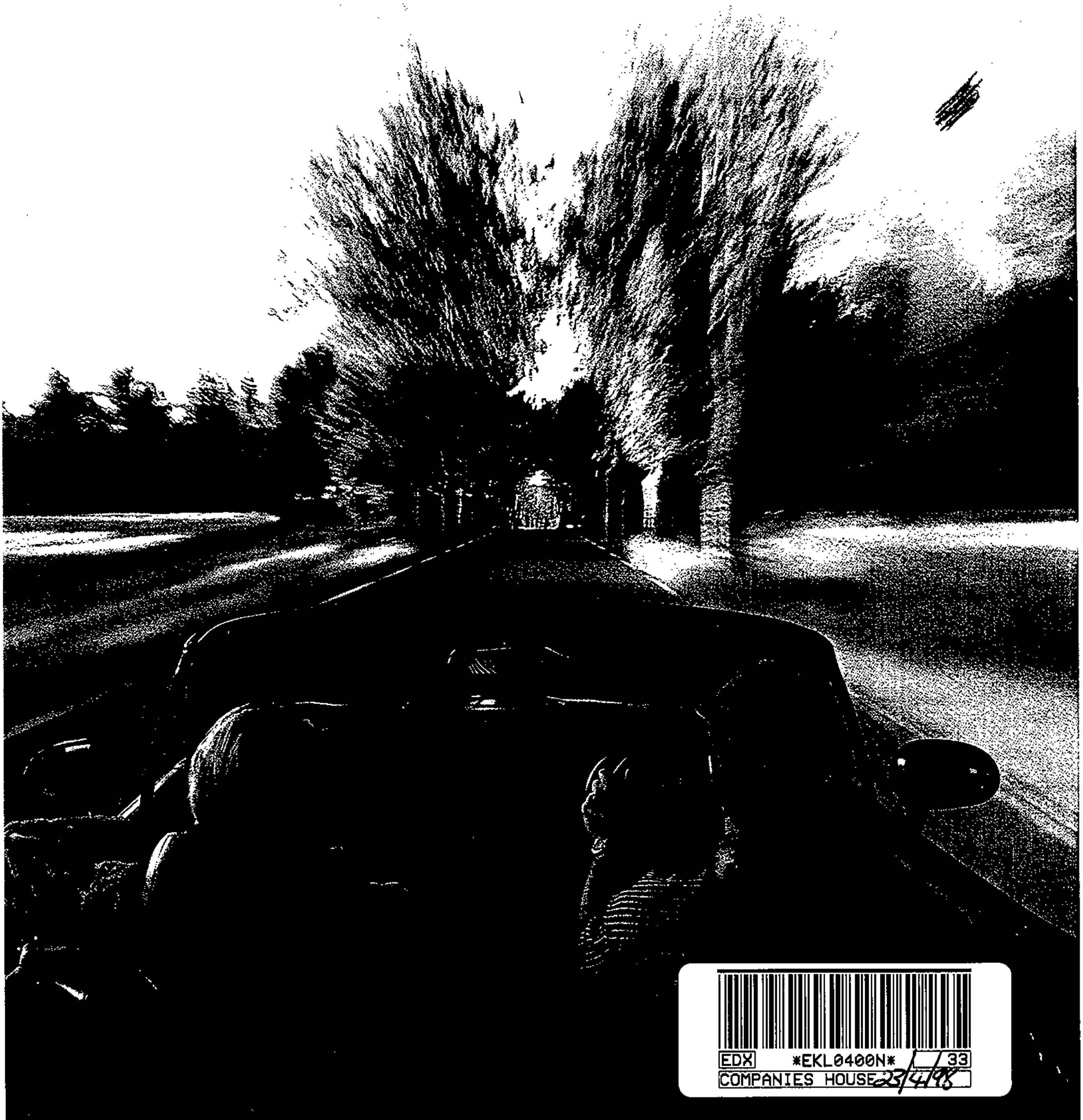
Lookers

Annual Report & Financial Statements 1997



Moving forward, building for the future.

The Mission of the LOOKERS GROUP *is to attract, satisfy and retain customers for life.*

Our success in achieving our mission will be measured by our four principal stakeholders as we seek to exceed their expectations.

CUSTOMERS *will experience a service that they value as excellent.*

EMPLOYEES *will enjoy working at Lookers and will be able to develop to the maximum of their potential.*

SHAREHOLDERS *will receive an above average return on their investment.*

SUPPLIERS *will rate Lookers as the most effective representative of their franchises.*

Above all we will be enthusiastic, committed and trustworthy ambassadors in our provision of quality products and services.

"Lookers – earning your trust".

CONTENTS

FINANCIAL CALENDAR

Announcement of results for the full year	28th January 1998
Annual Report posted to Shareholders	5th February 1998
Annual General Meeting	12th March 1998
Final dividend to be paid following approval	30th April 1998

Registered Office:
776 Chester Road
Stretford
Manchester
M32 0QH

Registered Number 111876

Chairman's Review

The profit before taxation for the year amounting to £9.0m is at a record level and compares with £8.1m earned in the previous financial year.

Turnover is now in excess of £600m including a full year contribution from Charles Hurst based in Northern Ireland.

Earnings per share for the year were 15.6p. Whilst this represents a modest increase over the 15.5p recorded in 1996 we regard this result as particularly pleasing given the higher average number of shares in issue this year following the acquisition of Charles Hurst.

After taking into account the future capital expenditure programmes which lie ahead, it is the Director's intention to recommend a final dividend of 5.65p per share, an increase of 4.6% making a total for the year of 8.25p compared with 8.00p for the whole of last year.

Market Overview and Changes in Group Structure

The market for new cars has been buoyant with a national increase of 6.8% covering our financial year. During this same period our own sales from continuing operations have improved by 12.7%.

There has been a long debate by interested parties, regarding the large volume of new vehicles sold in August each year due to the change in the registration prefix. This month alone accounts for almost 25% of annual new car sales and it has now been decided that August 1998 will be the last year for the once a year change. In future the prefix will change in both March and September and this should help to smooth the enormous seasonal variations which occur at present.

Used car retail volumes have increased by 6.7% and have benefited from the introduction of the Lookers Motor Market used car retailing concept.

Most motor manufacturers continue to move towards a market area approach whereby fewer dealers will sell into larger market territories. In return for the granting of a larger sales territory, the manufacturers generally require improved facilities often entailing significant capital investment. In addition, these larger territories will very often require investment in a satellite dealership located away from the main outlet (or "mothership").

We welcome the motor manufacturers strategy as dealers operating with larger territories are expected to be much more profitable. Over the short term however, there may be disruption to existing businesses, particularly where these are to be refurbished or relocated. In addition, significant capital expenditure will be incurred together with one-off set up costs. It is therefore inevitable that there will be a lead time before the new businesses become established and are running at their optimum levels of profitability.

This rationalisation programme has also enabled the Group to divest itself of a number of non-performing outlets. The dealerships at Market Harborough and Kidderminster have been sold as going concerns with depots at Dewsbury and Omagh being closed.

Since the year end the Group has sold two properties at Southend and also the recently vacated premises at Billingham and Chelmsford. The very good Ford dealership at Burton-on-Trent has also been sold as a going concern which realised in excess of asset value.

At the beginning of the year, the Directors took a decision to concentrate on the core activities and to institute a disposal programme of other businesses. Consequently, Burtree Parks, the caravan holiday park business, was sold, as was Hurst Fuels, which distributed fuel oil in Northern Ireland. The profit arising from these sales is classified as the sale of discontinued operations in the Profit and Loss Account. In addition, the remaining 49% holding in Lookers Planned Motoring Limited was sold to our related company, Woodchester Investments p.l.c.

The total profit from these sales has been sufficient to cover the provision required for the anticipated costs arising from the restructuring of the motor division referred to earlier. In addition, when all the sales have been completed they will have generated cash flow in excess of £20m, which will be used to fund the capital investment programme.

A new solus Audi dealership has been opened in Blackburn covering a much larger territory and agreement has been reached with Audi to set up a similar operation based in Middlesbrough covering all of Teeside.

New purpose built dealerships have been opened on adjacent sites in Chelmsford to cater for the relocation of our Land Rover and Renault dealerships covering that area. Land Rover has recently introduced the much awaited "Freelander" and Renault has significantly increased its market share throughout the year.

Our present Mercedes Benz operation has outgrown its existing facility and a new dealership is now in the course of construction on a prime site on the busy A127 from Southend to London. We will then be in an ideal position to handle the expanded model range which this franchise will have to offer.

The Group has been successful in securing the whole of the Wirral territory to supply Vauxhall products and a satellite has recently been opened in Heswall to complement the Ellesmere Port dealership. A further satellite is being sought as an extension of the Birkenhead dealership which will then complete the coverage of the area. Vauxhall have also confirmed our appointment at our other main outlets including larger territories for which further satellites will be required.

The Group has been awarded the very valuable territory south of Manchester where a Rover dealership will operate from Stockport with a satellite being built in Wilmslow. These depots will also hold the desirable MG franchise.

A similar arrangement with coverage of an even larger territory has been agreed with Renault. Both the main Rover and Renault dealerships will operate from adjacent purpose built premises based in Stockport.

In Northern Ireland, the development at Quarry Corner, East Belfast has been completed. Franchises are held for both Nissan and Renault and a third franchise is being sought to complete the motor village operation.

At Newtownabbey, additional land has been purchased and it is intended to add a Citroën franchise to the existing motor village comprising of Renault, Nissan and Rover, with land available for further development.

The Hurst tyres business at Sydenham Road, Belfast has been refocused during the year and changed from being a predominantly wholesale business to include a fast fit retailing operation. A further retail operation has also been opened at Dundonald. Initial indications are encouraging with a growth in retail sales at improved margins.

Trading Performance

The mainland motor division performance was ahead of the previous year with a good contribution from our Vauxhall dealerships and a strong performance from the more specialised franchises such as Volkswagen, Audi, Land Rover and Mercedes. Ongoing margin pressure was the main feature associated with the other more traditional volume franchises. This reaffirms our strategy to enrich the franchise mix.

In Northern Ireland, Charles Hurst continued to forge ahead and produced a strong performance both well ahead of the previous year and in excess of budget.

Car delivery results were a slight improvement upon the previous year and the renewal of the Rover contract for a further five years covering a larger distribution area was successfully negotiated. Additional land is being purchased so that we are able to increase both the range of services offered and widen the customer base. Profits from van body building were much improved.

