

LOOKERS PUBLIC LIMITED  
COMPANY

REG NO: 111876

ANNUAL REPORT AND  
FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER  
2003



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Lookers plc is one of the UK's largest motor retailers. The Group holds the franchises for most leading manufacturer marques and is represented throughout England, in Northern Ireland by the Charles Hurst Group, a major trading subsidiary, and also in Scotland trading as Taggarts.

<i>Turnover</i> .....	<i>£961.4m</i>
<i>Operating profit</i> .....	<i>£17.1m</i>
<i>Profit before tax</i> .....	<i>£14.0m</i>
<i>Earnings per share</i> .....	<i>30.1p</i>
<i>Dividends per share</i> .....	<i>11.0p</i>

Registered Office: 776 Chester Road, Stretford,  
Manchester, M32 0QH

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Registered Number 111876

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## financial calendar

Announcement of results for the full year	9 March 2004
Annual General Meeting	13 May 2004

## Chairman's Review 2003

### INTRODUCTION

This has been an important year of progress for the Group with record levels of turnover and profit achieved once again. We have continued our strategic development of the business through 2003, building on our success in previous years, and consolidating our position as one of the leading multi-franchise retail motor groups in the country.

The performance reflects our ongoing focus on providing quality customer care through our 'Customers for Life' policy, a strong well balanced portfolio of franchises, a commitment to driving further operating efficiencies and continued expansion with our preferred manufacturer partners.

### MARKET AREA STRATEGY

As we have demonstrated throughout the Group, our tight financial management of market areas means we are able to drive operating efficiencies and make significant cost savings through economies of scale in advertising, marketing, parts purchasing, stock handling and administration. We intend to continue to apply this strategy to all our existing businesses and any subsequent acquisitions that the Group makes.

### FINANCIAL HIGHLIGHTS

Turnover for the year increased by 22% on the prior year, at just short of the £1 billion mark, with profit

before tax up 19% to £14 million. I am delighted to announce a total dividend of 11 pence, an increase of 10% on 2002, representing a strong financial return for our shareholders.

### ACQUISITIONS

During 2003 we made a number of acquisitions in line with our stated market area strategy. This included the acquisition of the Jackson and Edwards Ltd Renault business in the North West of England, JN Holdings Ltd ("Taggarts") in Scotland, which strengthens our existing close links with Ford's Premier Automotive Group and represents our entrance into the Scottish market. These were followed by Savoy Honda Centre in Warrington and more recently, Lexus Hadleigh, Peugeot in East Belfast and Savilles Auto Village ("Savilles") in Northern Ireland, consisting of two Vauxhall dealerships in Lisburn and Portadown.

Going forward, our objective is to target further opportunities with our preferred manufacturer partners to enable us to improve our franchise portfolio as well as the quality of our earnings.

### OUTLOOK

Contrary to earlier expectations, 2003 proved to be yet another record year for the new car sales market, up 0.5% on a like for like basis on 2002. New car sales at Lookers were ahead of the market, up by more than 4% on a like for like basis, with used cars posting a 3% increase.

## Chief Executive's Review 2003

This robust performance was due to a combination of factors, in particular the ongoing reduced cost of car finance, low interest rates and the introduction of exciting new models across several franchises. We believe 2004 will be another good year and this is reflected in the The Society of Motor Manufacturers and Traders ("SMMT") market forecast of 2.5 million units for 2004, which would constitute the third best year on record.

I am very encouraged by the outlook for the current year following a strong January and February and a good order bank for the important registration month of March. I am confident that Lookers' ongoing commitment to providing quality customer service, our organic initiatives in reducing costs and driving operating efficiencies, as well as our stated strategy to build up market areas through earnings enhancing acquisitions, ideally positions us for another year of good progress.

On a final note, I would like to thank all our employees and my fellow directors for their hard work and support during the past year.

Fred Maguire  
Chairman  
9 March 2004

### FINANCIAL RESULTS

During the year under review we have added to the quality of our current, but more importantly our future earnings. We have added 14 new outlets, which have complemented our existing businesses and performed at or above our expectations. We have also rationalized our existing portfolio by disposing of 7 motor depots and in January 2004, 3 agricultural depots. Whilst growing and rationalizing your Group considerably during 2003, Lookers has again posted record financial results.

Turnover was up 22% to £961 million (2002: £790 million) with operating profit pre-goodwill at £17.9 million – an increase of 29%. Profit before tax rose 19% to £14.0 million (2002: £11.8 million), generating reported earnings per share of 30.1 pence – an increase of 33%.

During the year, and in line with previous years, we generated significant profits on the disposal of properties.

The Group realised property profits on the sale of surplus land in Birmingham, as well as from relocating our Vauxhall Chester business from Hoole Lane to a more prime retail site on Sealand Road, within the city of Chester.

## Chief Executive's Review 2003 (continued)

We have also taken the opportunity to rationalize our franchise dealer portfolio. During 2003 we closed our marginal parts and bodyshop operation at Crossley Park, Stockport and took the opportunity to close our stand-alone Jeep and Seat operation in Middlesbrough. We have rationalised our Nissan business in England and taken the opportunity to dispose of three outlets in the North-West. These closures have released approximately £3.0 million for reinvestment and will have a positive effect on future operating profits.

The net effect of the exceptional items is a credit of £1.8 million against £1.9 million last year.

### DIVIDEND

Following another successful year for the Group and the positive outlook for 2004, the Board is pleased to declare a 10% increase in the final dividend to 7.7 pence. This will be paid on 28 May 2004 to shareholders on the register on 14 May 2004. With the interim dividend of 3.3 pence, paid on 28 November 2003, this brings the total dividend for the year to 11 pence (2002: 10 pence).

### OPERATING REVIEW

Our operating priorities continue to be investment in our 'Customers for Life' programmes, strategic franchise extension with our preferred manufacturer partners and continued investment in improving the quality of our existing franchise portfolio. It was particularly pleasing that the Group's new car sales,

on a like for like basis, once again outperformed the market by 3.5%.

Consistently high new car sales over the past three years will result in both short term and long term benefits for Lookers. Our strong focus on aftersales service, through our 'Customers for Life' programme, ensures that we gain business at all stages of a vehicle's life cycle and our customer retention and conversion ratios remain high. During the first half of 2003 we refocused our internet business and introduced a new e-mail management system. These initiatives have allowed us to increase volume and improve customer conversion ratios. In conjunction with our Customer Management Centre in Liverpool, we have been able to improve our communication with existing customers and offer them further opportunities to purchase aftersales services. Aftersales remain an important contributor to Group profits and are now generating 47% of the total Gross Profit of the Group.

### FRANCHISE DEVELOPMENT

This has been an important year of progress for the Group. The revised Block Exemption regulations have been in effect since 1 October 2003 and larger dealer groups such as ourselves have benefited from these significant changes in the structure of the industry. We have taken the opportunity to strengthen our relationships with selected manufacturer partners and rationalised our portfolio by disposing of underperforming dealerships – leaving the current

## Chief Executive's Review 2003 (continued)

number of franchised outlets for the Group relatively stable but able to deliver a higher quality of profits for the future.

### RENAULT

During 2003 we added two more Renault dealerships in Cheshire/South Manchester by acquiring Jackson and Edwards. This has created a large market area that now includes Stockport, Macclesfield, Altrincham, Northwich and Chester. This continues to bring with it further economies of scale, in particular the rationalisation of our marketing approach and marketing messages to our customers. These businesses have been readily integrated into the Group.

### VAUXHALL

Lookers are one of the leading Vauxhall distributors in the UK and Northern Ireland. We strengthened this position in November 2003 by acquiring Savilles for a cash consideration of approximately £3.3 million. This provided the Group with two Vauxhall outlets in Lisburn and Portadown, strengthening our dominant position in Northern Ireland and offering us greater economies of scale with Vauxhall. We aim to provide a third facility in Boucher Road, Belfast. We expect operational benefits to flow through in 2004 as we have rationalised the business and relocated the bodyshop within the Lisburn facility to our purpose built Dunmurry bodyshop.

On the UK mainland, we successfully completed the relocation of our Vauxhall Chester business from Hoole Lane to a prime retail site on Sealand Road. This was completed in April 2003. On the adjacent Renault site, a significant refurbishment was completed in the third quarter. Since then we have acquired the forecourt on the front of part of the property and this has provided us with more main road frontage and a much more prominent display.

In Birmingham, where we are the sole distributor for Vauxhall, we currently operate four sites. We intend to relocate two of these outlets, Aston and Castle Bromwich, to a more strategic location in Star City, Europe's largest non-themed leisure park. Work has already begun on this £4.5 million site and we are excited by the opportunities this "brand centre" will afford the Group. We expect this site to be completed by June 2004.

In line with our market area strategy, we have been able to improve productivity and profitability by exercising economies of scale through the rationalisation of costs in parts, fleet, administration, advertising and marketing. This strategy has also been applied to good effect in the Group's other market areas.

### PREMIER AUTOMOTIVE GROUP ("PAG")

We have greatly strengthened our relationship with Ford's Premier Automotive Group through the acquisition in February 2003 of Taggarts. This

## Chief Executive's Review 2003 (continued)

acquisition consists of seven dealerships in total (three Jaguar, one Land Rover, one Mazda, one MG Rover, one LDV together with a Unipart and Bodyshop operation). We retained the existing senior management of this business in order to ensure an *effective handover and the results from this business* have been encouraging. Crucially, this acquisition has provided the Group with a firm foundation for further expansion in Scotland.

