Review is shown below.

The Group's business activities, financial condition, results of operations or the Company's share price could be affected by any or all of the following risks or uncertainties:

### Global Economy

The new and used car markets are influenced by general economic conditions, including changes in interest rates, fuel prices, indirect taxation, the cost and availability of credit and other factors which affect levels of consumer confidence. The demand for new cars is cyclical, which in some years will lead to reduced margins caused by oversupply. This could have an adverse impact on the earnings of the Group, though this would likely be mitigated by potential increases in both the used car market and the aftersales market as customers substitute nearly new for new, or spend more keeping their old vehicles roadworthy. Currently, the UK is experiencing problems caused by the global downturn. Despite lower interest rates, the lack of available credit, together with a general feeling of uncertainty in the economy has resulted in a significant fall in new car registrations. However, we have seen an increase in activity in both used car sales and within the parts distribution businesses.

### Manufacturers' Financial Stability

The Group relies on its manufacturer partners for a significant proportion of its revenues and profits. The failure of a manufacturer could have a significant impact on the short-term profitability of a retailer partner. The Group has attempted to mitigate this risk by having trading relationships with a large number of manufacturers, so that the impact of any one manufacturer failing would be lessened. Due to global economic events, several manufacturers have come under severe financial pressure. However, it appears that there has been significant political will to support these manufacturers to prevent their demise because of the effect this would have on their local economies.

### Liquidity and Financing

The Group uses a number of methods to fund its day to day business. These methods are (i) bank borrowings by way of committed borrowing facilities (Banking facilities of £210 million agreed with existing lenders, maturing 2012); (ii) from manufacturer and third party finance houses through uncommitted stocking facilities to fund the purchase of stock; and (iii) from suppliers by way of trade credit. A withdrawal of any of these financing facilities or a failure to renew them as they expire could lead to a significant reduction in the trading ability of the Group.

### Exchange Rates

The Group is affected by currency fluctuations to the extent that a large proportion of our manufacturer partners either source parts or manufacture vehicles overseas. Currently, the appreciation of the Euro against Sterling has meant that most manufacturers have had to increase prices despite the current market conditions. In recent years, Sterling had appreciated against most currencies, allowing imported vehicles to be priced more competitively. The Board is aware of the uncertainties this causes and the only protection that can be taken is to ensure the Group retains a broad mix of the major manufacturers, both UK and overseas, to limit the effect.

### Block Exemption

Block Exemption is a complex set of rules that defines how new vehicles are supplied, distributed and dealt with after they are sold. These rules were changed in 2003 and certain parts became effective in 2005 scrapping the restrictions on the number of dealers operating within a territory, and allowing the provision of aftersales support to be separate from the sale of new vehicles. The Group has yet to see any impact of these changes, though the Board is aware of the possible competition that these changes could bring to our established businesses. By ensuring that our franchise businesses continue concentrating on customer service, the Board believes that the Group will minimise the impact of these, and any future changes to Block Exemption rules.

### Competitive Nature of the Market

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

# Directors' Report

## 2. ENHANCED BUSINESS REVIEW (continued)

### Competitive Nature of the Market (continued)

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

The parts distribution business operates in a very competitive market place, dominated by a few large players. The differentiator in this market is the quality of customer service offered by the Group's businesses, which continues to give the competitive edge where price differences would not be enough.

### Government Legislation

In addition to Block Exemption rules noted above, changes to the Government's transport policy could adversely affect the Group's profitability if, as a result, customers choose to use alternative forms of transport. Changes to the road fund licence and fuel duty during 2008 had an adverse effect on sales of new and used 4 wheel drive vehicles and values of used vehicles. These changes did adversely affect the Group's profitability and caused a change in strategy, leading to several dealerships being closed.

### Information Systems

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

### Manufacturers' Influence

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

## 3. DIVIDENDS AND SHARES

### Ordinary shares of 5p each.

An interim dividend of 1.60p per share (2007: 1.60p per share) was paid on 28 November 2008. No final dividend is recommended for the year (2007: 2.42p per share).

## 4. DIRECTORS

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

	31.12.08 Number	31.12.07 Number
P. M. White	29,300	29,300
H. K. Surgenor	1,337,499	1,158,932
D. V. Dyson	268,161	252,213
B. Schumacker	716,940	579,590
A. C. Bruce	195,758	194,130
T. M. Wainwright	86,982	43,980
J. E. Brown	53,628	52,245
W. Holmes	20,000	-
D. C. A. Bramall	40,678,887	35,365,710
P. Jones	558,000	-

Details of Directors' share options are shown in the Directors' Remuneration Report.

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 2008 and 29 May 2009.

The mid-market price of the ordinary shares at 31 December 2008 was 22.75p and the range during the year was 21.0p to 115.0p.

# Directors' Report

## 4. DIRECTORS (continued)

Directors retiring by rotation are D. C. A. Bramall and T. M. Wainwright and, being eligible, offer themselves for re-election.

D. C. Mace retired from the Board on 13 May 2008 and D. V. Dyson resigned from the Board on 19 May 2009. P. Jones, W. Holmes and R. A. Gregson were appointed Directors on 13 May 2008, 1 June 2008 and 19 May 2009 respectively. In accordance with the Articles of Association they will retire at the Annual General Meeting and, being eligible, offer themselves for re-election. W. Holmes does not have a service contract with the Company.

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 2008.

## 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 2010, is to allot up to £3,072,664 (61,453,279 shares), being approximately one third of the Company's issued ordinary share capital as at 29 May 2009, together with 896,422 shares for share options which could be available for exercise under the Matching Share Plan before the date of the next Annual General Meeting.

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.

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.

# Directors' Report

## 8. SPECIAL BUSINESS OF THE ANNUAL GENERAL MEETING (continued)

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 £454,176 (9,083,528 shares) in ordinary shares, being 5% of the Company's issued ordinary share capital as at 29 May 2009. 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 the Annual General Meeting to be held in 2010. 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 £908,352 (18,167,057 shares) representing 10% of the Company's issued ordinary share capital as at 29 May 2009, 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 29 May 2009, 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 2008 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 2008 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 2010. As usual the Directors intend to seek renewal of this authority at subsequent Annual General Meetings.

### (d) Adoption of New Articles

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 difference between the Company's existing Articles of Association (Existing Articles) and the proposed New Articles are as set out in the separate circular and appendices.

### (e) Notice of General Meetings

A Special Resolution, the purpose of which is to give the Directors the authority to call General Meetings on 14 days' notice instead of 21 days. Details are set out in a separate circular and appendices along with those in respect of the proposed changes to the Articles of Association (Resolution 14).

## 9. DONATIONS

Charitable donations amounted to £21,000 (2007: £9,000). No political donations were made (2007: £nil).

## 10. AUDITORS

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

- so far as each is aware, there is no relevant audit information (as defined by the Companies Act 1985) of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985. Deloitte LLP have expressed their willingness to continue in office and, in accordance with the Companies Act 2006, their re-appointment will be proposed at the Annual General Meeting.

# Directors' Report

## 11. SUPPLIER PAYMENT 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 2008, the trade creditors of the Group and the Company represented 44 and 30 days' (2007: 58 and 30 days') purchases respectively.

## 12. 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, stock financing 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 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 to notes 15, 19, 20 and 32 of the notes to the Financial Statements for further information in this area.

## 13. SUBSTANTIAL SHAREHOLDINGS

On 29 May 2009 the following shareholders, so far as the Directors are aware, had an interest in 3% or more of the issued ordinary share capital of the Company:

D. C. A. Bramall and Family	40,678,887 shares	(22.39%)
Treffick Limited	38,711,800 shares	(21.31%)
Kenneth Henderson Cheevers	8,618,808 shares	(4.74%)

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



**S. R. MacDonald**  
Company Secretary  
29 May 2009

# Statements on Corporate Governance

## 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 2006 Combined Code (the "Code") of the Listing Rules of the Financial Services Authority.

Throughout 2008 the Company has been in compliance with the Code provisions set out in Section 1 of the 2006 FRC Combined Code on Corporate Governance.

## The Board

The Board of Directors at the start of the financial year under review comprised five Executive Directors (P. Jones was appointed on 14 May 2008) and four Non-Executive Directors (D. C. Mace retired 13 May 2008 and W. Holmes was appointed 1 June 2008). J. E. Brown, P. M. White and W. Holmes are considered to be independent Non-Executive Directors.

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 has a documented schedule of matters reserved for its decision which includes the following:

- agreeing objectives, policies and strategies, and monitoring the performance of the executive management;
- approval of the Group's strategic plans and business plans;
- approval of annual and interim results;
- 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; and
- 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

P. M. White is the Non-Executive Chairman and H. K. Surgenor is the Chief Executive. The Chairman leads the Board and 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.

J. E. Brown 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

## 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 2008

	Board	Audit	Remuneration	Nomination
<b>Number held</b>	<b>9</b>	<b>3</b>	<b>3</b>	<b>2</b>
<b>Number attended</b>				
P. M. White	9	3*	2	2
H. K. Surgenor	9	3*	2*	-
D. V. Dyson (resigned 19 May 2009)	9	3*	1*	-
B. Schumacker	9	-	-	-
A. C. Bruce	9	-	-	-
T. M. Wainwright	9	-	-	-
P. Jones (appointed 13 May 2008)	6	-	-	-
W. Holmes (appointed 1 June 2008)	6	2	1	-
D. C. Mace (retired 13 May 2008)	3	1	1	1
J. E. Brown	9	3	3	2
D. C. A. Bramall	8	3*	1*	-

\*in attendance by invitation of the Committee for all or part of the meeting.

## 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.

The service contracts of Executive Directors and the letters of appointment of Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting.

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 he 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 independent Non-Executive Directors will not normally be invited to stand for re-appointment after serving six years.

### Nomination Committee

The Nomination Committee comprises P. M. White, J. E. Brown and since his appointment, W. Holmes, and was chaired by P. M. White. 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 Nomination Committee is responsible for assisting the Board in the formal selection and appointment of Directors and considers succession planning for the Board. In considering an appointment, the Nomination Committee evaluates the balance of skills, knowledge and experience of the Board and prepares a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, open advertising or external search agencies will be used by the Committee, where appropriate. It also considers potential candidates and recommends appointments of new Directors to the Board. The appointments are based on merit and made against objective criteria including the time available and commitment which will be required of the potential Director.

# Statements on Corporate Governance

## **APPOINTMENT AND SELECTION OF DIRECTORS** (continued)

### **Nomination Committee** (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 Board, led by the senior Non-Executive Director, together appraise the Chairman. In 2008, all members of the Board completed a questionnaire regarding Board processes and performance. The Chairman reported the collective findings to the Board 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 making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In forming this view, the Directors have reviewed trading and cashflow forecasts and have also taken into consideration that on 29 May 2009, the Group concluded its discussions with its Lenders regarding an amendment to its current banking facilities to ensure that the terms of the Group's banking facilities remain available to them and are appropriate in light of uncertainties in the operating environment. Further details surrounding the Directors' rationale regarding the going concern assumption are included in note 2 on page 40. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

### **Audit Committee**

The Audit Committee comprises J. E. Brown and D. C. Mace (until 13 May 2008) and W. Holmes (from his appointment 1 June 2008) and throughout 2008 was chaired by J. E. Brown. The Committee met three times during 2008, 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 2008. 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 financial statements, 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.

The auditors are permitted to provide non-audit services that are not, or are not perceived to be, in conflict with auditor independence. 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 Deloitte 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 Deloitte LLP were to be appointed.

### **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 confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. Steps are being taken to imbed internal control and risk management further into the operations of the businesses and to deal with areas of improvement which come to management's and the Board's attention. 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.

# Statements on Corporate Governance

## **ACCOUNTABILITY AND AUDIT** (continued)

### **Internal Control** (continued)

The Board confirms that the actions it considers necessary have been or are being taken to remedy such failings and weaknesses which it has determined to be significant from its review of the system of internal control. This has involved considering the matters reported to it and developing plans and programmes that it considers are reasonable in the circumstances. The Board also confirms that it has not been advised of material weaknesses in that part of the internal control system that relates to financial reporting.

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.

### **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](http://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', 'against' and 'vote withheld' 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

## 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 instils 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 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. Treating Customers Fairly is now embedded into the Group's ethos and will continue to be part of the Group's culture.