There was great uncertainty in the farming community throughout the period caused by the continuing BSE scares coupled with the poor harvest and the strong pound. This translated into weaker demand, lower sales levels and hence reduced profitability which will also reduce the contribution to profits from this division during the current financial year. The Doncaster outlet was sold during the year due to its close proximity to our main Epworth branch. A new service and parts facility was opened adjacent to our Vauxhall dealership in Barnsley.

The sale of the non-core activities caused a significant year on year profit dilution particularly as the funds generated have yet to be reinvested in new motor retail operations.

Current Outlook

The various disposals have generated a considerable inflow of cash. Used car stock was tightly controlled following the large number of part exchanges taken in during the peak August selling month. As a result, the gearing at the year end was 35% (1996 - 67%) and this stands us in good stead for our future capital investment programme.

We have made considerable progress during the year in relation to our refranchising programme and the disposal of non-core activities.

We have the necessary financial resources to deal with the remaining refranchising issues and to complete the restructuring of the Group.

A period of time will be required in order to benefit fully from the initiatives undertaken. We are confident that we have positioned the Group well for the future.

The results for the first quarter to 31st December are ahead of the same period last year.

Management and Staff

At the conclusion of the AGM I will be stepping down as non-executive Chairman and resigning as a Director, having given almost 30 years service to the Group.

I am pleased to have overseen the successful resolution of the refranchising issues before my retirement.

I am very pleased that my position as Chairman will be filled by Craig McKinney who has been a Director of the Company for over ten years. I am confident that under his able stewardship together with Fred Maguire as Chief Executive, the Company will go from strength to strength.

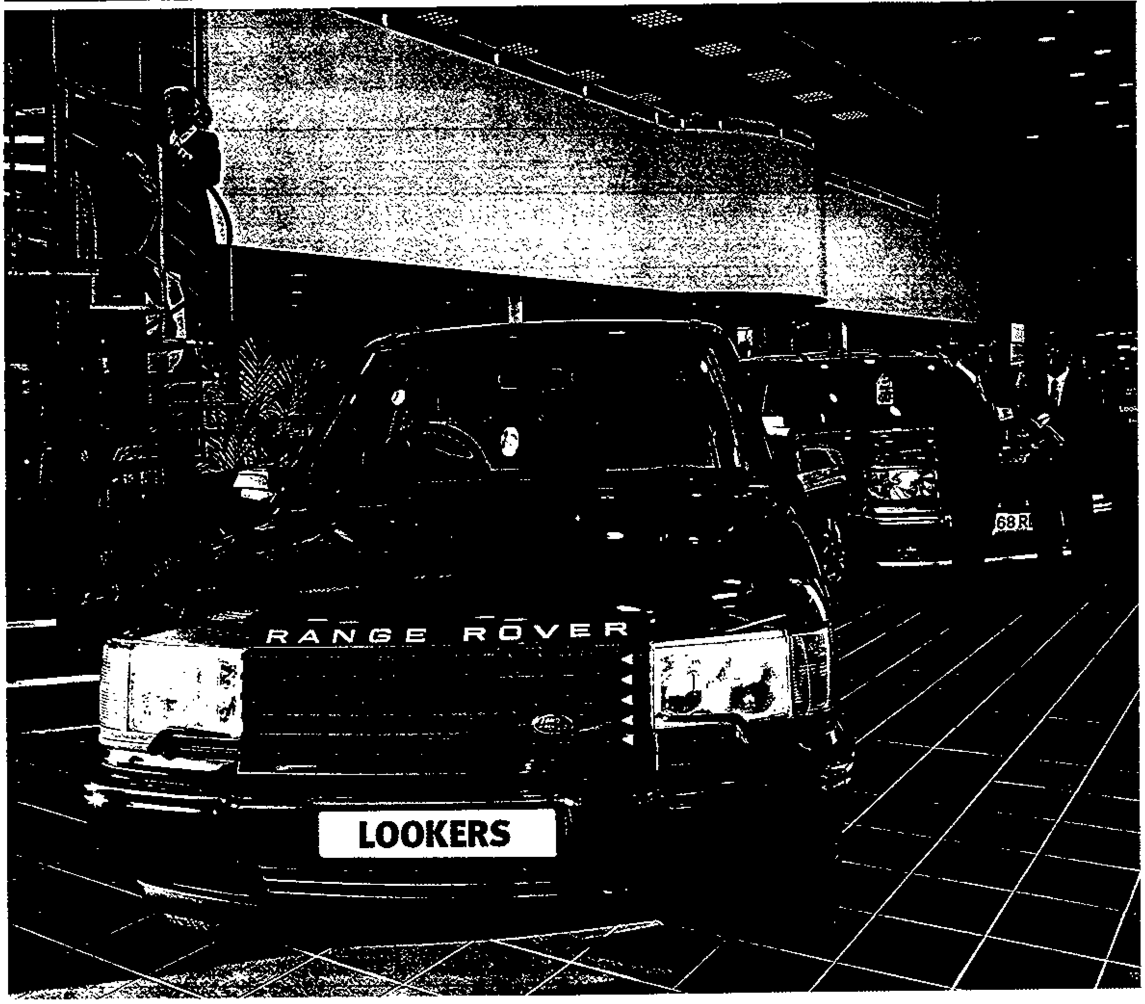
Finally, I would like to thank my co-directors, management and staff for their hard work during a year of many challenges.

W K Martindale

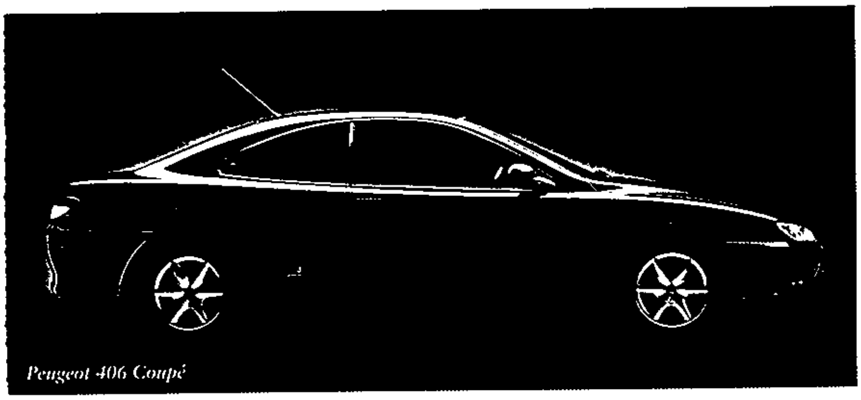
W. K. MARTINDALE, Chairman

5th February 1998

Charles Hurst Renault and Nissan showrooms, Quarry Corner, Dundonald.



Land Rover showroom, Chelmsford.



Peugeot 406 Coupé

Audi A6

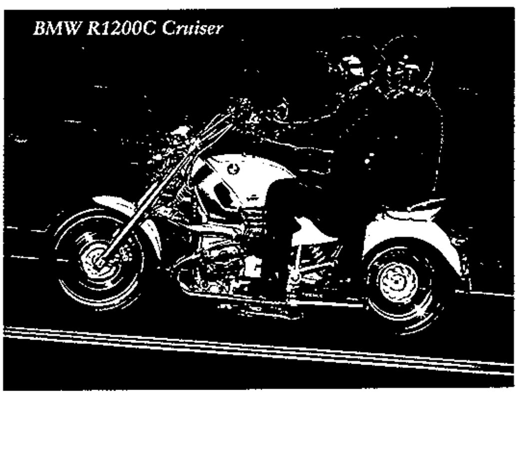
TOYOTA NISSAN RENAULT

Renault showroom, Chelmsford.

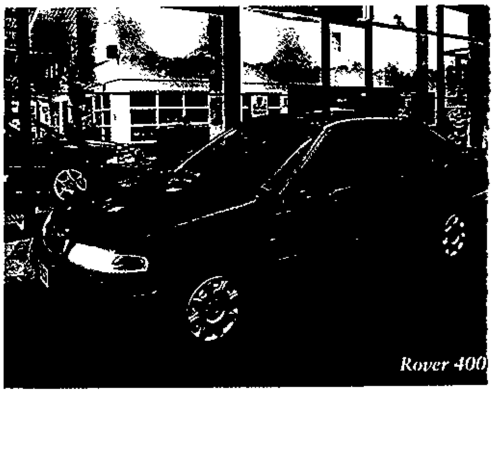
Left: Under construction, new Mercedes showroom, Southend.

Right: Charles Hurst Peugeot showroom, Boucher Road, Belfast.

Land Rover Freelander



BMW R1200C Cruiser



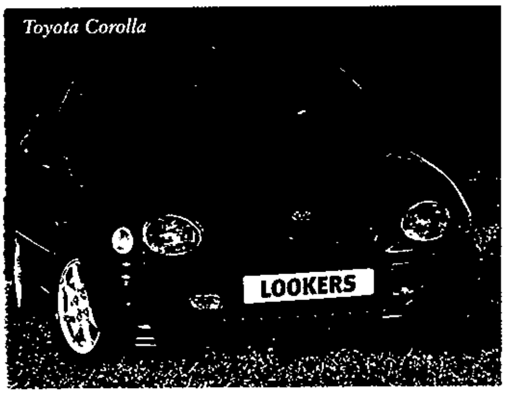
Rover 400

ROVER SEAT SSANGYONG PEUGEOT VAUXHALL

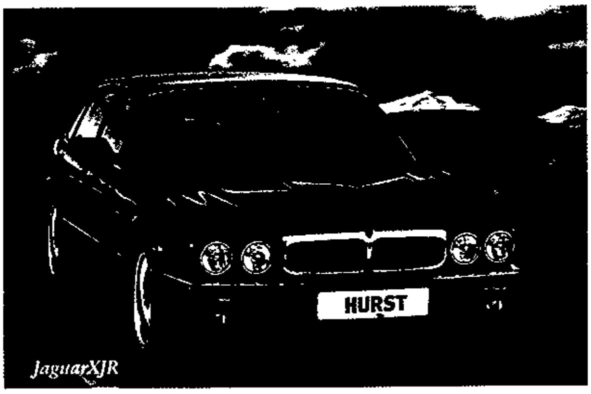
Left:
Audi Approved
Used Cars,
Blackburn.

Right:
New Audi
showroom,
Blackburn.