### VOLKSWAGEN

The returns from our Volkswagen dealerships have been particularly pleasing this year. We were awarded the combined market territory for Blackburn and Burnley with Volkswagen in April 2003. Although we already operated the Burnley territory, the addition of Volkswagen in Blackburn expanded the territory threefold in an area where Lookers has been operating for a considerable amount of time.

We are currently building a brand new facility to relocate our business onto a very prominent motor retail park on the outskirts of Blackburn. In conjunction with this, we have also been able to acquire land adjacent to this site on which we will build a purpose built bodyshop for the Volkswagen market area. We do not expect to achieve full economies of scale until this site is completed in the second half of the year.

### HONDA

Our existing Honda market area in Liverpool and Southport was strengthened by our acquisition in July 2003 of Savoy Honda Centre in Warrington from Mainland Investments Limited. I am pleased to say that this has operated profitably during our short period of ownership.

### LEXUS

In October 2003 we acquired Lexus Hadleigh for a cash consideration of approximately £2 million. This acquisition gives us our second franchise for Lexus and creates a new market area in Essex, a location where we already operate Toyota.

### NORTHERN IRELAND

Our Charles Hurst business in Northern Ireland once again achieved a solid performance. This has been enhanced by the completion of the refurbishment of the Boucher Road site in Belfast for a total cost of £6 million of which the final £2 million was spent during the year under review. Extensive work has been carried out to improve the site, including combined Renault and Nissan facilities on a more visible location, new facilities for Bentley, Ferrari and Maserati and the creation of a Usedirect showroom in a prominent position on the site. Our used car marketing brand Usedirect has been extremely successful and we have subsequently opened another Usedirect site in Londonderry. In October 2003, we opened a new facility for Peugeot in East Belfast to

## Chief Executive's Review 2003 *(continued)*

extend the market area of our Peugeot dealership on Boucher Road.

During the year we opened a new stand-alone facility for BMW motorcycles in Northern Ireland. This has provided the opportunity to display the full product range, including accessories, enabling us to increase our new unit sales by 97% as well as improve our service to our BMW customers.

### AGRICULTURE

In the Interim Statement we disclosed that we had agreed Heads of Terms to dispose of Platts Harris, our agricultural business, to management. This disposal did not complete according to plan and instead, we sold our main site at Epworth for redevelopment and transferred two depots in the northern part of our territory to two adjacent franchised dealers. This has enabled us to recognise £0.7 million as an exceptional profit in the year and will generate approximately £2.5 million cash just after the year-end. The Group expects the remaining businesses to contribute positively from now on.

### OUTLOOK

The management structure put in place during the latter half of 2002, whereby young and dynamic Franchise Directors are responsible for a franchise brand on a national level, not only continues to ensure that newly acquired businesses are swiftly integrated into the Group structure, but also affords

us a better understanding of our franchise brands, facilitating a higher level of quality customer service.

Our broad strategy remains to acquire good quality businesses that offer us the best prospective returns on our investment.

2004 has got off to a very positive start with new car registrations in the first two months up 5% and an encouraging intake of orders for the important registration month of March. The initiatives in place to increase sources of revenue, improve operating efficiencies and continue to target further growth opportunities to expand our market area strategy through the acquisition of good quality businesses, whilst keeping tight control of costs, underpinned by a strong franchise focused management team, leave me confident that 2004 will be another year of growth for Lookers.

Ken Surgenor  
Chief Executive  
9 March 2004

## Finance Director's Review 2003

### GROUP RESULTS

Turnover of £961 million represents a 22% increase on the previous year. £94 million is accounted for by acquisitions made during 2003, from which a contribution of £1.5 million to operating profit was made.

Gross margins have remained fairly constant at just under 12.5%. This combined with the tight control of operating costs has resulted in a 30% increase in operating profit.

### INTEREST CHARGES

The interest cost has increased from £3.3 million in 2002 to £4.9 million in 2003, of which £0.7 million relates to the funding cost to redeem the preference shares in January 2003. The remainder is due to our continued investment and acquisition programme. Measures have been put in place to reduce further our investment in working capital.

### TAX

The effective tax rate at 25.4% has benefited considerably from the the use of rollover relief in relation to the property profits this year. The underlying trading profits continue to incur tax at around the standard rate of corporation tax.

### DIVIDENDS

Ordinary dividends paid and proposed for the year amounted to £3.9 million compared to £3.4 million for

the previous year. The dividend cover has increased from 2.2 to 2.7 times. Following the payment of the ordinary dividend, the retained profit for the year is £6.6 million and this anticipated continued level of profit retention will ensure a continued strong financial position of your Company.

During 2003 we redeemed the remainder of the preference shares at par, totalling £13.9 million. This has had the effect of adding circa £700,000 to interest costs but has positively impacted earnings per share. The hedging facility put in place for the loan to repay the preference share capital is such that, regardless of interest rate movements, this financial restructuring will always be earnings enhancing.

### CASH FLOW AND CAPITAL EXPENDITURE

Operating cash flow has reduced from £21.2 million in 2002 to £16.6 million in 2003 as the Group geared up new and used vehicle stock levels for what turned out to be a very strong January market. On a like for like basis, our January new and used car sales increased by nearly 5%.

Despite the significant property disposals giving rise to the £3.0 million profit on disposal, the Group invested a net £1.4 million in new properties, refurbishments and other fixed assets. At the year-end there was £3.5 million of surplus properties held for re-sale. These however, are not anticipated to generate significant profits on sale in 2004.

## Finance Director's Review 2003 *(continued)*

Several acquisitions have taken place during the year and given rise to net additional investment of £13.4 million. Following the rationalisation of the agricultural business, £2.0 million was received at the end of February 2004 for the site at Epworth, and a further £0.5 million of working capital will be released between now and the end of June as stocks are reduced to a more appropriate level for this significantly down-sized business.

As a result, at the year end, borrowings had increased by £16.1 million compared to the pro-forma borrowings as set out in last year's Financial Statements.

### NEW REGULATIONS

In the current year, the industry is facing more regulatory challenges in the form of money-laundering and Financial Services Act (F.S.A.) regulations covering our insurance income. Despite the fact that these are very stringent, onerous tasks, your Group has taken the appropriate measures to ensure it is fully compliant.

The Group has, in conjunction with its auditors, reviewed its position and is well under way in assessing the impact of reporting under International Financial Reporting Standards. The first time that this will impact the Group is for the half-year ending 30 June 2005 and the year ending 31 December 2005, which may necessitate a restatement of the comparative figures at that time.

### OUTLOOK

During the year we took the decision to close or sell 7 motor and 3 agricultural depots which had operating losses of £0.7 million. The quality of the Group's earnings going forward, therefore, has been much improved as a result of this rationalisation.

### VAT CLAIMS

Lookers, in line with other similar groups in the industry, has submitted retrospective VAT claims regarding demonstrator vehicles. Customs & Excise have stated that they wish all claims to be resolved by 31 March 2004 and we are working closely with them to achieve that objective. The cash received will be used to reduce debt and assist in the funding of the Group's continuing acquisition programme.

David Dyson  
Finance Director  
9 March 2004

## ***What's New 2003***

## Executive Directors

H. K. Surgenor  
CHIEF EXECUTIVE

Aged 59. Commenced as a Director with Charles Hurst in 1986. Deputy Managing Director of the Charles Hurst Group in 1995, and appointed Managing Director in November 1996. Appointed to the Board in 1998 becoming Group Managing Director in January 2001 and appointed as Chief Executive in January 2002.

D. V. Dyson †  
FINANCE DIRECTOR

Aged 45. Joined the Group in 1992 as Group Financial Controller after 12 years with Deloitte and Touche, Manchester. Appointed to the Board in 2002.

D. J. Blakeman  
COMPANY SECRETARY

Aged 53. Solicitor. Joined the Group in 1984 and appointed a Director in 1989. In addition to his duties as Company Secretary he has responsibility for Group property and human resources.

B. Schumacker  
OPERATIONS DIRECTOR

Aged 55. Originally joined the Group in 1982. Re-joined the Group in 1990, becoming a Regional Director in 1995. Appointed a Director in July 2000. He has Group responsibility for Audi, Honda, Saab, Seat, Vauxhall, Volkswagen, group bodyshops, Unipart and Internet and sub-prime operations.

A. C. Bruce  
OPERATIONS DIRECTOR

Aged 38. Joined the Group in 2000 and appointed to the Board in 2002. He was formerly UK Sales Director for Land Rover, and has Group responsibility for Chrysler Jeep, Citroën, Lexus, MG Rover, Nissan, PAG, Peugeot, Renault, Toyota and Specialist Cars.

## Non-Executive Directors

F. S. Maguire A  
CHAIRMAN

Aged 62. 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, and Chairman in January 2001.

G. J. Morris \* † ¥ Δ

Aged 54. Appointed in 1999. Commenced with British Leyland in 1972 becoming Managing Director of Rover Europe in 1992. Appointed to the Board of Audi AG in 1995 and in 1997 became Chief Executive of Rolls Royce and Bentley, until that business was sold to BMW/VW in 1999.

D. C. Mace † ¥ A

Aged 49. Currently a Director of GW Pharmaceuticals plc and Center Parcs (uk) Group Plc. In 1987 he led a Management buy-out of Sea Life Centre (Holdings) Ltd from Norsk Hydro through to subsequent merger and flotation in 1992 as Vardon plc where he held the position of Director from 1992 to 1996.

