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# Lookers plc

## FINANCIAL CALENDAR

**9 March 2011**  
Announcement of results  
for the full year

**25 May 2011**  
Annual General Meeting

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## MISSION STATEMENT

Together we will strive to be an outstanding  
company achieving **customers for life**

MONDAY



\*A63A0UYL\*

A19	13/06/2011	54
COMPANIES HOUSE		
A51	04/06/2011	120
COMPANIES HOUSE		

## FINANCIAL HIGHLIGHTS

"We are pleased to announce that we have delivered another record trading performance for the Company in 2010, with adjusted profit before tax increasing by £5.3 million to £33.6 million."

**PETER JONES**, Chief Executive

## FINANCIAL HIGHLIGHTS

### Revenue

£1.9 billion  
up 7.7%

### Revenue

(Millions of pounds)

### Adjusted Profit from Operations

£46.9m\*  
up 4%

### \*Adjusted Profit from Operations

(Millions of pounds)

### Adjusted Profit Before Tax

£33.6m\*  
up 19%

### \*Adjusted Profit Before Tax

(Millions of pounds)

### Basic Earnings Per Share

5.97p  
up 114%

### Basic Earnings Per Share

(Pence)

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

## 2010 REVIEW

"The new year has started well  
with both the motor division  
and parts division continuing  
to make further progress."

**PHIL WHITE**, Chairman

**"It is particularly pleasing to announce another successful year despite operating against the background of the difficult economic conditions in the UK."**

**PHIL WHITE, Chairman**

## CHAIRMAN'S REVIEW

I am delighted to report that Lookers has delivered another record trading performance for the year, improving \*adjusted profit before tax by over £5 million to £33.6 million, an increase of 19%. It is particularly pleasing to announce another successful year despite operating against the background of the difficult economic conditions in the UK. This excellent performance demonstrates the strength of our business in these times of economic uncertainty

Further to the restructuring of the motor division in 2008/9, we have continued to review the performance of the dealerships in our portfolio which led to the sale or closure of a number of under performing businesses. This has resulted in improved overall group performance and a reduction in costs. We continue to benefit from our diverse business structure, with strong performances from both the motor division and our market leading independent parts division

The UK new car market increased by 1.8% in 2010, with total registrations of just over 2 million. This was the second lowest volume since 1995 despite the Government scrappage scheme which accounted for 107,000 registrations. However, the market displayed underlying growth net of the Government scrappage retail scheme, of 12%. Against this background, our motor division delivered another excellent performance, with a significant increase in profitability. Further details of our progress in the motor division are provided in the Chief Executive's Review

Our independent parts distribution business, which provides an increasing and significant contribution to group earnings, has had another excellent year. The division now accounts for in excess of 35% of group profits and produced record levels of operating profit in all of the three businesses that comprise the division. The parts division is of particular importance to the group as it produces a more resilient source of profit which is not subject to the fluctuations in the new and used car markets. Furthermore, as each of the three businesses is the national market leader in their sector of the market, we are in a strong position to exploit future growth opportunities through the introduction of new products and services

Our strong performance in 2010 demonstrates the strength of the group's businesses with profits generated by dealership after-sales and the independent parts division representing 59% of gross profit. Furthermore, the capital structure of the group has strengthened significantly in the last two years and the business is generating substantial levels of free cashflow. This improved financial position has enabled the company to recommence a progressive dividend policy. The group is therefore, in a strong position to continue to trade successfully and develop further opportunities in all areas of the business

### FINANCIAL HIGHLIGHTS

Turnover was 8% higher than last year at £1.9 billion. \*Adjusted operating profit increased to £46.9 million from £45.1 million last year and we are pleased to report that there were no exceptional charges in the year compared to £14.2 million last year, which were primarily in relation to refinancing and restructuring costs. We have continued to focus on the control of working capital and operational cashflow, which together with cash raised from the sale of under performing businesses or surplus properties, has reduced bank borrowings by £22.4m in the year. This has had a positive effect on net interest

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

## 2010 REVIEW

"Our independent parts distribution business, which provides an increasing and significant contribution to Group earnings, has had another excellent year."

**PHIL WHITE**, Chairman

FPS  
National Distribution Centre,  
Sheffield

# 2010 REVIEW

Lookers Ford, Sheffield (South)

charges which have reduced by £3.5m to £13.3m, a reduction of 21%. \*Adjusted profit before tax was £33.6 million compared with an \*adjusted profit of £28.3 million last year. Profit before tax increased to £31.1 million compared to £11.5 million in the previous year. \*Adjusted earnings per share were 6.63p compared to 7.32p last year, with basic earnings per share of 5.97p compared to 2.79p last year. Earnings per share have been affected by the share issue in 2009 and further details of the improvement in earnings per share, after adjusting for the share issue are provided in the Finance Director's Review. Cashflow for the year was particularly strong and significantly improved compared to last year with net cash inflow improving to £12.4 million compared to £9.8 million in 2009. This had a beneficial effect on the balance sheet where gearing improved to 31% from 49% last year and net debt reduced to £56.6 million compared to £79.0 million at the start of the year.

## DIVIDEND

We were pleased to announce in the half year report that, given the encouraging results for that period and the strong financial position of the group, the company intended to pay an interim dividend of 0.6p per share, which was paid in November. This represented the restoration of a progressive dividend policy which was previously followed by the company until the difficult trading conditions in 2008. I am also pleased to announce that following the strong performance of the group in the year, we are proposing to pay a final dividend for the year ended 31 December 2010 of 1.2p per share, giving a total dividend for the year of 1.8p per share. This is subject to approval by shareholders at the Annual General Meeting and will be payable on 31 May 2011.

## OUTLOOK

Both divisions of the group have delivered excellent trading performances in the year and with consumer confidence being affected by general economic conditions, the new and used car markets are likely to continue at similar levels. However, the group has performed well in the difficult markets of the last two years. The motor division has a significant bias to aftersales which, together with the independent parts division,

now represents 59% of gross profit. This demonstrates the resilience of the group's business and the flexibility to adapt to changing market conditions to help protect profitability which gives us confidence for the future.

We are continuing to focus on areas where we can improve the performance of the group's dealership operations to bring further improvements in profitability. The independent parts division continues to deliver record levels of performance and the addition of new product lines, improved facilities and investment in systems, will bring further increases in profitability. The group balance sheet has been strengthened significantly and will continue to improve with positive cashflow. These factors, together with substantial headroom in our bank facilities, will allow us to take advantage of strategic growth opportunities that may arise for both the motor and parts division.

The new year has started well with both the motor division and parts division continuing to make further progress. We are therefore confident that the company is well placed to deliver future growth.

I would like to conclude by thanking all our people at Lookers for their hard work and dedication in a challenging year, without whom we would not have been able to deliver such an excellent result.

**Phil White**  
Chairman  
9 March 2011

## 2010 REVIEW

"Both our motor and parts divisions delivered record performances and we continued to reduce cost, improving efficiencies."

**PETER JONES**, Chief Executive



“We have now had two successive years of record profits which have been delivered in difficult market circumstances.”

PETER JONES, Chief Executive

# CHIEF EXECUTIVE'S REVIEW

Both the motor division and parts division have delivered excellent trading performances in the year with the result that the group achieved a 2010 \*adjusted profit before tax of £33.6 million. This is an increase of 19% compared to the 2009 result of £28.3 million and is a record result for the group.

The key factors in driving performance recovery throughout the business were

- Significant increase in new car gross profit,
- Growth in new car retail volumes strengthening retail share,
- Strong growth in turnover and gross profit in our parts division and a strong aftersales performance in the motor division, and
- Further reductions in the cost base

We have now had two successive years of record profits which have been delivered in difficult market circumstances. This gives us confidence that we can continue to grow the business in 2011, despite short term market conditions remaining challenging. As economic conditions improve over the medium term then the business is well placed to take advantage from future growth in the new and used car markets and increased demand for aftersales and parts.

## OPERATING REVIEW

### Motor Division

Our motor division consists of 119 franchise dealerships representing 33 marques from 71 sites. The business generates revenue from the sale of new and used cars, vehicle servicing and repair, and the sale of franchise parts. In 2010 our motor division increased profit before tax to £28 million from £25 million in 2009.

During the year we have added 6 further franchises to existing locations which increased turnover without a significant increase in fixed costs, thereby improving efficiency and profitability of the site. We have established a new Ford business in Sheffield to complement our existing business there and acquired the Audi business in South Dublin as a precursor to establishing a flagship brand centre in Dublin, which will have the potential to develop into a very profitable business. We have also sold or closed seven under performing or loss making businesses which were non core to our strategic development plan.

### New Cars

The new car market increased by 2% to just over 2 million cars, including additional sales of 107,000 vehicles as a result of the government scrappage scheme. Encouragingly however, the market net of scrappage saw 12% growth, a trend expected to continue in 2011.

Group total new car sales of 58,390 was a reduction of 4.8% compared to 2009 levels, with sales of new retail cars increasing by 1,661 units to 39,280, an increase of 4.4% compared to a decrease in the UK market of 6.1% strengthening our share of this sector of the market to 4.1%. In the fleet sector we sold 19,110 cars compared to 23,753 last

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

## 2010 REVIEW

Vauxhall Meriva

Renault Wind

### Motor vehicle manufacturer brands

Alfa Romeo	2
Aston Martin	1
Audi	1
Bentley	1
Chevrolet	2
Chrysler	1
Citroën	5
Dodge	1
Ferrari	1
Fiat	1
Ford	9
Honda	3
Hyundai	3
Jaguar	4
Jeep	1
Kia	4
Land Rover	8
Lexus	2
Maserati	1
Mazda	1

Mercedes-Benz	7
Nissan	4
Peugeot	4
Renault	7
Saab	2
Seat	1
Skoda	1
Smart	4
Toyota	5
Vauxhall	15
Volkswagen	11
Volvo	3

### Motorcycle manufacturer brands

BMW	1
Yamaha	1

Yamaha XT1200Z Super Tenere

## 2010 REVIEW

year, reducing our share to 1.8% of the market, compared to 2.4% last year, the reduction in volume due to reduced sales of low margin fleet business, where the margins on specific deals were reduced from 2009 levels.

Gross profit per unit for new cars increased by 13%, with overall gross profit improving by £5 million despite the reduced volume

### Used Cars

The total used car market in the UK declined by approximately 2% in 2010. Group sales of 41,953 were a similar volume to 2009 levels and ahead of the market. This was a positive performance with volumes improving in the second half of the year following lower demand in the first half as a result of the adverse weather conditions at the start of the year. Gross profit per unit strengthened by 1.4% a strong performance given that 2009 margins benefitted from unprecedented price inflation.

The used car market, which has annual sales of circa 6.7 million vehicles, remains a huge area of opportunity for the Group. Through improved sourcing and a broader stock mix on our forecourts, we expect to take advantage of the stable market conditions in the used car sector to improve volumes and make further improvements in gross margin.

### Aftersales

The aftersales business in the motor division continues to gain share of the declining vehicle parc within the 1 to 3 year vehicle sector. The group generated a small increase in like for like aftersales revenue, which represents good progress in a declining market. However, whilst turnover has been maintained this has been at the expense of a small reduction in margin compared to last year, as we broaden our offering to older vehicle servicing and repairs.

We continue to invest in technology and procedures to further improve customer retention and average sales value per customer visit. These initiatives include improvements in our customer relationship marketing centre processes, the deployment of electronic health checks in all businesses, the introduction of service plans for new and used vehicles together with the implementation of a Lookers warranty scheme. All these initiatives help us to identify and optimise service and repair requirements on all vehicles visiting us, which combined with our determination to deliver excellent customer service, are key factors in strengthening and optimising customer retention.

Lookers Hyundai, Preston

## 2010 REVIEW

### Parts Division

Following a record year in 2009 our independent aftermarket parts division has continued to perform significantly ahead of last year and has produced another record performance. The Parts Division operates through three companies, each supplying hard parts to the independent aftermarket, the customer base being primarily motor factors who, in turn supply the independent repair sector.

The total vehicle car parc in the UK market is over 30 million vehicles, with just over 6.5 million of these being in the conventionally, franchise dealership dominated 1 to 3 year vehicle parc. In contrast to the younger vehicle parc, the three year plus vehicle parc in the UK continues to grow and the outlook for our independent parts operations is good as each of the businesses continues to take an increased share of a growing market opportunity.

Turnover for the division increased by 14%, operating profit increased by 9% and adjusted profit before tax increased by 11%, from £11.1 million to £12.3 million.

FPS, the only national warehouse distributor of quality branded automotive hard parts delivered strong results with turnover increasing by 14% and profit before tax increasing by 10% to £8.7 million. Growth was achieved across all major customer groups and has also been supported by the introduction of new product lines with further growth from product lines introduced

in previous years. The national distribution centre was extended and a second warehouse was established in Sheffield for bulk storage and distribution of a new product line. Efficiency benefits were also achieved by an increase in electronic order capture and information exchange so that e-business now represents 60% of sales, up from 50% last year.

Apec Braking, the market leader in the UK for 'dry' braking (pads and discs) increased turnover by 9%. Margins were under pressure due to the weakness in sterling in the earlier part of the year, however, in spite of this, profit before tax increased slightly to £1.9 million. Margins have since improved due to re-sourcing discs and turnover growth was achieved across all major customers and product lines.

BTN Turbo is a leading supplier and provider of technical support and servicing of turbochargers and delivered another excellent performance in the year. Turnover increased by 28% and profit before tax increased by 24%, with increased sales to motor factor groups and growth across all major customer sectors. There is significant potential for further growth opportunities with many specific customer prospects in progress.

### OUTLOOK

Both the Motor Division and Parts Division have made a good start to the current year. The motor division has continued to outperform the new retail car market and our used car

“FPS, the only national warehouse distributor of quality branded automotive hard parts delivered strong results with turnover increasing by 14% and profit before tax increasing by 10% to £8.7 million.”