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, 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 Director 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 2008, are set out below:

	2008
Number of fatalities	-
Injuries resulting in absence over three days	33
Major injuries reported under RIDDOR*	17
Dangerous occurrences reported under RIDDOR*	-
Number of enforcement notices issued by HSE	-
Number of prohibition notices issued by HSE	-

\*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.

# Directors' Remuneration Report

## 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 unaudited and audited information.

## UNAUDITED INFORMATION

### Remuneration Committee

The Remuneration Committee is responsible for reviewing and recommending the framework and policy for remuneration of the Executive Directors and of senior management. The Remuneration Committee's terms of reference are available from the Company Secretary. The members of the Remuneration Committee during the financial year were D. C. Mace (Chairman) until his retirement, and W. Holmes (Chairman) since his appointment, J. E. Brown and P. M. White. D. C. Mace, W. Holmes and J. E. Brown are independent Non-Executive Directors of the Board.

### 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 35 and 36. Directors retiring by rotation are shown in the Directors' Report on page 25. None of the Executive Directors currently has any long-term incentives other than the Performance Share Plan ("PSP") which was approved at the Annual General Meeting in May 2008.

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 set out below:

### 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 positions in comparable companies.

### Annual Bonus Payments

All Executive Directors participate in an annual bonus scheme payable upon the Group exceeding predetermined 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, P. Jones and T. M. Wainwright participate in money purchase arrangements.

### Share Option Incentives

The Company operated three share option schemes under which the Executive Directors and senior executives can be granted discretionary options from time to time by the Board together with a savings related share option scheme ("SAYE") open to employees in general. These three schemes were approved at the Annual General Meeting in May 2008.

### Performance Share Plan

Selected Executive Directors as detailed on page 36 participate in the PSP, which was approved by the shareholders at the Annual General Meeting in May 2008.

Annual awards under the PSP are in the form of a contingent grant of shares, the vesting of which will be subject to tri-annual performance criteria. For the 2008 award the performance period is for the 3 years to 31 December 2010 based upon adjusted earnings per share growth targets.

# Directors' Remuneration Report

## UNAUDITED INFORMATION (continued)

### Performance Share Plan (continued)

Performance is measured on earnings per share growth over the three year period and shares will vest 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 the contingent share award dependent upon the level of growth over and above the RPI. At 10% over the RPI, participating Executives may earn 25% of the contingent share award. A stepped scale is then applied up to a maximum of 120% of the contingent award if the increase in earnings per share over the period is 50% over and above the RPI. The relevant percentage will be applied to the Executives' contingent share award at the end of the performance period to arrive at any shares to be issued.

### 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 the 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 not to make 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	11 May 2006	1 Year	Basic salary and benefits for unexpired term
D. V. Dyson	11 May 2006	1 Year	Basic salary and benefits for unexpired term
B. Schumacker	11 May 2006	1 Year	Basic salary and benefits for unexpired term
A. C. Bruce	11 May 2006	1 Year	Basic salary and benefits for unexpired term
T. M. Wainwright	14 December 2006	1 Year	Basic salary and benefits for unexpired term
P. Jones	13 May 2008	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 and as previously approved by the members. Non-Executive Directors cannot participate in the Company's share option schemes and are not eligible for pension arrangements.

### 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

## AUDITED INFORMATION

### Directors' Emoluments

	Fees £000	Salary £000	Annual Bonus £000	Benefits- in-kind £000	2008 Total £000	2007 Total £000	Pension Contributions 2008 £000	Pension Contributions 2007 £000
P. M. White	100	-	-	-	100	80	-	-
H. K. Surgenor	-	420	-	20	440	515	-	-
D. V. Dyson	-	268	-	16	284	331	53	50
P. Jones	-	115	-	10	125	-	-	-
B. Schumacker	-	184	-	16	200	264	36	34
A. C. Bruce	-	184	-	20	204	216	36	34
T. M. Wainwright	-	184	28	26	238	254	23	22
D. C. Mace	13	-	-	-	13	30	-	-
J. E. Brown	35	-	-	-	35	30	-	-
D. C. A. Bramall	35	-	-	-	35	30	-	-
W. Holmes	18	-	-	-	18	-	-	-
<b>Total</b>	<b>201</b>	<b>1,355</b>	<b>28</b>	<b>108</b>	<b>1,692</b>	<b>1,750</b>	<b>148</b>	<b>140</b>

With effect from 1 April 2006, the Company ceased making contributions to the pension arrangements of H. K. Surgenor, his basic salary being increased by an equivalent amount in lieu of such contributions. This resulted from the change in pension arrangements following the rule changes referred to as 'pension simplification' from 6 April 2006 ('A' day).

The cost to the Company of these amended arrangements is unchanged. The Company made payments in lieu of pension contributions to H. K. Surgenor of £48,000 (2007: £48,000).

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 24. The relative importance of performance and non-performance elements of remuneration are set out within the Remuneration Policy.

### 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 2008 £000	Transfer value 31 December 2007 £000	Increase in transfer value £000
D. V. Dyson	4	42	589	475	114
B. Schumacker	5	51	1,121	866	255
A. C. Bruce	3	26	272	216	56

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	2	20
B. Schumacker	3	65
A. C. Bruce	2	20

# Directors' Remuneration Report

## AUDITED INFORMATION (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 2008	Granted in Year	Number at 31 December 2008
H. K. Surgenor	MSP*	24.3.2006	24.3.2009	23.3.2016	5.0	291,790	-	291,790
D. V. Dyson	MSP*	24.3.2006	24.3.2009	23.3.2016	5.0	187,570	-	187,570
B. Schumacker	MSP*	24.3.2006	24.3.2009	23.3.2016	5.0	129,220	-	129,220
A. C. Bruce	MSP*	24.3.2006	24.3.2009	23.3.2016	5.0	129,220	-	129,220
H. K. Surgenor	PSP	23.6.2008	23.6.2011	22.6.2018	-	-	630,000	630,000
D. V. Dyson	PSP	23.6.2008	23.6.2011	22.6.2018	-	-	402,000	402,000
B. Schumacker	PSP	23.6.2008	23.6.2011	22.6.2018	-	-	276,000	276,000
A. C. Bruce	PSP	23.6.2008	23.6.2011	22.6.2018	-	-	276,000	276,000
T. M. Wainwright	PSP	23.6.2008	23.6.2011	22.6.2018	-	-	276,000	276,000
P. Jones	PSP	23.6.2008	23.6.2011	22.6.2018	-	-	161,000	161,000

The only options outstanding at 31 December 2008 are in respect of the MSP and the PSP. Details of performance conditions attaching to the PSP are set out on pages 33 and 34.

The mid-market price of the ordinary shares at 31 December 2008 was 22.5p and the range during the year was 21.0p to 115.0p.

\*No bonus will be payable with respect to the Matching Share Plan ('MSP') as the vesting conditions have not been met.

### Gains made by Directors on Share Options

There were no gains made by Directors during 2008 (2007: £nil).

### Directors' interests in the Performance Share Plan

Bonuses under the PSP are payable in shares, with a conditional award of shares being made annually, based on the Executive's salary at the start of each performance period. Details of the performance condition of the PSP can be found on pages 33 and 34. Details of the conditional awards to the Executive Directors under the PSP are shown in the table of Directors' share options above.

### Directors' interests in the Executive Incentive Performance Plan ("EIPP")


Awards to Executive Directors under the EIPP are as follows:

	Cycle End	Award Date	At 1 January 2008 £000	Amount Released £000	At 31 December 2008 £000	Vesting Date
H. K. Surgenor	2008	11.5.2006	800	(800)	-	31.12.2008
D. V. Dyson	2008	11.5.2006	510	(510)	-	31.12.2008
B. Schumacker	2008	11.5.2006	350	(350)	-	31.12.2008
A. C. Bruce	2008	11.5.2006	350	(350)	-	31.12.2008

Bonuses under the EIPP are payable in cash, based on the Executive's salary at the end of each performance period. Earnings per share growth over the performance period was less than RPI + 10%, therefore no performance bonus is payable. This was the final performance period of the EIPP and it has been replaced by the PSP. Full details of the performance conditions of the PSP can be found on pages 33 and 34.

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

By Order of the Board

  
**S. R. MacDonald**  
 Company Secretary  
 29 May 2009



# Directors' Responsibilities

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the IAS Regulation to prepare the Group financial statements under International Financial Reporting Standards ("IFRSs") as adopted by the European Union and have also elected to prepare the Parent Company financial statements in accordance with IFRSs as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

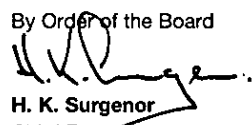
International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

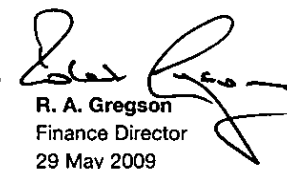
- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By Order of the Board

  
H. K. Surgenor  
Chief Executive  
29 May 2009

  
R. A. Gregson  
Finance Director  
29 May 2009

# Independent Auditors' Report

## 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 2008 which comprise the Principal Accounting policies, the primary financial statements of the Group and Parent Company Income Statement, 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 1 to 35. 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.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### 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 by 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).

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, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 2006 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 the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. 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 further information outside the Annual Report.

### 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.

# Independent Auditors' Report

## Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2008;
- 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, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

**Deloitte LLP**

Chartered Accountants and Registered Auditors

Manchester, United Kingdom

29 May 2009



# 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. GENERAL INFORMATION

Lookers plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given at the front of these accounts. The nature of the Group's operations and its principal activities are set out in note 1 of the Directors' Report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

### Adoption of New and Revised Standards

At the date of authorisation of the financial statements the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

IFRS 2	Share-Based Payment - Amendment
IFRS 3	Business Combinations - Revised Standard
IFRS 7	Financial Instruments: Disclosures - Amendment
IFRS 8	Operating Segments
IAS 1	Presentation of Financial Statements - Amendment
IAS 23	Borrowing Costs - Revised Standard
IAS 27	Consolidated Separate Financial Statements
IAS 32	Financial Instruments: Presentation - Amendment
IAS 39	Financial Instruments: Recognition and Measurement - Amendment
IFRIC 12	Service Concession Arrangements

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Company except for additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009.

## 2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

### Going Concern

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

The Company and the Group meet their day to day working capital requirements through short term stocking loans and the revolving credit facility and medium term funding requirements through two term loans. The facilities in place at the year end were established by renegotiating the prior facilities in October 2007.

At the year end the medium term banking facilities included a revolving credit facility of up to £125.0 million and two term loans totalling £117.5 million, providing total facilities of £242.5 million.

On 29 May 2009, the Group concluded its discussions with its Lenders regarding an amendment to its current banking facilities to ensure that the terms of the Group's banking facilities remain available to them and are appropriate in light of uncertainties in the operating environment. Following this amendment, the Group now has a revolving credit facility of £53 million and two term loans totalling £157 million.

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

The Directors have assessed the future funding requirements of the Group and the Company and compared them to the level of committed available borrowing facilities. This assessment included a detailed review of trading and cash flow forecasts for a period in excess of one year from the date of this annual report which project that the total revised facility limit is not exceeded over the duration of the forecasts. Whilst acknowledging the uncertainties in the operating environment, the Directors have prepared forecasts that make assumptions in respect of future trading conditions and in particular to volumes and margins of new and used car sales, aftersales and parts, achieving operational improvements and cost reductions.

# Principal Accounting Policies

## 2. BASIS OF PREPARATION (continued)

In addition to this the nature of the Group's business is such that there can be variation in the timing of cash inflows as trading patterns develop, in particular the March and September registration periods. The forecasts have been prepared on the assumption that short term stocking facilities with stocking finance providers of £88 million and normal manufacturer consignment stock facilities will remain available to the Group throughout the next 12 months. The forecasts take into account the aforementioned factors to an extent which the Directors consider to be reasonable, based on the information that is available to them at the time of approval of this financial information.

In the event that additional funds are required in excess of the proposed facilities as a result of the Group not substantially achieving its forecasts, the Directors would have to supplement, renew or replace those facilities with facilities that are appropriate to the Group's ongoing requirements.