N. Clyne †

Aged 43. Over 18 years industry experience gained primarily in sales and sales management including a variety of roles within Woodchester Finance and Lloyds UDT. Currently Vice President of the European Auto Division of GE Consumer Finance.

\* Senior independent director  
† Member of the Audit Committee  
¥ Member of the Remuneration Committee  
Δ Member of the Nomination Committee

## DIRECTORS' REPORT

for the year ended 31 December 2003

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2003.

### 1. ACTIVITIES

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

### 2. REVIEW OF DEVELOPMENTS

The full results for the year are set out on page 27.

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

### 3. DIVIDENDS

#### (a) Ordinary Shares of 25p each.

An interim dividend of 3.3p per share (2002: 3.0p per share) was paid on 28 November 2003 and, subject to shareholders' approval, a final dividend of 7.7p per share (2002: 7.0p per share) is to be paid on 28 May 2004.

#### (b) 8% Cumulative Redeemable Preference Shares of £1 each (preference shares).

Following the decision by the Board to redeem the whole of the issued preference share capital on 2 January 2003, a final preference dividend of 2.06p per share for the period 1 October 2002 to 2 January 2003 has been paid to those preference shareholders presenting their preference shares for redemption.

### 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	
	31.12.03	31.12.02	31.12.03	31.12.02
F. S. Maguire	209,515	109,515	-	-
H. K. Surgenor	110,000	110,000	-	-
D. V. Dyson	5,000	1,500	-	-
D. J. Blakeman	110,000	50,000	-	1,333
B. Schumacker	44,876	44,876	-	-
A. C. Bruce	-	-	-	-
G. J. Morris	17,090	17,090	-	-
D. C. Mace	-	-	-	-
N. Clyne	-	-	-	-

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 2003 and 4 March 2004.

## DIRECTORS' REPORT

for the year ended 31 December 2003 (continued)

The mid-market price of the ordinary shares at 31 December 2003 was 264.5p and the range during the year was 143.5p to 306.5p.

All Directors retire by rotation. At the forthcoming Annual General Meeting, H.K. Surgenor, D.J. Blakeman and B. Schumacker retire and being eligible, offers themselves for re-election. In accordance with the Articles of Association, H.K. Surgenor and D.J. Blakeman have service contracts with the Company expiring after two years notice in writing given at any time by the Company. These service contracts exceed the recommended one year and there is no intention to reduce this period (B1.7). Both contracts pre-date the current recommendation of one year and accorded with the City Group for Smaller Companies guidance on the Greenbury recommendations on Director's Remuneration. Since the change in recommendation all new service agreements for Executive Directors expire after one year's notice in writing given at any time by the Company. B. Schumacker has a service contract expiring after one year's notice in writing, given at any time by the Company.

In an Agreement dated 2 July 1987, the Company agreed to offer Woodchester Investments plc the opportunity to provide, on normal competitive terms, advances on hire purchase to customers of the Group. This Agreement has been extended to 31 December 2005 on the same terms.

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

Consult for Success Limited provides consultancy services to the Group. G. J. Morris, 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, other than service contracts.

### 5. 8% CUMULATIVE REDEEMABLE PREFERENCE SHARES (PREFERENCE SHARES)

On 2 January 2003, the Group redeemed the whole of the issued preference share capital at par, together with the accrued preference dividend to this date.

### 6. 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 2003.

### 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 Newsletter (*Outlook*) is circulated periodically to all employees. The purpose of the Newsletter is to keep employees up to date with Group developments and activities. Communicating in this manner ensures a consistent message.

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

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

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

8. SPECIAL BUSINESS OF THE ANNUAL GENERAL MEETING

(a) Renewal of Directors power to allot shares

The Special Business of the Annual General Meeting includes an ordinary Resolution (Resolution 9) which gives the Directors the power to allot shares.

This authority which will expire at the end of the Annual General Meeting to be held in 2005, is to allot up to £2,972,360 (11,889,441 shares), being 33.95% of the Company's issued ordinary share capital as at 4 March 2004. This represents one third of the issued ordinary share capital together with the Company's obligations in respect of 216,266 ordinary shares for share options which are available for exercise before the date of the next Annual General Meeting.

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

(b) Disapplication of statutory pre-emption rights

The Special Business of the Annual General Meeting includes a Special Resolution (Resolution 10) to disapply the pre-emption rights of shareholders to allow the issue of a limited number of shares.

This is a resolution that the Directors propose each year at the Annual General Meeting. The Companies Act 1985 requires that, subject to certain exceptions, before Directors of a Company can issue any new shares for cash, the new shares must be offered first to the existing shareholders proportionately to their existing shareholding. This provision can create considerable administrative difficulty, particularly if a rights issue is made, because of the entitlements to fractions of shares which may arise and because of the restrictions imposed on the Company's ability to offer new shares to certain overseas shareholders by the laws of relevant overseas jurisdiction.

As in previous years, the authority would enable the Directors to avoid any difficulty which might arise in those circumstances. It is also customary each year for public companies to take a limited authority to issue new shares for cash without first offering those shares to existing shareholders. Therefore, through this resolution, the Directors are seeking an authority to issue small quantities of shares for cash. The authority is limited to the allotment of up to a maximum nominal value of £437,744 (1,750,976 shares) in ordinary shares, being 5% of the Company's issued ordinary share capital as at 4 March 2004. This will continue to provide the Directors with flexibility to act in the best interests of the shareholders when opportunities arise.

The authority the Directors are seeking will expire at the end of Annual General Meeting to be held in 2005. As usual, they intend to seek renewal of this authority at subsequent Annual General Meetings.

(c) Purchase of own shares

The Special Business of the Annual General Meeting includes a Special Resolution (Resolution 11) to authorise the Company to make market purchases of its own shares.

The resolution specifies the maximum number of shares the Company can buy up to a nominal value of £875,488 (3,501,952 shares) representing 10% of the Company's issued ordinary share capital as at 4 March 2004, and the maximum and minimum prices at which the Company can buy them, reflecting the requirements of the Companies Act 1985 and the Listing Rules of the UK Listing Authority.

As at 4 March 2004, the Company does not have any outstanding options to purchase its own shares pursuant to the authority to buy its own shares granted at the 2003 Annual General Meeting.

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

At the 2003 Annual General Meeting, the Company was authorised to make market purchases of its own shares. This resolution is to renew that authority for a further year. It does not mean that the Company will buy its own shares at any particular price or indeed at all. The Directors do not intend at present to use this power but wish to retain the flexibility to do so in the future.

The authority would expire at the end of the Annual General Meeting to be held in 2005. As usual the Directors intend to seek renewal of this authority at subsequent Annual General Meetings.

(d) Directors authority to issue Scrip Dividends

The Special Business of the Annual General Meeting includes an ordinary Resolution (Resolution 12) to give the Directors the authority to offer the ordinary shareholders of the Company the right to elect to receive new ordinary shares, credited as fully paid up, instead of cash in respect of the whole or any part of any dividend declared by the Directors or approved by the shareholders.

This authority, which will be a rolling authority for a period of five years expiring on 12 May 2009, will enable the Directors to offer to the ordinary shareholders the option of shares or cash in respect of any future dividends.

## DIRECTORS' REPORT

for the year ended 31 December 2003 (continued)

### 9. 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.

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

### 10. DONATIONS

Charitable donations amounted to £13,000 (2002: £21,000). No political donations were made (2002: £nil).

### 11. AUDITORS

Deloitte & Touche resigned as Auditors on 19 August 2003. The directors appointed PricewaterhouseCoopers LLP to fill the casual vacancy thus arising. A resolution to re-appoint PricewaterhouseCoopers LLP as Auditors will be proposed at the Annual General Meeting.

### 12. SUPPLIER PAYMENTS POLICY

The Group does not formally follow the CBI Prompt Payers' Code 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 2003, the trade creditors of the Group and the Company represented 39 and 30 days (2002: 34 days 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 risks have remained the same since the beginning of the period under review, and are summarised below.

The Group finances its operations by a mixture of retained profits, bank borrowings and commercial paper. To reduce the Group's exposure to movements in interest rates, the Group seeks to ensure that it has an appropriate balance between fixed and floating rate borrowings. Hedging arrangements are approved by the Board, which consist of interest rate swaps and interest rate caps.

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

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

### 14. SUBSTANTIAL SHAREHOLDINGS

On 4 March 2004 the following shareholders were, so far as the Directors are aware, interested in 3% or more of the issued ordinary share capital of the Company:

*Hamilton Finance Limited	8,552,987 shares (24.4%)
Schroder Investment Management Limited	2,963,777 shares (8.5%)
Gartmore Investment Management plc	1,841,854 shares (5.2%)
Kenneth Henderson Cheevers	1,518,333 shares (4.3%)
Foreign & Colonial	1,100,500 shares (3.1%)

\*A wholly owned subsidiary of General Electric Capital Corporation.

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

By Order of the Board



D. J. Bakeman,  
9 March 2004

## STATEMENTS ON CORPORATE GOVERNANCE

for the year ended 31 December 2003

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the independent Auditors' report on page 25, 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 consider that in preparing the financial statements on pages 26 to 46, 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 maintenance and integrity of the Lookers plc website is the responsibility of the Directors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### STATEMENT OF APPLIANCE WITH THE PRINCIPLES IN THE COMBINED CODE

The Code establishes 14 Principles of Good Governance which are split into four areas described below.