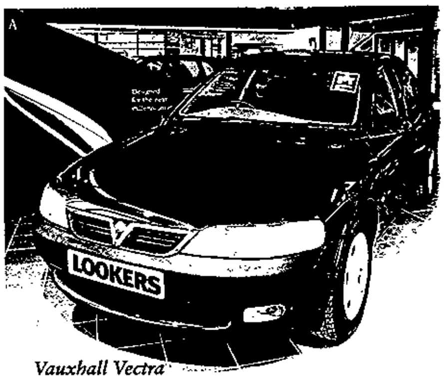
New Audi
showroom,
Blackburn.



Toyota Corolla



JaguarXJR



Vauxhall Vectra

Ford CITROËN Audi LEXUS ASTON MARTIN

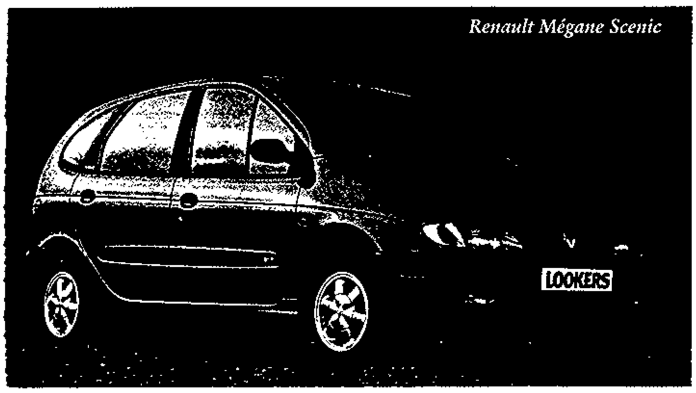
Purpose-built Platts Harris Depot at Barnsley.

Left:
Land Rover Parts, Chelmsford.

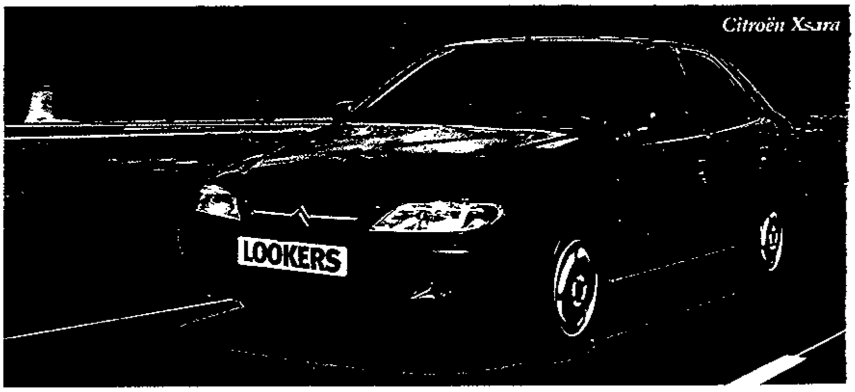
Middle:
Renault Workshop, Chelmsford.

Right:
Platts Harris Accessory Sales, Epworth.

Renault Mégane Scenic



Citroën Xsara



JAGUAR Daimler · Mercedes-Benz · Ferrari · Jeep · HYUNDAI · LAND ROVER

PROFILE OF DIRECTORS

CHAIRMAN

W. K. Martindale
Aged 65. Chartered Accountant. Joined the Group in 1968 and appointed a Director in 1971, becoming Managing Director in 1977 and Chairman in 1985. Became a non-executive Director in April 1997.

EXECUTIVE DIRECTORS

F. S. Maguire
CHIEF EXECUTIVE & DEPUTY CHAIRMAN
Aged 55. Joined Charles Hurst in 1986 as Managing Director of Hurst Fuels having previously been involved in the oil and motor industries for 20 years. Appointed Chief Executive of Charles Hurst in 1989 and appointed to the Board of Lookers plc in May 1996 becoming Chief Executive in April 1997.

D. Morrow
MANAGING DIRECTOR
Aged 52. Graduate Engineer. Joined the Group and appointed a Director in February 1995. Prime responsibility for the mainland Motor Division including commercial vehicle body-building.

A. S. Marston
FINANCIAL DIRECTOR
Aged 50. Chartered Accountant. Joined the Group in 1971 and appointed a Director in 1978.

D. J. Blakeman
COMPANY SECRETARY
Aged 47. Solicitor. Joined the Group in 1984 and appointed a Director in 1989. In addition to his duties as Company Secretary he has responsibility for Group property matters.

NON-EXECUTIVE DIRECTORS

C. McKinney
Aged 49. Appointed in 1987. Previously Chairman and Chief Executive of Woodchester Investments p.l.c. which was acquired by GE Capital at the end of December 1997. Recently appointed by GE Capital as Chairman of AFS Europe.

R. Horrocks C.B.E.
Aged 67. Appointed in 1986. Chairman of Chloride Group plc and holds other non-executive directorships. Former Director of British Leyland and Jaguar Cars.

A. Iversen
Aged 50. Joined the Group as an alternate Director in 1992 and appointed a non-executive Director in 1993. Recently appointed Deputy Managing Director of GE Capital Motor Finance in the U.K.

D. O'Connor
Aged 38. Chartered Accountant. Joined the Group as an alternate Director to C. McKinney in 1993. Recently appointed by GE Capital as Chief Executive Officer of AFS Europe to manage their European auto-finance business.

Financial Review

Year to 30th September

	1993 £000	1994 £000	1995 £000	1996 £000	**1997 £000**
Turnover	363,299	396,662	398,861	513,353	**618,351**
Profit before taxation	5,011	7,004	6,386	8,094	**9,009**
Taxation	(1,491)	(2,188)	(2,236)	(2,633)	**(2,638)**
Profit attributable to shareholders	3,520	4,816	4,150	5,461	**6,371**
Dividends	2,415	2,625	2,721	3,840	**3,923**
Earnings per ordinary share	12.2p	18.9p	15.1p	15.5p	**15.6p**
As at 30th September					
Shareholders' interests					
Share capital	19,415	19,495	19,529	22,963	**22,962**
Reserves – non-distributable	2,365	2,685	2,756	16,144	**15,634**
– distributable	15,430	17,691	19,383	8,765	**10,858**
	37,210	39,871	41,668	47,872	**49,454**

Figures may differ from those originally reported due to amendment following the introduction of new Accounting Standards.

The earnings per share figures have been restated in previous years to allow for the bonus element of the rights issue.

Directors' Report

for the year ended 30th September 1997

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 30th September 1997.

1. Activities

The main activities of the Group are the sale, hire and maintenance of motor vehicles, agricultural machinery and motorcycles, including the sale of petrol, oil, parts and accessories. In addition, the Group's activities include vehicle delivery operations, coachbuilding and the sale of tyres.

2. Review of Developments

A review of developments is given in the Chairman's Review.
The full results for the year are set out on page 20.

3. Dividends

(a) Ordinary Shares of 25p each.
An interim dividend of 2.6p per share (1996 - 2.6p per share) has been paid on 30th September 1997 and subject to shareholders' approval, a final dividend of 5.65p per share (1996 - 5.4p per share) is proposed to be paid on 30th April 1998.

(b) 8% Convertible Cumulative Redeemable Preference Shares of £1 each (Preference Shares).
The first instalment of the preference dividend of 4.0p per share (1996 - 4.0p per share) was paid on 31st March 1997 for the half year.
The second half yearly dividend of 4.0p per share (1996 - 4.0p per share) was paid on 30th September 1997.

4. Directors

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

	Ordinary Shares of 25p each		Preference Shares of £1 each		Ordinary Share options				
	30.9.97	30.9.96	30.9.97	30.9.96	Outstanding at 1.10.96	Issued/ (Lapsed) during year	Outstanding at 30.9.97	Option price range	Dates Exercisable
W. K. Martindale	160,962	160,962	40,000	40,000	146,000	(146,000)	-	-	-
F. S. Maguire	15,480	-	-	-	100,000	100,000	200,000	108.0p to 146.5p	July 1999 to March 2007
D. Morrow	2,652	2,652	-	-	180,000	-	180,000	143.5p to 180.2p	Feb 1998 to Feb 2006
A. S. Marston	127,260	127,260	49,673	49,673	30,000	(30,000)	-	-	-
D. J. Blakeman	50,000	50,000	1,333	1,333	-	-	-	-	-
C. McKinney	-	-	-	-	-	-	-	-	-
R. Horrocks	6,477	6,477	7,552	7,552	-	-	-	-	-
A. Iversen	-	-	-	-	-	-	-	-	-
D. O'Connor	-	-	-	-	-	-	-	-	-

All holdings are beneficial.
The holdings for Messrs. Martindale and Marston both include 40,000 Preference Shares which are held jointly.

There was no change in the interests of the Directors in shares or share options of the Company between 30th September 1997 and 19th January 1998.

The mid-market price of the Ordinary Shares at 30th September 1997 was 100.5p, and the range during the year was 100.0p to 121.5p.

Following changes to the Articles of Association approved at an Extraordinary General Meeting of the Company held on 3rd October 1996 all Directors retire by rotation and Mr. C. McKinney, Mr. D. Morrow and Mr. A.S. Marston retire and, being eligible, offer themselves for re-election.

Mr C. McKinney does not have a service contract with the Company of more than one year's duration. Mr D. Morrow and Mr. A. S. Marston have service contracts with the Company expiring after two years' notice in writing given at any time by the Company. This accords with the City Group for Smaller Companies guidance on the Greenbury recommendations on Directors' Remuneration.

In an agreement dated 2nd July 1987, the Company agreed to offer Woodchester Investments p.l.c. the opportunity to provide, on normal competitive terms, advances on hire purchase to customers of the Group. This agreement was extended on 18th May 1993 for a further period of five years as if the agreement had not expired and on 25th January 1996 was extended for a further period of five years from that date on the same terms. Subsidiaries of Woodchester Investments p.l.c., in the normal course of business, also provide certain loans to the Group on competitive terms. Messrs. Martindale, McKinney (D. O'Connor as his alternate), and A. Iversen, as directors of Woodchester Investments p.l.c., have an interest in these agreements.

Owenbell Limited provides consultancy services to the Group. Mr. R. Horrocks, as a director of this company, has an interest in this agreement.

There are no other contracts with the Company or its subsidiaries in which a Director of the Company has any interest.