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

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. The principal accounting policies adopted are set out below:

## 3. CRITICAL ACCOUNTING ESTIMATES

### Pensions

The liability recognised in the balance sheet in respect of the Group's retirement benefit obligations represents the liabilities of the Group's defined benefit pension schemes after deduction of the fair value of the related assets. The schemes' liabilities are derived by estimating the ultimate cost of benefits payable by the schemes and reflecting the discounted value of the proportion accrued by the year end in the balance sheet. In order to arrive at these estimates, a number of key financial and non-financial assumptions are made by management, changes to which could have a material impact upon the net deficit and also the net cost recognised in the Income Statement.

The principal assumptions relate to the rate of inflation, mortality and the discount rate. The assumed rate of inflation is important because this affects the rate at which salaries grow and therefore the size of the pension that employees receive upon retirement. Over the longer term, rates of inflation can vary significantly.

The overall benefits payable by the schemes will also depend upon the length of time that members of the schemes live for; the longer they remain alive, the higher the cost of the pension benefits to be met by the schemes. Assumptions are made regarding the expected lifetime of the schemes' members, based upon recent national experience. However, given the rates of advance in medical science, it is uncertain whether these assumptions will prove to be accurate in practice.

The rate used to discount the resulting cash flows is equivalent to the market yield at the balance sheet date on high quality bonds with a similar duration to the schemes liabilities. This rate is potentially subject to significant variation. The net cost recognised in the Income Statement is also affected by the expected return on the schemes' assets. This is determined on the bases of the asset mix within the schemes at the beginning of the year and the market expectations for the return on each asset type. The impact of the pension estimates on the Group's accounts can be seen in note 30.

### Goodwill and Intangible Assets

The Group reviews the goodwill arising on the acquisition of subsidiaries or businesses and any intangible assets with an indefinite life for impairment at least annually or when events or changes in economic circumstances indicate that impairment may have taken place. The impairment review is performed by projecting the future cash flows, excluding finance and tax, based upon budgets and plans and making appropriate assumptions about rates of growth and discounting these using a rate that takes into account prevailing market interest rates and the risks inherent in the business. If the present value of the projected cash flows is less than the carrying value of the underlying net assets and related goodwill, an impairment charge would be required in the Income Statement. This calculation requires the exercise of significant judgement by management; if the estimates made prove to be incorrect or changes in the performance of the subsidiaries affect the amount and timing of future cash flows, goodwill may become impaired in future periods.

The impact of the current year impairment review can be seen in note 8.

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

# Principal Accounting Policies

## 4. 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 acquired, equity instruments issued and liabilities incurred or assumed at the date of completion, plus costs directly attributable to the acquisition. Identifiable assets acquired, 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.

## 5. REVENUE RECOGNITION

Revenue 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. Revenue also comprises commissions receivable for arranging vehicle financing and related insurance products. Commissions are based on agreed rates and income is recognised at the time of approval of the vehicle finance by the finance provider.

## 6. 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.

## 7. EXCEPTIONAL ITEMS

Exceptional items are items that are unusual because of their size, nature or incidence and which the Group's management considers should be disclosed separately to enable a full understanding of the Group's results.

## 8. 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.

## 9. INTANGIBLE ASSETS

Intangible assets acquired on a business combination are capitalised separately from goodwill if the asset is separable and if fair value can be measured reliably on initial recognition. Intangible assets so acquired are carried at cost less accumulated amortisation and any impairment losses. Amortisation is provided on a straight line basis to allocate the cost of the asset over its estimated useful life. 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.

## 10. INVESTMENTS

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

## 11. 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, 'Property, plant and equipment.'

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

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

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

# Principal Accounting Policies

## 12. 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.

## 13. 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.

## 14. 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 payables.

## 15. TAXATION

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

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

## 16. PENSION COSTS

The Group operates the "Lookers Pension Plan" and the "Dutton Forshaw Group Pension Plan" which are defined benefit pension schemes providing benefits based on final pensionable salary. The defined benefit schemes define 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. Both schemes are closed to new members.

The last triennial valuation of the "Lookers Pension Plan" was carried out at 31 December 2004 by Mercer Human Resource Consulting Limited and has been updated to 31 December 2008 by a qualified independent actuary to take account of IAS 19 requirements. A further valuation is in progress for the three years to 31 December 2007. The last triennial valuation of the "Dutton Forshaw Group Pension Plan" was carried out at 31 March 2007 by KPMG LLP and has been updated to 31 December 2008 by a qualified independent actuary to take account of IAS 19 requirements.

Under IAS 19, the defined benefit deficits are 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 schemes.

The current service cost and any past-service costs are included in the Income Statement within operating costs. The expected return on the schemes assets, net of the impact of the unwinding of the discount on schemes 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 conditional 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.

## 17. 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.

# Principal Accounting Policies

## 18. SHARE BASED PAYMENTS

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of share that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

## 19. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts and an interest rate collar. Further details of derivative financial instruments are disclosed in note 20 to the financial statements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the Income Statement immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in the Income Statement depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability.

## 20. EFFECTIVE INTEREST METHOD

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

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

### Loans and Receivables

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

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

### Impairment of Financial Assets

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

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

## 21. FINANCIAL INSTRUMENTS ISSUED BY THE GROUP

### Debt Instruments

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

### Financial Liabilities

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



# Income Statements

	Note	Group 2008 £m	2007 £m	Company 2008 £m	2007 £m
<b>Continuing operations</b>					
Revenue	1	1,775.9	1,680.0	-	-
Cost of sales		(1,533.8)	(1,473.0)	-	-
Gross profit		242.1	207.0	-	-
Distribution costs		(160.1)	(125.8)	-	-
Administrative expenses		(72.1)	(43.2)	(12.9)	(4.9)
Other operating income		0.3	0.3	19.7	16.1
Profit from operations		10.2	38.3	6.8	11.2
Profit from operations before amortisation and exceptional items					
Amortisation of intangible assets	9	(1.4)	(0.8)	(0.4)	-
Impairment of goodwill	8	(3.1)	-	-	-
Exceptional items from operations	3	(19.2)	(0.9)	(3.4)	(1.6)
Profit from operations		10.2	38.3	6.8	11.2
Interest payable	2	(21.2)	(16.9)	(12.0)	(10.5)
Interest receivable	2	1.3	1.9	5.8	7.9
Net interest		(19.9)	(15.0)	(6.2)	(2.6)
Exceptional interest payable on closed businesses	3	(0.8)	-	-	-
Fair value on derivative instruments		(4.0)	-	(4.4)	-
Debt issue costs		(0.4)	(0.3)	(0.4)	(0.3)
(Loss)/profit on ordinary activities before taxation		(14.9)	23.0	(4.2)	8.3
Profit before tax, amortisation, exceptional items and debt issue costs					
Amortisation of intangible assets		(1.4)	(0.8)	(0.4)	-
Impairment of goodwill		(3.1)	-	-	-
Total exceptional items		(20.0)	(0.4)	(3.4)	(1.1)
Fair value on derivative instruments		(4.0)	-	(4.4)	-
Debt issue costs		(0.4)	(0.3)	(0.4)	(0.3)
(Loss)/profit on ordinary activities before taxation	3	(14.9)	23.0	(4.2)	8.3
Exceptional tax charge		(7.2)	-	-	-
Tax credit/(charge) excluding exceptional tax charge	4	6.1	(6.6)	1.7	-
(Loss)/profit for the year	27	(16.0)	16.4	(2.5)	8.3
Continuing operations					
(Loss)/earnings per share					
Basic (loss)/earnings per share	6	(8.82)p	9.09p		
Diluted (loss)/earnings per share	6	(8.82)p	9.05p		

## Statements of Recognised Income and Expense

	Note	Group 2008 £m	2007 £m	Company 2008 £m	2007 £m
Actuarial losses recognised in post-retirement benefit schemes	30	(6.1)	(5.4)	(7.3)	(2.9)
Movement in deferred taxation on pension liability		1.7	1.5	2.0	0.8
Fair value on interest rate hedge		(1.1)	-	(1.1)	-
Net losses recognised directly in equity		(5.5)	(3.9)	(6.4)	(2.1)
(Loss)/profit for the financial year		(16.0)	16.4	(2.5)	8.3
Total recognised income and expense for the year		(21.5)	12.5	(8.9)	6.2

# Balance Sheets

	Note	Group 2008 £m	2007 £m	Company 2008 £m	2007 £m
<b>NON-CURRENT ASSETS</b>					
Goodwill	8	44.8	43.0	-	-
Intangible assets	9	18.4	15.6	3.8	-
Property, plant and equipment	10	205.8	214.0	0.5	1.0
Investment in subsidiaries	11	-	-	53.7	53.7
Deferred tax asset	22	-	-	5.9	3.8
		269.0	272.6	63.9	58.5
<b>CURRENT ASSETS</b>					
Inventories	12	303.7	317.5	-	-
Trade and other receivables	13	84.3	107.4	223.6	209.6
Cash and cash equivalents	15	2.1	14.8	8.2	1.0
Derivative financial instruments		0.3	-	-	-
Assets held for sale	16	5.4	-	-	-
		395.8	439.7	231.8	210.6
<b>TOTAL ASSETS</b>		<b>664.8</b>	<b>712.3</b>	<b>295.7</b>	<b>269.1</b>
<b>CURRENT LIABILITIES</b>					
Financial liabilities					
- Bank loans and overdrafts	19	10.0	10.0	10.0	10.0
- Hire purchase obligations	19	-	0.1	-	-
Trade and other payables	17	371.7	413.9	58.5	52.4
Current tax liabilities	18	4.5	8.6	4.8	4.4
Short-term provisions	21	1.6	0.4	-	-
Derivative financial instruments		5.4	-	5.4	-
		393.2	433.0	78.7	66.8
<b>NET CURRENT ASSETS</b>		<b>2.6</b>	<b>6.7</b>	<b>153.1</b>	<b>143.8</b>
<b>NON-CURRENT LIABILITIES</b>					
Financial liabilities					
- Bank loans	19	141.6	130.2	148.5	122.7
Trade and other payables	17	5.4	-	-	-
Retirement benefit obligations	30	27.7	23.8	16.1	11.2
Deferred tax liabilities	22	13.3	12.8	-	-
Long-term provisions	21	0.7	1.0	-	-
		188.7	167.8	164.6	133.9
<b>TOTAL LIABILITIES</b>		<b>581.9</b>	<b>600.8</b>	<b>243.3</b>	<b>200.7</b>
<b>NET ASSETS</b>		<b>82.9</b>	<b>111.5</b>	<b>52.4</b>	<b>68.4</b>
<b>SHAREHOLDERS' EQUITY</b>					
Ordinary share capital	23	9.1	9.1	9.1	9.1
Share premium	24	6.2	5.6	6.2	5.6
Capital redemption reserve	25	14.6	14.6	14.6	14.6
Other reserve	26	(1.1)	0.4	(1.1)	0.4
Retained earnings	27	54.1	81.8	23.6	38.7
<b>TOTAL EQUITY</b>	<b>28</b>	<b>82.9</b>	<b>111.5</b>	<b>52.4</b>	<b>68.4</b>

The financial statements on pages 40 to 74 were approved by the Directors on 29 May 2009. Signed on behalf of the Directors.