PETER JONES, Chief Executive

FPS  
National Distribution Centre, Sheffield

## 2010 REVIEW

performance has shown further improvements. We have a healthy order book for the delivery of new cars in the important month of March and aftersales continue to perform well with the result that the Motor Division is ahead of both budget and prior year. Furthermore the independent parts division has made further progress and is ahead of budget. We therefore expect the result for the first quarter to be ahead of both budget and last year.

I am also pleased to announce that we completed the acquisition of Get Motoring UK Limited on 9 March 2011. This company trades as Vehicle Rental Services (VRS) and supplies vehicles on short term leases to car rental operators in the UK. VRS complements our existing vehicle leasing businesses and with anticipated annual EBITDA of approximately £3 million, it helps to broaden the range of sources of earnings in the group.

As we look forward in this new financial year, the new and used car retail markets, whilst well below previous levels, are likely to continue to demonstrate conservative underlying growth creating opportunities for increased sales volumes. The aftersales bias to the motor division, and the group's strong performance during the past two years, demonstrate the strength of the business and leave us well positioned for future growth.

We continue to focus on areas where we can improve the performance of the group's franchised outlets and we will also

focus on targeted and selective acquisitions to further improve our franchise representation.

The parts division is a key factor that differentiates Lookers in the retail motor sector and provides high quality earnings that are not subject to fluctuations in the new and used vehicle markets, as well as making a significant and increasing contribution to group profitability.

The group balance sheet has been strengthened significantly over the past two years and this, together with substantial headroom in our bank facilities, enables us to pursue strategic acquisition opportunities in both the motor and parts divisions, which will help underpin growth in future years.

**Peter Jones**  
**Chief Executive**  
**9 March 2011**

## 2010 REVIEW

"Turnover increased by 7.7% to £1.9 billion from £1.75 billion last year, with positive growth across the Group's business."

**ROBIN GREGSON**, Finance Director

Ferrari, 458 Italia

“Profit before tax was £31.1 million compared to a profit before tax in the previous year of £11.5 million.”

ROBIN GREGSON, Finance Director

## FINANCE DIRECTOR'S REVIEW

Turnover increased by 7.7% to £1.9 billion from £1.75 billion last year, with positive growth across the group's business. Gross profit of £261 million was level with last year, although the gross margin was slightly reduced due to higher average selling prices of both new and used cars. Overheads reduced by £2.3 million in the year and \*adjusted profit from operations therefore increased by 4% to £46.9 million, an increase of £1.8 million compared £45.1 million in the prior year.

Total net interest costs reduced by 21% to £13.3 million compared to £16.8 million in 2009, with operational interest charges, excluding interest on pension scheme liabilities, reduced by 15% from £14.5 million to £12.3 million. Interest on group borrowings is based initially on floating interest rates supplemented with interest rate hedges. A significant element of the term loan was covered by interest rate hedges during the year. At 31 December 2010, 99% of the term loan was covered by interest rate hedges. However, as the hedges were established in 2007, when interest rates were significantly higher than current levels, they have the effect of increasing the interest charge so that we do not get the full benefit of the low base rate which is currently applicable in the UK.

\*Adjusted profit before tax, amortisation, exceptional items and debt issue costs for the year increased by 19% to £33.6 million, a record result for the company and an improvement of £5.3 million compared to the result for the previous year of £28.3 million. Profit before tax was £31.1 million compared to a profit before tax in the previous year of £11.5 million. This resulted in \*adjusted earnings per share of 6.63p compared to 7.32p in the prior year and basic earnings per share of 5.97p compared to 2.79p in the previous year. The calculation of earnings per share has been affected by the share issue in July 2009, which resulted in an increase in the weighted average number of shares in issue of 58%. The reduction in the adjusted earnings per share reflects the full year impact of the additional shares issued as part of the share issue. Adjusting for the impact of the share issue, the adjusted earnings per share for the prior period would have been 5.11p\*\*, an increase of 30%.

No exceptional items were incurred in the year compared to £14.2 million in 2009, which related to refinancing and restructuring costs and this has had a positive impact on retained profits and cashflow.

### TAXATION

The tax charge for the year of £8.2 million compares to a net tax charge of £3.5 million in the prior year and reflects a charge of 26.4% of profit before tax. This is slightly lower than the standard rate of corporation tax of 28%, as some tax benefit has arisen this year from prior year items. The tax charge is significantly higher than that of 2009 as the previous year's charge was reduced by the impact of exceptional items and prior year losses.

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

(\*\*This calculation is based on \* Adjusted earnings and a weighted average number of shares in issue of 410,777,400 which represents the weighted average number of shares in issue during the prior period as adjusted for the shares issued in the share issue.)

# 2010 REVIEW

## CASHFLOW AND CAPITAL EXPENDITURE

Cash generated from operations for the year was £49.3 million, an increase of 145% compared to the operating cashflow in 2009 of £20.1 million. Working capital increased by £1.5 million with an increase in creditors of £41.3 million offsetting most of the increase in stock of £44.9 million. Capital expenditure was £12.3 million compared to £7.2 million the previous year and proceeds from the sale of properties were £7.0 million (2009 £2.5 million). The majority of capital expenditure was on new or improved premises for the parts division or improvements to dealership properties.

Loan repayments of £10 million were made during the year and net cash inflow after this was £12.4 million, compared to a cash inflow of £9.8 million in 2009. However as there were no scheduled loan repayments in 2009 and 2009 benefited from the proceeds of the share issue, the cashflow in the current year was significantly stronger. This resulted in a reduction in net debt of £22.4 million to £56.6 million compared to £79.0 million at the start of the year, net debt being calculated as gross bank borrowings less cash balances.

## SHAREHOLDERS' FUNDS AND FINANCING

The group has available bank facilities which consist of a revolving credit facility of £53 million and a term loan of £81 million. Interest is charged on both loans at a margin of between 3% and 4% above LIBOR. These facilities are subject to quarterly covenant tests on interest cover, net bank debt to EBITDA, total net debt to EBITDA and debt service cash cover. The covenant tests are set at levels that provide sufficient headroom and flexibility for the group until maturity of the facilities in April 2012. We are currently considering the options for refinancing and are confident of a successful outcome later this year.

At 31 December 2010 total facilities were £134 million of which £57 million, net of cash balances, was being utilised. These facilities together with the group's strong operational cash flow, indicate that the group has sufficient facilities available to fund its operations and allow for future expansion. At 31 December 2010 gearing was 31% compared to 49% at 31 December 2009 and net debt to EBITDA was 1.04 compared to 1.5 last year. The group's underlying profitability and strong cashflow should result in further reductions in borrowing in the future and help ensure that the level of borrowing remains under control and is at a reasonable level in relation to net assets. Further information on the going concern basis of preparation is included in the principal accounting policies.

## PROPERTY PORTFOLIO

The group has a policy of investing in freehold and long leasehold property as the preferred means of providing premises for the car dealerships, where possible. As a result we have a significant and valuable portfolio of freehold and long leasehold properties where the net book value at 31



## 2010 REVIEW

December 2010 was £181.5 million compared to £183.4 million last year. Of this amount £7.8 million has been disclosed within current assets as assets held for sale. Short leasehold properties had a value of £7.4 million (2009: £8.5 million).

### DIVIDENDS

An interim dividend of 0.6p per ordinary share was paid on 30 November 2011 and the company is proposing to pay a final dividend of 1.2p per ordinary share. This is subject to shareholder approval at the Annual General Meeting and will be payable on 31 May 2011. The company had previously followed a progressive dividend policy, until the difficult trading conditions of 2008 and this policy has now been restored. The final dividend will represent a cash outflow of £4.6 million which gives a total dividend for the year of £6.9 million.

### PENSION SCHEMES

The group operates two defined benefit pension schemes both of which are closed to entry for new members. There has been a recovery in the value of pension scheme assets during the year, which has resulted in a reduction in the pension deficit for both schemes. The total deficit has reduced by £5.7 million, after deferred tax, so that the total deficit is £19.8 million (2009: £25.5 million). The assessment of valuation is based on several key assumptions prescribed by accounting standards and over which the directors have very little control. Relatively small changes in the bases of valuation can have a significant effect on the calculated deficit, hence the movement in the calculated deficit can be subject to high levels of volatility. The board continues to look at its options to reduce both the annual cost of operating both schemes and what actions can be taken to reduce the deficit on the schemes, thereby reducing exposure to movements in these liabilities and reducing the deficit over the medium and longer term.

Taggart Peugeot,  
Motherwell

### VAT

The group has previously submitted a number of claims with HM Revenue & Customs ('HMRC') in respect of potential overpayments of VAT relating to prior years. If the group is successful in its negotiations with HMRC, then there is the potential for significant repayments to be received by the group. The nature of the process for negotiating these claims with HMRC can take a considerable time so the timing of any potential receipt is uncertain and no benefit for any potential repayment has been included in the accounts and no income will be included until the claims have been agreed with HMRC.

Robin Gregson  
Finance Director  
9 March 2011

# BOARD OF DIRECTORS

## EXECUTIVE DIRECTORS

1

2

**1 PETER JONES** Chief Executive  
Joined the Group and appointed to the Board in May 2008 and  
appointed as Managing Director of the Motor Division in January  
2009. He became Group Chief Executive on 1 October 2009.

**2. ROBIN GREGSON** Finance Director  
Chartered Accountant. Joined the Group in May 2009.  
Previously Group Finance Director of Cardpoint plc  
and CD Bramall plc, whom he joined from Deloitte.

**3 ANDREW BRUCE** Managing Director, Motor Division  
Joined the Group in 2000 and appointed to the Board in 2002.  
Formerly UK Sales Director for Land Rover, Andy was appointed  
to his current position in March 2010 and has full accountability  
for the Group's Motor Division performance.

**4 TERRY WAINWRIGHT** Operations Director  
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 Unipart Group.

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## BOARD OF DIRECTORS

### NON-EXECUTIVE DIRECTORS

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**5. PHIL WHITE** Chairman Y Δ

Appointed in September 2006. Chief Executive of National Express for 10 years until 2007. He is also Chairman of Kier Group plc and The Unite Group plc and a Non-Executive Director of Stagecoach Group plc.

**6 TONY BRAMALL**

Appointed in June 2006

Chairman and Director of CD Bramall plc until February 2004

7

8

**7 JOHN BROWN** \* † Y Δ

Appointed in May 2005. Chartered Certified Accountant. Currently Chairman of Norcross plc and 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.

**8. BILL HOLMES** † Y Δ

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 Andersen he qualified as an Inspector of Taxes with HM Revenue & Customs.

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

# Financial Statements 2010

# Directors' Report

The Directors have pleasure in submitting their report which includes the Statements on Corporate Governance and the audited financial statements for the year ended 31 December 2010

## 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 4 to 19. The main financial KPIs of the Group are revenue, 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, although it is likely that this would be mitigated by potential increases in both the used car market and the aftersales market as customers substitute nearly new for new cars, or spend more keeping their old vehicles roadworthy. Despite the lack of available credit, together with a general feeling of uncertainty in the economy, the Group's business has proved to be resilient against this background.

### 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.

### 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 £134 million, 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. However the share issue in 2009 significantly strengthened the Group's balance sheet and provided a substantial source of additional funding.

### 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. The fluctuation of the Euro against Sterling has meant that most manufacturers have had to adjust prices despite the current market conditions. The Board is aware of the uncertainties and seeks to mitigate this by ensuring the Group retains a broad mix of the major manufacturers, both UK and overseas, to limit the effect.

### Legal and Regulatory

In 2010 the updated Block Exemption Regulation for aftersales was implemented and the regulation for sales was extended to 2013, pending a revision to a general exemption status 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.

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.

# Directors' Report

## 2. ENHANCED BUSINESS REVIEW (continued)

### 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

### 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 0.6p per ordinary share was paid on 30 November 2010 (2009: nil). The Directors are recommending a final dividend of 1.2p per ordinary share (2009: nil) which will be payable on 31 May 2011 following approval at the Annual General Meeting, bringing the total dividend for 2010 to 1.8p (2009: nil).

## 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 10 Number	31 12 09 Number
D. C. A. Bramall	85,444,637	85,444,637
J. E. Brown	98,318	98,318
A. C. Bruce	349,271	349,271
R. A. Gregson	200,000	200,000
W. Holmes	36,666	36,666
P. Jones	2,500,000	1,981,000
T. M. Wainwright	159,467	159,467
P. M. White	53,716	53,716
*B. Schumacker	*	1,328,762

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

\*B. Schumacker retired from the Board on 1 March 2010.

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 2010 and 9 March 2011.

The mid-market price of the ordinary shares at 31 December 2010 was 62p and the range during the year was 44.75p to 63.5p.

Directors retiring by rotation are A.C. Bruce and R.A. Gregson and, being eligible, offer themselves for re-election.

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).

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

# Directors' Report

## 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 Auditor's Report and the Company's accounts for the year ended 31 December 2010

## 6 CAPITAL STRUCTURE

Details of the authorised and issued share capital, together with details of the movements in the company's issued share capital during the year are shown in note 23. The Company has one class of ordinary shares which carry no right to fixed income. There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of Directors, the company is governed by its Articles of Association, the Combined Code, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Main Board Terms of Reference, copies of which are available on request, and the Corporate Governance Statement on page 29.

Under its Articles of Association, the company has authority to issue 480,000,000 ordinary shares.

There are also a number of other agreements that take effect, alter or terminate upon a change of control of the company such as commercial contracts, bank loan agreements, property lease arrangements and employees' share plans. None of these are considered to be significant in terms of their likely impact on the business of the group as a whole.

## 7 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 has a dedicated Intranet site "Insight" which keeps 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.

## 8 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.

## 9. 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 8) which seeks to renew the authority conferred on the Directors at last year's Annual General Meeting to allot shares.

This authority, which will expire on 25 November 2012 or, if earlier, at the conclusion of the Company's next Annual General Meeting, is to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares up to an aggregate nominal value equal to £6,393,543 (representing 127,870,860 ordinary shares), being approximately 33% of the Company's issued ordinary share capital as at 9 March 2011 (being the latest practicable date prior to the printing of this document). As at 9 March 2011, the Company did not hold any shares in the Company in treasury.