**Directors** – The Company is controlled through the Board of Directors which during the financial year under review comprised six Executive Directors and three Non-Executive Directors. G.J. Morris and D. C. Mace are considered to be independent Non-Executive Directors. All Directors are able to take independent professional advice in furtherance of their duties if necessary. All Directors will submit themselves for re-election at the first opportunity after their appointment and at least once every three years.

The Board has a formal schedule of matters reserved to it and meets every two months. Prior to meetings, all Directors receive information on financial, business and corporate issues. The Board is responsible for overall Group strategy, acquisition and disposal policy, approval of major capital expenditure and consideration of significant financial matters. The Board also considers employee issues and key appointments. It also ensures that all Directors receive appropriate training on appointment and then subsequently as appropriate.

The members of the Nomination Committee are F. S. Maguire, G. J. Morris and D. C. Mace. Throughout the year to 31 December 2003 the Nomination Committee was chaired by G. J. Morris. F. S. Maguire was appointed Chairman on 1 January 2004.

G.J. Morris who is considered by the Board to be independent, is the senior independent Director.

**Directors' Remuneration** – The Remuneration Committee, chaired by D.C. Mace, measures the performance of the Executive Directors as a prelude to recommending their annual remuneration including bonuses, long term incentive plans and awards of share options. The remuneration of the Non-Executive Directors is determined by negotiation and takes account of the time spent on Company matters.

The Report of the Board to the Shareholders on Directors' Remuneration is set out on pages 19 to 24 and includes details of Directors' incentive payments and the related performance criteria.

**Relations with Shareholders** – The Company encourages two way communication with its institutional shareholders. All shareholders have at least twenty working days' notice of the Annual General Meeting, at which all Executive Directors and Chairmen of Committees are available to answer questions.

**Accountability and Audit** – The Board uses the Reviews of the Chairman, Chief Executive and Finance Director and the Directors' Report to present a balanced and understandable assessment of the Company's position and prospects. The Directors' responsibilities for the financial statements are described above. The Directors' relationships with internal audit and the Audit Committee are discussed in the following section on internal control.

### 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. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

## STATEMENTS ON CORPORATE GOVERNANCE

for the year ended 31 December 2003 (continued)

### INTERNAL CONTROL

The Directors are responsible for the system of internal control within the Group.

Key procedures within the internal control framework that have been established and are designed to provide effective internal 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 implications;
- the issue of an internal control systems manual, an accounting manual, and a policies and procedures 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.

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group has remained in place throughout the year and to the approval date of the annual report and accounts. That process is regularly reviewed by the Board and accords with the Internal Control Guidance for Directors on the Combined Code produced by the Turnbull working party. Procedures exist to meet the requirements for the system of internal control determined by the Board. The Directors regularly review the risks which the Group is exposed to as well as the operation and effectiveness of the system of internal controls including financial, operational, risk management and compliance controls. Whilst the Board acknowledges its overall responsibility for internal control and for monitoring the effectiveness of internal control procedures, it believes strongly that senior management within the Group's operating businesses should also contribute in a substantial way and this has been built into the process. Acquisitions in the year have been integrated into the established Group risk management framework.

The whole process is subject to regular review. Reports on matters arising are received regularly by the Board and the draft papers prepared for the annual review of effectiveness were reviewed by the Audit Committee prior to being approved by the Board. Steps continue to be taken to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to management's and the Board's attention.

The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against misstatement or loss.

### Audit Committee and Meetings

The Audit Committee, comprising Non-Executive Directors and the Finance Director, meet at least three times a year with the external auditors attending by invitation. The Audit Committee has specific terms of reference which deal with its authority and duties, and is chaired by G. J. Morris.

### COMPLIANCE STATEMENT

The Listing Rules require the Board to report on compliance with the forty-five Code provisions throughout the accounting year. Save for the exceptions below, the Company has complied throughout the accounting year ended 31 December 2003 with the provisions set out in Section 1 of the Code.

During the financial year the Audit Committee comprised the Non-Executive Directors, two of whom were independent and one Executive Director. The Board considers this to be appropriate to the requirements of the Company because the Finance Director has relevant specialist experience. The Code requires that the Audit Committee comprises at least three directors, all Non-Executive and the majority of whom are independent (D3.1). Therefore, throughout the year, not all of the Audit Committee were Non-Executive and two of its members were not independent.

All Directors retire by rotation in accordance with the Articles of Association of the Company. N. Clyne does not have a fixed period contract as recommended by the Code (A6.1), since the Board felt that this was more appropriate to the circumstances prevailing at the time of his appointment. All remunerated appointments are now made in accordance with the recommendations of the Code (A6.1).

The Group support the principles of the revised Combined Code issued in July 2003 and are taking steps to ensure satisfactory compliance by 31 December 2004.

## DIRECTORS' REMUNERATION REPORT

for the year ended 31 December 2003

### INTRODUCTION

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

### Unaudited Information Remuneration Committee

The members of the Remuneration Committee throughout this financial year were D.C. Mace, Chairman and G.J. Morris, both of whom are independent Non-Executive Directors.

### Remuneration Policy

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

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

No Director plays a part in any decision about his own remuneration. Full details of Directors' remuneration, fees and share options are set out on pages 22 and 23. Directors retiring by rotation are shown in the Directors' Report on page 14. None of the Directors currently have any long-term incentives other than the share options noted, which were last granted in 2001 and the Executive Directors are eligible to participate in the Executive Incentive Performance Plan ("EIPP") which was approved at the Annual General Meeting in May 2003.

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 of up to approximately 60% of their basic salary. The main elements of their remuneration package are as follows:

### Basic Annual Salary and Benefits in Kind

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

### Annual Bonus Payments

All Executive Directors participate in an annual bonus scheme where up to approximately 60% of basic salary is payable upon the Group exceeding pre-determined profit level targets and at the discretion of the Remuneration Committee. Subject to the statutory pensions cap, bonus payments are pensionable in order to ensure that the benefits accruing to the Executive Directors are consistent with those accruing to all other contributing members of the scheme.

### Pension Arrangements

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

## DIRECTORS' REMUNERATION REPORT

for the year ended 31 December 2003 (continued)

### Share Option Incentives

The Company operates a share option scheme under which Executive Directors and senior executives are granted options from time to time by the Board. Following the introduction of the long term incentive plan in 2003, and whilst this remains in place, it is not envisaged that any further share options will be granted. The last grants were made in September 2001.

### The Executive Incentive Performance Plans

Selected Executive Directors as detailed on page 24 participate in the EIPP which was approved by the shareholders at the 2003 Annual General Meeting.

Awards under the EIPP are in the form of performance bonuses payable in cash and are based on basic earnings per share growth targets over a pre-determined performance period.

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

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

### Director's Contracts

The details of the Directors' individual service contracts are set out in the table below. In the event of termination of an Executive Director's service contract, depending upon the circumstances, the Company may be liable to pay compensation to the Executive Director equivalent to salary that would have been received during the contract period, together with any bonus earned on a pro rata basis to the date of termination. The Company's policy in the event of the termination of an Executive Director's service contract is to avoid any payment to an Executive Director in excess of their contractual entitlement and aim to ensure that any liability is mitigated to the fullest extent possible. F. S. Maguire's service contract terminated with effect from 31 December 2003 and he is continuing as Non-Executive Chairman by virtue of a letter of appointment dated 25 November 2003.

	Date of Contract	Unexpired Term and Notice Period	Contractual Termination Payments
H. K. Surgenor	3 April 1996	2 years	Basic salary and benefits for unexpired term
D. V. Dyson	16 January 2003	1 year	Basic salary and benefits for unexpired term
D. J. Blakeman	14 May 1992	2 years	Basic salary and benefits for unexpired term
B. Schumacker	30 November 2000	1 year	Basic salary and benefits for unexpired term
A. C. Bruce	16 January 2003	1 year	Basic salary and benefits for unexpired term
F. S. Maguire	25 November 2003	3 years (fixed)	None
G. J. Morris	-	-	None
D. C. Mace	-	-	None
N. Clyne	-	-	None

All contracts with the exception of that of F. S. Maguire are rolling contracts.