H. K. Surgenor  
Director



R. A. Gregson  
Director

# Cash Flow Statements

	Note	Group 2008 £m	2007 £m	Company 2008 £m	2007 £m
<b>Cash flows from operating activities</b>					
(Loss)/profit for the year		(16.0)	16.4	(2.5)	8.3
Adjustments for:					
Tax		1.1	6.6	(1.7)	-
Depreciation	3	9.0	7.7	0.3	0.4
Impairment of fixed assets on dealership closures		2.5	-	-	-
Dividend received		-	-	(3.5)	(7.6)
Loss on disposal of plant and equipment	3	0.2	0.1	-	-
Profit on disposal of properties	3	-	(1.9)	-	-
Curtailment gain		-	(0.4)	-	(0.4)
Amortisation of intangible assets	3	1.4	0.8	0.4	-
Impairment of goodwill	8	3.1	-	-	-
Interest income		(1.6)	(1.4)	(9.5)	(7.4)
Interest receivable on VAT refund		-	(0.5)	-	(0.5)
Interest payable		26.3	16.9	20.1	10.5
Debt issue costs		0.4	0.3	0.4	0.3
Share based payment (credit)/charge		(0.4)	0.2	(0.4)	0.2
Changes in working capital (excluding effects of acquisitions and disposal of subsidiaries)					
Decrease in inventories		17.1	14.7	-	-
Decrease/(increase) in trade and other receivables		24.2	1.6	(12.4)	(55.2)
(Decrease)/increase in payables		(42.8)	1.8	5.1	17.0
Difference between pension charge and cash contributions		(2.2)	(2.8)	(2.4)	(2.7)
Movement in provisions		1.4	-	-	-
Cash generated from/(used in) operations		23.7	60.1	(6.1)	(37.1)
Interest paid		(20.3)	(17.4)	(14.7)	(10.7)
Interest received		1.2	1.6	9.5	7.6
Tax (paid)/refunded		(3.0)	(0.7)	0.4	2.0
Net cash inflow/(outflow) from operating activities		1.6	43.6	(10.9)	(38.2)
<b>Cash flows from investing activities</b>					
Acquisition of subsidiaries (net of (overdraft)/cash acquired) 29		(4.4)	(72.5)	-	-
Purchase of property, plant and equipment		(8.6)	(12.0)	(0.3)	(0.6)
Purchase of intangible assets		(3.8)	-	(3.8)	-
Proceeds from sale of property, plant and equipment		0.5	2.8	-	-
Dividends received		-	-	3.5	7.6
Net cash (used)/generated by investing activities		(16.3)	(81.7)	(0.6)	7.0
<b>Cash flows from financing activities</b>					
Repayment of loans		(10.0)	(2.6)	(10.0)	(21.3)
Net proceeds from issue of new bank loans		18.9	60.0	35.8	60.0
Debt issue costs		-	(1.0)	-	(1.0)
Principal payments under hire purchase agreements		(0.1)	(0.1)	-	-
Dividends paid to Group shareholders		(6.8)	(5.5)	(6.8)	(5.5)
Net cash from financing activities		2.0	50.8	19.0	32.2
(Decrease)/increase in cash and cash equivalents		(12.7)	12.7	7.5	1.0
Cash and cash equivalents at 1 January		14.8	2.1	1.0	-
Cash and cash equivalents at 31 December		2.1	14.8	8.5	1.0

# Notes to the Financial Statements

## 1. SEGMENTAL REPORTING

### Primary reporting format - business segments

Year ended 31 December 2008	Note	Motor Division £m	Parts Distribution £m	Unallocated £m	Group £m
Continuing operations					
<b>Turnover</b>		1,646.0	129.9	-	1,775.9
Segmental result		25.6	8.3	-	33.9
Amortisation of intangible assets	9	(0.8)	(0.6)	-	(1.4)
Impairment of goodwill	8	(3.1)	-	-	(3.1)
Exceptional Items	3	(20.0)	-	-	(20.0)
Interest expense				(21.2)	(21.2)
Interest income				1.3	1.3
Fair value on derivative instruments				(4.0)	(4.0)
Debt issue costs				(0.4)	(0.4)
Loss before taxation					(14.9)
Taxation					(1.1)
<b>Loss for the financial year from continuing operations attributable to shareholders</b>					(16.0)
Segmental assets		559.9	104.4	-	664.3
Unallocated assets					
- Property, plant and equipment				0.5	0.5
<b>Total assets</b>					664.8
Segmental liabilities		410.1	40.1	-	450.2
Unallocated liabilities					
- Corporate borrowings				131.7	131.7
<b>Total liabilities</b>					581.9
<b>Other segmental items</b>					
Capital expenditure (including acquisitions)		5.4	3.2	-	8.6
Depreciation	10	8.9	0.1	-	9.0
Amortisation of intangible assets	9	0.8	0.6	-	1.4
Impairment of trade receivables	13	0.8	0.5	-	1.3

# Notes to the Financial Statements

## 1. SEGMENTAL REPORTING (continued)

Year ended 31 December 2007	Note	Motor Division £m	Parts Distribution £m	Unallocated £m	Group £m
Continuing operations					
<b>Turnover</b>		1,563.1	116.9	-	1,680.0
Segmental result		31.6	8.4	-	40.0
Amortisation of intangible assets		(0.2)	(0.6)	-	(0.8)
Exceptional items		(0.9)	-	-	(0.9)
Interest expense				(16.9)	(16.9)
Interest income				1.9	1.9
Debt issue costs				(0.3)	(0.3)
Profit before taxation					23.0
Taxation					(6.6)
<b>Profit for the financial year from continuing operations attributable to shareholders</b>					16.4
Segmental assets		617.1	94.2	-	711.3
Unallocated assets					
- Property, plant and equipment				1.0	1.0
<b>Total assets</b>					712.3
Segmental liabilities		432.5	36.6	-	469.1
Unallocated liabilities					
- Corporate borrowings				131.7	131.7
<b>Total liabilities</b>					600.8
<b>Other segmental items</b>					
Capital expenditure (including acquisitions)		58.6	3.2	-	61.8
Depreciation	10	7.6	0.1	-	7.7
Amortisation of intangible assets	9	0.2	0.6	-	0.8
Impairment of trade receivables	13	0.6	0.5	-	1.1

As at 31 December 2008, the Group is organised into two main business segments: Motor Division and Parts Distribution.

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.

### Company

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

# Notes to the Financial Statements

## 2. FINANCE COSTS - NET

	Group 2008 £m	2007 £m	Company 2008 £m	2007 £m
Interest expense				
On amounts wholly repayable within 5 years:				
Interest payable on bank borrowings	(12.2)	(11.5)	(11.8)	(10.4)
Interest payable on hire purchase contracts	-	(0.1)	-	-
Interest on consignment vehicle liabilities	(8.7)	(5.3)	-	-
Interest due to Group companies	-	-	(0.1)	(0.1)
Other interest	(0.2)	-	(0.1)	-
Net interest on pension schemes (note 30)	(0.1)	-	-	-
Interest and similar charges payable	(21.2)	(16.9)	(12.0)	(10.5)
Interest income				
Bank interest	1.3	0.7	0.4	0.5
Interest received from Group companies	-	-	5.3	6.2
Interest received on VAT refund	-	0.5	-	0.5
Other interest	-	0.4	-	0.4
Net interest on pension schemes (note 30)	-	0.3	0.1	0.3
Total interest receivable	1.3	1.9	5.8	7.9
Finance costs - net	(19.9)	(15.0)	(6.2)	(2.6)

## 3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Group 2008 £m	2007 £m	Company 2008 £m	2007 £m
The following items have been included in arriving at operating profit from operations:				
Staff costs (note 7)	157.0	129.1	5.7	4.4
Depreciation of property, plant and equipment				
- Owned assets	8.0	7.6	0.3	0.4
- Under finance leases	1.0	0.1	-	-
Amortisation of intangible assets	1.4	0.8	0.4	-
Loss on disposal of plant and equipment	0.2	0.1	-	-
Other operating lease rentals payable				
- Property	4.3	4.2	-	-
- Plant & equipment	1.2	1.2	-	-
Net gain/(loss) on:				
Financial liabilities measured at amortised cost (includes amounts shown as finance cost)	31.4	17.2	16.2	10.8
Exceptional items:				
Loss on terminated businesses	(13.3)	(0.9)	-	-
Integration costs	(3.3)	(0.4)	(1.1)	(0.1)
Aborted acquisition costs	(1.6)	(1.2)	(1.6)	(1.2)
Other	(0.7)	-	(0.7)	-
VAT	(0.3)	0.4	-	0.4
Profit on disposal of properties	-	1.9	-	-
Bid defence costs/strategic review	-	(0.7)	-	(0.7)
	(19.2)	(0.9)	(3.4)	(1.6)
Interest on closed businesses	(0.8)	-	-	-
Interest on VAT	-	0.5	-	0.5
Total exceptional items	(20.0)	(0.4)	(3.4)	(1.1)

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

## 3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)

### Services provided by the Group's auditors

The analysis of auditors' remuneration is as follows:

Group	2008 £m	2007 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	-	-
Fees payable to the Company's auditors and their associates for other services to the Group		
The audit of the Company's subsidiaries pursuant to legislation	0.3	0.3
Total audit fees	0.3	0.3
Tax services	0.1	0.9
Other services	0.1	0.6
Total non-audit fees	0.2	1.5

## 4. TAXATION

	Group 2008 £m	2007 £m	Company 2008 £m	2007 £m
Current tax expense				
Current year	(1.4)	5.4	(1.6)	(0.5)
Adjustment in respect of prior years	0.3	-	-	(0.2)
	(1.1)	5.4	(1.6)	(0.7)
Deferred tax expense				
Deferred tax	(3.1)	1.7	(0.1)	1.0
Exceptional tax charge due to withdrawal of industrial buildings allowance	7.2	-	-	-
Adjustment in respect of prior years	(1.9)	(0.5)	-	(0.3)
	2.2	1.2	(0.1)	0.7
Total income tax expense in Income Statement	1.1	6.6	(1.7)	-

	Group 2008 £m	2007 £m	Company 2008 £m	2007 £m
Tax on items charged to equity				
Deferred tax on pension liability	1.1	1.5	2.1	0.8

The tax charge was affected by the following factors:

Standard rate of corporation tax	28.5%	30.0%	28.5%	30.0%
Inter Group dividend	-	-	23.9%	(27.9)%
Items not allowable for taxation	(11.1)%	1.3%	(12.8)%	1.7%
Withdrawal of industrial buildings allowance	(48.3)%	-	-	-
Reclassifying assets held for sale	10.6%	-	-	-
Capital gains	-	2.1%	-	-
Change in rate	-	(2.1)%	-	2.8%
Reduced rate on current year deferred tax	-	(0.6)%	-	(0.6)%
Adjustments to prior years' taxation	12.9%	(1.9)%	-	(6.0)%
	(7.4)%	28.8%	39.6%	-

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

## 5. DIVIDENDS

Group and Company	2008 £m	2007 £m
Final dividend 2.42p paid 31 May 2008 (2007: 2.20p)	4.4	4.0
Interim dividend 1.60p paid 28 November 2008 (2007: 1.60p)	2.9	2.9
	7.3	6.9

The Directors do not propose a final dividend in respect of the financial year ending 31 December 2008.

# Notes to the Financial Statements

## 6. (LOSS)/EARNINGS PER SHARE

The calculation of (loss)/earnings per ordinary share is based on the loss on ordinary activities after taxation amounting to £16.0m (2007: profit £16.4m) and a weighted average of ordinary shares in issue during the year of 181,430,297 (2007: 180,371,502).

The diluted (loss)/earnings per share is based on the weighted average number of shares, after taking account of the dilutive impact of shares under option of nil (2007: 785,360).

Adjusted (loss)/earnings per share is stated before amortisation of intangible assets, impairment of goodwill, loss on termination of businesses, bid defence/strategic reviews, profit on disposal of properties, aborted acquisition costs, integration costs, tax due to withdrawal of industrial buildings allowance, exceptional VAT refund and related interest, and is calculated on profits of £9.7m (2007: £17.7m) for the year.

	2008 (Loss)/ Earnings £m	2008 (Loss)/Earnings per share p	2007 Earnings £m	2007 Earnings per share p
<b>Continuing operations</b>				
<b>Basic EPS</b>				
(Loss)/earnings attributable to ordinary shareholders	(16.0)	(8.82)	16.4	9.09
Effect of dilutive securities		-		(0.04)
<b>Diluted EPS</b>	<b>(16.0)</b>	<b>(8.82)</b>	<b>16.4</b>	<b>9.05</b>
<b>Adjusted EPS</b>				
(Loss)/earnings attributable to ordinary shareholders	(16.0)	(8.82)	16.4	9.09
Amortisation of intangible assets	1.4	0.77	0.8	0.44
Impairment of goodwill	3.1	1.71	-	-
Exceptional items (net)	20.0	11.02	0.4	0.22
Tax on exceptional items (net)	(6.0)	(3.31)	0.1	0.06
Exceptional tax due to withdrawal of industrial buildings allowance	7.2	3.97	-	-
<b>Adjusted EPS</b>	<b>9.7</b>	<b>5.34</b>	<b>17.7</b>	<b>9.81</b>

## 7. INFORMATION REGARDING EMPLOYEES

	Group 2008 £m	2007 £m	Company 2008 £m	2007 £m
<b>Employee costs during the year</b>				
Wages and salaries	140.7	116.5	5.0	3.8
Social security costs	13.3	11.1	0.5	0.4
Other pension costs	3.0	1.5	0.2	0.2
	<b>157.0</b>	<b>129.1</b>	<b>5.7</b>	<b>4.4</b>
<b>Average number employed during the year (including Directors)</b>				
	2008 No.	2007 No.	2008 No.	2007 No.
Productive	1,499	1,276	-	-
Selling and distribution	2,962	2,804	-	-
Administration	1,612	1,123	110	89
	<b>6,073</b>	<b>5,203</b>	<b>110</b>	<b>89</b>
<b>Key management compensation</b>				
	2008 £m	2007 £m	2008 £m	2007 £m
Salaries and short-term employee benefits	2.1	2.2	1.7	1.8
Post-employment benefits	0.2	0.2	0.1	0.1
Long-term benefits	-	0.8	-	0.7
	<b>2.3</b>	<b>3.2</b>	<b>1.8</b>	<b>2.6</b>

The key management compensation given above includes Directors.