The Directors have no present intention of exercising this authority. The purpose of giving the Directors this authority is to maintain the Company's flexibility to take advantage of any appropriate opportunities that may arise.

### (b) Disapplication of statutory pre-emption rights

The Special Business of the Annual General Meeting includes a Special Resolution (Resolution 9) which seeks to renew the authority conferred on the Directors at last year's Annual General Meeting to issue equity securities of the Company for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

# Directors' Report

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

The Companies Act 2006 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. 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 jurisdictions.

This resolution seeks authority to disapply such statutory pre-emption rights. Other than in connection with a rights issue or other similar issue, the authority contained in this resolution will be limited to an aggregate nominal value of £959,031 (representing 19,180,620 ordinary shares), being 5% of the Company's issued ordinary share capital as at 9 March 2011 (being the latest practicable date prior to the printing of this document).

This authority 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 on 25 November 2012 or, if earlier, at the conclusion of the Company's next Annual General Meeting.

The Board confirms its intention to adhere to the provisions in the Pre-Emption Group Statement of Principles regarding cumulative usage of authorities of no more than 7.5% of the issued ordinary share capital within a rolling three year period.

### (c) Purchase of own shares

The Special Business of the Annual General Meeting includes a Special Resolution (Resolution 10) which seeks to renew the authority granted to the Directors at last year's Annual General Meeting and to give the Company authority to make market purchases of its own ordinary shares as permitted by the Companies Act 2006.

The resolution limits the number of ordinary shares the Company can buy to a maximum of 38,361,262 shares representing 10% of the Company's issued ordinary share capital as at 9 March 2011 (being the latest practicable date prior to the printing of this document). The authority also sets maximum and minimum prices.

As at 9 March 2011, the Company does not have any outstanding warrants or options to subscribe for equity shares.

The Company would only buy shares on the London Stock Exchange. The authority to repurchase ordinary shares will, if approved by the shareholders, only be exercised after careful consideration by the Board, and if such exercise would result in an increase in earnings per share and would be in the best interests of the shareholders generally. Shares so purchased would be cancelled and the number of shares in issue reduced accordingly.

The Directors have no present intention to exercise this authority but wish to retain the flexibility to do so in the future.

The authority sought will expire on 25 November 2012 or, if earlier, at the conclusion of the Company's next Annual General Meeting.

### (d) Notice of General Meetings

The Special Business of the Annual General Meeting includes a Special Resolution (Resolution 11) which seeks to renew the authority given at the last Annual General Meeting to call general meetings on 14 days' notice instead of 21 days.

The Company currently has power under its Articles of Association to call general meetings (other than an annual general meeting) on 14 clear days' notice and would like to preserve this ability. In order to be able to do so, shareholders must first approve the calling of meetings on 14 days' notice. This resolution seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

The shorter notice period would not be used as a matter of routine for general meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of the shareholders as a whole.

### (e) Adoption of new articles of association

It is proposed in resolution 12 to adopt new articles of association ("the New Articles") in order to update the Company's current articles of association ("the Current Articles"). The adoption of the New Articles is the final stage of an ongoing process that ensures that the Company's constitution has taken account of changes in English company law brought about by the Companies Act 2006. The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature have not specifically been noted.



# Directors' Report

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

A copy of the New Articles, together with a marked copy of the Current Articles showing the changes proposed to be made to them, will be available for inspection during normal business hours on any weekday (excluding public holidays) from the date of this report until the close of the Annual General Meeting at the Company's registered office and at the offices of Addleshaw Goddard LLP, Milton Gate, 60 Chiswell Street, London EC1Y 4AG. The documents will also be available for inspection at the AGM venue from 9.45 a.m. on the day of the meeting until the meeting's conclusion.

### Summary of principal changes from the Current Articles

#### (i) Authorised share capital and unissued shares

The Companies Act 2006 has abolished the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority (of the nature referred to in resolution 8) continues to be required under the Act, save in respect of employee share schemes.

#### (ii) Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the Companies Act 1985, a company required specific enabling provisions in its articles in order to purchase its own shares, to consolidate or sub-divide its shares or to reduce its share capital or other undistributable reserves, as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Companies Act 2006, a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions do not appear in the New Articles.

#### (iii) Chairman's casting vote

The New Articles do not contain a provision giving the chairman a casting vote at a shareholders' meeting in the event of an equality of votes, as this is no longer permitted under the Companies Act 2006.

#### (iv) Directors' fees

The Current Articles set an annual limit of £200,000 on the aggregate amount of fees (as distinct from salaries and remuneration) that may be paid by the Company to the Directors for their services as directors. This limit was set some years ago and the Board feels that it should now be increased to £300,000 per annum in the New Articles, in order to provide appropriate flexibility for the future.

#### (v) Objects clause

Prior to 1 October 2009, the provisions regulating the operations of the Company were set out in the Company's memorandum and articles of association. The Company's memorandum contained, among other things, the objects clause which set out the scope of the activities which the Company was authorised to undertake. This was drafted to give a wide scope.

The Companies Act 2006 has significantly reduced the constitutional significance of a company's memorandum. The Act now provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the Company. Under the Act, the objects clause and all other provisions which were contained in a company's memorandum as at 1 October 2009 are now deemed to be contained in the company's articles of association, but a company can remove these provisions by special resolution.

Further, the Act states that, unless a company's articles provide otherwise, its objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are now treated as forming part of its articles of association. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles contain an express statement regarding the limited liability of shareholders.

#### (vi) Statutory references and definitions

References to sections of the Companies Act 1985 will be replaced by references to the corresponding sections in the Companies Act 2006.

#### (vii) Voting by proxies on a show of hands

The Companies Act 2006 now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. It is proposed that the New Articles reflect this statutory provision.

# Directors' Report

## 10. DONATIONS

Charitable donations amounted to £13,745 (2009 £16,293) No political donations were made (2009 £nil)

## 11. AUDITOR

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 2006) of which the Company's auditor is unaware, and
- each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

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

## 12. 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 2010, the trade creditors of the Group and the Company represented 32 and 30 days (2009 32 and 30 days) purchases respectively

## 13. DERIVATIVES AND FINANCIAL INSTRUMENTS

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

The Group finances its operations by a mixture of retained profits, bank borrowings, 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 three 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 30 of the notes to the Financial Statements for further information in this area

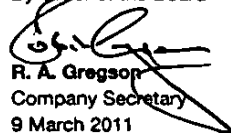
## 14. SUBSTANTIAL SHAREHOLDINGS

On 9 March 2011 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	85,444,637 shares	(22.28%)
Treffick Limited	68,224,910 shares	(17.27%)
Schroders Investment Management Limited	14,078,469 shares	(3.67%)

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

  
R. A. Gregson  
Company Secretary  
9 March 2011

# 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 2008 Combined Code (the "Code") of the Listing Rules of the Financial Services Authority

Throughout 2010 the Company has been in compliance with the Code provisions set out in 2008 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 and four Non-Executive Directors. B. Schumacker retired on 1 March 2010, 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 P. Jones 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

## 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 2010				
	Board	Audit	Remuneration	Nomination
Number held	10	2	2	0
Number attended				
D. C. A. Bramall	8	1*	-	-
J. E. Brown	10	2	2	-
A. C. Bruce	10	-	-	-
R. A. Gregson	10	2*	2*	-
W. Holmes	9	2	2	-
P. Jones	10	2*	2*	-
B. Schumacker (Resigned 1 March 2010)	2	-	-	-
T. M. Wainwright	10	-	-	-
P. M. White	10	2	2	-

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

# Statements on Corporate Governance

## 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, 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

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

The Non-Executive Directors are appraised individually on an annual basis by the Chairman and the Board, led by the senior Non-Executive Director, together appraise the Chairman. In 2010, 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 the Group's banking facilities remain available to them and are appropriate given the Group's current trading and medium-term plans. The Company and the Group meet their day to day working capital requirements through short-term stocking loans, the revolving credit facility and its medium-term funding requirements through a term loan. At the year end the medium-term banking facilities included a revolving credit facility of up to £53.3 million and a term loan totalling £80.9 million, providing total facilities of £134.2 million. These facilities are due for renewal in April 2012 and the Directors are currently considering their options for refinancing. Further details surrounding the Directors' rationale regarding the going concern assumption are included in Principal Accounting Policies 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 W Holmes and throughout 2010 was chaired by J E Brown. The Committee met

# Statements on Corporate Governance

## ACCOUNTABILITY AND AUDIT (continued)

### Audit Committee (continued)

twice during 2010, 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 2010. 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 auditor is 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 auditor 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 level of fees paid to Deloitte LLP for non-audit services has been considered by the Audit Committee and is not perceived to be in conflict with auditor independence.

Deloitte LLP has been external auditor for five years. The Audit Committee assesses and considers the frequency of changing auditor based on their assessment of the audit. No contractual obligations exist which restrict the Audit Committee's choice of Auditor.

The Committee conducted a formal evaluation of the effectiveness of the external audit process and held independent meetings with the external auditor, and has reported on its conclusions to the Board. The Committee has recommended to the Board the re-appointment of the external auditor. Non-audit services are placed with whichever firm is believed to deliver the best value for money, having regard to our external auditor's 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 embed 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.

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 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 auditor.

### 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, [www.lookersplc.com](http://www.lookersplc.com), 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 are 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 2010, are set out below:

	2010
Number of fatalities	-
Injuries resulting in absence over three days	15
Major injuries reported under RIDDOR*	1
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 fund raising 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 Schedule 8 of the Accounting Regulations under the Companies Act 2006. 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 relating to Directors' remuneration in the Combined Code. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved. The Act requires the auditors to report to the Company's members on certain parts of the Directors' Remuneration Report and to state whether in their opinion these parts of the report have been properly prepared in accordance with the Accounting Regulations. The report has therefore been divided into separate sections for audited and unaudited 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 W. Holmes (Chairman), J. E. Brown and P. M. White. 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 revenue, 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 24. None of the Executive Directors currently has any long-term incentives other than the Performance Share Plan ("PSP"), or the executive share option scheme 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 110% 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 and A. C. Bruce remains a member 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. P. Jones, R. A. Gregson 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.

# Directors' Remuneration Report

## UNAUDITED INFORMATION (continued)

### 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. There was no award in 2009 or 2010

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
P. Jones	22 February 2010	1 Year	Basic salary and benefits for unexpired term
R. A. Gregson	22 February 2010	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

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.



# Directors' Remuneration Report

## UNAUDITED INFORMATION (continued)

### Performance Graph

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

## AUDITED INFORMATION

### Directors' Emoluments

	Fees £000	Salary £000	Annual Bonus £000	Benefits- in-kind £000	2010 Total £000	2009 Total £000	Pension Contributions 2010 £000	Pension Contributions 2009 £000
P. M. White	102	-	-	-	102	110	-	-
P. Jones	-	307	323	1	631	520	61	48
B. Schumacker (1)	-	31	-	1	32	382	1	40
A. C. Bruce	-	220	229	8	457	384	19	37
T. M. Wainwright	-	188	99	10	297	303	24	23
R. A. Gregson	-	230	242	3	475	293	46	29
J. E. Brown	41	-	-	-	41	37	-	-
D. C. A. Bramall	36	-	-	-	36	35	-	-
W. Holmes	36	-	-	-	36	35	-	-
<b>Total</b>	<b>215</b>	<b>976</b>	<b>893</b>	<b>23</b>	<b>2,107</b>	<b>2,099</b>	<b>151</b>	<b>177</b>

(1) Retired from the Board on 1 March 2010.

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' Remuneration Report

## AUDITED INFORMATION (continued)

### 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 2010 or date of transferring out of the scheme £000	Transfer value 31 December 2009 £000	Increase/(decrease) in transfer value £000
A. C. Bruce	2	31	422	375	47

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
A. C. Bruce	2	31

### 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 2010	Lapsed in Year	Number at 31 December 2010
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 2010 are in respect of 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 2010 was 62p and the range during the year was 44 75p to 63 5p.

### Gains made by Directors on Share Options


There were no gains made by Directors during 2010 (2009: £nil).

### Directors' Interests in the Performance Share Plan

Bonuses under the PSP are payable in shares, with a conditional award of shares capable of 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.

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

By Order of the Board

  
R. A. Gregson  
Company Secretary  
9 March 2011

# Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements under IFRSs as adopted by the EU. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- 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, and
- make an assessment of the Company's ability to continue as a going concern

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

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.


## Responsibility statement

We confirm that to the best of our knowledge

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and
- the management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

By Order of the Board

P. Jones  
Chief Executive  
9 March 2011

  
R. A. Gregson  
Finance Director  
9 March 2011

# Independent Auditor's Report

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LOOKERS PLC**

We have audited the financial statements of Lookers plc for the year ended 31 December 2010 which comprise the Principal Accounting Policies, the Group and Parent Company Income Statements, the Group and Parent Company Statements of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2010 and of the group's and the parent company's profit for the year then ended,
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# Independent Auditor's Report

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

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

Under the Listing Rules we are required to review

- the directors' statement, contained within the Directors' Report, in relation to going concern,
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review, and
- certain elements of the report to shareholders by the Board on directors' remuneration

**Patrick Loftus BSC ACA (Senior Statutory Auditor)**

**for and behalf of Deloitte LLP**

Chartered Accountants and Statutory Auditor

Manchester, United Kingdom

9 March 2011

# 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 2006. 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.

## 2. BASIS OF PREPARATION

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union. Therefore the group financial statements comply with article 4 of EU IAS Regulation as adopted for use in the EU.

The Group has adopted Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee of the IASB. Individual standards and interpretations have to be adopted by the European Commission (EC) and the process leads to a delay between the issue and adoption of new standards and in some cases amendment by the EC.

International Financial Reporting Standards are subject to ongoing amendment by the IASB and subsequent endorsement by the EC and are therefore subject to change.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments.