### Non-Executive Directors

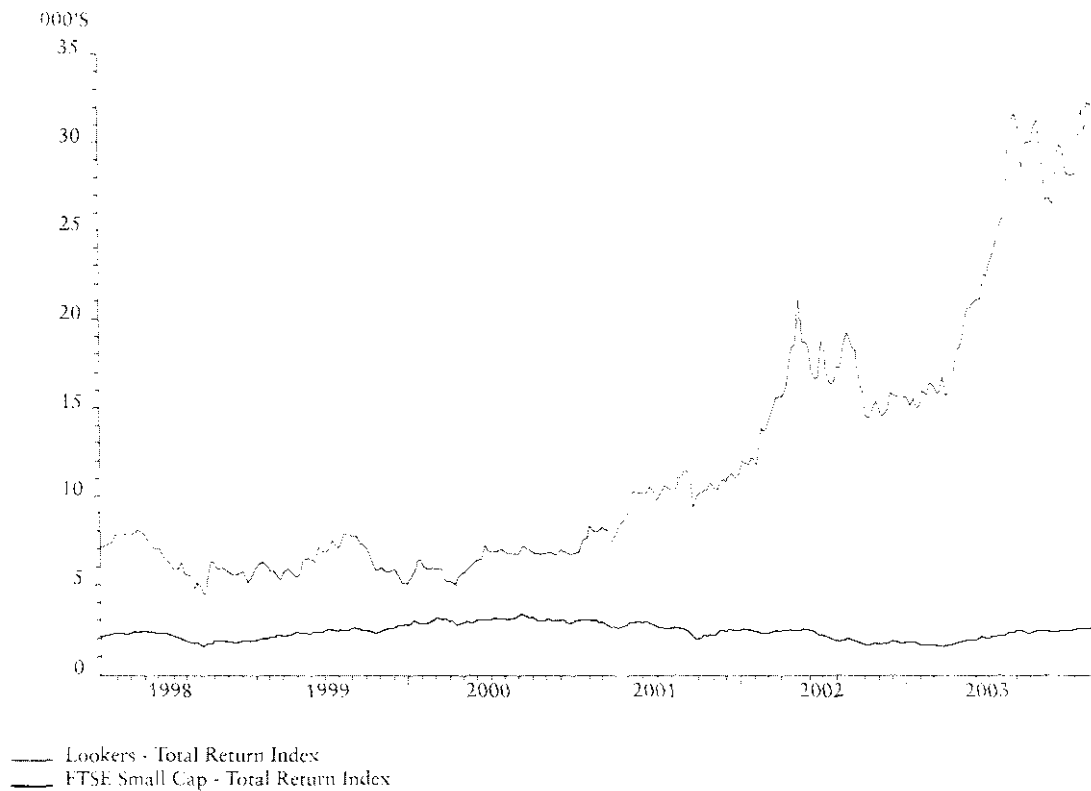
The Remuneration of the Non-Executive Directors is determined by the Board within the limits set out in the Articles of Association. Non-Executive Directors cannot participate in the Company's share option schemes and are not eligible for pension arrangements.

## DIRECTORS' REMUNERATION REPORT

for the year ended 31 December 2003 (continued)

### Performance Graph

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



## DIRECTORS' REMUNERATION REPORT

for the year ended 31 December 2003 (continued)

### AUDITED INFORMATION

#### DIRECTORS' EMOLUMENTS

	Fees £000	Salary £000	Annual Bonus £000	Benefits- in-kind £000	2003 Total £000	2002 Total £000
F. S. Maguire	-	180	136	17	333	392
H. K. Surgenor	-	229	136	14	379	305
D. V. Dyson	-	125	73	8	206	48*
D. J. Blakeman	-	111	65	13	189	163
B. Schumacker	-	123	57	8	188	155
A. C. Bruce	-	123	57	14	194	108*
G. J. Morris	22	-	-	-	22	21
D. C. Mace	22	-	-	-	22	13*
Former Directors	-	-	-	-	-	247
<b>Total</b>	<b>44</b>	<b>891</b>	<b>524</b>	<b>74</b>	<b>1,533</b>	<b>1,452</b>

\*Indicates emoluments from date of appointment in 2002.

N. Clyne does not receive any emoluments in his role as a Non-Executive Director of the Company.

Fees include £22,000 for consultancy services provided by Consult for Success Limited of which G. J. Morris is a Director and £22,000 paid to D.C. Mace. Benefits in kind include the provision of a company car, fuel and life assurance for every Executive Director. Details of Directors' shareholdings are shown in the Directors' Report on page 13. The relative importance of performance and non-performance elements of remuneration are set out within the Remuneration Policy.

#### PAYMENT TO FORMER DIRECTOR

A.S. Marston resigned as Group Financial Director on 19 September 2002. The Remuneration Committee authorised a settlement of his contractual rights. An agreement was signed on 7 November 2003 and the payment was made in the following manner. Before tax, A.S. Marston received £270,000 as compensation for loss of employment with a payment of £200,000 into the Lookers Supplementary Pension Scheme No 2 for his benefit subject to the rules of the Scheme.

#### 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 2003 £000	Transfer value 31 December 2002 £000	Increase in transfer value £000
H. K. Surgenor	18	113	1,748	1,281	467
D. V. Dyson	5	19	154	64	90
D. J. Blakeman	9	63	1,150	887	263
B. Schumacker	3	34	457	379	78
A. C. Bruce	2	4	27	9	18

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 accrued entitlement 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
H. K. Surgenor	16	286
D. V. Dyson	5	40
D. J. Blakeman	8	153
B. Schumacker	2	27
A. C. Bruce	2	10

H.K. Surgenor and D.J. Blakeman both left the Lookers Pension Plan during the year. Their total accrued pension is shown as at their date of leaving the plan and the value of those benefits accrued during the year up to their date of leaving is quoted at the year end. The Company made contributions to the personal money purchase plans for H.K. Surgenor of £14,000 (2002: £nil) and for D.J. Blakeman of £7,000 (2002: £nil).

## DIRECTORS' REMUNERATION REPORT

for the year ended 31 December 2003 (continued)

### DIRECTORS' SHARE OPTIONS

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

	Scheme	Date of Grant	Earliest Exercise Date	Expiry Date	Exercise price (pence)	Number at 1 January 2003	Exercised in Year	Number at 31 December 2003
F. S. Maguire	Executive	24.7.1996	24.7.1999	23.7.2006	146.5	100,000	-	100,000
	Executive	3.3.1997	3.3.2000	2.3.2007	108.0	100,000	100,000	-
	Executive	9.7.1998	9.7.2001	8.7.2005	104.0	21,200	-	21,200
	Executive	29.9.2001	26.9.2004	25.9.2008	124.0	26,125	-	26,125
						247,325	100,000	147,325
H. K. Surgenor	Executive	26.9.2001	26.9.2004	25.9.2008	124.0	29,917	-	29,917
D.V. Dyson	Company	26.9.2001	26.9.2004	25.9.2011	124.0	9,239	-	9,239
D.J. Blakeman	Company	9.7.1998	9.7.2001	8.7.2008	104.0	28,800	28,800	-
	Executive	9.7.1998	9.7.2001	8.7.2005	104.0	21,200	21,200	-
	Executive	17.6.1999	17.6.2002	16.6.2006	82.5	60,000	60,000	-
	Executive	26.9.2001	26.9.2004	25.9.2008	124.0	13,492	-	13,492
						123,492	110,000	13,492
B. Schumacker	Executive	26.9.2001	26.9.2004	25.9.2008	124.0	15,545	-	15,545
A.C. Bruce	Company	26.9.2001	26.9.2004	25.9.2011	124.0	12,466	-	12,466

The mid - market price of the ordinary shares at 31 December 2003 was 264.5p and the range during the year was 143.5p to 306.5p.

The market price when F. S. Maguire and D.J. Blakeman exercised their share options was 156.25p, 151.25p and 278.0p respectively.

There is no further entitlement to share options. The various share option schemes have been largely superseded by the EIPP.

### GAINS MADE BY DIRECTORS ON SHARE OPTIONS

The table below shows gains made by individual directors from the exercise of share options during 2003. The gains are calculated as at the exercise date, although the shares may have been retained.

	2003 £	2002 £
F. S. Maguire	48,250	49,380
H. K. Surgenor	-	53,850
D.J. Blakeman	167,793	-
B. Schumacker	-	31,950
	216,043	135,180

## DIRECTORS' REMUNERATION REPORT

for the year ended 31 December 2003 (continued)

### DIRECTORS INTERESTS IN THE EXECUTIVE INCENTIVE PERFORMANCE PLAN

Awards to Executive Directors under the EIPP long term incentive plans are as follows:

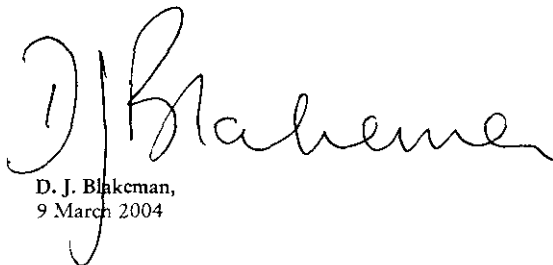
	Cycle Ending	Award date	At 1 January 2003 £000	Amount awarded £000	At 31 December 2003 £000	Vesting date
H.K. Surgenor	2005	08.05.03	-	480	480	31.12.05
D.V. Dyson	2005	08.05.03	-	280	280	31.12.05
D.J. Blakeman	2005	08.05.03	-	240	240	31.12.05
B. Schumacker	2005	08.05.03	-	260	260	31.12.05
A.C. Bruce	2005	08.05.03	-	260	260	31.12.05

Details of the performance conditions attaching to the EIPP are set out on page 20. Bonuses under the EIPP are payable in cash based on the Executive's salary at the end of each performance period. The amount awarded above represents the maximum possible award for each Executive, based on their salary at 31 December 2003. The maximum award is only payable if earnings per share growth is greater than RPI + 50% over the three year period to 31 December 2005. If earnings per share growth over the performance period is less than RPI + 10%, no performance bonus is payable.

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

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

By Order of the Board



D. J. Blakeman,  
9 March 2004

## INDEPENDENT AUDITORS' REPORT

### Independent auditors' report to the members of Lookers plc

We have audited the financial statements which comprise the consolidated profit and loss account, the consolidated and Company balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses, and the related notes which have been prepared in accordance with the accounting policies set out in the statement of principal accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ("the auditable part").

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities. The directors are also responsible for preparing the Directors' Remuneration Report.

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

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

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the reviews of the Chairman, Chief Executive and Finance Director, the Directors' Report, the unaudited part of the Directors' Remuneration Report, and the corporate governance statement.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code issued in June 1998 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

### Basis of audit opinion

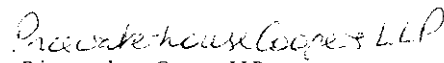
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the Directors' Remuneration Report 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 the affairs of the Company and the Group at 31 December 2003 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

  
PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Manchester

9 March 2004

## PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable accounting standards. The particular accounting policies adopted are described below.