5. Special Business of the Annual General Meeting

(a) Purchase of Ordinary Shares

The Special Business of the Annual General Meeting includes a Special Resolution (Resolution 8) which permits the Company to purchase its own Ordinary Shares in the market for cancellation. A similar Resolution was passed at the last Annual General Meeting but this authority must be renewed annually to remain effective. It is proposed that your Board be given authority to purchase up to a maximum nominal value of £417,212. Ordinary Shares representing 5% of the Company's existing issued Ordinary Share capital, through market purchases on the London Stock Exchange. It is not intended that purchases be made of Ordinary Shares owned by your Directors and your Directors do not intend to use distributable profits for the purchase of shares at the expense of dividends on the 8% Convertible Cumulative Redeemable Preference Shares (Preference Shares) and the Ordinary Shares. Your Directors are committed to the long term future of the Company and would only exercise these powers of purchase if the Board was satisfied that any purchase would have a beneficial impact on expected results and future dividends. Further, your Directors would only exercise such powers if it were in the interests of shareholders to do so and after taking into account other investment opportunities, appropriate gearing levels and the overall cash resources and capital of the Company.

(b) Purchase of Preference Shares

The Special Business of the Annual General Meeting includes a Special Resolution (Resolution 9) which permits the Company to purchase its own Preference Shares in the market for cancellation. A similar Resolution was passed at the last Annual General Meeting but this authority must be renewed annually to remain effective. It is proposed that your Board be given authority to purchase up to 730,892 Preference Shares, representing 5% of the Company's existing issued Preference Share capital, through market purchases on the London Stock Exchange. It is not intended that purchases be made of Preference Shares owned by your Directors and your Directors do not intend to use distributable profits for the purchase of shares at the expense of dividends on the Preference Shares and the Ordinary Shares. Your Directors are committed to the long term future of the Company and would only exercise these powers of purchase if the Board was satisfied that any purchase would have a beneficial impact on expected results and future dividends. Further, your Directors would only exercise such powers if it were in the interests of all shareholders to do so and after taking into account other investment opportunities, appropriate gearing levels and the overall cash resources and capital of the Company.

Directors' Report
(continued)

(c) Disapplication of Pre-emption Rights if the Transactions are approved and completed
The Special Business of the Annual General Meeting includes a Special Resolution (Resolution 10), which pursuant to the authority conferred on the Directors by Resolution 10 passed at the Annual General Meeting of the Company held on 9th March 1995 and by Resolution 1 which was passed at an Extraordinary General Meeting of the Company held on 19th February 1996, proposes to disapply the pre-emption rights of the shareholders contained in Section 89(1) of the Companies Act 1985 with respect to certain allotments. The effect of this Resolution, if approved, will be to give the Directors authority until the date of the next Annual General Meeting to issue shares up to a maximum nominal amount of £417,212 which equates to 5% of the existing issued Ordinary Shares of the Company and £730,892 which equates to 5% of the existing issued Preference Share capital of the Company for cash, otherwise than *pro-rata* to the existing shareholders. This Resolution follows the form of the Resolution passed at the last Annual General Meeting but this authority must be renewed annually to remain effective.

6. Future Developments
Details of future developments are given in the Chairman's Review.

7. Fixed Assets
On 30th September 1997 Messrs. Donaldsons, Chartered Surveyors, carried out a valuation of the freehold and leasehold properties of the motor vehicle dealerships on the basis of Existing Use Value. This valuation revealed a small surplus over existing balance sheet values, which the Directors have decided not to adjust for in the financial statements.

8. Employees
Employees are encouraged to discuss with management any matters about which they are concerned 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 and have been actively encouraged via a series of "Employee Forum Groups" where staff met with Directors.

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

The Group Newsletter (Outlook) is circulated periodically to all employees and shareholders. The purpose of the Newsletter is to keep employees up to date with Group developments and activities. Communicating in this manner ensures a consistent message and is one of the methods that the Company uses.

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.

The Group's recruitment policy is based solely on the candidates ability to do the job and the skills required to undertake the role satisfactorily.

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.

9. Donations
Charitable donations amounted to £12,000. No political donations were made.

10. Auditors
Deloitte & Touche have expressed their willingness to continue in office and, in accordance with Section 384 of the Companies Act 1985, their reappointment will be proposed at the next Annual General Meeting.

11. Supplier Payments Policy

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 30th September 1997, the trade creditors of the Group and the Company represented 30 days and 48 days purchases respectively.

12. Substantial Shareholdings

On 19th January 1998 the following shareholders were, so far as the Directors are aware, interested in 3% or more of the issued Ordinary Share capital of the Company:

*Hamilton Finance Ltd.	9,975,513 shares (29.89%)
Arriva PLC	2,107,000 shares (6.31%)
Prudential Corporation Group	1,741,626 shares (5.22%)
T. B. F. Thompson	1,333,334 shares (3.99%)
K. H. Cheevers	1,333,333 shares (3.99%)
R. J. Gillanders	1,333,333 shares (3.99%)
Robert Fleming & Co. Ltd.	1,180,000 shares (3.54%)

*A wholly owned subsidiary of Woodchester Investments p.l.c.

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

By Order of the Board

D.J. Blakeman,
Director and Secretary
5th February 1998

Statements on Corporate Governance

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities set out below and on page 17, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year, on a going concern basis unless this is inappropriate, which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for the financial year.

Following discussions with the auditors, the Directors consider that in preparing the financial statements on pages 18 to 36, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Directors, having prepared the financial statements, have requested that the auditors take whatever steps and undertake whatever inspections they consider to be appropriate having regard to Auditing Standards and Guidelines, for the purpose of enabling them to give their audit report.

Statement by the Auditors on their Responsibilities

As disclosed in the audit report on page 17 it is the responsibility of the auditors to form an independent opinion, based on the audit, on the financial statements prepared by the Directors, and for the auditors to report their opinion to the members of the Company.

Going Concern

After making enquiries, the Directors have formed a judgment, 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. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Statement of Compliance With Code of Best Practice

In accordance with The Code of Best Practice of the Committee on the Financial Aspects of Corporate Governance (the Cadbury Committee), the Board has carried out a review of the Group's compliance during the financial year.

With effect from 1st April 1997 the roles of Chairman and Chief Executive were separated.

The Company complied with all the recommendations of The Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance (the Cadbury Committee) during the year, except for the matters referred to below.

Non-executive Directors retire by rotation in accordance with the Articles of Association of the Company. They do not have a fixed period contract as recommended by the Code but all future appointments will be on that basis.

The Audit Committee comprises the Chairman, Finance Director and two non-executive Directors. In the opinion of the Board, the balance achieved under this arrangement is appropriate. The code recommends a third non-executive Director to sit on the committee. The Chairman became a non-executive Director with effect from 1st April 1997.

Internal Financial Control

The Directors are responsible for the system of internal financial control within the Group. These systems are designed to provide reasonable, but not absolute assurance against material misstatement or loss.

Key procedures within the internal financial control framework that have been established and are designed to provide effective internal financial control include the following:

- clear definitions of the responsibilities throughout the Group to ensure that appropriate levels of authorisation are required for decisions which have major financial implications
- the issue of both an internal control systems manual and an accounting manual

- comprehensive management reporting disciplines with the preparation of annual detailed budgets by all sectors of the business. Actual results are reported against the approved budget at regular Board meetings and forecasts are reviewed
- an internal audit function, the scope of which covers a variety of operational and internal control matters including compliance with the Group's specified standards.

The Directors acknowledge their responsibility for internal financial control and confirm that they have reviewed the effectiveness of internal financial control operating within the Group.

Report of the Remuneration Committee

This report is made to shareholders on behalf of the Board by the Remuneration Committee. The members of the Committee are:

Mr. W. K. Martindale - Non-executive Director
Mr. R. Horrocks - Non-executive Director
Mr. C. McKinney - Non-executive Director

The Committee is responsible for setting the terms of the employment, including remuneration, of the directors. The Committee has given full consideration to Section B of the best practice provisions annexed to the Listing Rules. The Committee has complied with Section A of the best practice provisions annexed to the Listing Rules throughout the year, except for the period that the Chairman was an Executive Director. This balance was considered appropriate.

Policy on Directors' remuneration

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 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 had regard to the Group's turnover, market worth and business sector.

Non-executive Directors

Non-executive Directors do not have service contracts. Their remuneration, which is non pensionable, is approved by the Board.

Executive service contracts

At 30th September 1997 every Executive Director including Mr. D. Morrow and Mr A.S. Marston had a contract of service requiring two years notice of termination, it being considered that the notice period was appropriate to the circumstances of the Group and reflected the seniority of the executives concerned.

Pensions

The Group operates a defined benefit scheme for its full time permanent employees. Mr. Maguire, Mr. Morrow and Mr. Blakeman are members of this pension scheme. Mr. Martindale and Mr. Marston are members of the Lookers Supplementary Pension Scheme No 2. Mr Morrow is also a member of an unfunded unapproved retirement contribution scheme.

Details of Directors' pension costs are set out in Note 9 to the Accounts on page 26.

Performance related bonus

Executive Directors participate in an annual bonus scheme which is payable upon the Group exceeding a pre determined profit level target. Bonus payments are pensionable in order to ensure that the benefits accruing to Executive Directors are consistent with those accruing to all other members of the pension scheme.

Directors' remuneration

No Director plays a part in any decision about his own remuneration. Full details of Directors' remuneration, fees, shareholdings and share options are set out in Note 9 to the Accounts on page 26 and pages 10 and 11 of the Directors' Report. Directors retiring by rotation are shown in the Directors' Report on page 11. None of the Directors have any long term incentive schemes other than the share options noted above.

Employee share option schemes

Information on share options granted to employees is set out in Note 18 to the Accounts on page 33.

Review Report on Corporate Governance Matters

Deloitte & Touche

REVIEW REPORT to Lookers plc by Deloitte & Touche on Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the Directors' Statement on pages 14 and 15 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43 (j) and 12.43 (v).

Basis of Opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or the Company's corporate governance procedures or on the ability of the Group to continue in operational existence.

Opinion

With respect to the Directors' Statement on internal financial control on pages 14 and 15 and going concern on page 14, in our opinion the Directors have provided the disclosures required by the Listing Rules referred to above, and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Directors and Officers of the Company, and examination of relevant documents, in our opinion the Directors' Statement on pages 14 and 15 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review by Listing Rule 12.43 (j).

Deloitte & Touche. Deloitte & Touche.