During the year the aggregate gains made on the exercise of share options by Directors was £nil (2007: £nil). Further details of Directors' remuneration is included in the Directors' Remuneration Report on pages 33 to 36.



# Notes to the Financial Statements

## 8. GOODWILL

Group	2008 £m	2007 £m
Cost		
As at 1 January	43.2	28.8
On acquisition (note 29)	4.9	14.4
As at 31 December	48.1	43.2
Aggregate impairment		
As at 1 January	0.2	0.2
Impairment	3.1	-
As at 31 December	3.3	0.2
Net book amount at 31 December	44.8	43.0

During the year, the acquired goodwill was tested for impairment in accordance with IAS 36. Following the impairment test, a goodwill impairment charge of £3.1m, relating to goodwill on closed businesses, within the Motor Division, was deemed necessary (2007: £nil).

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 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. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. An annual growth rate of 3.1% (UK GDP) is assumed and a risk adjusted discount rate. The discount rate used of 7.75% (2007: 11.5%) reflects managements estimate of the time value of money and the risks specific to the CGU.

## 9. INTANGIBLE ASSETS

Group	Licences £m	Customer relationships £m	Brands £m	Total £m
Acquired intangible assets				
Cost				
As at 1 January 2008	0.4	11.5	6.2	18.1
Reclassified from tangible fixed assets (note 10)	0.6	-	-	0.6
Additions	3.8	-	-	3.8
As at 31 December 2008	4.8	11.5	6.2	22.5
Aggregate amortisation and impairment				
As at 1 January 2008	0.1	1.8	0.6	2.5
Reclassified from tangible fixed assets (note 10)	0.2	-	-	0.2
Charge for the year	0.6	0.6	0.2	1.4
As at 31 December 2008	0.9	2.4	0.8	4.1
Net book amount at 31 December 2008	3.9	9.1	5.4	18.4
Acquired intangible assets				
Cost				
At 1 January 2007	-	11.5	6.2	17.7
Acquired on acquisition	0.4	-	-	0.4
As at 31 December 2007	0.4	11.5	6.2	18.1
Aggregate amortisation and impairment				
As at 1 January 2007	-	1.3	0.4	1.7
Charge for the year	0.1	0.5	0.2	0.8
As at 31 December 2007	0.1	1.8	0.6	2.5
Net book amount at 31 December 2007	0.3	9.7	5.6	15.6

# Notes to the Financial Statements

## 9. INTANGIBLE ASSETS (continued)

Within Brands, intangible assets of £4.7m (2007: £4.7m) 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.

Company	Licences £m
Acquired intangible assets	
Cost	
As at 1 January 2008	-
Reclassified from tangible fixed assets (note 10)	0.6
Additions	3.8
As at 31 December 2008	4.4
Aggregate amortisation and impairment	
As at 1 January 2008	-
Reclassified from tangible fixed assets (note 10)	0.2
Charge for the year	0.4
As at 31 December 2008	0.6
Net book amount at 31 December 2008	3.8

## 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
Cost						
As at 1 January 2008	138.1	51.4	11.2	14.9	23.5	239.1
On acquisition (note 29)	1.3	-	0.2	0.2	-	1.7
Additions in year	2.5	0.6	0.4	2.1	3.0	8.6
Disposals	-	-	(0.1)	(3.3)	(4.1)	(7.5)
Reclassified to assets held for sale (note 16)	(5.5)	(1.1)	-	-	-	(6.6)
Reclassified to intangible assets (note 9)	-	-	-	-	(0.6)	(0.6)
As at 31 December 2008	136.4	50.9	11.7	13.9	21.8	234.7
Accumulated depreciation						
As at 1 January 2008	2.6	1.7	1.4	7.7	11.7	25.1
Charge for the year	0.9	0.8	0.7	2.5	4.1	9.0
Disposals	-	-	-	(2.8)	(3.8)	(6.6)
Impairment of assets held for sale	1.3	-	-	-	-	1.3
Impairment on closed businesses	-	0.4	0.8	0.1	0.2	1.5
Reclassified to assets held for sale (note 16)	(1.1)	(0.1)	-	-	-	(1.2)
Reclassified to intangible assets (note 9)	-	-	-	-	(0.2)	(0.2)
As at 31 December 2008	3.7	2.8	2.9	7.5	12.0	28.9
Net book value at						
31 December 2008	132.7	48.1	8.8	6.4	9.8	205.8

# Notes to the Financial Statements

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

Group	Freehold property £m	Long leasehold property £m	Short leasehold property £m	Plant & machinery £m	Fixtures, fittings, tools & equipment £m	Total £m
<b>Cost</b>						
As at 1 January 2007	101.0	39.7	9.3	11.4	19.1	180.5
On acquisition	32.8	11.4	1.3	2.1	2.2	49.8
Additions in year	4.9	0.4	0.6	2.2	3.9	12.0
Disposals	(0.6)	(0.1)	-	(0.8)	(1.7)	(3.2)
As at 31 December 2007	138.1	51.4	11.2	14.9	23.5	239.1
<b>Accumulated depreciation</b>						
As at 1 January 2007	2.0	1.1	0.8	6.0	9.7	19.6
Charge for the year	0.6	0.7	0.6	2.2	3.6	7.7
Disposals	-	(0.1)	-	(0.5)	(1.6)	(2.2)
As at 31 December 2007	2.6	1.7	1.4	7.7	11.7	25.1
<b>Net book value at</b>						
31 December 2007	135.5	49.7	9.8	7.2	11.8	214.0

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

	2008 £m	2007 £m
<b>Cost</b>	<b>0.4</b>	<b>1.4</b>
<b>Aggregate depreciation</b>	<b>(0.3)</b>	<b>(0.3)</b>
	<b>0.1</b>	<b>1.1</b>

In accordance with IFRS 1, '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.

Company	Fixtures, fittings, tools & equipment £m
<b>Cost</b>	
As at 1 January 2008	1.7
Additions in year	0.2
Reclassified to intangible assets (note 9)	(0.6)
As at 31 December 2008	1.3
<b>Accumulated depreciation</b>	
As at 1 January 2008	0.7
Charge for the year	0.3
Reclassified to intangible assets (note 9)	(0.2)
As at 31 December 2008	0.8
<b>Net book value at 31 December 2008</b>	<b>0.5</b>

# Notes to the Financial Statements

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

Company	Fixtures, fittings, tools & equipment £m
Cost	
As at 1 January 2007	2.3
Additions in year	0.6
Disposals	(1.2)
As at 31 December 2007	1.7
Accumulated depreciation	
As at 1 January 2007	1.5
Charge for the year	0.4
Disposals	(1.2)
As at 31 December 2007	0.7
Net book value at 31 December 2007	1.0

## 11. INVESTMENT IN SUBSIDIARIES

Company	2008 £m	2007 £m
Cost		
At 1 January and 31 December 2008	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 Motor Group Limited	Ferraris Piston Service Limited
Lookers Birmingham Limited	MB South Limited
FPS Distribution Limited	Apec Limited
Dutton Forshaw Motor Company Limited	BTN Turbocharger Service Limited
Lookers Leasing Limited	Platts Harris 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

Group	2008 £m	2007 £m
Goods for resale	181.3	201.3
Bulk deposits paid for vehicles on consignment	0.5	2.0
Consignment vehicles	121.9	114.2
	303.7	317.5

# Notes to the Financial Statements

## 13. TRADE AND OTHER RECEIVABLES

	Group 2008 £m	2007 £m	Company 2008 £m	2007 £m
Amounts falling due within one year:				
Trade debtors	65.6	85.7	0.1	-
Less: provision for impairment of receivables	(1.3)	(1.1)	-	-
	64.3	84.6	0.1	-
Amounts owed by Group undertakings	-	-	217.9	202.0
Other debtors	6.6	7.9	2.3	3.5
Prepayments	13.4	14.9	3.3	4.1
	84.3	107.4	223.6	209.6

The average credit period on sales of goods is 18 days (2007: 18 days). Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Included in the Group's trade receivable balance are debtors with a carrying amount of £6.8m (2007: £12.5m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 43 days (2007: 44 days).

Amounts owed by Group undertakings in the Company Balance Sheet are incurred in the normal course of trading and the Directors consider there to be no significant credit risk.

	Group 2008 £m	2007 £m	Company 2008 £m	2007 £m
<b>Movement in the allowance for doubtful debts</b>				
Balance at beginning of the year	1.1	0.9	-	-
Amounts acquired on acquisition	-	0.4	-	-
Amounts written off during the year	(0.4)	(0.2)	-	-
Increase in allowance recognised in income statement	0.6	-	-	-
Balance at the end of the year	1.3	1.1	-	-

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are specific trade receivables with a balance of £300,000 (2007: £nil) for the Group and £nil (2007: £nil) for the Company which have been placed under liquidation. The impairment represents the difference between the carrying amount of the specific trade receivable and present value of the expected liquidation dividend.

Group	2008		2007	
	Value of Receivables £m	%	Value of Receivables £m	%
<b>Not impaired:</b>				
- Neither past due nor impaired	77.5	91.9	94.9	88.4
- Past due up to 3 months but not impaired	6.5	7.7	11.2	10.4
- Past due 3 to 6 months	0.3	0.4	0.8	0.7
- Past due 6 to 12 months	-	-	0.5	0.5
	84.3	100.0	107.4	100.0

Company	2008		2007	
	Value of Receivables £m	%	Value of Receivables £m	%
<b>Not impaired:</b>				
- Neither past due nor impaired	223.6	100.0	209.6	100.0

# Notes to the Financial Statements

## 14. OTHER FINANCIAL ASSETS

	Group 2008 £m	2007 £m	Company 2008 £m	2007 £m
<b>Investments carried at cost:</b>				
<b>Non-current</b>				
Investments in subsidiaries	-	-	53.7	53.7
<b>Loans carried at amortised cost:</b>				
<b>Current</b>				
Loans to subsidiaries	-	-	217.9	202.0
Disclosed in the financial statements as:				
Current other financial assets	-	-	217.9	202.0
Non-current other financial assets	-	-	53.7	53.7

## 15. CASH AND CASH EQUIVALENTS

	Group 2008 £m	2007 £m	Company 2008 £m	2007 £m
Cash at bank and in hand	2.1	14.8	8.2	1.0

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

## 16. ASSETS HELD FOR SALE

	Group 2008 £m	2007 £m	Company 2008 £m	2007 £m
Reclassified from property, plant & equipment (note 10)	5.4	-	-	-

Assets held for sale comprises several freehold and long leasehold properties which are currently being marketed for resale. These properties are stated at the lower of net resaleable value or net book value and in the Directors' opinion are likely to be realised during 2009.