### ADOPTION OF NEW AND REVISED STANDARDS

In the current year, IFRS 3 'Business combinations' (revised 2008) and IAS 27 'Consolidated and Separate Financial statements' (revised 2008) have been adopted. These have had no significant impact on this set of financial statements.

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.

IAS 12	Deferred Tax, Recovery of Underlying Assets - Amendment
IFRS 7	Disclosures - Transfers of Financial Assets - Amendment
IFRS 9	Financial Instruments
IAS 24	Related Party Disclosures
IAS 32	Classification of Rights Issues
IFRIC 14	Prepayments of a Minimum Funding Requirement - Amendment
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

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.

### 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, the revolving credit facility and its medium-term funding requirements through a term loan.

At the year end the medium-term banking facilities included a revolving credit facility of up to £53.3 million and a term loan totalling £80.9 million, providing total facilities of £134.2 million. These facilities are due for renewal in April 2012 and the Directors are currently considering the options for refinancing.

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 12 months from the date of this annual report which project that the total revised facility limit is not exceeded over the duration of the forecasts and forecast covenant levels are met. Whilst acknowledging the uncertainties in the operating environment, as discussed in The Directors' Report, 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, after-sales and parts, achieving operational improvements and cost reductions.

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.

# Principal Accounting Policies

## 2. BASIS OF PREPARATION (continued)

### Going Concern (continued)

In the event that additional funds are required in excess of the above 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.

## 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 basis 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 28.

### 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.

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.

## 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.

# Principal Accounting Policies

## 5. REVENUE RECOGNITION

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

## 6. SEGMENTAL REPORTING

A business segment is a component that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The business segments are set out in note 1.

## 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 vary 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.

## 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.



# Principal Accounting Policies

## 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 2007 by Mercer Human Resource Consulting Limited and has been updated to 31 December 2010 by a qualified independent actuary to take account of IAS 19 requirements. 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 2010 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 the 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.

## 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 shares 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).

# Principal Accounting Policies

## 19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

### Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'other gains and losses' line item

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedge item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial 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 in income on an effective interest rate basis.

### Loans and Receivables

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

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

### Impairment of Financial Assets

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

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.

## 22. DIVIDENDS

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

## 23. REPURCHASE COMMITMENTS

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

# Income Statements

	Note	Group 2010 £m	2009 £m	Company 2010 £m	2009 £m
<b>Continuing operations</b>					
Revenue	1	1,883.8	1,749.0	-	-
Cost of sales		(1,623.2)	(1,487.9)	-	-
Gross profit		260.6	261.1	-	-
Distribution costs		(140.0)	(139.5)	-	-
Administrative expenses		(75.5)	(92.7)	(12.3)	(24.0)
Other operating income		0.5	0.4	22.3	16.1
Profit/(loss) from operations		45.6	29.3	10.0	(7.9)
<b>Profit from operations before amortisation and exceptional items</b>					
Amortisation of intangible assets	9	(1.3)	(1.7)	(0.6)	(0.8)
Exceptional items from operations	3	-	(14.1)	-	(11.4)
Profit/(loss) from operations		45.6	29.3	10.0	(7.9)
Interest payable	2	(13.4)	(17.1)	(9.9)	(13.7)
Interest receivable	2	0.1	0.3	5.0	5.6
Net interest		(13.3)	(16.8)	(4.9)	(8.1)
Exceptional interest payable on closed businesses	3	-	(0.1)	-	-
Debt issue costs		(1.2)	(0.9)	(1.2)	(0.9)
Profit/(loss) on ordinary activities before taxation		31.1	11.5	3.9	(16.9)
<b>Profit/(loss) before tax, amortisation, exceptional items and debt issue costs</b>					
Amortisation of intangible assets		(1.3)	(1.7)	(0.6)	(0.8)
Total exceptional items	3	-	(14.2)	-	(11.4)
Debt issue costs		(1.2)	(0.9)	(1.2)	(0.9)
Profit/(loss) on ordinary activities before taxation	3	31.1	11.5	3.9	(16.9)
Tax (charge)/credit	4	(8.2)	(3.5)	0.6	5.5
Profit/(loss) for the year		22.9	8.0	4.5	(11.4)
<b>Continuing operations</b>					
<b>Earnings per share</b>					
Basic earnings per share	6	5.97p	2.79p		
Diluted earnings per share	6	5.85p	2.72p		

# Statements of Comprehensive Income

	Note	Group 2010 £m	2009 £m	Company 2010 £m	2009 £m
Profit/(loss) for the financial year		22.9	8.0	4.5	(11.4)
Actuarial gains / (losses) recognised in post-retirement benefit schemes	28	3.8	(9.4)	2.0	(3.7)
Movement in deferred taxation on pension liability	22	(1.2)	2.3	(0.7)	0.6
Fair value on derivative instruments		(2.3)	(1.2)	(2.3)	(0.9)
Movement in deferred taxation on derivative instruments		0.6	-	0.6	-
Other comprehensive income/(expense) for the year		0.9	(8.3)	(0.4)	(4.0)
Total comprehensive income/(expense) for the year		23.8	(0.3)	4.1	(15.4)

# Balance Sheets

	Note	Group 2010 £m	2009 £m	Company 2010 £m	2009 £m
<b>NON-CURRENT ASSETS</b>					
Goodwill	8	44.8	44.8	-	-
Intangible assets	9	15.7	17.1	2.8	3.4
Property, plant and equipment	10	194.6	197.6	0.2	0.4
Investment in subsidiaries	11	-	-	53.7	53.7
Deferred tax asset	22	-	-	5.7	7.4
		<b>255.1</b>	<b>259.5</b>	<b>62.4</b>	<b>64.9</b>
<b>CURRENT ASSETS</b>					
Inventories	12	292.3	247.4	-	-
Trade and other receivables	13	104.2	106.3	193.5	193.4
Cash and cash equivalents	15	24.3	12.3	36.6	20.7
Assets held for sale	16	7.8	9.2	-	-
		<b>428.6</b>	<b>375.2</b>	<b>230.1</b>	<b>214.1</b>
<b>TOTAL ASSETS</b>		<b>683.7</b>	<b>634.7</b>	<b>292.5</b>	<b>279.0</b>
<b>CURRENT LIABILITIES</b>					
Financial liabilities					
- Bank loans and overdrafts	19	14.1	10.4	14.1	10.0
- Hire purchase obligations		-	0.2	-	-
Trade and other payables	17	353.8	315.1	71.7	43.1
Current tax liabilities	18	9.7	8.8	3.4	6.0
Short-term provisions	21	0.9	0.9	-	-
Derivative financial instruments		8.5	6.3	8.5	6.3
		<b>387.0</b>	<b>341.7</b>	<b>97.7</b>	<b>65.4</b>
<b>NET CURRENT ASSETS</b>		<b>41.6</b>	<b>33.5</b>	<b>132.4</b>	<b>148.7</b>
<b>NON-CURRENT LIABILITIES</b>					
Financial liabilities					
- Bank loans	19	66.8	80.9	66.8	80.9
Trade and other payables	17	7.2	4.6	-	-
Retirement benefit obligations	28	27.1	35.5	11.7	18.2
Deferred tax liabilities	22	13.3	11.2	-	-
Long-term provisions	21	0.7	0.7	-	-
		<b>115.1</b>	<b>132.9</b>	<b>78.5</b>	<b>99.1</b>
<b>TOTAL LIABILITIES</b>		<b>502.1</b>	<b>474.6</b>	<b>176.2</b>	<b>164.5</b>
<b>NET ASSETS</b>		<b>181.6</b>	<b>160.1</b>	<b>116.3</b>	<b>114.5</b>
<b>SHAREHOLDERS' EQUITY</b>					
Ordinary share capital	23	19.2	19.2	19.2	19.2
Share premium	24	73.6	73.6	73.6	73.6
Capital redemption reserve	25	14.8	14.6	14.8	14.6
Other reserve	26	(1.4)	(1.4)	(1.1)	(1.1)
Retained earnings	27	75.8	54.1	10.0	8.2
<b>TOTAL EQUITY</b>		<b>181.6</b>	<b>160.1</b>	<b>116.3</b>	<b>114.5</b>

The financial statements of Lookers plc registered no 111876 on pages 40 to 74 were approved by the Directors on 9 March 2011

Signed on behalf of the Directors.

P. Jones  
Director

  
R. A. Gregson  
Director

# Statements of Changes in Equity

Group	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Total £m
As at 1 January 2009	9.1	6.2	14.6	(1.1)	54.1	82.9
New shares issued	10.1	67.4	-	-	-	77.5
Profit for the year	-	-	-	-	8.0	8.0
Actuarial losses on defined benefit pension schemes (note 28)	-	-	-	-	(9.4)	(9.4)
Deferred taxation on pension liability	-	-	-	-	2.3	2.3
Fair value on derivative instruments	-	-	-	(0.3)	(0.9)	(1.2)
As at 31 December 2009	19.2	73.6	14.6	(1.4)	54.1	160.1
Profit for the year	-	-	-	-	22.9	22.9
Actuarial gains on defined benefit pension schemes (note 28)	-	-	-	-	3.8	3.8
Deferred taxation on pension liability	-	-	-	-	(1.2)	(1.2)
Fair value on derivative instruments	-	-	-	-	(2.3)	(2.3)
Deferred taxation on derivatives	-	-	-	-	0.6	0.6
Dividends to shareholders	-	-	-	-	(2.3)	(2.3)
As at 31 December 2010	19.2	73.6	14.6	(1.4)	75.6	181.6

Company	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Total £m
As at 1 January 2009	9.1	6.2	14.6	(1.1)	23.6	52.4
New shares issued	10.1	67.4	-	-	-	77.5
Loss for the year	-	-	-	-	(11.4)	(11.4)
Actuarial losses on defined benefit pension schemes (note 28)	-	-	-	-	(3.7)	(3.7)
Deferred taxation on pension liability	-	-	-	-	0.6	0.6
Fair value on derivative instruments	-	-	-	-	(0.9)	(0.9)
As at 31 December 2009	19.2	73.6	14.6	(1.1)	8.2	114.5
Profit for the year	-	-	-	-	4.5	4.5
Actuarial gains on defined benefit pension schemes (note 28)	-	-	-	-	2.0	2.0
Deferred taxation on pension liability	-	-	-	-	(0.7)	(0.7)
Fair value on derivative instruments	-	-	-	-	(2.3)	(2.3)
Deferred taxation on derivatives	-	-	-	-	0.6	0.6
Dividends to shareholders	-	-	-	-	(2.3)	(2.3)
As at 31 December 2010	19.2	73.6	14.6	(1.1)	10.0	116.3

# Cash Flow Statements

	Note	Group 2010 £m	2009 £m	Company 2010 £m	2009 £m
<b>Cash flows from operating activities</b>					
Profit/(loss) for the year		22.9	8.0	4.5	(11.4)
Adjustments for:					
Tax		8.2	3.5	(0.6)	(5.5)
Depreciation	3	7.8	8.3	0.3	0.3
Dividend received		-	-	(9.6)	(6.1)
Loss on disposal of plant and equipment	3	0.2	-	-	-
Loss on closed businesses	3	-	(1.8)	-	-
Amortisation of intangible assets	3	1.3	1.7	0.6	0.8
Interest income		(0.1)	(0.3)	(5.0)	(5.5)
Interest payable		13.4	17.1	9.9	13.7
Debt issue costs		1.2	0.9	1.2	0.9
Changes in working capital					
(Increase)/Decrease in inventories		(44.9)	56.2	-	-
Decrease/(Increase)/in trade and other receivables		2.1	(18.3)	(0.1)	34.2
Increase/(Decrease) in payables		41.3	(52.0)	28.1	(14.9)
Difference between pension charge and cash contributions		(4.1)	(3.0)	(3.4)	(3.0)
Movement in provisions		-	(0.2)	-	-
Cash generated from operations		49.3	20.1	25.9	3.5
Interest paid		(13.3)	(15.0)	(9.7)	(10.9)
Interest received		0.1	0.2	5.0	4.8
Tax (paid)/refunded		(5.9)	1.0	(2.5)	1.0
Net cash inflow/(outflow) from operating activities		30.2	6.3	18.7	(1.6)
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(12.3)	(7.2)	(0.1)	(0.3)
Purchase of intangible assets		-	(0.2)	-	(0.2)
Proceeds from sale of property, plant and equipment		7.0	2.5	-	-
Proceeds from sale of business		-	0.3	-	-
Dividends received		-	-	9.6	6.1
Net cash (used)/generated by investing activities		(5.3)	(4.6)	9.5	5.6
<b>Cash flows from financing activities</b>					
Proceeds from issue of ordinary shares		-	77.6	-	77.6
Repayment of loans		(10.0)	(65.9)	(10.0)	(65.9)
Debt issue costs		-	(3.5)	-	(3.5)
Principal payments under hire purchase agreements		(0.2)	(0.1)	-	-
Dividends paid to Group shareholders		(2.3)	-	(2.3)	-
Net cash (outflow)/inflow from financing activities		(12.5)	8.1	(12.3)	8.2
Increase in cash and cash equivalents		12.4	9.8	15.9	12.2
Cash and cash equivalents at 1 January		11.9	2.1	20.7	8.5
Cash and cash equivalents at 31 December		24.3	11.9	36.6	20.7

# Notes to the Financial Statements

## 1. SEGMENTAL REPORTING

At 31 December 2010 (2009 same) the Group is organised into two main business segments, motor distribution and parts distribution