DELOITTE & TOUCHE
Chartered Accountants
201 Deansgate
Manchester M60 2AT

5th February 1998

Deloitte & Touche

AUDITORS' REPORT to the members of Lookers plc

We have audited the financial statements on pages 18 to 36 which have been prepared under the accounting policies set out on pages 18 and 19.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS
As described on page 14 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

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

OPINION
In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 30th September 1997 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche. Deloitte & Touche.

DELOITTE & TOUCHE
Chartered Accountants and Registered Auditors
201 Deansgate
Manchester M60 2AT

5th February 1998

Principal Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

1. Accounting Convention

The financial statements and supporting notes set out on pages 18 to 36 inclusive are prepared under the historical cost convention, as modified by the revaluation of properties.

2. Basis of Consolidation

The consolidated profit and loss account and balance sheet includes the financial statements of the parent company and all its subsidiaries from the date of acquisition where acquired during the year, made up to the end of the financial year. The Group's share of profit and attributable taxation of the associated company prior to its sale during the year, is included in the consolidated profit and loss account.

Internal sales and profits are eliminated on consolidation so that the figures shown by the consolidated statements relate to external transactions only.

3. Goodwill

Goodwill arising on consolidation and acquisitions is set-off against reserves in the year in which it arises. Goodwill attributable to closures or disposals is charged against the profit for the year.

4. Deferred Taxation

Deferred taxation is provided at the anticipated corporation tax rate on differences arising from the inclusion of items of income and expenditure in the taxation computation in periods different from those in which they are included in the financial statements, to the extent that it is probable that a liability or asset will crystallise in the future.

No provision is made for the corporation tax liability which would arise if the Group's properties were sold at the values shown in the financial statements, in view of the anticipated replacement or continued use of these assets.

5. Fixed Assets

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, car transporters and trailer units, are depreciated on a straight line basis at rates varying between 10% and 25% per annum over their estimated useful lives.

Fixtures, fittings, tools and equipment including computer equipment and terminals are depreciated on a straight line basis at rates varying between 10% and 25% per annum over their estimated useful lives.

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 profit and loss account 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 profit and loss account in equal annual amounts over the periods of the leases.

6. Stocks

Stocks are valued at the lower of cost and net realisable value.

Deposits paid for vehicles on consignment represent bulk deposits paid to manufacturers.

Interest bearing consignment vehicles and motability buy-back vehicles are included in stocks. The related liabilities are included in trade and other creditors respectively.

7. Turnover

Turnover represents external sales arising in the United Kingdom excluding value added tax.

8. Terms of Trading

Where vehicle sales are made on the basis that the title to the goods shall not pass to the purchaser until such time as payment has been received in full, the financial statements have been prepared on the basis that the ownership of the goods passes at the point of sale irrespective of the date of payment.

9. Pension Costs

The Group participates in the Retail Motor Industry Pension Plan which is a defined benefit scheme providing benefits based on final pensionable salary. 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 RMI Plan.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. The contribution rate is recommended by a qualified actuary on the basis of triennial valuations, using the projected unit method.

The Group also provides pension arrangements for certain Directors under a defined contribution scheme. Contributions are charged to the profit and loss account in the period in which they are paid.

Consolidated Profit and Loss Account

for the year ended 30th September 1997

	Note	1997 Continued Operations £000	1997 Non-Continued Operations £000	1997 Total £000	1996 £000
Turnover	1				
– continuing operations		576,067	30,707	606,774	498,504
– discontinued operations				11,577	14,849
				618,351	513,353
Cost of sales				552,614	454,515
Gross profit				65,737	58,838
Operating costs	2			53,827	48,263
Operating profit					
Continuing operations		11,512	(63)	11,449	10,018
Discontinued operations				461	557
				11,910	10,575
Profit on sale of discontinued operations				2,892	
Profit on sale of associated company (discontinued operations)				2,120	-
Provision for loss on closure/sale of continuing operations				(4,950)	-
Share of profit of associated company (discontinued operations)				146	488
Profit before interest				12,118	11,063
Interest payable	3			3,109	2,969
Profit on ordinary activities before taxation	4			9,009	8,094
Taxation	5			2,638	2,633
Profit for the financial year attributable to shareholders	6			6,371	5,461
Profit and loss account brought forward				8,765	19,383
Dividends	7				
– Non-equity preference shares				(1,169)	(1,170)
– Equity ordinary shares				(2,754)	(2,670)
Transfers from reserves				70	54
Goodwill written off				(425)	(12,293)
Profit and loss account carried forward				10,858	8,765
Earnings per ordinary share	8			15.6p	15.5p

There was no material difference between the historical cost profits and those shown above.

Statement of Total Recognised Gains and Losses

for the year ended 30th September 1997

	1997 £000	1996 £000
Profit for the financial year	6,371	5,461
Adjustment on redevelopment of properties	(662)	(360)
Total recognised gains and losses relating to the year	5,709	5,101

CONSOLIDATED BALANCE SHEET

30th September 1997

	Note	1997 £000	1997 £000	1996 £000	1996 £000
FIXED ASSETS					
Tangible assets	*10*		52,359		52,326
Investments	*11*		-		1,859
			52,359		54,185
CURRENT ASSETS					
Stocks	*12*	68,043		68,568	
Debtors	*13*	32,058		36,035	
Cash at bank and in hand		27		30	
		100,128		104,633	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Bank overdrafts		1,148		3,992	
Trade creditors		45,978		45,806	
Other creditors including taxation and social security	*14*	24,959		27,566	
Proposed dividend		1,886		1,802	
		73,971		79,166	
NET CURRENT ASSETS			26,157		25,467
TOTAL ASSETS LESS CURRENT LIABILITIES			78,516		79,652
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	*15*	24,764		31,780	
PROVISIONS FOR LIABILITIES AND CHARGES	*17*	4,298	29,062	-	31,780
			49,454		47,872
CAPITAL & RESERVES					
Called up share capital	*18*		22,962		22,963
Reserves	*19*				
Share premium		14,749		14,748	
Revaluation reserve		885		1,396	
Profit and loss account		10,858		8,765	
			26,492		24,909
TOTAL SHAREHOLDERS' FUNDS			49,454		47,872
SHAREHOLDERS' FUNDS ARE ATTRIBUTABLE TO:					
Non-equity shareholders' funds			14,618		14,619
Equity shareholders' funds			34,836		33,253
			49,454		47,872

The financial statements were approved by the Directors on 5th February 1998.
Signed on behalf of the Board of Directors.

F. S. Maguire

A. S. Marston

} Directors

Parent Company Balance Sheet

30th September 1997

	Note	1997 £000	1997 £000	1996 £000	1996 £000
Fixed assets					
Tangible assets	10		2,015		2,038
Investments	11		53,676		53,271
			55,691		55,309
Current assets					
Debtors	13	1,537		1,263	
Amounts owed by subsidiaries		24,829		23,668	
Cash at bank and in hand		1		8,066	
		26,367		32,997	
Creditors: amounts falling due within one year					
Bank overdrafts		2,304		-	
Trade creditors		1,722		885	
Amounts owed to subsidiaries		5,591		9,460	
Other creditors including taxation and social security	14	1,676		6,275	
Proposed dividend		1,886		1,802	
		13,179		18,422	
Net current assets			13,188		14,575
Total assets less current liabilities			68,879		69,884
Creditors: amounts falling due after more than one year	15		6,750		13,000
			62,129		56,884
Capital & reserves					
Called up share capital	18		22,962		22,963
Reserves	19				
Share premium		14,749		14,748	
Profit and loss account		24,418		19,173	
			39,167		33,921
Total shareholders' funds			62,129		56,884
Shareholders' funds are attributable to:					
Non-equity shareholders' funds			14,618		14,619
Equity shareholders' funds			47,511		42,265
			62,129		56,884

The financial statements were approved by the Directors on 5th February 1998.
Signed on behalf of the Board of Directors.

F. S. Maguire
A. S. Marston } Directors

Consolidated Cash Flow Statement

for the year ended 30th September 1997

	1997 £000	1997 £000	1996 (restated) £000	1996 (restated) £000
Net cash inflow from operating activities		21,808		13,630
Returns on investments and servicing of finance				
Interest paid	(3,200)		(2,736)	
Interest element of hire purchase contracts	(4)		(254)	
Non-equity dividends paid	(1,169)		(1,170)	
Net cash outflow from returns on investments and servicing of finance		(4,373)		(4,160)
Taxation				
UK corporation tax paid		(3,757)		(2,421)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(10,380)		(9,691)	
Sale of tangible fixed assets	3,334		3,695	
Net cash outflow from capital expenditure and financial investment		(7,046)		(5,996)
Acquisitions and disposals				
Sale of associated company	4,077		-	
Sale of discontinued operations	6,825		-	
Purchase of subsidiary undertaking	-		(19,870)	
Net cash inflow/(outflow) from acquisitions and disposals		10,902		(19,870)
Equity dividends paid		(2,670)		(1,928)
Net cash inflow/(outflow) before financing		14,864		(20,745)
Financing				
Issue of ordinary share capital	-		12,352	
Repayment of loans	(12,505)		(1,202)	
Increase in loans	500		10,004	
Repayment of capital element of hire purchase contracts	(18)		(67)	
Net cash (outflow)/inflow from financing		(12,023)		21,087
Increase in cash in the year		2,841		342

Additional information on the cash flow statement is set out in note 21. During the year the provisions of FRS1 (Revised) became effective and accordingly the comparative figures have been restated.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30th September 1997

1. Segmental analysis

1997	Motor trade £000	Contract hire £000	Agriculture £000	Caravans £000	Total £000
Turnover	**576,598**	**-**	**41,225**	**528**	**618,351**
Profit before taxation					
Operating profit	11,157	-	602	151	11,910
Associated company	-	146	-	-	146
Interest	(2,921)	-	(218)	30	(3,109)
Profit before exceptional items	8,236	146	384	181	8,947
Exceptional items	(3,502)	2,120	-	1,444	62
	4,734	2,266	384	1,625	9,009
Net assets	**46,941**	**-**	**2,513**	**-**	**49,454**

1996	Motor trade £000	Contract hire £000	Agriculture £000	Caravans £000	Total £000
Turnover	468,759	-	42,331	2,263	513,353
Profit before taxation					
Operating profit	9,241	-	701	633	10,575
Associated company	-	488	-	-	488
Interest	(2,805)	-	(159)	(5)	(2,969)
	6,436	488	542	628	8,094
Net assets	43,096	-	2,549	2,227	47,872

Discontinued operations shown on the face of the profit and loss account represent fuel distribution (included in motor trade segment) and caravans. The figures for discontinued operations in 1997 include the following: cost of sales £9,765,000 (1996 – £12,598,000); gross profit £1,812,000 (1996 – £2,251,000); selling and distribution expenses £1,020,000 (1996 – £1,084,000); administration costs £351,000 (1996 – £610,000); and other operating income £20,000 (1996 – £NIL).