### 1. ACCOUNTING CONVENTION

The financial statements and supporting notes set out on pages 26 to 46 inclusive are prepared under the historical cost convention, as modified by the revaluation of certain properties.

### 2. BASIS OF CONSOLIDATION

The consolidated profit and loss account and balance sheet include the financial statements of the parent company and all its subsidiaries made up to the end of the financial period. The results of subsidiary undertakings acquired or sold during the year are included in the consolidated profit and loss account from the date of acquisition or to the date of disposal.

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

### 3. GOODWILL

Goodwill represents the difference between the fair value of the separately identifiable tangible assets/liabilities and the fair value of the consideration given. Goodwill arising on the acquisition of a business is capitalised and amortised on a straight line basis over its estimated useful life, normally in the range from ten to twenty years.

### 4. DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date, where transactions or events that result in an obligation to pay more, or a right to pay less tax, in the future have occurred at the Balance Sheet date with the following exception;

Deferred tax assets are only recognised to the extent that the Directors consider it more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted. Deferred tax is measured on a non-discounted basis.

### 5. FIXED ASSETS

The transitional rules of FRS 15 "Tangible Fixed Assets" have been adopted in the case of properties, where the valuation of £63,273,000 has not been updated since 31 December 1999 and the valuation has been frozen as modified cost. The Group is not continuing the valuation policy relating to properties.

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, 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.

Properties are transferred to "Properties held for resale" when management expect their disposal to be completed within one year from the balance sheet date. Properties held for resale are stated at the lower of net book value or expected proceeds.

### 6. 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 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.

### 7. 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. The Group recognises consignment stock in its balance sheet when the Group is subject to significant commercial risks, usually identified by the requirement to pay interest. The related liabilities are included in trade creditors.

### 8. TURNOVER

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

### 9. PENSION COSTS

Contributions to the defined benefit scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' estimated 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. This scheme has now been closed to new members.

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

The Group has made the necessary disclosures in respect of FRS 17 "Retirement Benefits" under the transitional arrangements. Accordingly, there has been no impact on the profit and loss account or balance sheet in 2003.

### 10. INVESTMENTS

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

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2003

	Note	2003 £000	2002 £000
Turnover	1		(Re-stated see note 4)
– Continuing operations		867,060	790,352
– Acquisitions		94,385	-
		961,445	790,352
Cost of sales		(842,605)	(691,532)
Gross profit		118,840	98,820
Operating costs (including goodwill amortisation)	2	(101,778)	(85,649)
Operating profit before goodwill amortisation		17,933	13,899
Goodwill amortisation		(871)	(728)
<b>OPERATING PROFIT</b>			
– Continuing operations		15,545	13,171
– Acquisitions		1,517	-
		17,062	13,171
(Loss)/profit on disposal/termination of businesses	4	(1,307)	340
Profit on disposal of properties	4	3,143	1,609
<b>PROFIT BEFORE INTEREST AND TAXATION</b>		18,898	15,120
Interest payable	3	(4,873)	(3,291)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	14,025	11,829
Taxation	5	(3,562)	(3,007)
<b>PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO SHAREHOLDERS</b>	6	10,463	8,822
Dividends	7		
Non-equity preference shares		-	(1,126)
Equity ordinary shares		(3,893)	(3,428)
Total Dividends		(3,893)	(4,554)
<b>PROFIT RETAINED FOR THE YEAR</b>		6,570	4,268
Profit and loss account brought forward	20	46,319	26,901
Transfers (from)/to reserves	20	(14,168)	15,150
Profit and loss account carried forward	20	38,721	46,319
Basic earnings per ordinary share	8	30.1p	22.6p
Diluted earnings per ordinary share	8	29.8p	22.5p
Adjusted earnings per ordinary share	8	26.2p	19.3p

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 31 December 2003

	2003 £000	2002 £000
Profit for the financial year	10,463	8,822
Adjustment on disposal of properties	294	787
<b>Total recognised gains and losses relating to the year</b>	10,757	9,609

# CONSOLIDATED BALANCE SHEET

as at 31 December 2003

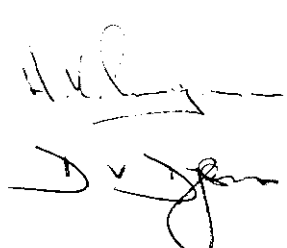
	Note	2003		2002	
		£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Intangible fixed assets	10		10,605		9,165
Tangible fixed assets	11		92,763		82,789
			103,368		91,954
<b>CURRENT ASSETS</b>					
Properties held for resale			3,511		-
Stocks	13		97,463		72,963
Debtors	14		41,229		36,979
Cash at bank and in hand			33		32
			142,236		109,974
Creditors: Amounts falling due within one year	15		(140,490)		(109,341)
<b>NET CURRENT ASSETS</b>			1,746		633
<b>Total assets less current liabilities</b>			105,114		92,587
Creditors: amounts falling due after more than one year	16		(33,103)		(15,347)
Provisions for liabilities and charges	18		(1,424)		(316)
			70,587		76,924
<b>CAPITAL &amp; RESERVES</b>					
Called up share capital	19		8,754		22,470
Reserves	20				
Share premium			1,114		305
Revaluation reserve			7,407		7,128
Capital redemption reserve			14,591		702
Profit and loss account			38,721		46,319
			61,833		54,454
<b>TOTAL SHAREHOLDERS' FUNDS</b>	21		70,587		76,924
<b>SHAREHOLDERS' FUNDS ARE ATTRIBUTABLE TO:</b>					
Non-equity shareholders' funds			-		13,889
Equity shareholders' funds			70,587		63,035
			70,587		76,924

The financial statements were approved by the Directors on 9 March 2004.  
Signed on behalf of the Board of Directors.

H. K. Surgenor

D. V. Dyson

} Directors



## PARENT COMPANY BALANCE SHEET

as at 31 December 2003

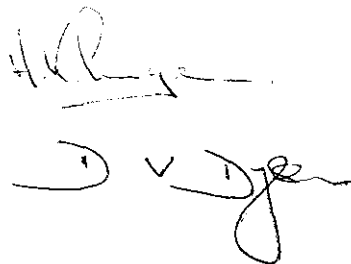
	Note	2003		2002	
		£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Tangible fixed assets	11		367		351
Investments	12		57,756		57,756
			58,123		58,107
<b>CURRENT ASSETS</b>					
Debtors	14	47,021		35,699	
Cash at bank and in hand		8,836		13,085	
			55,857		48,784
<b>Creditors: amounts falling due within one year</b>	15	(34,677)		(24,508)	
<b>NET CURRENT ASSETS</b>			21,180		24,276
<b>Total assets less current liabilities</b>			79,303		82,383
<b>Creditors: amounts falling due after more than one year</b>	16	(18,021)		(12,369)	
<b>Provisions for liabilities and charges</b>	18	(102)		-	
			61,180		70,014
<b>CAPITAL &amp; RESERVES</b>					
Called up share capital	19		8,754		22,470
Reserves	20				
Share premium		1,114		305	
Capital redemption reserve		14,591		702	
Profit and loss account		36,721		46,537	
			52,426		47,544
<b>TOTAL SHAREHOLDERS' FUNDS</b>			61,180		70,014
<b>SHAREHOLDERS' FUNDS ARE ATTRIBUTABLE TO:</b>					
Non-equity shareholders' funds			-		13,889
Equity shareholders' funds			61,180		56,125
			61,180		70,014

The financial statements were approved by the Directors on 9 March 2004.  
Signed on behalf of the Board of Directors.

H. K. Surgenor

D. V. Dyson

} Directors



## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2003

	2003		(Re-stated see note 4)	
	£000	£000	£000	£000
NET CASH INFLOW FROM OPERATING ACTIVITIES BEFORE EXCEPTIONAL ITEMS		16,617		21,233
Outflow relating to exceptional items		(2,469)		(481)
Net cash inflow from operating activities		14,148		20,752
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest paid	(4,489)		(3,378)	
Non-equity dividends paid	(286)		(1,126)	
Net cash outflow from returns on investments and servicing of finance		(4,775)		(4,504)
TAXATION				
UK corporation tax paid		(3,569)		(3,319)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Purchase of tangible fixed assets	(10,816)		(10,767)	
Sale of tangible fixed assets	9,426		14,993	
Net cash (outflow)/inflow from capital expenditure and financial investment		(1,390)		4,226
ACQUISITIONS AND DISPOSALS				
Proceeds from disposal of businesses	614		821	
Purchase of subsidiary undertakings and other acquisitions	(15,089)		(3,328)	
Net cash acquired with subsidiary	1,046		788	
Net cash outflow from acquisitions and disposals		(13,429)		(1,719)
EQUITY DIVIDENDS PAID		(3,600)		(3,227)
Net cash (outflow)/inflow before financing		(12,615)		12,209
FINANCING				
Preference shares redeemed	(13,889)		(702)	
New shares issued	273		416	
Repayment of loans	(10,096)		(13,858)	
Increase in loans	27,889		3,515	
Increase of capital element of hire purchase contracts	39		2	
Net cash inflow/(outflow) from financing		4,216		(10,627)
(DECREASE)/INCREASE IN CASH IN THE YEAR		(8,399)		1,582

Additional information on the cash flow statement is set out below and in note 22.