### Primary reporting format - business segments

Year ended 31 December 2010	Note	Motor Division £m	Parts Distribution £m	Unallocated £m	Group £m
Continuing operations					
New Cars		844.0	-	-	844.0
Used Cars		595.4	-	-	595.4
Aftersales		268.4	176.0	-	444.4
<b>Revenue</b>		<b>1,707.8</b>	<b>176.0</b>	<b>-</b>	<b>1,883.8</b>
Segmental result before amortisation of intangible assets and exceptional items					
		35.9	12.4	(1.4)	46.9
Amortisation of intangible assets	9	-	-	(1.3)	(1.3)
Interest expense		(7.6)	(0.1)	(5.7)	(13.4)
Interest income		-	-	0.1	0.1
Debt issue costs		-	-	(1.2)	(1.2)
Profit before taxation		28.3	12.3	(9.5)	31.1
Taxation		-	-	(8.2)	(8.2)
<b>Profit for the financial year from continuing operations attributable to shareholders</b>					<b>22.9</b>
Segmental assets					
		566.4	117.3	-	683.7
<b>Total assets</b>		<b>566.4</b>	<b>117.3</b>	<b>-</b>	<b>683.7</b>
Segmental liabilities					
		356.1	65.1	-	421.2
Unallocated liabilities		-	-	-	-
- Corporate borrowings		-	-	80.9	80.9
<b>Total liabilities</b>		<b>356.1</b>	<b>65.1</b>	<b>80.9</b>	<b>502.1</b>
Other segmental items					
Capital expenditure	10	10.2	2.1	-	12.3
Depreciation	10	5.9	1.9	-	7.8
Amortisation of intangible assets	9	-	-	1.3	1.3
Impairment of trade receivables	13	0.7	0.7	-	1.4

# Notes to the Financial Statements

## 1. SEGMENTAL REPORTING (continued)

Year ended 31 December 2009 (Represented)	Note	Motor Division £m	Parts Distribution £m	Unallocated £m	Group £m
<b>Continuing operations</b>					
New Cars		783.6	-	-	783.6
Used Cars		542.7	-	-	542.7
Aftersales		268.4	154.3	-	422.7
<b>Revenue</b>		<b>1,594.7</b>	<b>154.3</b>	<b>-</b>	<b>1,749.0</b>
<b>Segmental result before amortisation of intangible assets and exceptional items</b>					
		32.6	11.4	1.1	45.1
Amortisation of intangible assets	9	-	-	(1.7)	(1.7)
Exceptional items	3	-	-	(14.2)	(14.2)
Interest expense		(7.3)	(0.3)	(9.5)	(17.1)
Interest income		-	-	0.3	0.3
Debt issue costs		-	-	(0.9)	(0.9)
<b>Profit before taxation</b>		<b>25.3</b>	<b>11.1</b>	<b>(24.9)</b>	<b>11.5</b>
Taxation		-	-	(3.5)	(3.5)
<b>Profit for the financial year from continuing operations attributable to shareholders</b>					<b>8.0</b>
<b>Segmental assets</b>					
		532.1	102.6	-	634.7
<b>Total assets</b>		<b>532.1</b>	<b>102.6</b>	<b>-</b>	<b>634.7</b>
<b>Segmental liabilities</b>					
		334.5	52.8	-	387.3
Unallocated liabilities		-	-	-	-
- Corporate borrowings		-	-	87.3	87.3
<b>Total liabilities</b>		<b>334.5</b>	<b>52.8</b>	<b>87.3</b>	<b>474.6</b>
<b>Other segmental items</b>					
Capital expenditure	10	4.2	3.0	-	7.2
Depreciation	10	6.6	1.7	-	8.3
Amortisation of intangible assets	9	-	-	1.7	1.7
Impairment of trade receivables	13	0.7	0.6	-	1.3

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.

The prior year figures have been represented to more accurately reflect the underlying records in accordance with the requirements of IFRS 8.

### 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 2010 £m	2009 £m	Company 2010 £m	2009 £m
Interest expense				
On amounts wholly repayable within 5 years				
Interest payable on bank borrowings	(8.4)	(11.0)	(9.4)	(10.6)
Interest on consignment vehicle liabilities	(3.9)	(3.6)	-	-
Interest due to Group companies	-	-	-	(1.7)
Other interest	-	(0.2)	-	(0.1)
Net interest on pension schemes (note 28)	(1.1)	(2.3)	(0.5)	(1.3)
Interest and similar charges payable	(13.4)	(17.1)	(9.9)	(13.7)
Interest income				
Bank interest	0.1	0.3	-	0.2
Interest received from Group companies	-	-	5.0	5.4
Total interest receivable	0.1	0.3	5.0	5.6
Finance costs - net	(13.3)	(16.8)	(4.9)	(8.1)

## 3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Group 2010 £m	2009 £m	Company 2010 £m	2009 £m
The following items have been included in arriving at operating profit from operations				
Staff costs (note 7)	149.2	148.5	6.8	6.3
Depreciation of property, plant and equipment				
- Owned assets	7.7	7.9	0.3	0.3
- Under finance leases	0.1	0.4	-	-
Amortisation of intangible assets	1.3	1.7	0.6	0.8
Loss on disposal of plant and equipment	0.2	-	-	-
Loss on closed businesses	-	1.8	-	-
Other operating lease rentals payable				
- Property	8.7	4.3	-	-
- Plant & equipment	1.3	1.2	-	-
Loss on derivative instruments	0.1	-	0.1	-
Net finance and debt issue costs	14.5	17.8	6.1	9.8
Exceptional items				
Refinance costs	-	(6.6)	-	(6.6)
Loss on terminated businesses	-	(6.2)	-	(3.5)
Other	-	(0.5)	-	(0.5)
Reorganisation costs	-	(0.8)	-	(0.8)
	-	(14.1)	-	(11.4)
Interest on closed businesses	-	(0.1)	-	-
Total exceptional items	-	(14.2)	-	(11.4)

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 auditor

The analysis of auditors' remuneration is as follows

Group	2010 £m	2009 £m
Fees payable to the Company's auditor for the audit of the Company's annual accounts	-	-
Fees payable to the Company's auditor and their associates for other services to the Group		
The audit of the Company's subsidiaries pursuant to legislation	0.2	0.3
<b>Total audit fees</b>	<b>0.2</b>	<b>0.3</b>
Tax services	0.1	0.2
Other services	-	1.4
<b>Total non-audit fees</b>	<b>0.1</b>	<b>1.6</b>

Fees for other non-audit services in the prior year relate primarily to the refinancing exercise and the equity raising

## 4. TAXATION

	Group 2010 £m	2009 £m	Company 2010 £m	2009 £m
<b>Current tax expense/(income)</b>				
Current year	8.7	3.0	(2.2)	(5.7)
Adjustment in respect of prior years	(1.9)	0.3	-	1.1
	6.8	3.3	(2.2)	(4.6)
<b>Deferred tax expense/(income)</b>				
Deferred tax	0.1	0.2	0.8	(0.6)
Adjustment in respect of prior years	1.3	-	0.8	(0.3)
	1.4	0.2	1.6	(0.9)
<b>Total income tax expense/(income) in Income Statement</b>	<b>8.2</b>	<b>3.5</b>	<b>(0.6)</b>	<b>(5.5)</b>

	Group 2010 £m	2009 £m	Company 2010 £m	2009 £m
<b>Tax on items charged to other comprehensive income</b>				
Deferred tax on derivative instruments	0.6	-	0.6	-
Deferred tax on pension liability	(1.2)	2.3	(0.7)	0.6

The tax charge was affected by the following factors

	2010	2009	2010	2009
Standard rate of corporation tax	28.0%	28.0%	28.0%	28.0%
Inter group dividend	-	-	(67.0%)	10.1%
Items not allowable for taxation	2.0%	6.1%	0.1%	(0.9)%
Change in rate	(1.5%)	-	5.3%	-
Reclassifying assets held for sale	-	(6.4)%	-	-
Adjustments to prior years' taxation	(2.0%)	3.0%	19.2%	(4.8)%
	<b>26.5%</b>	<b>30.7%</b>	<b>(14.4%)</b>	<b>32.4%</b>

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

# Notes to the Financial Statements

## 5. DIVIDENDS

Group and Company	2010 £m	2009 £m
Interim dividend 0.6p (2009: nil)	2.3	-

The Directors propose a final dividend of 1.2p per share in respect of the financial year ending 31 December 2010 (2009: £nil). The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

## 6. EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on the profit on ordinary activities after taxation amounting to £22.9m (2009: £8.0m) and a weighted average number of ordinary shares in issue during the year of 383,549,291 (2009: 286,417,558).

The diluted earnings per share is based on the weighted average number of shares, after taking account of the dilutive impact of shares under option of 7,619,782 (2009: 7,337,396).

Adjusted earnings per share is stated before amortisation of intangible assets, impairment of goodwill, debt issue costs and exceptional items and is calculated on profits of £25.4m (2009: £21.0m) for the year.

Continuing operations	2010 Earnings £m	2010 Earnings per share p	2009 Earnings £m	2009 Earnings per share p
Basic EPS				
Earnings attributable to ordinary shareholders	22.9	5.97	8.0	2.79
Effect of dilutive securities	-	(0.12)	-	(0.07)
Diluted EPS	22.9	5.85	8.0	2.72
Adjusted EPS				
Earnings attributable to ordinary shareholders	22.9	5.97	8.0	2.79
Amortisation of intangible assets	1.3	0.34	1.7	0.59
Debt issue costs	1.2	0.32	0.9	0.31
Exceptional items (net)	-	-	14.2	4.96
Tax on exceptional items (net)	-	-	(3.8)	(1.33)
Adjusted EPS	25.4	6.63	21.0	7.32

# Notes to the Financial Statements

## 7. INFORMATION REGARDING EMPLOYEES

	Group 2010 £m	2009 £m	Company 2010 £m	2009 £m
Employee costs during the year (inclusive of executive Directors)				
Wages and salaries	133.3	132.5	5.4	4.9
Social security costs	12.5	12.3	0.5	0.5
Other pension costs	3.4	3.7	0.9	0.9
	149.2	148.5	6.8	6.3
	2010 No.	2009 No.	2010 No.	2009 No.
Average number employed during the year (including Directors)				
Productive	1,258	1,291	-	-
Selling and distribution	2,762	2,752	-	-
Administration	1,444	1,444	81	103
	5,464	5,487	81	103
	2010 £m	2009 £m	2010 £m	2009 £m
Key management compensation				
Salaries and short-term employee benefits	2.6	2.7	2.3	2.4
Post-employment benefits	-	0.3	-	0.3
	2.6	3.0	2.3	2.7

The key management compensation given above includes Directors and key operational staff.

During the year the aggregate gains made on the exercise of share options by Directors was £nil (2009 £nil). Further details of Directors' remuneration is included in the Directors' Remuneration Report on pages 33 to 36.

## 8. GOODWILL

Group	2010 £m	2009 £m
Cost		
As at 1 January and at 31 December	48.1	48.1
Aggregate impairment		
As at 1 January and at 31 December	3.3	3.3
Net book amount at 31 December	44.8	44.8

During the year, the acquired goodwill was tested for impairment in accordance with IAS 36. Following the impairment test, no goodwill impairment charge was deemed necessary (2009 £nil).

# Notes to the Financial Statements

## 8. GOODWILL (continued)

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, where individual budgets are produced for all businesses within the Group. 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 and the impairment calculation is sensitive to these key assumptions. Goodwill is represented by £39.5m applicable to the Motor Division and £5.3m applicable to the Parts Division. 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 2.0% (2009: 2.0%) (UK GDP) is assumed and a risk adjusted discount rate applied. The discount rates are estimated based on the Group's cost of capital which is calculated after consideration of market information and risk adjusted for individual circumstances with all units carrying a goodwill value operating in the UK and the motor retail or related sector a single pre-tax discount rate of 9.3% (2009: 8.7%) has been applied. Where cashflows in excess of 5 years are included in the calculation of the recoverable amount of each CGU's goodwill, this is based on operating units which occupy freehold premises or leasehold premises with unexpired terms in excess of five years.

The two key assumptions made by the Directors are the discount rate used and profitability rates beyond the business plan. Neither a 2% increase in the discount rate or a 10% reduction in operating profit would result in any impairment being required.

## 9. INTANGIBLE ASSETS

Group	Licences £m	Customer relationships £m	Brands £m	Total £m
<b>Acquired intangible assets</b>				
<b>Cost</b>				
As at 1 January 2010	5.0	11.5	6.2	22.7
Disposals	(0.1)	-	-	(0.1)
<b>As at 31 December 2010</b>	<b>4.9</b>	<b>11.5</b>	<b>6.2</b>	<b>22.6</b>
<b>Aggregate amortisation and impairment</b>				
As at 1 January 2010	1.6	3.0	1.0	5.6
Charge for the year	0.5	0.6	0.2	1.3
<b>As at 31 December 2010</b>	<b>2.1</b>	<b>3.6</b>	<b>1.2</b>	<b>6.9</b>
<b>Net book amount at 31 December 2010</b>	<b>2.8</b>	<b>7.9</b>	<b>5.0</b>	<b>15.7</b>
<b>Acquired intangible assets</b>				
<b>Cost</b>				
As at 1 January 2009	4.8	11.5	6.2	22.5
Additions	0.2	-	-	0.2
<b>As at 31 December 2009</b>	<b>5.0</b>	<b>11.5</b>	<b>6.2</b>	<b>22.7</b>
<b>Aggregate amortisation and impairment</b>				
As at 1 January 2009	0.9	2.4	0.8	4.1
As at 1 January 2009	(0.2)	-	-	(0.2)
Charge for the year	0.9	0.6	0.2	1.7
<b>As at 31 December 2009</b>	<b>1.6</b>	<b>3.0</b>	<b>1.0</b>	<b>5.6</b>
<b>Net book amount at 31 December 2009</b>	<b>3.4</b>	<b>8.5</b>	<b>5.2</b>	<b>17.1</b>

# Notes to the Financial Statements

## 9. INTANGIBLE ASSETS (continued)

Within Brands, intangible assets of £4.7m (2009: £4.7m) are deemed by the Directors to have an indefinite useful economic life. These Brands arose on the acquisition of subsidiary undertakings. The trading activities under these brand names generate a substantial part of the Group's revenue and operating profit. The Group is continually investing in these brands through promotional activities and advertising. Due to this continued investment these brands are judged to have an indefinite useful economic life and no amortisation is charged.