The results from the dealerships sold/closed to date have been separately disclosed as non-continued operations.

2. Operating costs

	1997 £000	1996 £000
Selling and distribution costs	**36,586**	31,850
Administration costs	**17,901**	17,296
Other operating income	**(660)**	(883)
	53,827	48,263

3. Interest payable

	1997 £000	1996 £000
On amounts wholly repayable within five years		
Bank loans and overdrafts	**2,235**	1,865
Hire purchase and other interest	**4**	254
Interest on consignment vehicles	**380**	389
On amounts repayable wholly or in part after five years		
Bank loans	**490**	461
	3,109	2,969

4. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation has been calculated after taking into account the following items:

	1997 £000	1996 £000
Income		
Income from property	194	138
Profit on sale of properties	319	245
Charges		
Rentals under operating leases	91	13
Directors' remuneration (note 9)	778	753
Auditors' remuneration – audit fees	150	175
– other non audit fees	30	233
Depreciation of tangible fixed assets	3,372	3,162

The other non audit fees in 1996 included £198,000 in respect of the acquisition of T.B.F. Thompson Limited (Charles Hurst).

5. Taxation on profit on ordinary activities

	1997 £000	1996 £000
Taxation on the profit for the year		
Corporation tax at 32% (1996 – 33%)	2,923	2,318
Transfer (from)/to deferred taxation	(197)	209
Share of associated company's taxation	48	161
Adjustments relating to prior years		
Corporation tax	(132)	(38)
Deferred taxation	(4)	(17)
	2,638	2,633

The taxation charge for the year has been reduced by £1,494,000 (1996 – £NIL) in respect of exceptional profits as there are taxation reliefs available to mitigate the liability. However, the taxation charge has been increased by £1,261,000 as full relief cannot be taken in respect of exceptional expenditure in the current year.

The taxation charge for the year has further been reduced by £103,000 (1996 – £115,000) in respect of accelerated capital allowances and other timing differences.

The actual amount of corporation tax on the profits for the year, payable on or after 1st July 1998, after deducting advance corporation tax already paid, amounts to £1,963,000 (1st July 1997 – £1,700,000).

6. Parent company profit

The consolidated profit and loss account includes £9,168,000 (1996 – £4,928,000) which is dealt with in the financial statements of the parent company.

As permitted by S.230 of the Companies Act 1985 the profit and loss account of the parent company is not presented as part of these financial statements.

7. Dividends

	1997 £000	1997 £000	1996 £000	1996 £000
Non-equity preference shares				
Dividend of 4.0p per share for the half year to 31st March 1997 (1996 - 4.0p per share)	585		585	
Dividend of 4.0p per share for the half year to 30th September 1997 (1996 - 4.0p per share)	584		585	
		1,169		1,170
Equity ordinary shares				
Interim dividend of 2.6p per share paid 30th September 1997 (1996 - 2.6p per share)	868		868	
Final dividend of 5.65p per share payable on 30th April 1998 (1997 - 5.4p per share)	1,886		1,802	
		2,754		2,670
		3,923		3,840

8. Earnings per ordinary share

The calculation of earnings per ordinary share is based on profits on ordinary activities after taxation and preference dividends amounting to £5,202,000 (1996 - £4,291,000) and a weighted average of 33,376,766 ordinary shares in issue during the year (1996 - 27,629,605 ordinary shares).

9. Information regarding directors and employees

	Fees £000	Salary £000	Performance related pay £000	Benefits-in-kind (including re-location costs) £000	Contributions to Defined Contribution Scheme £000	Increase in accrued pension under Defined Benefit Scheme £000	1997 Total £000	1996 Total £000
W. K. Martindale	-	108	4	13	25	-	150	225
F. S. Maguire	-	155	14	10	-	4	183	103
D. Morrow	-	143	7	27	20	2	199	194
A. S. Marston	-	108	4	10	11	-	133	130
D. J. Blakeman	-	75	-	10	-	3	88	76
R. Horrocks	2	15	-	8	-	-	25	25
C. McKinney, A. Iversen and D. O'Connor	-	-	-	-	-	-	-	-
Total	2	604	29	78	56	9	778	753

The total includes the increase in accrued pension under the Defined Benefit Scheme column. Four of the Directors receive a bonus which is payable upon the Group exceeding a pre-determined profit level target which is increased each year based on the retained profit of the Group as set out in their respective service agreements. Mr D. Morrow, Mr A. S. Marston and Mr D.J. Blakeman each contribute 5% of salary and performance related pay into the respective pension schemes. Details of Directors' shareholdings and share options are shown in the Directors' Report on pages 10 and 11.

Additional information in respect of the Directors' pension benefits under the Defined Benefit Schemes at 30th September 1997 were as follows:

	Normal retirement age	Members contrib-ution %	Accrued pension benefit £000	Benefits on retirement of final pensionable salary
F. S. Maguire	60	-	89	two thirds
D. Morrow	60	5	11	60ths plus 5 years
D. J. Blakeman	60	5	26	60ths plus 5 years

Pension increases are in line with LPI. Death-in-service pays at four times salary and death-in-retirement pays benefits at two thirds for the spouse of Mr Maguire and at half for the spouses of Messrs. Morrow and Blakeman. With effect from 1st October 1997, the Remuneration Committee improved the pension benefits for those Directors in the Defined Benefit Scheme, which have been reflected in the table above.

Employee costs during the year	1997 £000	1996 £000
Wages and salaries	37,593	34,463
Social security costs	3,179	2,898
Other pension costs	597	598
	41,369	37,959

The Group participates in the Retail Motor Industry Pension Plan and the most recent valuation was as at 6th April 1996 using the Projected Unit Method. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries. It was assumed that the investment return would be 2% p.a. higher than the increase in salaries in the period up to retirement. No allowance was made for any future discretionary increases in benefits.

The latest available actuarial valuation showed that the market value of the scheme's assets attributable to the Lookers Group was £25,490,000 and that the actuarial value of the assets represented 119% of the liabilities at the valuation date, after allowing for expected future increases in earnings. The employer's future service contribution rate has been adjusted to take into account the surplus disclosed by the valuation, spread over the average remaining service lives of the members of the scheme.

Average number employed during the year	1997	1996
Productive	842	860
Selling and distribution	1,064	1,128
Administration	577	605
	2,483	2 593
Total employed at the end of the year	2,352	2,549

10. Tangible fixed assets

	Freehold Property £000	Long Leasehold Property £000	Short Leasehold Property £000	Plant & Machinery £000	Fixtures Fittings Tools & Equipment £000	Total £000
The Group						
Cost or valuation						
As at 1st October 1996	43,646	2,947	1,762	12,616	10,369	71,340
Reclassification	(5,691)	5,567	124	259	(259)	-
Additions in the year	4,442	2,021	470	1,883	1,564	10,380
Disposals	(5,331)	-	(536)	(3,477)	(826)	(10,170)
As at 30th September 1997	37,066	10,535	1,820	11,281	10,848	71,550
Depreciation						
As at 1st October 1996	3,363	265	1,024	8,126	6,236	19,014
Reclassification	(53)	32	21	182	(182)	-
Charge for the year	282	100	122	1,516	1,352	3,372
Disposals	(218)	-	(92)	(2,267)	(618)	(3,195)
As at 30th September 1997	3,374	397	1,075	7,557	6,788	19,191
Net Book Value at 30th September 1997	33,692	10,138	745	3,724	4,060	52,359
Net Book Value at 30th September 1996	40,283	2,682	738	4,490	4,133	52,326

Summary Balances in respect of all properties are as follows:

	30/9/88 and 30/9/89 Valuation £000	30/9/97 Cost £000	Total Cost or Valuation £000	Historical Cost convention £000
The Group				
Gross Book Value	9,558	39,863	49,421	46,166
Net Book Value	8,230	36,345	44,575	43,690

The above figures include £2,016,000 in freehold property which is in the course of construction and has not been depreciated.

10. TANGIBLE FIXED ASSETS *continued*

	Plant & Machinery £000	Fixtures Fittings Tools & Equipment £000	Total £000
The Company			
Cost			
As at 1st October 1996	524	4,142	4,666
Additions in the year	272	506	778
Disposals	(276)	(2)	(278)
As at 30th September 1997	520	4,646	5,166
Depreciation			
As at 1st October 1996	214	2,414	2,628
Charge for the year	132	535	667
Disposals	(143)	(1)	(144)
As at 30th September 1997	203	2,948	3,151
Net Book Value at 30th September 1997	317	1,698	2,015
Net Book Value at 30th September 1996	310	1,728	2,038

Future capital expenditure	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
Contracted but not provided in the financial statements	1,417	928	-	844

11. INVESTMENTS

	Group Associated company £000	Company Subsidiary companies £000
Shares in subsidiary and associated companies		
At 1st October 1996	1,859	53,271
Additions	-	405
Disposals	(1,957)	-
Share of profit retained	98	-
At 30th September 1997	-	53,676

The major subsidiary companies are disclosed on page 37.

The additions in the Company relate to additional costs in respect of the acquisition of T. B. F. Thompson Limited (Charles Hurst).

DISPOSALS

On 25th February 1997, the Group disposed of Burtree Parks Limited, a wholly owned subsidiary.
On 13th March 1997, the Group disposed of its 49% investment in Lookers Planned Motoring Limited.
On 31st March 1997, the Group disposed of Hurst Fuels, a division of Charles Hurst Limited.

11. INVESTMENTS *continued*

The following table explains the adjustments made to the book value of the major category of assets and liabilities to arrive at the fair values included in the consolidated financial statements at the date of acquisition. The cash flow effects of the acquisition are given in the comparatives in note 21.

	Book Amount £000	Alignment of Accounting Policies £000	Re-classification £000	Revalu-ation £000	Fair value to the Group £000
Charles Hurst					
Tangible fixed assets	10,792	-	-	1,700	12,492
Current assets	23,738	(659)	-	-	23,079
Current liabilities	(20,712)	(1,981)	-	-	(22,693)
	13,818	(2,640)	-	1,700	12,878
Fair value of consideration					24,776
Goodwill					11,898
Bairds Cars Limited					
Tangible fixed assets	1,564	-	(1,300)	(200)	64
Current assets	1,262	-	1,300	-	2,562
Current liabilities	(526)	(120)	-	-	(646)
	2,300	(120)	-	(200)	1,980
Fair value of consideration					2,800
Goodwill					820

In accordance with FRS6 the fair value of consideration has been adjusted from the amounts reported in 1996 to take account of minor additional costs incurred.