## 17. TRADE AND OTHER PAYABLES

	Group 2008 £m	2007 £m	Company 2008 £m	2007 £m
Trade payables	103.2	118.0	3.3	3.7
Repurchase commitments	83.4	115.3	-	-
Consignment vehicle creditors	121.9	114.2	-	-
Amounts owed to Group undertakings	-	-	31.4	25.7
Other tax and social security payable	11.6	13.6	0.1	0.1
Other creditors	19.3	18.5	16.9	15.9
Accruals and deferred income	32.3	34.3	6.8	7.0
	371.7	413.9	58.5	52.4
Repurchase commitments due after more than 1 year	5.4	-	-	-

# Notes to the Financial Statements

## 18. CURRENT TAX LIABILITIES

	Group 2008 £m	2007 £m	Company 2008 £m	2007 £m
Current tax liabilities	4.5	8.6	4.8	4.4

## 19. BORROWINGS

	Group 2008 £m	2007 £m	Company 2008 £m	2007 £m
<b>Current</b>				
Unsecured bank loans	10.0	10.0	10.0	10.0
Hire purchase obligations	-	0.1	-	-
	10.0	10.1	10.0	10.0

### Non-current

Unsecured bank loans	141.6	130.2	148.5	122.7
<b>Total borrowings</b>	<b>151.6</b>	<b>140.3</b>	<b>158.5</b>	<b>132.7</b>

	Group 2008 £m	2007 £m	Company 2008 £m	2007 £m
<b>Bank loans and overdraft repayable:</b>				
Less than one year	10.0	10.0	10.0	10.0
More than one year and not more than two years	10.0	10.0	10.0	10.0
More than two years and not more than five years	131.6	120.2	138.5	112.7
	151.6	140.2	158.5	132.7

Of this amount £117.5m (2007: £127.5m) is repayable in instalments up until 2010 (2007: 2010).

The Company is jointly and severally liable under cross guarantees within the Group for bank loans and overdrafts which amounted to £2.9m (2007: £15.2m).

The principal features of the Group's borrowings are as follows:

At 31 December 2008 the Group had 3 principal bank loans:

- A loan of £60.0m (2007: £67.5m). The loan was originally taken out on 14 September 2006. Repayments of £7.5m are made on 31 December each year and will continue until 14 September 2011. The loan carries an interest rate of between 0.60% and 1.05% above LIBOR.
- A loan of £57.5m (2007: £60.0m). The loan was originally taken out on 26 October 2007. Repayments of £2.5m are made on 31 December each year and will continue until 14 September 2011. The loan carries an interest rate of between 0.80% and 1.25% above LIBOR.
- A revolving loan facility of £125.0m (2007: £125.0m). The facility was originally taken out on 14 September 2006. The facility can be drawn in whole or part at any time and will continue until 14 September 2011. The drawn down part of the loan carries an interest rate of between 0.60% and 1.05% above LIBOR.

On 29 May 2009, the Group renegotiated its banking facilities and therefore the 3 principal bank loans are as follows:

- A loan of £107m which will continue until 30 April 2012. The loan carries an interest rate of 4.0% above LIBOR.
- A revolving loan facility of £53m. The facility can be drawn in whole or part at any time and will continue until 30 April 2012. The drawn down part of the loan carries an interest rate of 4.0% above LIBOR.
- A loan of £50m which can be repaid in whole or part at any time and will continue until 30 April 2012. The unamortised loan carries an interest rate of 10% above LIBOR, of which, 6.0% can be rolled into the principal.

The weighted average interest rate paid during the year on the bank loans was 5.91% (2007: 6.42%).

At 31 December 2008, the Group had available £84.0m (2007: £125.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

# Notes to the Financial Statements

## 20. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policy note.

Categories of financial instruments	Group 2008 £m	2007 £m	Company 2008 £m	2007 £m
<b>Financial assets</b>				
Cash	2.1	14.8	8.2	1.0
Loans and receivables	64.3	86.1	218.1	203.5
<b>Financial liabilities</b>				
Amortised cost	465.5	487.7	192.2	162.1

### Financial Risk Management Objectives

The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the Group's banking committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

### Market Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the purchase of parts;
- forward interest rates; and
- interest rate risk management.

The market risks are managed at a company level through stress and scenario analysis.

During the course of the year there has been no change to the market risk or manner in which the Group manages its exposure.

### Foreign Currency Risk Management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2008 £m	2007 £m	2008 £m	2007 £m
USD	-	-	0.6	0.1
Euro	1.0	1.4	1.0	0.6

The Company had no foreign currency denominated monetary assets or monetary liabilities at the reporting date (2007: Same).



# Notes to the Financial Statements

## 20. FINANCIAL INSTRUMENTS (continued)

The Group is mainly exposed to US Dollars and Euros. The following table details the Group's sensitivity to a 10% change in pounds sterling against the respective foreign currencies. The 10% is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period. A positive number indicates an increase in profit or loss and other equity where pounds sterling strengthens against the respective currency.

	USD Impact Group		Euro Impact Group	
	2008 £m	2007 £m	2008 £m	2007 £m
Profit or loss	0.1	-	-	0.1
Other equity	-	-	-	-

### Interest Rate Risk Management

The Group and Company are exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

The Group and Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date and stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point change is used when reporting interest risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

	+ 50 Basis Points				- 50 Basis Points			
	Group 2008 £m	2007 £m	Company 2008 £m	2007 £m	Group 2008 £m	2007 £m	Company 2008 £m	2007 £m
Profit or loss	(0.7)	(0.6)	(0.8)	(0.7)	0.7	0.6	0.8	0.7
Other equity	-	-	-	-	-	-	-	-

Under interest rate swap contracts, the Group and Company agree to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group and Company to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the year end is determined by discounting the future cash flows using the year end curves and the credit risk inherent in the contract, and is disclosed on the next page. The average interest rate is based on the outstanding balances at the start of the financial year.

### Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties is controlled by counterparty limits that are reviewed and approved by the Risk Management Committee annually.

# Notes to the Financial Statements

## 20. FINANCIAL INSTRUMENTS (continued)

Trade receivables are spread across a large number of counterparties across a large geographical area.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

### Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 32 is a listing of additional undrawn facilities that the Group/Company has at its disposal to further reduce liquidity risk.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue to those liabilities except where the Group/Company is entitled and intends to repay the liability before its maturity.

Group	Less than 1 Month £m	1-3 Months £m	3 Months to 1 Year £m	1-5 Years £m	Total £m
<b>2008</b>					
Variable interest rate instruments	-	83.4	10.0	141.6	235.0
Fixed interest rate instruments	-	225.1	-	-	225.1
	-	308.5	10.0	141.6	460.1
<b>2007</b>					
Variable interest rate instruments	-	115.3	10.0	130.2	255.5
Fixed interest rate instruments	-	232.2	-	-	232.2
	-	347.5	10.0	130.2	487.7

Included within variable interest rate instruments in the 1 to 3 month column is an amount of £83.4m (2007: £115.3m) relating to repurchase commitments where the liability is only contractually due at the point where the related vehicle is sold to the end customer. In this way the Group matches the cash outflow in respect of the liability with the cash inflow from the sale.

Included within fixed interest rate instruments in the 1 to 3 month column is an amount of £121.9m (2007: £114.2m) relating to consignment stock where the liability is contractually due for payment when the related vehicle is adopted by the Group. Adoption usually occurs for the purpose of selling the vehicle to the end customer at which point the cash outflow in respect of the liability matches the cash inflow from the sale.

# Notes to the Financial Statements

## 20. FINANCIAL INSTRUMENTS (continued)

Company	Less than 1 Month £m	1-3 Months £m	3 Months to 1 Year £m	1-5 Years £m	Total £m
<b>2008</b>					
Variable interest rate instruments	-	-	10.0	149.6	159.6
Fixed interest rate instruments	-	33.7	-	-	33.7
	-	33.7	10.0	149.6	193.3
<b>2007</b>					
Variable interest rate instruments	-	-	10.0	122.8	132.8
Fixed interest rate instruments	-	29.3	-	-	29.3
	-	29.3	10.0	122.8	162.1

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 in note 32.

## 21. PROVISIONS

Group	Dilapidations £m	Closure costs £m	Total £m
As at 1 January 2008	1.4	-	1.4
Charged to Income Statement	0.2	1.2	1.4
Utilised in year	(0.5)	-	(0.5)
As at 31 December 2008	1.1	1.2	2.3

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

	2008 £m	2007 £m
Current	1.6	0.4
Non-current	0.7	1.0
	2.3	1.4

### Dilapidations

The Group operates from a number of leasehold premises under full repairing leases. The provision recognises that repairs are required to put the buildings back into the state of repair required under the leases. Currently, these leases are expected to expire between 2009 and 2018.

### Closure Costs

During the year, the Group gave notice to several manufacturers, in accordance with their franchise agreements, to exit from certain locations. The costs associated with the closure, sale and the onerous elements of these contracts were £1.2m and have been fully provided in 2008. The provision will be utilised during 2009.

# Notes to the Financial Statements

## 22. DEFERRED TAXATION

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2007: 28%). The movement on the deferred tax account is as shown below:

	Group 2008 £m	2007 £m	Company 2008 £m	2007 £m
As at 1 January 2008	12.8	7.9	(3.8)	(3.7)
On acquisition	-	5.2	-	-
Charged/(credited) to Income Statement (note 4)	2.2	1.2	(0.1)	0.7
Credited to Statement of Recognised Income and Expense	(1.7)	(1.5)	(2.0)	(0.8)
As at 31 December 2008	13.3	12.8	(5.9)	(3.8)

The deferred tax credited 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 2008	17.0	3.2	20.2
Charged to Income Statement	3.6	-	3.6
As at 31 December 2008	20.6	3.2	23.8

#### Deferred tax assets

	Losses carried forward £m	Employee benefits £m	Short term timing differences £m	Total £m
As at 1 January 2008	-	(6.7)	(0.7)	(7.4)
(Credited)/charged to Income Statement	(1.1)	0.7	(1.0)	(1.4)
Credited to Statement of Recognised Income and Expense	-	(1.7)	-	(1.7)
As at 31 December 2008	(1.1)	(7.7)	(1.7)	(10.5)

#### Net deferred tax liability

As at 31 December 2008	13.3
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As at 31 December 2007	12.8
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### Company

#### Deferred tax assets

	Employee benefits £m	Provisions £m	Accelerated tax depreciation £m	Total £m
As at 1 January 2008	(3.3)	(0.3)	(0.2)	(3.8)
Charged/(credited) to Income Statement	0.9	(0.8)	(0.1)	-
Credited to Statement of Recognised Income and Expense	(2.1)	-	-	(2.1)
As at 31 December 2008	(4.5)	(1.1)	(0.3)	(5.9)

# Notes to the Financial Statements

## 23. SHARE CAPITAL

Group and Company	2008 Shares	£m	2007 Shares	£m
Authorised Ordinary shares of 5p each	270,000,000	13.5	270,000,000	13.5
Allotted, called up and fully paid ordinary shares of 5p each				
As at 1 January	181,089,807	9.1	180,195,031	9.0
Allotted under share option schemes	170	-	270	-
Allotted on scrip issue	580,596	-	894,506	0.1
As at 31 December	181,670,573	9.1	181,089,807	9.1

### Potential Issues of Ordinary Shares

No options lapsed or were forfeited during 2008. 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	2008 Number (5p Shares)	2007 Number (5p Shares)
2007 MSP	5.0	2009 - 2016	785,590	785,590
2008 PSP	-	2011 - 2018	2,021,000	-

## 24. SHARE PREMIUM

Group and Company	£m
As at 1 January 2007	4.3
Arising on issue of new shares	1.3
As at 1 January 2008	5.6
Arising on issue of new shares	0.6
As at 31 December 2008	6.2

## 25. CAPITAL REDEMPTION RESERVE

Group and Company	£m
As at 1 January 2008 and 31 December 2008	14.6

## 26. OTHER RESERVE

Group and Company	£m
As at 1 January 2008	0.4
Share based payments	(0.4)
Fair value on interest rate hedge	(1.1)
As at 31 December 2008	(1.1)

# Notes to the Financial Statements

## 27. RETAINED EARNINGS

	Group £m	Company £m
As at 1 January 2007	76.2	39.4
Net profit for the year	16.4	8.3
Dividends paid	(6.9)	(6.9)
Actuarial gains on defined benefit pension schemes	(5.4)	(2.9)
Deferred taxation on pension liability	1.5	0.8
As at 31 December 2007	81.8	38.7
Net loss for the year	(16.0)	(2.5)
Dividends paid	(7.3)	(7.3)
Actuarial losses on defined benefit pension schemes	(6.1)	(7.3)
Deferred taxation on pension liability	1.7	2.0
As at 31 December 2008	54.1	23.6

Group retained earnings include £17.1m (2007: £17.2m) 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 £2,000 (2007: £11,000).