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	4.6
As at 1 January 2010 and at 31 December 2010	4.6
Aggregate amortisation and impairment	
As at 1 January 2010	1.2
Charge for the year	0.6
As at 31 December 2010	1.8
Net book amount at 31 December 2010	2.8
Acquired intangible assets	
Cost	
As at 1 January 2009	4.4
Additions	0.2
As at 31 December 2009	4.6
Aggregate amortisation and impairment	
As at 1 January 2009	0.6
Charge for the year	0.8
Other adjustments	(0.2)
As at 31 December 2009	1.2
Net book amount at 31 December 2009	3.4

## 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 2010	131.0	49.3	11.1	14.1	23.7	229.2
Additions in year	5.4	0.2	1.7	2.2	2.8	12.3
Disposals	(3.3)	(1.5)	(2.7)	(1.4)	(1.6)	(10.5)
As at 31 December 2010	133.1	48.0	10.1	14.9	24.9	231.0
Accumulated depreciation						
As at 1 January 2010	3.4	2.7	2.6	8.6	14.3	31.6
Charge for the year	0.8	0.8	0.7	2.3	3.2	7.8
Disposals	(0.2)	(0.1)	(0.6)	(1.1)	(1.0)	(3.0)
As at 31 December 2010	4.0	3.4	2.7	9.8	16.5	36.4
Net book value at						
31 December 2010	129.1	44.6	7.4	5.1	8.4	194.6

# 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 2009	136.4	50.9	11.7	13.9	21.8	234.7
Additions in year	0.5	1.3	0.3	1.7	3.4	7.2
Disposals	-	(1.4)	(0.9)	(1.5)	(1.5)	(5.3)
Reclassified to assets held for sale (note 16)	(5.9)	(1.5)	-	-	-	(7.4)
As at 31 December 2009	131.0	49.3	11.1	14.1	23.7	229.2
<b>Accumulated depreciation</b>						
As at 1 January 2009	3.7	2.8	2.9	7.5	12.0	28.9
Charge for the year	0.9	0.7	0.6	2.4	3.7	8.3
Disposals	-	(0.7)	(0.9)	(1.3)	(1.4)	(4.3)
Reclassified to assets held for sale (note 16)	(1.2)	(0.1)	-	-	-	(1.3)
As at 31 December 2009	3.4	2.7	2.6	8.6	14.3	31.6
<b>Net book value at 31 December 2009</b>	<b>127.6</b>	<b>46.6</b>	<b>8.5</b>	<b>5.5</b>	<b>9.4</b>	<b>197.6</b>

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

	2010 £m	2009 £m
<b>Cost</b>	<b>0.6</b>	<b>0.6</b>
<b>Aggregate depreciation</b>	<b>(0.5)</b>	<b>(0.4)</b>
	<b>0.1</b>	<b>0.2</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 2010	1.5
Additions in year	0.1
As at 31 December 2010	1.6
<b>Accumulated depreciation</b>	
As at 1 January 2010	1.1
Charge for the year	0.3
As at 31 December 2010	1.4
<b>Net book value at 31 December 2010</b>	<b>0.2</b>

# Notes to the Financial Statements

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

Company	Fixtures, fittings, tools & equipment £m
Cost	
As at 1 January 2009	1.3
Additions in year	0.2
As at 31 December 2009	1.5
Accumulated depreciation	
As at 1 January 2009	0.8
Charge for the year	0.3
As at 31 December 2009	1.1
Net book value at 31 December 2009	0.4

## 11. INVESTMENT IN SUBSIDIARIES

Company	2010 £m	2009 £m
Cost		
At 1 January and 31 December 2010	53.7	53.7

Details of the principal subsidiary undertakings are as follows

DSM Autos Limited	Boling Investments Limited
Charles Hurst Limited	Charles Hurst Motors Limited
Lookers Motor Group Limited	Ferrans 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	2010 £m	2009 £m
Goods for resale	196.9	177.1
Bulk deposits paid for vehicles on consignment	0.1	0.1
Consignment vehicles	95.3	70.2
	292.3	247.4



# Notes to the Financial Statements

## 13. TRADE AND OTHER RECEIVABLES

	Group 2010 £m	2009 £m	Company 2010 £m	2009 £m
Amounts falling due within one year:				
Trade debtors	82.9	83.0	0.3	0.1
Less: provision for impairment of receivables	(1.4)	(1.3)	-	-
	81.5	81.7	0.3	0.1
Amounts owed by Group undertakings:				
Other debtors	8.8	13.6	0.1	6.3
Prepayments	13.9	11.0	2.0	2.0
	104.2	106.3	193.5	193.4

The average credit period on sales of goods is 17 days (2009: 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 £7.4m (2009: £7.4m) 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 (2009: 43 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 2010 £m	2009 £m	Company 2010 £m	2009 £m
<b>Movement in the allowance for doubtful debts</b>				
Balance at beginning of the year	1.3	1.3	-	-
Amounts written off during the year	(0.3)	(0.3)	-	-
Increase in allowance recognised in Income Statement	0.4	0.3	-	-
Balance at the end of the year	1.4	1.3	-	-

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 £267,308 (2009: £270,305) for the Group and £nil (2009: £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	2010 Value of Receivables		2009 Value of Receivables	
	£m	%	£m	%
<b>Not impaired:</b>				
- Neither past due nor impaired	82.6	91.5	88.7	93.1
- Past due up to 3 months but not impaired	7.5	8.3	6.3	6.6
- Past due 3 to 6 months	0.1	0.1	0.2	0.2
- Past due 6 to 12 months	0.1	0.1	0.1	0.1
	90.3	100.0	95.3	100.0

Company	2010 Value of Receivables		2009 Value of Receivables	
	£m	%	£m	%
<b>Not impaired:</b>				
- Neither past due nor impaired	191.5	100.0	191.4	100.0

# Notes to the Financial Statements

## 14. OTHER FINANCIAL ASSETS

	Group 2010 £m	2009 £m	Company 2010 £m	2009 £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	-	-	191.1	185.0
Disclosed in the financial statements as				
Current other financial assets	-	-	191.1	185.0
Non-current other financial assets	-	-	53.7	53.7

## 15. CASH AND CASH EQUIVALENTS

	Group 2010 £m	2009 £m	Company 2010 £m	2009 £m
Cash at bank and in hand	24.3	12.3	36.6	20.7
Bank overdraft	-	(0.4)	-	-
Reconciliation to cashflow statements	24.3	11.9	36.6	20.7

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 to their fair value.

## 16. ASSETS HELD FOR SALE

	Group 2010 £m	2009 £m	Company 2010 £m	2009 £m
As at 1 January 2010	9.2	-	-	-
Additions	-	9.2	-	-
Disposals	(1.4)	-	-	-
At 31 December 2010	7.8	9.2	-	-

Assets held for sale comprise 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 2011.

# Notes to the Financial Statements

## 17. TRADE AND OTHER PAYABLES

	Group 2010 £m	2009 £m	Company 2010 £m	2009 £m
Trade payables	127.4	126.5	2.9	3.8
Repurchase commitments	72.8	65.7	-	-
Consignment vehicle creditors	95.3	70.2	-	-
Amounts owed to Group undertakings	-	-	49.5	24.5
Other tax and social security payable	11.0	9.2	0.1	-
Other creditors	10.8	10.7	8.8	8.8
Accruals and deferred income	36.5	32.8	10.4	6.0
	353.8	315.1	71.7	43.1
Repurchase commitments due after more than 1 year	7.2	4.6	-	-

The Directors consider the carrying value of trade payables approximates to their value

## 18. CURRENT TAX LIABILITIES

	Group 2010 £m	2009 £m	Company 2010 £m	2009 £m
Current tax liabilities	9.7	8.8	3.4	6.0

## 19. BORROWINGS

	Group 2010 £m	2009 £m	Company 2010 £m	2009 £m
<b>Current</b>				
Secured bank loans	14.1	10.4	14.1	10.0
<b>Non-current</b>				
Secured bank loans	66.8	80.9	66.8	80.9
<b>Total borrowings</b>	<b>80.9</b>	<b>91.3</b>	<b>80.9</b>	<b>90.9</b>
	Group 2010 £m	2009 £m	Company 2010 £m	2009 £m
<b>Bank loans and overdraft repayable</b>				
Less than one year	14.1	10.4	14.1	10.0
More than one year and not more than two years	66.8	10.0	66.8	10.0
More than two years and not more than five years	-	70.9	-	70.9
	80.9	91.3	80.9	90.9

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

At 31 December 2010 the Group had 2 principal bank loans

- (i) A loan of £80.9m which will continue until 30 April 2012. The loan carries an interest rate of between 3.0% and 4.0% above LIBOR.
- (ii) A revolving loan facility of £53.3m. 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 between 3.0% and 4.0% above LIBOR.

# Notes to the Financial Statements

## 19. BORROWINGS (continued)

The weighted average interest rate paid during the year on the bank loans was 4.01% (2009: 2.7%).

At 31 December 2010, the Group had available £53.3m (2009: £52.9m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The Group's current facilities were negotiated on 29 May 2009 and updated on 26 June 2009 as a result of the equity raising which repaid £65m of term loans with £12.6m being applied against the revolving loan facility.

Of this amount £80.9m (2009: £91.3m) is repayable in instalments up until 2012 (2009: 2012).

The Company is jointly and severally liable under cross guarantees within the Group for bank loans and overdrafts which amounted to £nil (2009: £0.4m).

## 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 2010 £m	2009 £m	Company 2010 £m	2009 £m
<b>Financial assets</b>				
Cash	24.3	12.3	36.6	20.7
Loans and receivables	81.5	81.7	191.3	185.2
<b>Financial liabilities</b>				
Amortised cost	383.4	358.4	133.3	119.2

### Financial Instruments Carried at Fair Value

The fair values of the Group's financial instruments are categorised as Level 2, based on the degree to which the fair value is observable. Level 2 fair value measurements are those derived from inputs other than unadjusted quoted prices in active markets (Level 1 categorisation) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

### Financial Risk Management Objectives

The Group's Corporate Treasury function 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.

### 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.

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

# Notes to the Financial Statements

## 20. FINANCIAL INSTRUMENTS (continued)

### 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	
	2010 £m	2009 £m	2010 £m	2009 £m
USD	-	-	-	0.8
Euro	-	-	0.3	0.2

The Company had no foreign currency denominated monetary assets or monetary liabilities at the reporting date (2009: same).

The majority of the Group's business is carried out in sterling. However, for the limited number of transactions in foreign currency, 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. 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	
	2010 £m	2009 £m	2010 £m	2009 £m
Profit or loss	-	-	0.3	-

### 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 strategies to mitigate risks 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 2010 £m	2009 £m	Company 2010 £m	2009 £m	Group 2010 £m	2009 £m	Company 2010 £m	2009 £m
Profit or loss	0.5	(0.6)	-	-	0.5	0.6	-	-

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.

# Notes to the Financial Statements

## 20. FINANCIAL INSTRUMENTS (continued)

### 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 are controlled by counterparty limits that are reviewed and approved by the Risk Management Committee annually.

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 30 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>2010</b>					
Variable interest rate instruments	-	149.0	14.1	66.8	229.9
Fixed interest rate instruments	-	146.5	-	-	146.5
	-	295.5	14.1	66.8	376.4
<b>2009</b>					
Variable interest rate instruments	0.4	136.9	10.0	80.9	228.2
Fixed interest rate instruments	-	165.6	-	-	165.6
	0.4	302.5	10.0	80.9	393.8

Included within variable interest rate instruments in the 1 to 3 month column is an amount of £72.8m (2009: £65.6m) 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.

Also included within variable interest rate instruments in the 1 to 3 months column is an amount of £76.2m (2009: £71.3m) relating to vehicle stocking loans.

\*Represented to more accurately reflect the underlying records

# Notes to the Financial Statements

## 20. FINANCIAL INSTRUMENTS (continued)

Included within fixed interest rate instruments in the 1 to 3 month column is an amount of £95.3m (2009 £70.2m) 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.

Company	Less than 1 Month £m	1-3 Months £m	3 Months to 1 Year £m	1-5 Years £m	Total £m
<b>2010</b>					
Variable interest rate instruments	-	-	14.1	66.8	80.9
Fixed interest rate instruments	-	2.9	-	-	2.9
	-	2.9	14.1	66.8	83.8
<b>2009</b>					
Variable interest rate instruments	-	-	10.0	80.9	90.9
Fixed interest rate instruments	-	28.2	-	-	28.2
	-	28.2	10.0	80.9	119.1

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 30.

### Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 19, cash and cash equivalents and equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 23 to 27.

The Group is not subject to any externally imposed capital requirements.

The Group's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class capital.

### Gearing Ratio

The gearing ratio at the year end is as follows:

	2010 £m	2009 £m
Debt	80.9	91.3
Cash and cash equivalents	(24.3)	(12.3)
Net Debt	56.6	79.0
Total Equity	181.6	160.1
Net debt to equity ratio	31.2%	49.3%

Debt is defined as long-term and short-term borrowings (excluding derivatives and financial guarantee contracts) as detailed in note 19.

Equity includes all capital and reserves of the Group that are managed as capital.

# Notes to the Financial Statements

## 21. PROVISIONS

Group	Dilapidations £m	Closure costs £m	Total £m
As at 1 January 2010	0.9	0.7	1.6
Charged to Income Statement	0.2	-	0.2
Utilised in year	(0.1)	(0.1)	(0.2)
As at 31 December 2010	1.0	0.6	1.6

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

	2010 £m	2009 £m
Current	0.9	0.9
Non-current	0.7	0.7
	1.6	1.6

### 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 2011 and 2018.

### Closure Costs

The Group terminates specific trading units when they are not deemed viable to continue. The provision recognises the expected costs associated with these closures.

## 22. DEFERRED TAXATION

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 27% (2009: 28%).