12. STOCKS

	Group 1997 £000	Group 1996 £000
Goods for resale	44,909	50,650
Bulk deposit paid for vehicles on consignment	915	938
Interest bearing consignment vehicles	4,323	3,857
Motability buy-back vehicles	17,896	13,123
	68,043	68,568

13. DEBTORS

	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
Trade debtors	29,268	30,742	21	2
Amounts owed by associated company	-	65	-	2
Advance Corporation Tax recoverable	472	250	424	385
Taxation and social security	-	282	452	22
Other debtors	437	2,189	527	648
Prepayments and accrued income	1,881	2,507	113	204
	32,058	36,035	1,537	1,263

14. Other creditors including taxation and social security

	Group		Company	
	1997 £000	1996 £000	1997 £000	1996 £000
Loans	4,164	7,630	250	5,000
Hire purchase creditors	55	43	-	-
Bills of Exchange	-	500	-	-
Taxation and social security	7,796	7,493	62	94
Motability buy-back committments	5,234	1,821	-	-
Other creditors	3,112	1,487	734	575
Accruals	4,598	8,592	630	606
	24,959	27,566	1,676	6,275

15. Creditors: Amounts falling due after more than one year

	Group		Company	
	1997 £000	1996 £000	1997 £000	1996 £000
Bank loans	12,043	20,082	6,750	13,000
Hire purchase creditors	61	91	-	-
Motability buy-back committments	12,660	11,607	-	-
	24,764	31,780	6,750	13,000
Hire purchase creditors are repayable as follows:				
between one and two years	31	30	-	-
between two and three years	30	61	-	-
	61	91	-	-

16. Borrowings

	Group		Company	
	1997 £000	1996 £000	1997 £000	1996 £000
Mortgage loans secured on specific properties				
at variable rates	-	475	-	-
Unsecured bank loans				
variable with London Interbank rate*	16,207	22,237	7,000	18,000
at fixed rates	-	5,000	-	-
Bank overdrafts	1,148	3,992	2,304	-
Hire purchase creditors	116	134	-	-
Bills of Exchange	-	500	-	-
	17,471	32,338	9,304	18,000
Less: Amounts falling due within one year	5,367	12,165	2,554	5,000
Amounts falling due after more than one year	12,104	20,173	6,750	13,000

* Of this amount, £2,000,000 is repayable in equal instalments of £1,000,000 over the next two years, £115,000 is repayable within the next year and a further £10,000,000 is repayable in increasing instalments commencing in 1999 to 2006. The remainder has no fixed repayment terms.

16. BORROWINGS *continued*

	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
Repayable:				
between one and two years	4,365	4,194	2,500	2,250
between two and five years	4,989	9,417	1,500	4,188
five years or more	2,750	6,562	2,750	6,562
	12,104	20,173	6,750	13,000

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Closure/sale of continuing operations Group £000	Closure/sale of continuing operations Company £000	Deferred taxation Group £000	Deferred taxation Company £000
Balance at 1st October 1996	-	-	(250)	(385)
Charged/(credited) to profit and loss account	4,950	-	(201)	(18)
Utilised during the year	(652)	-	-	-
Advance corporation tax				
recovered in the year	-	-	451	451
recoverable	-	-	(472)	(472)
Balance at 30th September 1997	4,298	-	(472)	(424)

(Deferred tax balances are included in debtors - Note 13).
The amounts provided and not provided are as follows:-

	1997 Provided £000	1997 Not provided £000	1996 Provided £000	1996 Not provided £000
Group				
Capital allowances in excess of depreciation	129	423	243	496
Short term timing differences	(129)	-	(42)	-
Advance corporation tax recoverable	(472)	-	(451)	-
	(472)	423	(250)	496
Company				
Capital allowances in excess of depreciation	48	-	66	-
Advance corporation tax recoverable	(472)	-	(451)	-
	(424)	-	(385)	-

If the Group's properties were to be sold at book values as stated in Note 10, a taxation liability would arise. In view of the replacement or continuing use of these assets in the Group's business no provision has been made.

18. SHARE CAPITAL

	1997 £000	1996 £000
Authorised		
54,000,000 Ordinary Shares of 25p each	13,500	13,500
16,750,000 8% Convertible Cumulative		
Redeemable Preference Shares of £1 each	16,750	16,750
	30,250	30,250
Allotted and fully paid		
33,376,961 (1996 - 33,376,570) Ordinary Shares of 25p each	8,344	8,344
14,617,845 (1996 - 14,618,708) 8% Convertible Cumulative		
Redeemable Preference Shares of £1 each	14,618	14,619
	22,962	22,963

18. SHARE CAPITAL *continued*

The 8% Convertible Cumulative Redeemable Preference Shares (Preference Shares) are entitled to receive a dividend of 8% per annum payable half-yearly on 31st March and 30th September each year. They take priority over the Ordinary Shares in the event of a winding up and would be redeemed at par, together with any outstanding interest accrued. The Preference Shareholders are not entitled to vote at meetings, except in the circumstances set out in the Company's Articles of Association. Normally they only vote on matters which affect their rights as Preference Shareholders.

The Preference Shares are convertible, at the option of the holder, on 31st March in each of the years 1993 to 2000 inclusive, at the rate of 20 Ordinary Shares for each 44 Preference Shares held. If not so converted, they may be redeemed by the Company, at par, between 1st April 2000 and 28th February 2004.

On 31st March 1997, holders of 863 Preference Shares exercised their option and converted them into 391 Ordinary Shares.

As at 30th September 1997, options for the Directors and employees to subscribe for a total of 638,954 Ordinary Shares were outstanding from both the Executive and Save As You Earn share option schemes. These options are exercisable at various dates up to 3rd March 2007 at prices between 98.2p per share and 180.2p per share.

19. RESERVES	Group £000	Company £000
Share premium account		
At 1st October 1996	14,748	14,748
Arising on conversion of Preference Shares	1	1
At 30th September 1997	14,749	14,749
Revaluation reserve		
At 1st October 1996	1,396	-
Adjustment on redevelopment of properties	(662)	-
Transfer of amount equivalent to additional depreciation on revalued assets	151	-
At 30th September 1997	885	-
Profit and loss account		
At 1st October 1996	8,765	19,173
Retained profit for the year	2,448	5,245
Transfer to revaluation reserve	(151)	-
Goodwill transferred from reserves	221	-
Goodwill written off	(425)	-
At 30th September 1997	10,858	24,418
Total Reserves		
At 30th September 1997	26,492	39,167
At 30th September 1996	24,909	33,921

The cumulative amount of goodwill set off against group reserves but not charged, amounted to £18,300,000 (1996 – £18,096,000). The group profit and loss account includes NIL (1996 – £807,000) retained by the associated company.

20. Reconciliation of movement in shareholders' funds

	Group 1997 £000	Group 1996 £000
Profit for the financial year	6,371	5,461
Dividends	(3,923)	(3,840)
	2,448	1,621
Capital subscribed	-	17,212
Goodwill written off on acquisitions	(425)	(12,293)
Goodwill transferred from profit and loss reserves	221	24
Adjustment on redevelopment of properties	(662)	(360)
Net addition to shareholders' funds	1,582	6,204
Opening shareholders' funds	47,872	41,668
Closing shareholders' funds	49,454	47,872

21. Cash flow

	1997 £000	1996 £000
(a) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	11,910	10,575
Depreciation charges	3,372	3,162
Profit on sale of fixed assets	(424)	(364)
Decrease/(increase) in debtors	4,083	(7,274)
Increase in creditors	2,531	6,238
Decrease in stock	336	1,269
Goodwill written off	-	24
Net cash inflow from operating activities	21,808	13,630
(b) Reconciliation of net cash flow to movement in net debt		
Increase in cash in the period	2,841	342
Cash outflow/(inflow) from decrease/(increase) in debt and hire purchase financing	12,023	(8,801)
Loans acquired with subsidiary	-	(4,644)
Movement in net debt in the year	14,864	(13,103)
Net debt at 1st October 1996	(32,308)	(19,205)
Net debt at 30th September 1997	(17,444)	(32,308)

(c) Analysis of net debt

	At 1st October 1996 £000	Cash flow £000	At 30th September 1997 £000
Cash in hand	30	(3)	27
Overdrafts	(3,992)	2,844	(1,148)
	(3,962)	2,841	(1,121)
Debt due after one year	(20,082)	8,039	(12,043)
Debt due within one year	(8,130)	3,966	(4,164)
Hire purchase	(134)	18	(116)
	(32,308)	14,864	(17,444)

21. CASH FLOW *continued*

(d) Sale of discontinued operations

	1997 £000
Net assets disposed of:	
Fixed assets	4,065
Stocks	189
Debtors	116
Creditors	(437)
	3,933
Profit on disposal	2,892
Satisfied by cash	6,825

The businesses sold during the year utilised £439,000 from the Group's operating cash flows, received £38,000 in respect of net returns on investments and servicing of finance and paid £258,000 in respect of taxation.

(e) Purchase of subsidiary undertaking

Part of the consideration for the purchase of Charles Hurst which occurred during the prior year comprised of shares; further details of the acquisition are set out below:

	1996 £000
Net assets acquired:	
Tangible fixed assets	12,492
Stocks	13,804
Debtors	9,229
Cash at bank and in hand	46
Creditors	(17,644)
Bank loans and overdrafts	(4,644)
Goodwill	11,493
	24,776
Satisfied by:	
Shares allotted	4,860
Cash	19,916
	24,776

(f) Analysis of the net outflow of cash in respect of the purchase of subsidiary undertakings.

	1996 £000
Cash consideration	19,916
Cash at bank and in hand acquired	(46)
Net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings	19,870

Notes to the Financial Statements

for the ended 30th September 1997 *(continued)*

22. Post balance sheet events

On 1st December 1997, the assets and business of Lookers Burton were sold. The total consideration was approximately £2 million which represents a surplus over book value of approximately £500,000.

23. Related party transactions

Woodchester Investments p.l.c. owns 29.89% of the issued Ordinary Share capital of the Company. This is therefore a related party in accordance with the definition included in FRS8.