# Notes to the Financial Statements

## 28. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Group	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Total £m
As at 1 January 2007	9.0	4.3	14.6	0.2	76.2	104.3
New shares issued	0.1	1.3	-	-	-	1.4
Profit for year	-	-	-	-	16.4	16.4
Dividends	-	-	-	-	(6.9)	(6.9)
Actuarial losses on defined benefit pension schemes (note 30)	-	-	-	-	(5.4)	(5.4)
Deferred taxation on pension liability	-	-	-	-	1.5	1.5
Share based payments	-	-	-	0.2	-	0.2
As at 31 December 2007	9.1	5.6	14.6	0.4	81.8	111.5
New shares issued	-	0.6	-	-	-	0.6
Loss for year	-	-	-	-	(16.0)	(16.0)
Dividends	-	-	-	-	(7.3)	(7.3)
Actuarial gains on defined benefit pension schemes (note 30)	-	-	-	-	(6.1)	(6.1)
Deferred taxation on pension liability	-	-	-	-	1.7	1.7
Share based payments	-	-	-	(0.4)	-	(0.4)
Fair value on interest rate hedge	-	-	-	(1.1)	-	(1.1)
As at 31 December 2008	9.1	6.2	14.6	(1.1)	54.1	82.9

Included within the Group's total equity are minority interests of £56,000 (2007: £54,000).

Company	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Total £m
As at 1 January 2007	9.0	4.3	14.6	0.2	39.4	67.5
New shares issued	0.1	1.3	-	-	-	1.4
Profit for year	-	-	-	-	8.3	8.3
Dividends	-	-	-	-	(6.9)	(6.9)
Actuarial losses on defined benefit pension schemes (note 30)	-	-	-	-	(2.9)	(2.9)
Deferred taxation on pension liability	-	-	-	-	0.8	0.8
Share based payments	-	-	-	0.2	-	0.2
As at 31 December 2007	9.1	5.6	14.6	0.4	38.7	68.4
New shares issued	-	0.6	-	-	-	0.6
Loss for year	-	-	-	-	(2.5)	(2.5)
Dividends	-	-	-	-	(7.3)	(7.3)
Actuarial gains on defined benefit pension schemes (note 30)	-	-	-	-	(7.3)	(7.3)
Deferred taxation on pension liability	-	-	-	-	2.0	2.0
Share based payments	-	-	-	(0.4)	-	(0.4)
Fair value on interest rate hedge	-	-	-	(1.1)	-	(1.1)
As at 31 December 2008	9.1	6.2	14.6	(1.1)	23.6	52.4

# Notes to the Financial Statements

## 29. ACQUISITIONS AND DISPOSALS

### Acquisitions

On 1 May 2008 the Group acquired the entire share capital of Bramall & Jones VW Limited and Bramall & Jones Leasing Limited, for a total cash consideration of £1.9m.

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

	Carrying value pre-acquisition £m	Fair value £m
Tangible fixed assets	1.7	1.7
Inventories	2.3	1.9
Receivables	1.0	1.0
Payables	(2.5)	(2.5)
Financial liabilities	(2.5)	(2.5)
Net assets acquired		(0.4)
Goodwill		2.3
Consideration - satisfied by cash		1.9

On 26 October 2007 the Group acquired the entire share capital of Dutton Forshaw Group Limited, for a total cash consideration of £54.9m. During the year the fair value of the assets was finalised, leading to an increase in goodwill of £2.6m.

Summary of acquisitions offered in cash	£m
Bramall & Jones companies	1.9
Total consideration	1.9
Overdrafts acquired	2.5
Total cash effect of acquisitions	4.4

The goodwill arising on the acquisitions of the above companies is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

The Bramall & Jones companies contributed £13.1 million of revenue and a loss of £0.2 million to the Group's loss before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition of the Bramall & Jones companies had been completed on the first day of the financial year, Group revenues for the period would have been £22.9m and Group loss attributable to equity holders of the Parent Company would have been £0.2m lower, before interest on related debt funding.



# Notes to the Financial Statements

## 30. PENSIONS

### Pension Scheme - The Lookers Pension Plan

The pension plan "The Lookers Pension Plan", which is a defined benefit scheme, provides 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 IAS 19 (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 Expense.

The pension charge for the scheme for 2008 was £1.0m (2007: £0.2m).

A valuation update was made as at 31 December 2008 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 £71.6m at 31 December 2008.

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

	Expected rate of return 2008 %	Market value 2008 £m	Expected rate of return 2007 %	Market value 2007 £m
Equities	6.7	37.4	7.6	46.4
Bonds	4.7	17.8	5.0	20.0
Cash	2.0	0.3	5.5	0.4
<b>Total fair value of assets</b>		<b>55.5</b>		<b>66.8</b>

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:

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Fair value of scheme assets	55.5	66.8	63.3	57.3	47.3
Actuarial value of scheme liabilities	(71.6)	(78.0)	(74.8)	(76.5)	(65.4)
Deficit in the scheme	(16.1)	(11.2)	(11.5)	(19.2)	(18.1)
Related deferred tax asset (note 22)	4.5	3.1	3.4	5.7	5.4
<b>Net pension liability</b>	<b>(11.6)</b>	<b>(8.1)</b>	<b>(8.1)</b>	<b>(13.5)</b>	<b>(12.7)</b>
Experience adjustments in plan liabilities	(4.6)	-	-	(1.8)	-
Experience adjustments in plan assets	(17.1)	(1.1)	3.0	5.2	1.9

The amounts recognised in the Income Statements are as follows:

	2008 £m	2007 £m
Current service cost	1.1	0.9
Net gains on curtailments and settlements	-	(0.4)
<b>Total included in administrative expenses</b>	<b>1.1</b>	<b>0.5</b>
Interest on obligation	4.5	3.9
Expected return on scheme assets	(4.6)	(4.2)
<b>Total included in finance costs (note 2)</b>	<b>(0.1)</b>	<b>(0.3)</b>
<b>Total defined benefit expenses</b>	<b>1.0</b>	<b>0.2</b>

# Notes to the Financial Statements

## 30. PENSIONS (continued)

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

	2008 £m	2007 £m
Opening defined benefit obligation	78.0	74.8
Service cost	1.1	0.9
Contributions by employees	0.3	0.5
Interest cost	4.5	3.9
Actuarial (gains)/losses	(9.8)	1.8
Gains on curtailments and settlements	-	(0.4)
Benefits paid	(2.5)	(3.5)
Closing defined benefit obligation	71.6	78.0

Changes in the fair value of scheme assets are as follows:

Opening fair value of scheme assets	66.8	63.3
Expected return	4.6	4.2
Actuarial losses	(17.1)	(1.1)
Contributions by employer	3.4	3.4
Contributions by employees	0.3	0.5
Benefits paid	(2.5)	(3.5)
Closing fair value of scheme assets	55.5	66.8

The actual return on scheme assets was £12.5m (2007: £3.1m). 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 £2.3m in 2008. The Group expects to maintain a similar level of pension contributions in 2009.

	2008 £m	2007 £m
Total amount of actuarial losses recognised in the Statement of Recognised Income and Expense in the year	(7.3)	(2.9)

Cumulative amount of actuarial losses recognised in the Statement of Recognised Income and Expense at the year end	(12.7)	(5.4)
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The major categories of scheme assets as a percentage of total scheme assets are as follows:

Equities	67.4%	69.4%
Bonds	32.0%	30.0%
Cash	0.6%	0.6%

# Notes to the Financial Statements

## 30. PENSIONS (continued)

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

	2008	2007
Discount rate	6.6%	5.8%
Expected return on assets	6.0%	6.7%
Future salary increases	3.0%	3.8%
Future pension increases	2.4%	2.5%
Life expectancy at age 65 for:		
current pensioners - males	86.3	86.2
current pensioners - females	89.2	89.1
future pensioners - males	87.2	87.1
future pensioners - females	90.0	90.0

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:

	£m	£m
Defined benefit obligation	71.6	78.0
Scheme assets	(55.5)	(66.8)
Deficit	16.1	11.2
Experience losses on plan liabilities	(4.6)	-
Experience losses on plan assets	(17.1)	(1.1)

The Group and Company provide 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 £1.0m (2007: £0.7m).

### Pension Scheme - The Dutton Forshaw Group Pension Plan

The Dutton Forshaw Group's pension plan "The Dutton Forshaw Group Pension Plan", which is a defined benefit scheme provides benefits based on final pensionable salary. The Dutton Forshaw Group Pension Plan, which is a funded scheme, is administered by Equiniti Financial Services 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 Dutton Forshaw Group Pension Plan.

The Group has applied IAS 19 (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 Expense.

A valuation update was made as at 31 December 2008 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 is £73.1m at 31 December 2008 (2007: £86.3m).

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

	Expected rate of return 2008 %	Market value 2008 £m	Expected rate of return 2007 %	Market value 2007 £m
Equities	6.7	36.7	7.6	43.3
Corporate Bonds	6.6	9.9	5.9	11.9
Gilts	3.7	14.9	4.5	18.0
Cash	2.0	-	5.5	0.5
Total fair value of assets		61.5		73.7

# Notes to the Financial Statements

## 30. 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 sheets is as follows:

	2008 £m	2007 £m
Fair value of scheme assets	61.5	73.7
Actuarial value of scheme liabilities	(73.1)	(86.3)
Deficit in the scheme	(11.6)	(12.6)
Related deferred tax asset (note 22)	3.2	3.5
Net pension liability	(8.4)	(9.1)
Experience adjustments in plan liabilities	-	-
Experience adjustments in plan assets	(15.5)	(1.0)

The amounts recognised in the Income Statements are as follows:

	2008 £m	2007 £m
Current service cost	0.8	0.2
Total included in administrative expenses	0.8	0.2
Interest on obligation	5.0	0.8
Expected return on scheme assets	(4.8)	(0.8)
Total included in finance costs (note 2)	0.2	-
Total defined benefit expenses	1.0	0.2

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

	2008 £m	2007 £m
Opening defined benefit obligation	86.3	84.1
Service cost	0.8	0.2
Contributions by employees	0.2	0.1
Interest cost	5.0	0.8
Actuarial (gains)/losses	(16.7)	1.5
Benefits paid	(2.5)	(0.4)
Closing defined benefit obligation	73.1	86.3

Changes in the fair value of scheme assets are as follows:

	2008 £m	2007 £m
Opening fair value of scheme assets	73.7	73.9
Expected return	4.8	0.8
Actuarial losses	(15.5)	(1.0)
Contributions by employer	0.8	0.3
Contributions by employees	0.2	0.1
Benefits paid	(2.5)	(0.4)
Closing fair value of scheme assets	61.5	73.7

The 2007 comparatives are for the period from the date of acquisition to 31 December 2007.

The actual return on scheme assets was £(10.7)m. None of the scheme's assets was invested in Lookers plc or property occupied by Lookers plc.

# Notes to the Financial Statements

## 30. PENSIONS (continued)

	2008 £m	2007 £m
<b>Total amount of actuarial losses recognised in the Statement of Recognised Income and Expense since acquisition</b>	<b>1.2</b>	<b>(2.5)</b>
<b>Cumulative amount of actuarial losses recognised in the Statement of Recognised Income and Expense at the year end</b>	<b>(1.3)</b>	<b>(2.5)</b>

The major categories of scheme assets as a percentage of total scheme assets are as follows:

Equities	59.7%	58.8%
Corporate Bonds	16.1%	16.1%
Gilts	24.2%	24.4%
Cash	-	0.7%

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2008	2007
Discount rate	6.6%	5.8%
Expected return on assets	6.0%	6.5%
Future salary increases	3.0%	3.8%
Future pension increases	2.9%	3.2%
Life expectancy at age 65 for:		
current pensioners - males	86.2	86.2
current pensioners - females	89.2	89.1
future pensioners - males	87.3	87.3
future pensioners - females	90.2	90.2

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 period are as follows:

	£m	£m
Defined benefit obligation	73.1	86.3
Scheme assets	(61.5)	(73.7)
Deficit	11.6	12.6
Experience losses on plan liabilities	-	-
Experience losses on plan assets	(15.5)	(1.0)

## 31. RELATED PARTY TRANSACTIONS

The Company bears certain administrative costs and interest costs centrally which are recharged to the Group. In addition, the Company charges management charges and receives dividends from its subsidiaries. The balances with Group undertakings are summarised in the table below.