The movement on the deferred tax account is as shown below:

	Group 2010 £m	2009 £m	Company 2010 £m	2009 £m
As at 1 January 2010	11.2	13.3	(7.4)	(5.9)
Adjustment to Prior Year Deferred Taxation	1.3	-	0.8	(0.3)
Change of Rate	0.1	-	-	-
Charged/(credited) to Income Statement (note 4)	0.1	0.2	0.8	(0.6)
Charged to statement of Comprehensive Income in respect of pension scheme liabilities (note 28)	2.8	(2.3)	2.0	(0.6)
Adjustment to statement of Comprehensive Income with respect to prior year pension scheme liabilities	(1.6)	-	(1.3)	-
Credited to statement of Comprehensive Income with respect to derivative intervals	(0.6)	-	(0.6)	-
As at 31 December 2010	13.3	11.2	(5.7)	(7.4)

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 there will be future taxable profits available.

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 2010	20.8	3.2	24.0
Charged to Income Statement	0.3	-	0.3
As at 31 December 2010	21.1	3.2	24.3



# Notes to the Financial Statements

## 22. DEFERRED TAXATION (continued)

### Deferred tax assets

	Employee benefits £m	Short term timing differences £m	Total £m
As at 1 January 2010	(10.2)	(2.6)	(12.8)
Adjustment to Prior Year	1.8	(0.5)	1.3
Other Items	-	0.1	0.1
Charged/(credited) to Income Statement	-	(0.2)	(0.2)
Charged/(credited) to Statement of Comprehensive Income	1.2	(0.6)	0.6
As at 31 December 2010	(7.2)	(3.8)	(11.0)

### Net deferred tax liability

As at 31 December 2010	13.3
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As at 31 December 2009	11.2
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### Company

### Deferred tax assets

	Employee benefits £m	Provisions £m	Accelerated tax depreciation £m	Total £m
As at 1 January 2010	(5.2)	(2.1)	(0.1)	(7.4)
Adjustment to Prior Year	1.4	(0.6)	-	0.8
Charged to Income Statement	-	0.8	-	0.8
Charged/(credited) to Statement of Comprehensive Income	0.7	(0.6)	-	0.1
As at 31 December 2010	(3.1)	(2.5)	(0.1)	(5.7)

As at 31 December 2009	(7.4)
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## 23. SHARE CAPITAL

Group and Company	2010 Shares	£m	2009 Shares	£m
Authorised				
Ordinary shares of 5p each	480,000,000	24.0	480,000,000	24.0
Allotted, called up and fully paid ordinary shares of 5p each				
As at 1 January	383,527,608	19.2	181,670,573	9.1
Allotted on placing and placing and open offer	-	-	201,856,192	10.1
Allotted under share option schemes	52,298	-	843	-
As at 31 December	383,579,906	19.2	383,527,608	19.2

### Potential Issues of Ordinary Shares

Options on 934,966 ordinary shares in relation to the employee share save scheme lapsed or were forfeited during 2010

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	2010 Number (5p Shares)	2009 Number (5p Shares)
2008 PSP	-	2011-2018	1,619,000	1,619,000

# Notes to the Financial Statements

## 23. SHARE CAPITAL (continued)

### Employee ShareSave Scheme

The employee ShareSave scheme was available to all eligible employees and was based on Save As You Earn (SAYE) savings contracts with options exercisable within a period from the conclusion of a three year term as appropriate from the date of grant. Under the terms and conditions of this scheme, for every month (up to no more than six months) an employee fails to contribute the agreed monthly amount determined under the rules of the scheme, the last date exercisable will be delayed by one month. The latest grant under the ShareSave scheme was made in the year ended 2009. No further grants have been made under this scheme. Options outstanding under this scheme at 31 December 2010 were 6,000,782 (2009: 6,988,046). The total expense included within operating profit from continuing operations in respect of cash-settled payments was £nil (2009: £nil).

## 24. SHARE PREMIUM

Group and Company	£m
As at 1 January 2009	6.2
Arising on issue of new shares	67.4
As at 1 January 2010 and 31 December 2010	73.6

## 25. CAPITAL REDEMPTION RESERVE

Group and Company	£m
As at 1 January 2010 and 31 December 2010	14.6

## 26. OTHER RESERVE

	Group £m	Company £m
As at 1 January 2010 and 31 December 2010	(1.4)	(1.1)

## 27. RETAINED EARNINGS

	Group £m	Company £m
As at 1 January 2009	54.1	23.6
Net profit/(loss) for the year	8.0	(11.4)
Actuarial losses on defined benefit pension schemes	(9.4)	(3.7)
Fair value on derivative instruments	(0.9)	(0.9)
Deferred taxation on pension liability	2.3	0.6
As at 31 December 2009	54.1	8.2
Net profit for the year	22.9	4.5
Actuarial gains on defined benefit pension schemes	3.8	2.0
Deferred taxation on pension liability	(1.2)	(0.7)
Dividends to shareholders	(2.3)	(2.3)
Fair value on derivative instruments	(2.3)	(2.3)
Deferred taxation on derivative instruments	0.6	0.6
As at 31 December 2010	75.6	10.0

Group retained earnings include £17.1m (2009: £17.1m) of non-distributable reserves relating to properties which had been revalued under UK GAAP, but treated as deemed cost under IFRS.

# Notes to the Financial Statements

## 28. 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 Comprehensive Income.

The pension (gain)/charge for the scheme for 2010 was £(0.1m) (2009: £2.3m).

A valuation update was made as at 31 December 2010 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 £80.4m at 31 December 2010 (2009: £79.6m).

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

	Expected rate of return 2010 %	Market value 2010 £m	Expected rate of return 2009 %	Market value 2009 £m
Equities	7.0	45.3	7.5	42.9
Bonds	5.6	21.7	5.2	18.2
Cash	0.5	1.7	0.5	0.3
<b>Total fair value of assets</b>		<b>68.7</b>		<b>61.4</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:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of scheme assets	68.7	61.4	55.5	66.8	63.3
Actuarial value of scheme liabilities	(80.4)	(79.6)	(71.6)	(78.0)	(74.8)
Deficit in the scheme	(11.7)	(18.2)	(16.1)	(11.2)	(11.5)
Related deferred tax asset (note 22)	3.1	5.1	4.5	3.1	3.4
<b>Net pension liability</b>	<b>(8.6)</b>	<b>(13.1)</b>	<b>(11.6)</b>	<b>(8.1)</b>	<b>(8.1)</b>
Experience adjustments in plan liabilities	-	-	(4.6)	-	-
Experience adjustments in plan assets	2.6	5.1	(17.1)	(1.1)	3.0

The amounts recognised in the Income Statements are as follows:

	2010 £m	2009 £m
Current service cost	0.7	0.7
Net (gains)/losses on curtailments and settlements	(1.3)	0.3
<b>Total included in administrative expenses</b>	<b>(0.6)</b>	<b>1.0</b>
Interest on obligation	4.6	4.5
Expected return on scheme assets	(4.1)	(3.2)
<b>Total included in finance costs (note 2)</b>	<b>0.5</b>	<b>1.3</b>
<b>Total defined benefit (income)/expenses</b>	<b>(0.1)</b>	<b>2.3</b>

# Notes to the Financial Statements

## 28. PENSIONS (continued)

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

	2010 £m	2009 £m
Opening defined benefit obligation	79.6	71.6
Service cost	0.7	0.7
Contributions by employees	0.3	0.3
Interest cost	4.6	4.6
Actuarial losses	0.5	8.8
(Gains)/losses on curtailments and settlement	(1.3)	0.3
Benefits paid	(4.0)	(6.7)
Closing defined benefit obligation	80.4	79.6

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

Opening fair value of scheme assets	61.4	55.5
Expected return	4.2	3.2
Actuarial gains	2.6	5.1
Contributions by employer	4.0	4.0
Contributions by employees	0.3	0.3
Benefits paid	(3.8)	(6.7)
Closing fair value of scheme assets	68.7	61.4

The actual return on scheme assets was £6.8m (2009 £8.4m loss). None of the scheme's assets were invested in Lookers plc or property occupied by Lookers plc. In addition to the 14.4% of pensionable payroll to fund accruing pensions, the Company contributed an additional £3.0m in 2010 (2009 £1.6m). The Group expects to maintain a similar level of pension contributions in 2011.

	2010 £m	2009 £m
Total amount of actuarial gains/(losses) recognised in the Statement of Comprehensive Income in the year	2.0	(3.7)

	2010 £m	2009 £m
Cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income at the year end	(14.4)	(16.4)

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

Equities	66.0%	69.9%
Bonds	31.5%	29.6%
Cash	2.5%	0.5%

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

	2010	2009
Discount rate	5.6%	5.9%
Expected return on assets	6.8%	6.8%
Future salary increases	2.95%	3.0%
Future pension increases	2.3%	2.3%
Life expectancy at age 65 for:		
current pensioners - males	86.4	86.3
current pensioners - females	89.3	89.2
future pensioners - males	87.3	87.2
future pensioners - females	90.1	91.6

# Notes to the Financial Statements

## 28. PENSIONS (continued)

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, based 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 year are as follows:

	£m	£m
Defined benefit obligation	80.4	79.6
Scheme assets	(68.7)	(61.4)
Deficit	11.7	18.2
Experience gains on plan assets	2.6	5.1

### Defined Contribution Scheme

The Group and Company provide pension arrangements for certain Directors and employees under defined contribution schemes and has a defined contribution Stakeholder Pension Scheme for employees. The Income Statement account charge for the year in respect of defined contribution schemes was £1.2m (2009: £1.2m).

### 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 Comprehensive Income.

A valuation update was made as at 31 December 2010 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 £88.4m at 31 December 2010 (2009: £84.5m).

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

	Expected rate of return 2010 %	Market value 2010 £m	Expected rate of return 2009 %	Market value 2009 £m
Absolute / Target Return Funds	7.0	20.0	-	-
Equities	7.0	24.3	7.5	39.4
Corporate Bonds	5.6	13.9	5.85	10.9
Gilts	4.0	14.5	4.5	16.4
Cash	0.5	0.4	0.5	0.4
<b>Total fair value of assets</b>		<b>73.1</b>		<b>67.1</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 is as follows:

	2010 £m	2009 £m	2008 £m
Fair value of scheme assets	73.1	67.2	61.5
Actuarial value of scheme liabilities	(88.4)	(84.5)	(73.1)
Deficit in the scheme	(15.3)	(17.3)	(11.6)
Related deferred tax asset (note 22)	4.1	4.9	3.2
<b>Net pension liability</b>	<b>(11.2)</b>	<b>(12.4)</b>	<b>(8.4)</b>
Experience adjustments in plan liabilities	-	-	-
Experience adjustments in plan assets	3.9	5.5	(15.5)

# Notes to the Financial Statements

## 28. PENSIONS (continued)

The amounts recognised in the Income Statements are as follows:

	2010 £m	2009 £m
Current service cost	0.4	0.3
Net gains on curtailments and settlements	-	0.4
Total included in administrative expenses	0.4	0.7
Interest on obligation	4.9	4.6
Expected return on scheme assets	(4.3)	(3.6)
Total included in finance costs (note 2)	0.6	1.0
Total defined benefit expenses	1.0	1.7

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

	2010 £m	2009 £m
Opening defined benefit obligation	84.5	73.1
Service cost	0.4	0.3
Contributions by employees	0.3	0.3
Liabilities extinguished on settlements	-	(2.2)
Losses on curtailment and settlements	-	0.4
Interest cost	4.9	4.6
Actuarial losses	2.2	11.2
Benefits paid	(3.9)	(3.2)
Closing defined benefit obligation	88.4	84.5

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

	2010 £m	2009 £m
Opening fair value of scheme assets	67.1	61.5
Expected return	4.3	3.6
Actuarial gains	3.9	5.5
Contributions by employer	1.4	1.6
Assets distributed on settlements	-	(2.2)
Contributions by employees	0.3	0.3
Benefits paid	(3.9)	(3.2)
Closing fair value of scheme assets	73.1	67.1

The actual return on scheme assets was £8.2m (2009: £9.1m loss). None of the scheme's assets were invested in Lookers plc or property occupied by Lookers plc.

	2010 £m	2009 £m
Total amount of actuarial gains/(losses) recognised in the Statement of Comprehensive Income in the year	1.8	(5.7)
Cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income at the year end	(5.1)	(6.9)

# Notes to the Financial Statements

## 28. PENSIONS (continued)

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

	2010	2009
Equities	33.3%	58.7%
Absolute / Target Return Funds	27.4%	-
Corporate Bonds	19.1%	16.2%
Gilts	19.9%	24.5%
Cash	0.3%	0.6%

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

	2010	2009
Discount rate	5.6%	5.9%
Expected return on assets	6.1%	6.5%
Future salary increases	2.95%	3.0%
Future pension increases	2.95%	3.0%
Life expectancy at age 65 for		
current pensioners - males	86.4	86.3
current pensioners - females	89.3	89.2
future pensioners - males	87.2	87.2
future pensioners - females	90.1	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 period are as follows:

	£m	£m
Defined benefit obligation	88.4	84.5
Scheme assets	(73.1)	(67.1)
Deficit	15.3	17.4
Experience losses on plan assets	3.9	5.5

## 29. 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)		Amounts owed to Group undertakings (Note 17)	
	2010 £m	2009 £m	2010 £m	2009 £m
Bolling Investments Limited	53.8	52.4	-	-
DSM Autos Limited	65.5	65.5	-	0.1
Charles Hurst Limited	10.6	5.8	-	-
Charles Hurst Motors Limited	0.7	-	-	-
Platts Harris Limited	0.8	1.0	-	-
FPS Distribution Limited	5.3	6.2	-	-
Ferrans Piston Service Limited	0.9	2.3	-	-
Apec Braking Limited	1.4	1.0	-	-
BTN Turbocharger Service Limited	0.7	0.3	-	-
Lookers Motor Group Limited	35.9	36.9	40.4	14.1
Lookers Birmingham Limited	3.9	0.2	-	-
MB South Limited	0.9	-	0.4	1.9
Dutton Forshaw Motor Company Limited	10.1	12.8	7.7	7.4
Dormant Companies	0.6	0.6	1.0	1.0
	191.1	185.0	49.5	24.5

Key management compensation is included in note 7.

# Notes to the Financial Statements

## 30. 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 2010 and 2009 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 2010 and 2009 are given in note 20.