On 13th March 1997 the Group disposed of its 49% investment in Lookers Planned Motoring Limited to a subsidiary of Woodchester Investments p.l.c. as disclosed on previous pages of the financial statements.

During the year the Group entered into a number of transactions with the related party, details of which are summarised below. Woodchester Investments p.l.c. and its subsidiary companies have been given the opportunity to provide, on normal competitive terms, advances on hire purchase to customers of the Group. This agreement expires on 24th January 2001.

New business advances, including commissions under the above agreement amounted to £60,119,000 during 1997.

The Group bought and sold motor vehicles from/to a subsidiary of Woodchester Investments p.l.c. in the course of the year amounting to £1,069,000 and £11,627,000 respectively.

The amount outstanding at the year end in connection with the above transactions was a debtor of £2,764,000.

Stocking advances from a subsidiary of Woodchester Investments p.l.c. which bear interest at commercial rates amounted to £1,000,000 at the year end.

Trading Outlets and Interests in Major Subsidiary Companies

Motor Division/Franchises

Vauxhall
Barnsley
Birkenhead
Blackburn
Chester
Colwyn Bay
Ellesmere Port
Heswall
Liverpool
Oldham
St. Helens

Audi/Volkswagen
Blackburn (Audi)
Burnley (VW)
Oldham (VW)
Thornaby (Audi/VW) (Middlesbrough)

Nissan
Belfast
Dundonald
Newtownabbey
Westcliff

Peugeot
Belfast
Oldham
St. Helens

Citroën
Belfast
Chingford

Rover
Belfast
Bradford
Bramhall
Coleraine
Hadleigh
Knock
Manchester
Newtownabbey
Northwich
Rochdale
Southend

Renault
Belfast
Chelmsford
Dundonald
Newtownabbey
Stockport

Toyota
Northallerton
Norwich

Hyundai
Bradford

Seat
Manchester

Suzuki
Basildon

LDV
Bradford
Northwich
Rochdale
Southend

Luxury/Specialist Franchises

Aston Martin
Belfast

Ferrari
Belfast

Jaguar
Belfast

Jeep
Billingham

Land Rover/Range Rover
Belfast
Chelmsford
Hadleigh

Lexus
Norwich

Mercedes
Southend

MG
Belfast
Bradford

Rolls Royce/Bentley
Belfast

Ssangyong
Belfast

Motorcycles
Belfast

Tyres
Belfast
Coleraine
Dundonald
Omagh
Portadown

Vehicle Delivery
Birmingham
Oxford

Commercial Vehicle Bodybuilding
Warrington

Agricultural Division
Barnard Castle
Barnsley
Brigg
Darley Dale
Epworth
Grantham
Lincoln
Northallerton
Selby
Tuxford

Major Subsidiary Companies

Motor Division
DSM Autos Limited
Charles Hurst Limited
Lookers North West Limited
Lookers Motors Limited
Lookers South East Limited
Lookers Motor Group Limited
SMAC (Continental) Limited
Car and Commercial Deliveries Co. Limited
Bolling Investments Limited

Agricultural Division
Platts Harris Agricultural Group Limited

All subsidiary companies are incorporated and registered in England and operate in England and Wales with the exception of Charles Hurst Limited which is incorporated and registered and operates in Northern Ireland. The shares of DSM Autos Limited are held directly by the holding company; other companies are owned by an intermediate holding company. All subsidiary companies are wholly owned.

A list of other subsidiary companies will be annexed to the next Annual Return.

Notice of Meeting

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

NOTICE IS HEREBY GIVEN that the eighty-eighth Annual General Meeting of the Company will be held at the Lancashire County Cricket Club, Talbot Road, Stretford, Manchester on Thursday, 12th March 1998 at 12.00 noon for the following purposes:

1. To approve and adopt the financial statements for the year ended 30th September 1997 together with the reports thereon of the Directors and Auditors (Resolution 1).

2. To declare a final dividend of 5.65p per share on the Ordinary Share capital of the Company (Resolution 2).

3. To re-elect Mr. C. McKinney as a Director who retires in accordance with the Articles of Association (Resolution 3).

4. To re-elect Mr. D. Morrow as a Director who retires in accordance with the Articles of Association (Resolution 4).

5. To re-elect Mr. A.S. Marston as a Director who retires in accordance with the Articles of Association (Resolution 5)

6. To re-appoint Deloitte & Touche as Auditors (Resolution 6).

7. To authorise the Directors to fix the remuneration of the Auditors (Resolution 7).

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

(i) the aggregate maximum Nominal Value of Ordinary Shares hereby authorised to be purchased is £417,212;

(ii) the minimum price which may be paid for Ordinary Shares is 25p per Ordinary Share;

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

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

(v) the Company may make a contract to purchase Ordinary Shares under the authority hereby conveyed prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary Shares in pursuance of any such contract (Resolution 8).

9. As a Special Resolution, to authorise the Company both generally and unconditionally to make market purchases (within the meaning of Section 163 of the Companies Act 1985) of 8% Convertible Cumulative Redeemable Preference Shares ("Preference Shares") provided that:

(i) the aggregate maximum Nominal Value of Preference Shares hereby authorised to be purchased is £730,892;

(ii) the minimum price which may be paid for Preference Shares is the market price thereof on the London Stock Exchange;

(iii) the maximum price which may be paid for Preference Shares is an amount equal to 105% of the average of the middle market quotations for a Preference Share as derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Preference Share is purchased;

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

(v) the Company may make a contract to purchase Preference Shares under the authority hereby granted prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may purchase Preference Shares in pursuance of any such contract (Resolution 9).

10. As a Special Resolution, to empower the Directors to allot equity securities (as defined for the purposes of Section 95 of the Companies Act 1985 ("the Act")) pursuant to the authority conferred on the Directors by Resolution 10 passed at the Annual General Meeting of the Company held on 9th March 1995 and by Resolution 1 which was passed at an Extraordinary General Meeting of the Company held on 19th February 1996, pursuant to Section 80 of the Act, as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited:

(i) to the allotment of equity securities in connection with any rights issue in favour of holders of Ordinary Shares and, holders of 8% Convertible Cumulative Redeemable Preference Shares of £1 each in the capital of the Company ("Preference Shares") on the register of members at such record date or dates as the Directors may determine for the purposes of the issue where the equity securities respectively attributable to the interests of all such shareholders are proportionate (as nearly as may be) to the respective number of Ordinary Shares in the capital of the Company held by the Ordinary Shareholders and the number of Ordinary Shares arising on the conversion of the Preference Shares held by the holders of the Preference Shares and, for the avoidance of doubt, the Directors may make such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of overseas jurisdictions or the requirements of any regulatory body; and

(ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities or securities having or giving the right to subscribe for or convert into equity securities having an aggregate maximum nominal amount of £417,212 in the case of Ordinary Shares and an aggregate maximum nominal amount of £730,892 in the case of Preference Shares

and this power shall expire on the date of the next Annual General Meeting of the Company after the passing of this Resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired (Resolution 10).

Registered Office:
776 Chester Road
Stretford
Manchester M32 0QH

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

5th February 1998

NOTICE OF MEETING *(continued)*

Notes

1. Only Ordinary Shareholders are entitled to attend and vote at the Meeting. Preference Shareholders do not vote at the Annual General Meeting and the Report and Financial Statements are circulated to them for information only.

2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend, and upon a poll vote in his/her stead. (A proxy need not also be a member).

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

4. A form of proxy is enclosed on page 41 for use in respect of Resolutions 1 to 10.
   The form of proxy must be lodged with the Company's Registrars, Northern Registrars Limited, Northern House, Penistone Road, Fenay Bridge, Huddersfield HD8 0LA, not less than 48 hours before the time appointed for the holding of the Meeting or any adjourned Meeting.

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

a. A statement of transactions of Directors (and their family interests) in the Capital of the Company.
b. The Memorandum and Articles of Association of the Company.

Lookers

FORM OF PROXY

TO BE RETURNED BY ORDINARY SHAREHOLDERS ONLY

For use at the Annual General Meeting to be held at 12 noon on 12th March 1998.

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

of ....

being (a) member(s) of the above-named Company hereby appoint **William Kenneth Martindale** or failing him **Frederick Sydney Maguire** (both Directors of the Company) or failing him

....

of ....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 12th March 1998, and at any adjournment thereof.

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

RESOLUTIONS	For	Against
1. Adoption of Financial Statements and Report of Directors and Auditors		
2. Approval of Final Dividend		
3. Re-election of Mr. C. McKinney		
4. Re-election of Mr. D. Morrow		
5. Re-election of Mr. A.S. Marston		
6. Re-appointment of Deloitte & Touche as Auditors		
7. Authorisation of Directors to fix Auditors' Remuneration		
8. As a Special Resolution to authorise the purchase of Ordinary Shares under the Companies Act 1985		
9. As a Special Resolution to authorise the purchase of Preferences Shares under the Companies Act 1985		
10. As a Special Resolution to authorise the Directors to allot equity securities as if Section 89(1) of the Companies Act 1985 did not apply to such allotment.		

Dated..day of..1998

Signed ....

Notes

1. Only Ordinary Shareholders are entitled to attend and vote at the meeting. Preference Shareholders do not vote at the Annual General Meeting and should not return this form.
2. A member entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy to attend and vote in his/her stead. A member may nominate a proxy of his/her own choice who need not be a member of the Company.
3. In the case of a corporation, this proxy must be under its common seal, or under the hand of an officer or attorney duly authorised in writing.
4. In the case of joint holders, the proxy of the first-named holder on the register of members will be accepted to the exclusion of the votes of the other joint holders.
5. This proxy to be valid must be lodged with the Company's Registrars, Northern Registrars Limited, Northern House, Penistone Road, Fenay Bridge, Huddersfield HD8 0LA, not less than 48 hours before the time fixed for the meeting.
6. If the Form of Proxy is returned without an indication as to how the proxy shall vote on any particular matter the proxy will exercise his/her discretion as to whether he/she votes and if so, how.
7. Any alteration made to this Form of Proxy must be initialled.

THIRD FOLD AND TUCK IN

BUSINESS REPLY SERVICE Licence No. HF106

1

FIRST FOLD

Northern Registrars Limited
Lookers plc
Proxy Department
Northern House
Penistone Road
Fenay Bridge
Huddersfield HD8 0JQ

SECOND FOLD