### Reconciliation of operating profit to net cash inflow from operating activities before exceptional items

Operating profit before exceptional items	17,062	13,171
Depreciation charges	3,686	3,104
Goodwill amortisation	871	728
Profit on sale of fixed assets	(21)	(37)
Increase in stocks	(14,077)	(7,728)
Increase in debtors	(1,832)	(5,923)
Increase in creditors	10,928	17,918
Net cash inflow from operating activities before exceptional items	16,617	21,233

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

### 1. SEGMENTAL ANALYSIS

	Motor trade £000	Agriculture £000	2003 Total £000
<b>Turnover</b>	945,156	16,289	961,445
Operating profit/(loss)	17,140	(78)	17,062
(Loss)/profit on disposal/termination of business	(1,974)	667	(1,307)
Profit on disposal of properties	3,143	-	3,143
Interest	(4,827)	(46)	(4,873)
<b>Profit on ordinary activities before taxation</b>	13,482	543	14,025
<b>Net assets/(liabilities)</b>	71,379	(792)	70,587

	Motor trade £000	Agriculture £000	2002 Total £000
<b>Turnover</b>	774,173	16,179	790,352
Operating profit/(loss)	13,291	(120)	13,171
Profit on disposal/termination of businesses	340	-	340
Profit on disposal of properties	1,609	-	1,609
Interest	(3,246)	(45)	(3,291)
<b>Profit/(loss) on ordinary activities before taxation</b>	11,994	(165)	11,829
<b>Net assets</b>	76,364	560	76,924

All turnover and profit arises in the UK.

The motor trade segment figures include the following amounts relating to acquisitions: turnover £94,385,000, cost of sales £83,109,000, gross profit £11,276,000, selling and distribution expenses £6,614,000, administrative costs £3,516,000, operating profit £1,517,000 and net assets £7,566,000.

	(Re-stated see note 4)	
	2003 £000	2002 £000
<b>2. OPERATING COSTS</b>		
Selling and distribution costs	74,674	61,584
Administrative costs	27,822	24,465
Other operating income	(718)	(400)
	101,778	85,649



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003 (continued)

### 5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2003 £000	2002 £000
Taxation on the profit for the year		
Corporation tax at 30% (2002: 30%)	2,685	3,412
Deferred taxation	921	(436)
Adjustments relating to prior years		
Corporation tax	(29)	(12)
Deferred taxation	(15)	43
	3,562	3,007

The current corporation tax charge was affected by the following factors:

	2003	2002
Standard rate of corporation tax	30%	30%
Capital profits and other non-taxable items	(10.5)%	(9.3)%
Items not allowable for taxation (including goodwill amortisation)	4.8%	5.0%
Capital allowances in excess of depreciation	(1.2)%	1.7%
Short term timing differences	(4.0)%	1.4%
Adjustments to prior year's taxation	(0.2)%	(0.1)%
Effective rate on current profits	18.9%	28.7%

The future tax rate will depend on the level of profits on sale of properties and the Group's ability to obtain rollover relief.

### 6. PARENT COMPANY PROFIT

The consolidated profit and loss account includes a profit of £7,966,000 (2002: £7,414,000) 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

	2003		2002	
	£000	£000	£000	£000
Non-equity preference shares				
No dividend for the half year to 31 March 2003 (2002: 4.0p per share)	-		576	
No dividend for the half year to 30 September 2003 (2002: 4.0p per share)	-		550	
		-		1,126
Equity ordinary shares				
Interim dividend of 3.3p per share paid 28 November 2003 (2002: 3.0p per share)	1,197		1,025	
Final dividend 7.7p per share payable on 28 May 2004 (2002: 7.0p per share)	2,696		2,403	
		3,893		3,428
		3,893		4,554

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003 (continued)

### 8. EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on profits on ordinary activities after taxation amounting to £10,463,000 (2002: £7,696,000 after deducting preference share dividends) and a weighted average of 34,777,983 ordinary shares in issue during the year (2002: 34,036,200 ordinary shares).

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 435,124 (2002: 724,866). The diluted earnings per share is 29.8p (2002: 22.5p)

Adjusted earnings per share is stated before goodwill amortisation, (loss)/profit on disposal/termination of businesses and the profit on disposal of properties and is calculated on profits of £9,106,000 for the year (2002: £6,577,000). The individual impact on earnings per share of the aforementioned items is set out below:

	2003		2002	
	Earnings £000	Earnings per share p	Earnings £000	Earnings per share p
Profit after taxation	10,463		8,822	
Preference dividends	-		(1,126)	
Earnings attributable to ordinary shareholders	10,463	30.1	7,696	22.6
Goodwill amortisation	871	2.5	728	2.1
Loss/(profit) on disposal/termination of businesses	1,307	3.7	(340)	(1.0)
Profit on disposal of properties	(3,143)	(9.0)	(1,609)	(4.7)
Tax (credit)/charge on loss/(profit) on disposal of businesses	(392)	(1.1)	102	0.3
Adjusted	9,106	26.2	6,577	19.3

Adjusted earnings per share is considered by the Directors to be a more meaningful indication of the Group's underlying performance.

### 9. INFORMATION REGARDING EMPLOYEES

	2003 £000	2002 £000
Employee costs during the year		
Wages and salaries	63,475	50,946
Social security costs	5,658	4,253
Other pension costs	1,109	1,450
	70,242	56,649
Average number employed during the year (including Directors)		
Productive	1,010	854
Selling and distribution	1,591	1,376
Administration	705	621
	3,306	2,851

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003 (*continued*)

### 10. INTANGIBLE FIXED ASSETS

	Goodwill £000
<b>The Group</b>	
<b>Cost</b>	
As at 1 January 2003	22,567
Additions	2,311
<b>As at 31 December 2003</b>	<b>24,878</b>
<b>Amortisation</b>	
As at 1 January 2003	13,402
Charge for the year	871
<b>As at 31 December 2003</b>	<b>14,273</b>
<b>Net book value at 31 December 2003</b>	<b>10,605</b>
<b>Net book value at 31 December 2002</b>	<b>9,165</b>

#### Acquisitions

On 1 January 2003, the Group acquired the business and assets of Jackson and Edwards Limited for a cash consideration of £1,850,000.

On 5 February 2003, the Group acquired the business and assets of JN Holdings Limited for a cash consideration of £5,095,000, and shares valued at the market price on the date of acquisition of £709,000.

On 5 November 2003, the Group acquired the business and assets of Savilles Auto Village Limited for a cash consideration of £3,394,000.

Acquisitions of other businesses which comprised Blackburn VW, Savoy Honda and Hadleigh Lexus were made at various times during the year for a total consideration of £4,750,000.

These acquisitions have been accounted for by the acquisition method of accounting. None of the individual acquisitions were considered to be material to the Group.

A table detailing the assets and liabilities acquired at fair value is set out below. Fair value adjustments totalling £1,507,000 have been made to the book value of the tangible fixed assets to reflect the valuation of properties at the date of acquisition.

	Book Value £000	Revaluations £000	Fair Value £000
Tangible fixed assets	10,215	1,507	11,722
Stocks	10,811	-	10,811
Debtors	2,418	-	2,418
Creditors	(8,848)	-	(8,848)
Cash	1,090	-	1,090
Overdrafts	(44)	-	(44)
Loans net of deposits	(3,460)	-	(3,460)
Provision for deferred tax	(202)	-	(202)
<b>Net assets acquired</b>	<b>11,980</b>	<b>1,507</b>	<b>13,487</b>
Goodwill			2,311
<b>Consideration</b>			<b>15,798</b>
 Consideration satisfied by:			
Shares issued			709
Cash			15,089
			<b>15,798</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003 (continued)

11. TANGIBLE FIXED ASSETS	Freehold Property £000	Long Leaschold Property £000	Short Leaschold Property £000	Plant & Machinery £000	Fixtures, Fittings, Tools & Equipment £000	Total £000
<b>The Group</b>						
Cost or valuation						
As at 1 January 2003	48,798	29,159	1,671	9,427	9,493	98,548
On acquisition (note 10)	10,300	-	315	1,031	76	11,722
Additions in the year	5,642	1,965	345	705	2,159	10,816
Disposals	(4,703)	(550)	(206)	(791)	(316)	(6,566)
Transfer to assets held for resale	(3,836)	-	-	-	-	(3,836)
<b>As at 31 December 2003</b>	<b>56,201</b>	<b>30,574</b>	<b>2,125</b>	<b>10,372</b>	<b>11,412</b>	<b>110,684</b>
Depreciation						
As at 1 January 2003	2,341	789	225	6,075	6,329	15,759
Charge for the year	516	230	70	1,340	1,530	3,686
Disposals	(235)	(76)	(110)	(529)	(249)	(1,199)
Transfer to assets held for resale	(325)	-	-	-	-	(325)
<b>As at 31 December 2003</b>	<b>2,297</b>	<b>943</b>	<b>185</b>	<b>6,886</b>	<b>7,610</b>	<b>17,921</b>
<b>Net book value at 31 December 2003</b>	<b>53,904</b>	<b>29,631</b>	<b>1,940</b>	<b>3,486</b>	<b>3,802</b>	<b>92,763</b>
<b>Net book value at 31 December 2002</b>	<b>46,457</b>	<b>28,370</b>	<b>1,446</b>	<b>3,352</b>	<b>3,164</b>	<b>82,789</b>

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

	2003 £000	2002 £000
Cost	92	21
Aggregate depreciation	(31)	(21)
<b>Net book value</b>	<b>61</b>	<b>-</b>

### Modified Historical Cost

On 31 December 1999 the properties were valued at £63,273,000 on the basis of Existing Use Value on the mainland by Messrs. Donaldsons, Chartered Surveyors, and in Northern Ireland by Messrs. Hamilton Osborne King, Chartered Surveyors. As stated in the accounting policies the valuation of properties has not been updated since this date.