### Borrowing Facilities

The Group has the following undrawn committed borrowing facilities available at 31 December 2010 and 2009 which expire:

	2010 £m	2009 £m
Within one to two years	53.3	-
Within two to five years	-	52.9

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

### Interest Rate Profile

Financial assets comprise cash of £24.3m (2009: £12.3m).

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

	2010 Financial liabilities £m	2009 Financial liabilities £m
Floating Rate	80.9	91.3

Interest rates on the Group's floating rate liabilities are based on the London Interbank rate. At 31 December 2010 all of the Group's bank loans and overdrafts are potentially exposed to re-pricing within 12 months of the balance sheet date (2009: 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.

## 31. OPERATING LEASE COMMITMENTS - MINIMUM LEASE PAYMENTS

Group	2010 Property £m	Plant & equipment £m	2009 Property £m	Plant & equipment £m
Commitments under non-cancellable operating leases expiring				
Within one year	8.4	1.3	7.9	1.1
Within two to five years	35.5	1.2	34.5	0.9
After five years	44.5	-	46.9	-
	88.4	2.5	89.3	2.0

## 32. 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. It is not practical to estimate the potential gain at the year end.

## 33. POST BALANCE SHEET EVENTS

On 4 January 2011 Charles Hurst Limited, a wholly owned subsidiary of Lookers plc, bought the entire share capital of Audi Centre Limited, a Company incorporated in the Republic of Ireland. The Company's main trade is to buy and sell vehicles and services under the Audi Brand within the Dublin South Market area. The acquisition is seen as an additional complementary franchise to our Motor division. The consideration for the purchase was 800,000 euros.



# Trading Outlets and Interests in Major Subsidiary Companies

## **FRANCHISES**

### **Alfa Romeo**

Cardiff  
Sheffield

### **Aston Martin**

Belfast

### **Audi**

Dublin

### **Bentley**

Belfast

### **Chevrolet**

Liverpool  
Warrington  
Yardley

### **Chrysler, Jeep, Dodge**

Belfast

### **Citroën**

Belfast  
Blackpool  
Liverpool  
Newport  
Preston

### **Ferrari**

Belfast

### **Fiat**

Stockport

### **Ford**

Braintree  
Chelmsford  
Clacton  
Colchester  
Sheffield North  
Sheffield South  
South Woodham Ferrers  
Sudbury  
Witham

### **Honda**

Bexleyheath  
Derby  
Liverpool  
Nottingham  
Southport  
Warrington

### **Hyundai**

Dundonald  
Motherwell  
Preston

### **Jaguar**

Belfast  
Glasgow  
London - Park Royal  
Motherwell

### **Kia**

Belfast  
Colchester  
Sheffield  
Stockport

### **Land Rover**

Belfast  
Bishop's Stortford  
Chelmsford  
Colchester  
Glasgow  
London - Battersea  
London - Park Royal  
Motherwell

### **Lexus**

Belfast  
Hatfield

### **Maserati**

Belfast

### **Mazda**

Motherwell

### **Mercedes-Benz**

Ashford  
Brighton  
Eastbourne  
Gatwick  
Maidstone  
Redhill  
Tonbridge

### **Nissan**

Belfast  
Chester  
Newtownabbey

### **Peugeot**

Belfast  
Cardiff  
Motherwell  
Newport

### **Renault**

Belfast  
Chelmsford  
Chester  
Colchester  
Newtownabbey  
Newtownards  
Stockport

### **Saab**

Chester  
Liverpool

### **Seat**

Stockport

### **Skoda**

Stockport

### **Smart**

Brighton  
Gatwick  
Maidstone  
Tonbridge

### **Toyota**

Belfast  
Chelmsford  
Newtownabbey  
Rayleigh  
Romford

### **Vauxhall**

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

### **Volkswagen**

Battersea  
Blackburn  
Blackpool  
Boston  
Burnley  
Darlington  
Lincoln  
Morden  
Northallerton  
Preston  
Teesside

### **Volvo**

Colchester  
Glasgow  
Motherwell

## **USED CAR**

### **SUPERMARKETS**

Bristol  
Burton-on-Trent  
Belfast  
Newtownabbey

## **MOTORCYCLES**

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

## **TYRES**

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

## **SERVICE CENTRES**

Volvo Chelmsford  
Mercedes Canterbury  
Lexus Southend  
Lexus Brighton  
Vauxhall Dundonald

## **LOOKERS LEASING**

Harrogate  
Manchester

## **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 2006 £m	Year ended 31 December 2007 £m	Year ended 31 December 2008 £m	Year ended 31 December 2009 £m	Year ended 31 December 2010 £m
Turnover	1,426.7	1,680.0	1,775.9	1,749.0	1,883.8
Profit before tax, amortisation, exceptional items and debt issue costs	26.4	24.5	14.0	28.3	33.6
Amortisation/impairment	(0.8)	(0.8)	(4.5)	(1.7)	(1.3)
Net exceptional items	(4.1)	(0.4)	(20.0)	(14.2)	-
Fair value on derivative instruments	-	-	(4.0)	-	-
Debt issue costs	(0.1)	(0.3)	(0.4)	(0.9)	(1.2)
Profit/(loss) before taxation	21.4	23.0	(14.9)	11.5	31.1
Taxation	(6.8)	(6.6)	(1.1)	(3.5)	(8.2)
Profit/(loss) attributable to shareholders	14.6	16.4	(16.0)	8.0	22.9
Equity dividend per share*	3.50p	4.02p	1.60p	-	1.8p
Basic earnings/(loss) per ordinary share***	8.13p	9.09p	(7.68)p	2.79p	5.97p
Adjusted earnings per ordinary share***	10.63p	9.81p	4.66p	7.32p	6.63p
As at year end					
Shareholders' interests					
Share capital	9.0	9.1	9.1	19.2	19.2
Reserves					
- non-distributable	36.4	37.8	36.8	**103.9	103.9
- distributable	58.9	64.6	37.0	**37.0	58.5
Net assets	104.3	111.5	82.9	160.1	181.6

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

\*\*Represented to more accurately reflect the underlying records

\*\*\*The 2006-2008 numbers have not been re-stated for the bonus element of the share issues in 2009

# Notice of Meeting

Incorporated in England under the Companies Act 1985 Registered No 111876

NOTICE IS HEREBY GIVEN that the one hundred and first Annual General Meeting of Lookers plc (the "Company") will be held at Lookers plc, 776 Chester Road, Stretford, Manchester, M32 0QH on Wednesday 25 May 2011 at 10 00am to transact the business set out below. Resolutions 1 to 8 below will be proposed as ordinary resolutions and resolutions 9 to 12 will be proposed as special resolutions.

- 1 To receive the financial statements for the year ended 31 December 2010 together with the reports thereon of the Directors and the Auditor
- 2 To approve the Directors' Remuneration Report for the year ended 31 December 2010
- 3 To declare a final dividend of 1.2p per ordinary share
- 4 To re-elect as a Director Andrew Bruce, who retires in accordance with the Articles of Association
- 5 To re-elect as a Director Robin Gregson, who retires in accordance with the Articles of Association
- 6 To re-appoint Deloitte LLP as Auditor
- 7 To authorise the Directors to determine the remuneration of the Auditor

## Ordinary resolution – authority to allot shares

- 8 That the Directors are generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares ("Allotment Rights"), but so that
  - (a) the maximum amount of shares that may be allotted or made the subject of Allotment Rights under this authority are shares with an aggregate nominal value of £6,393,543,
  - (b) this authority shall expire on 25 November 2012 or, if earlier, on the conclusion of the next Annual General Meeting of the Company;
  - (c) the Company may make any offer or agreement before such expiry which would or might require shares to be allotted or Allotment Rights to be granted after such expiry; and
  - (d) all authorities vested in the Directors on the date of the notice of this meeting to allot shares or to grant Allotment Rights that remain unexercised at the commencement of this meeting are revoked

## Special resolution – disapplication of pre-emption rights

- 9 That the Directors are empowered to allot equity securities (as defined in Section 560 of the Companies Act 2006) pursuant to the authority conferred on them by resolution 8 in the notice of this meeting or by way of a sale of treasury shares as if Section 561 of that Act did not apply to any such allotment, provided that this power shall be limited to
  - (i) the allotment of equity securities in connection with any rights issue or open offer (each as referred to in the Financial Services Authority's listing rules) or any other pre-emptive offer that is open for acceptance for a period determined by the Directors to the holders of ordinary shares in the capital of the Company on the register of members at such fixed record date as the Directors may determine in proportion to their holdings of ordinary shares in the capital of the Company, subject in each case to such exclusions or other arrangements as the Directors may deem necessary or appropriate in relation to fractions of such securities, treasury shares, any legal or practical problems in relation to any territory or the requirements of any regulatory body or stock exchange, and
  - (ii) the allotment (otherwise than pursuant to paragraph (i) above) of equity securities having an aggregate nominal value of £959,031,

and shall expire when the authority conferred on the Directors by resolution 8 in the notice of this meeting expires, 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

# Notice of Meeting

## **Special resolution – authority to purchase own shares on market**

10 That the Company is generally and unconditionally authorised pursuant to Section 701 of the Companies Act 2006 to make market purchases (as defined in Section 693 of that Act) of ordinary shares of 5p each in its capital, provided that

- (i) the maximum aggregate number of such shares hereby authorised to be purchased is 38,361,262 shares,
- (ii) the minimum price (exclusive of expenses) which may be paid for such a share is 5p,
- (iii) the maximum price (exclusive of expenses) which may be paid for such a share is the maximum price permitted under the Financial Service Authority's listing rules or, in the case of a tender offer (as referred to in those rules), five per cent above 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 date on which the terms of the tender offer are announced,
- (iv) this authority shall expire on 25 November 2012 or, if earlier, on the conclusion of the next Annual General Meeting of the Company, and
- (v) before such expiry the Company may enter into such a contract to purchase shares which will or may require a purchase to be completed after such expiry

## **Special resolution – calling of general meetings on 14 clear days' notice**

11 That any general meeting of the Company that is not an Annual General Meeting may be called by not less than 14 clear days' notice

## **Special resolution – adoption of new articles of association**

12 That the regulations contained in the document produced to the meeting and intalled by the chairman of the meeting for the purpose of identification are adopted as the Company's new articles of association in substitution for and to the exclusion of

- (i) the Company's existing articles of association and (ii) all provisions of the Company's memorandum of association as at 30 September 2009 treated by section 28 of the Companies Act 2006 as included at the date of this resolution in the existing articles of association

Registered Office  
776 Chester Road  
Stretford  
Manchester  
M32 0QH

By order of the Board  
**R. A. Gregson**  
Company Secretary  
9 March 2011

## **Notes**

- 1 The right of a member of the Company to vote at the Meeting will be determined by reference to the register of members. A member must be registered on that register as the holder of ordinary shares by 6 00 pm on 23 May 2011 in order to be entitled to attend and vote at the meeting as a member in respect of those shares
- 2 A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and 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 more than one proxy to attend the Meeting, provided that each proxy is appointed to exercise rights in respect of different 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 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 by a member of the Company to receive information rights under Section 146 of that Act. Nominated persons who have been sent a copy of this notice of meeting may have a right under an agreement between him/her and that member to be appointed, or to have someone else appointed, as a proxy for the 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

# Notice of Meeting

- 6 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures in the CREST manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time for receipt of proxy appointments specified in this notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

- 7 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertified Securities Regulations 2001
- 8 Capita Registrars maintain the Company's share register. They also provide a telephone helpline service on 0871 664 0300 (calls cost 10p a minute plus network extras). Lines are open from 8.30am to 5.30pm, Monday to Friday. If you have any queries about voting or about your shareholding, please contact Capita Registrars.
- 9 Members have the right to ask questions relating to the business having dealt with at the Meeting, which in accordance with Section 319A of the Companies Act 2006, and subject to certain exceptions, the Company must cause to be answered.
- 10 It is possible that, pursuant to requests made by shareholders under Section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter that such shareholders propose to raise at the Meeting relating to the audit of the Company's latest audited accounts. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 and 528 of the Companies Act 2006. Where the Company is required to place a statement on its website under Section 527 of that Act, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.
- 11 Members have the right (i) to require the Company to give notice of a resolution to be moved at the meeting in accordance with section 338 of the Companies Act 2006 and (ii) to require the Company to include a matter in the business to be dealt with at the meeting in accordance with section 338A of that Act.
- 12 A Form of Proxy is enclosed for use by shareholders.
- 13 To be valid, a Form of Proxy must be lodged with the Company's Registrars, Proxy Department, PXS, 34 Beckenham Road, Beckenham, BR3 4TU not later than 10.00am on 23 May 2011.
- 14 The Company's issued share capital on 9 March 2011 (the latest practicable date prior to the printing of this document) was 383,612,621 ordinary shares of 5p each, such shares carrying one vote each, such that the total voting rights in the Company on that date were 383,612,621.
- 15 Information relating to the Meeting which the Company is required by the Companies Act 2006 to publish on a website in advance of the Meeting may be viewed at [www.lookersplc.co.uk](http://www.lookersplc.co.uk). A member may not use any electronic address provided by the Company in this document or with any proxy appointment form or in any website for communicating with the Company for any purpose in relation to the Meeting other than as expressly stated in it.

# Shareholders, Bankers and Professional Advisors

## Share Quotes

Share prices of the ordinary shares are shown in the *Financial Times* and also appear in several other newspapers

## 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 dealerships. 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 Banking Group  
National Australia Bank  
The Royal Bank of Scotland plc

## Registrars and Transfer Office

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

## Auditor

Deloitte LLP  
PO Box 500  
2 Hardman Street  
Manchester M60 2AT

## Stockbrokers

Numis Securities Limited  
The London Stock Exchange Building  
10 Paternoster Square  
London EC4M 7LT

## Peel Hunt LLP

111 Old Broad Street  
London EC2M 1AP

## Financial Advisors

NM Rothschild & Sons Limited  
82 King Street  
Manchester M2 4WQ