	Amounts owed by Group undertakings (Note 13) 2008 £m	2007 £m	Amounts owed to Group undertakings (Note 17) 2008 £m	2007 £m
Bolling Investments Limited	50.7	49.5	-	0.5
DSM Autos Limited	68.5	63.4	0.1	-
Charles Hurst Limited	5.6	-	-	6.0
Charles Hurst Motors Limited	0.1	0.1	-	-
Platts Harris Limited	1.4	0.4	-	-
FPS Distribution Limited	9.8	8.9	-	-
Ferraris Piston Service Limited	1.6	1.0	-	0.2
Apec Braking Limited	0.9	0.3	-	-
BTN Turbocharger Service Limited	0.2	-	-	-
Lookers Leasing Limited	0.4	-	-	-
Lookers Motor Group Limited	47.1	48.5	19.5	5.3
Lookers Birmingham Limited	1.8	1.3	-	-
MB South Limited	7.8	3.7	-	-
Dutton Forshaw Motor Company Limited	21.4	24.3	10.8	12.6
Dormant Companies	0.6	0.6	1.0	1.1
	<b>217.9</b>	<b>202.0</b>	<b>31.4</b>	<b>25.7</b>

Key management compensation is included in note 7.

# Notes to the Financial Statements

## 32. 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 2008 and 2007 are given in note 20. 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 from 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 2008 and 2007 are given in note 20.

### Borrowing Facilities

The Group has the following undrawn committed borrowing facilities available at 31 December 2008 and 2007 which expire:

	2008 £m	2007 £m
Within two to five years	84.0	125.0

The above facilities represent loans and overdrafts, for which the facilities have been confirmed.

The minimum lease payments under finance leases are given in note 19. The present value of the Group's non-current finance lease liabilities is not materially different from their book value.

### Interest Rate Profile

Financial assets comprise cash of £2.1m (2007: £14.8m).

An analysis of the Group's loans and overdrafts between fixed and floating rates is given below.

	2008 Financial liabilities £m	2007 Financial liabilities £m
Fixed Rate	-	0.1
Floating Rate	151.6	140.2
Total	151.6	140.3

Interest rates on the Group's floating rate liabilities are based on the London Interbank rate. At 31 December 2008 all of the Group's bank loans and overdrafts are potentially exposed to re-pricing within 12 months of the balance sheet date (2007: 12 months).

### Foreign Currencies

The majority of the Group's activities are transacted in sterling although some of its purchases are made in US Dollars and Euros. 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.

## 33. OPERATING LEASE COMMITMENTS - MINIMUM LEASE PAYMENTS

Group	2008 Property £m	Plant & equipment £m	2007 Property £m	Plant & equipment £m
Commitments under non-cancellable operating leases expiring:				
Within one year	6.6	0.8	6.2	0.4
Within two to five years	23.0	0.6	25.6	1.1
After five years	42.4	-	53.4	-
	72.0	1.4	85.2	1.5

## 34. CONTINGENT GAIN

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

## 35. POST BALANCE SHEET EVENT

On 29 May 2009 the Group concluded agreement on an amended and restated syndicated facilities agreement with its banking syndicate. Details of the new agreement are shown in note 19.

# Trading Outlets and Interests in Major Subsidiary Companies

## **FRANCHISES**

### ***Prestige Franchises***

**Alfa Romeo**  
Cardiff

**Aston Martin**  
Belfast

**Bentley**  
Belfast

**Chrysler, Jeep, Dodge**  
Belfast  
Hatfield

**Ferrari**  
Belfast

**Honda**  
Bexleyheath  
Derby  
Liverpool  
Nottingham  
Southport  
Warrington

**Hummer**  
Belfast

**Jaguar**  
Belfast  
Glasgow  
Ipswich  
Motherwell

**Land Rover**  
Battersea  
Belfast  
Bishop's Stortford  
Chelmsford  
Colchester  
Glasgow  
London  
Motherwell

**Lexus**  
Belfast  
Hatfield

**Maserati**  
Belfast

**Mercedes-Benz**  
Ashford  
Brighton  
Canterbury  
Eastbourne  
Gatwick  
Maidstone  
Redhill  
Tonbridge

**Saab**  
Chester  
Liverpool

**Smart**  
Brighton  
Maidstone  
Tonbridge

**Volvo**  
Colchester  
Glasgow  
Motherwell

### ***Volume Franchises***

**Chevrolet**  
Liverpool  
Warrington  
Yardley

**Citroën**  
Belfast  
Blackpool  
Liverpool  
Preston

**Fiat**  
Northwich  
Stockport

**Ford**  
Braintree  
Chelmsford  
Clacton  
Colchester  
Sheffield  
South Woodham Ferrers  
Sudbury  
Witham

**Hyundai**  
Dundonald  
Motherwell

**Kia**  
Belfast  
Macclesfield  
Stockport

**Mazda**  
Motherwell

**Nissan**  
Altrincham  
Belfast  
Chester  
Newtownabbey

**Peugeot**  
Belfast  
Cardiff  
Newport

**Renault**  
Altrincham  
Belfast  
Chelmsford  
Chester  
Colchester  
Macclesfield  
Newtownabbey  
Newtownards  
Stockport

**Seat**  
Stockport

**Toyota**  
Belfast  
Chelmsford  
Newtownabbey  
Rayleigh  
Romford

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

**Volkswagen**  
Battersea  
Blackburn  
Blackpool  
Boston  
Burnley  
Darlington  
Lincoln  
Morden  
Northallerton  
Preston  
Teeside

**Motorcycles**  
**BMW**  
Newtownabbey

**Yamaha**  
Belfast

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

**USED CAR**  
**SUPERMARKETS**  
Bristol  
Burton-on-Trent

## **PARTS DISTRIBUTION**

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

**Apec**  
Bristol

**BTN Turbocharger**  
Uxbridge

## **AGRICULTURAL DIVISION**

Darley Dale  
Tuxford

### ***Major Subsidiary Companies***

DSM Autos Limited  
Bolling Investments Limited  
Charles Hurst Limited  
Charles Hurst Motors Limited  
Lookers Motor Group Limited  
Lookers Birmingham Limited  
MB South Limited  
FPS Distribution Limited  
Apec Limited  
BTN Turbocharger  
Service Limited  
Dutton Forshaw Motor  
Company Limited  
Lookers Leasing Limited  
Platts Harris Limited  
Ferraris Piston Service Limited

**Website:**  
**[www.lookers.co.uk](http://www.lookers.co.uk)**

# Five Year Record

	Year ended 31 December 2004 £m	Year ended 31 December 2005 £m	Year ended 31 December 2006 £m	Year ended 31 December 2007 £m	Year ended 31 December 2008 £m
Turnover	1,093.8	1,231.6	1,426.7	1,680.0	1,775.9
Profit before tax, amortisation, exceptional items and debt issue costs	14.1	18.0	26.4	24.5	14.0
Amortisation/impairment	(0.2)	(0.9)	(0.8)	(0.8)	(4.5)
Net exceptional items	12.5	(0.7)	(4.1)	(0.4)	(20.0)
Fair value on derivative instruments	-	-	-	-	(4.0)
Debt issue costs	-	-	(0.1)	(0.3)	(0.4)
Profit/(loss) before taxation	26.4	16.4	21.4	23.0	(14.9)
Taxation	(7.1)	(4.8)	(6.8)	(6.6)	(1.1)
Profit/(loss) attributable to shareholders	19.3	11.6	14.6	16.4	(16.0)
Equity dividend per share*	2.42p	3.05p	3.50p	4.02p	1.60p
Basic earnings/(loss) per ordinary share	11.00p	6.53p	8.13p	9.09p	(8.82)p
Adjusted earnings per ordinary share	6.16p	7.54p	10.63p	9.81p	5.34p
As at Period end					
Shareholders' interests					
Share capital	8.8	8.9	9.0	9.1	9.1
Reserves					
- non-distributable	34.4	35.2	36.4	37.8	36.8
- distributable	41.0	46.1	58.9	64.6	37.0
Net assets	84.2	90.2	104.3	111.5	82.9

Figures for 2004 differ from those originally reported due to amendment following the introduction of International Financial Reporting Standards.

\*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 ninth Annual General Meeting of Lookers plc (the "Company") will be held at the Captains Lounge, Manchester United Football Club, Sir Matt Busby Way, Old Trafford, Manchester, M16 0RA on Friday 26 June 2009 at 12 noon for the following purposes:

1. To approve and adopt the financial statements for the year ended 31 December 2008 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 2008 (Resolution 2).
3. To re-elect P. Jones as a Director who retires in accordance with the Articles of Association (Resolution 3).
4. To re-elect W. Holmes as a Director who retires in accordance with the Articles of Association (Resolution 4).
5. To re-elect R. A. Gregson as a Director who retires in accordance with the Articles of Association (Resolution 5).
6. To re-elect D. C. A. Bramall as a Director who retires in accordance with the Articles of Association (Resolution 6). Mr Bramall's experience in business and his contribution to the Group's progress during his period as a Non-Executive Director form the basis of the Board's belief to recommend his re-election as a Non-Executive Director.
7. To re-elect T. M. Wainwright as a Director who retires in accordance with the Articles of Association (Resolution 7).
8. To re-appoint Deloitte 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 of the 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 £3,072,664 (61,453,279 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 £454,176 (9,083,528 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).
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 5p each in the capital of the Company provided that:
  - (i) the aggregate maximum nominal value of ordinary shares hereby authorised to be purchased is £908,352 (18,167,057 shares);

# Notice of Meeting

- (ii) the minimum price which may be paid for ordinary shares is 5p 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 be adopted as the Articles of Associations of the Company, to the complete exclusion of all existing Articles of Association of the Company (Resolution 13).

14. A Special Resolution to give the Directors authority to call General Meetings of the Company on 14 days notice (Resolution 14).

Registered Office:  
776 Chester Road  
Stretford  
Manchester M32 0QH

By order of the Board  
**S. R. MacDonald**  
Company Secretary  
29 May 2009

# Notice of Meeting

## 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 12 noon on 24 June 2009, 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. A member may appoint one or more proxies to attend a Meeting of the Company providing each proxy is appointed to exercise rights in respect of a different number of shares held by the member.
4. 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.
5. In accordance with Section 325 of the Companies Act 2006, the right to appoint proxies does not apply to persons nominated to receive information rights under Section 146 of the Companies Act 2006. Persons who have been sent a copy of this notice of meeting are hereby informed, in accordance with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.
6. In order to facilitate voting by corporate representatives at the Annual General Meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – [www.icsa.org.uk](http://www.icsa.org.uk) – for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.
7. A Form of Proxy is enclosed for use by shareholders in respect of Resolutions 1 to 14.
8. A Form of Proxy must be lodged with the Company's Registrars, Proxy Department, P.O. Box 25, Beckenham, BR3 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) Register of members of the Company.
  - (b) The Memorandum and Articles of Association of the Company.
  - (c) Details of proxies received.
  - (d) Terms and conditions of the appointment of Directors.
9. The Company's issued share capital on 29 May 2009 was 181,670,573 ordinary shares of 5p each, all shares have voting rights: one share one vote.

# Shareholders, Bankers and Professional Advisers

## **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).

## **Shareholder Benefits**

We operate a scheme which provides all registered private shareholders holding a minimum of 5,000 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 his/her purchase of the new vehicle in the normal way and the £100 is an additional discount obtained from the Company Secretary.

## **Electronic Communication**

Capita Registrars provide a share portal service, which allows shareholders to access a variety of services online, including viewing shareholdings, buying and selling shares online, registering change of address details and bank mandates to have dividends paid directly into your bank account.

In addition, shareholders can register an email address and elect to receive future Company reports and accounts in electronic form.

Any shareholder who wishes to register with Capita to take advantage of this service should visit

[www.capitaregistrars.com/shareholders](http://www.capitaregistrars.com/shareholders)

## **Principal Bankers**

Bank of Ireland

Barclays Bank PLC

HSBC Bank plc

Lloyds TSB

National Australia Bank

The Royal Bank of Scotland plc

## **Registrars and Transfer Office**

Capita Registrars

Woodsome Park

Fenay Bridge

Huddersfield HD8 0LA

## **Auditors**

Deloitte LLP

P.O. Box 500

2 Hardman Street

Manchester M60 2AT

## **Stockbrokers**

Numis Securities Limited

The London Stock Exchange Building

10 Paternoster Square

London EC4M 7LT

KBC Peel Hunt

111 Old Broad Street

London EC2M 1AP

## **Financial Advisers**

NM Rothschild & Sons Limited

82 King Street

Manchester M2 4WQ