Summary balances in respect of all properties are as follows:

	31/12/99 Valuation £000	Historical Cost Convention £000
<b>The Group</b>		
Gross book value	88,900	81,493
<b>Net book value</b>	<b>85,475</b>	<b>78,068</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003 *(continued)*

### 11. TANGIBLE FIXED ASSETS *(continued)*

	Fixtures, Fittings, Tools & Equipment £000
<hr/>	
<b>The Company</b>	
Cost	
As at 1 January 2003	946
Additions in the year	225
Disposals	(37)
<hr/>	
As at 31 December 2003	1,134
<hr/>	
Depreciation	
As at 1 January 2003	595
Charge for the year	202
Disposals	(30)
<hr/>	
As at 31 December 2003	767
<hr/>	
Net book value at 31 December 2003	367
<hr/>	
Net book value at 31 December 2002	351
<hr/>	

Future capital expenditure	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
<hr/>				
Contracted but not provided in the financial statements	4,550	100	-	-
<hr/>				

### 12. INVESTMENTS

	Subsidiary Companies £000
<hr/>	
<b>Company</b>	
Cost	
As at 1 January 2003 and 31 December 2003	57,756
<hr/>	

Details of the principal subsidiary undertakings are as follows:

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

All subsidiary companies 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. All subsidiary companies are wholly owned with the exception of Lookers Birmingham Limited and Charles Hurst Motors Limited in which a 99% shareholding is held.

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

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003 (continued)

13. STOCKS	Group	
	2003 £000	2002 £000
Goods for resale	92,139	69,182
Bulk deposit paid for vehicles on consignment	1,528	1,419
Interest bearing consignment vehicles	3,796	2,362
	<u>97,463</u>	<u>72,963</u>

14. DEBTORS	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Trade debtors	32,019	28,985	88	19
Amounts owed by group undertakings	-	-	43,771	33,105
Other debtors	4,330	4,297	1,578	2,245
Prepayments	4,880	3,697	1,584	330
	<u>41,229</u>	<u>36,979</u>	<u>47,021</u>	<u>35,699</u>

### 15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Bank loans and overdrafts	26,188	11,148	11,757	4,678
Unsecured loan notes	-	3,120	-	3,120
Hire purchase creditors	26	10	-	-
Trade creditors	82,783	64,596	1,456	1,143
Amounts owed by group undertakings	-	-	5,397	2,558
Taxation and social security	4,708	5,379	1,016	208
Other creditors	14,878	14,449	11,029	8,428
Accruals and deferred income	9,211	8,236	1,326	1,970
Dividends payable	2,696	2,403	2,696	2,403
	<u>140,490</u>	<u>109,341</u>	<u>34,677</u>	<u>24,508</u>

### 16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Bank loans	33,080	15,347	18,021	12,369
Hire purchase creditors	23	-	-	-
	<u>33,103</u>	<u>15,347</u>	<u>18,021</u>	<u>12,369</u>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003 (continued)

17. BORROWINGS	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Unsecured bank loans				
variable with London Interbank rate	47,112	22,739	29,778	17,047
Unsecured loan notes	-	3,120	-	3,120
Bank overdrafts	12,156	3,756	-	-
Hire purchase creditors	49	10	-	-
	<u>59,317</u>	<u>29,625</u>	<u>29,778</u>	<u>20,167</u>
Less: Amounts falling due within one year	(26,214)	(14,278)	(11,757)	(7,798)
Amounts falling due after more than one year	<u>33,103</u>	<u>15,347</u>	<u>18,021</u>	<u>12,369</u>

Interest rate information is disclosed in note 24.

The Company is jointly and severally liable under cross guarantees within the Group for bank loans and overdrafts which amounted to £29,490,000 (2002: £7,448,000).

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Repayable:				
less than one year	14,032	7,392	11,757	4,678
more than one and not more than two years	9,063	5,486	6,789	4,678
more than two and not more than five years	14,945	9,742	8,750	7,691
five years or more	9,072	119	2,482	-
	<u>47,112</u>	<u>22,739</u>	<u>29,778</u>	<u>17,047</u>

Of this amount £42,112,000 is repayable in increasing instalments commencing up until 2007. The remainder has no fixed repayment terms.

£19,000 of hire purchase creditors are repayable between one and two years (2002: £nil) and £4,000 between two and five years (2002: £nil).

### 18. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation	
	Group £000	Company £000
As at 1 January 2003	316	(411)
On acquisition of subsidiary (note 10)	202	-
Charged to profit and loss account	906	513
As at 31 December 2003	<u>1,424</u>	<u>102</u>

The amounts of deferred taxation provided are as follows:

	2003		2002	
	Group £000	Company £000	Group £000	Company £000
Capital allowances in excess of depreciation	1,268	(114)	612	(129)
Short-term timing differences	156	216	(296)	(282)
	<u>1,424</u>	<u>102</u>	<u>316</u>	<u>(411)</u>

No deferred tax has been provided in relation to capital gains where the properties have been revalued at above original cost, in view of the replacement or continuing use of these assets in the Group's business.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003 (*continued*)

### 19. SHARE CAPITAL

	2003 £000	2002 £000
<b>Group and Company</b>		
Authorised		
54,000,000 ordinary shares of 25p each	13,500	13,500
16,750,000 8% cumulative redeemable preference shares of £1 each	-	16,750
	<u>13,500</u>	<u>30,250</u>
Allotted, called up and fully paid		
Ordinary shares of 25p each		
At 1 January - (34,325,860 shares)	8,581	8,470
Allotted under share option schemes (264,145 shares)	66	111
Allotted on acquisition of JN Holdings Limited (426,953 shares)	107	-
	<u>8,754</u>	<u>8,581</u>
At 31 December - (35,016,958 shares)		
8% Cumulative redeemable preference shares		
At 1 January - (13,889,000 shares)	13,889	14,591
Redeemed - (13,889,000 shares)	(13,889)	(702)
	<u>-</u>	<u>13,889</u>
At 31 December - (nil shares)		

On 2 January 2003, the Group redeemed the whole of the issued preference share capital at par, following which the whole of the authorised preference share capital was cancelled at the last Annual General Meeting of 8 May 2003.

As at 31 December 2003, options for the Directors and employees to subscribe for a total of 435,124 (2002: 724,866) ordinary shares were outstanding from the Company and Executive share option schemes. These options are exercisable at various dates from now up to 25 September 2011 at prices between 82.5p per share and 146.5p per share.

### 20. RESERVES

	Group £000	Company £000
Share premium:		
As at 1 January 2003	305	305
Arising on issue of new Ordinary shares	809	809
	<u>1,114</u>	<u>1,114</u>
As at 31 December 2003		
Revaluation reserve:		
As at 1 January 2003	7,128	-
Transfer on disposal of revalued assets	294	-
Transfer of amount equivalent to additional depreciation on revalued assets	(15)	-
	<u>7,407</u>	<u>-</u>
As at 31 December 2003		
Capital redemption reserve:		
As at 1 January 2003	702	702
Transfer from profit and loss account on redemption of preference shares	13,889	13,889
	<u>14,591</u>	<u>14,591</u>
As at 31 December 2003		

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003 (continued)

### 20. RESERVES (continued)

	Group £000	Company £000
Profit and loss account:		
As at 1 January 2003	46,319	46,537
Retained profit for the year	6,570	4,073
Transfer to revaluation reserve	(279)	-
Transfer to capital redemption reserve	(13,889)	(13,889)
As at 31 December 2003	38,721	36,721
Total reserves:		
As at 31 December 2003	61,833	52,426
As at 31 December 2002	54,454	47,544

### 21. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group	
	2003 £000	2002 £000
Profit for the financial year	10,463	8,822
Dividends	(3,893)	(4,554)
Issue of shares	982	416
Redemption of preference shares	(13,889)	(702)
Net (reduction)/addition to shareholders' funds	(6,337)	3,982
Opening shareholders' funds	76,924	72,942
Closing shareholders' funds	70,587	76,924

### 22. CASH FLOW

#### (a) Outflow related to exceptional items.

This comprises expenditure relating to the sale and closure of operations, including redundancy and other employee costs, stock clearance and contract terminations.

	2003 £000	2002 £000
(b) Reconciliation of net cash flow to movement in net debt		
(Decrease)/increase in cash in the year	(8,399)	1,582
Cash (inflow)/outflow from decrease in debt and hire purchase financing	(17,832)	10,340
Movement in net debt in the year	(26,231)	11,922
Loans acquired (note 10)	(3,460)	-
Net debt at 1 January	(29,593)	(41,515)
Net debt at 31 December	(59,284)	(29,593)

#### (c) Analysis of net debt

	At 1 January 2003 £000	Cash flow £000	Acquisitions £000	Other non-cash changes £000	At 31 December 2003 £000
Cash at bank and in hand	32	1	-	-	33
Overdrafts	(3,756)	(8,400)	-	-	(12,156)
	(3,724)	(8,399)	-	-	(12,123)
Debt due after one year	(15,347)	(14,299)	(3,100)	(334)	(33,080)
Debt due within one year	(10,512)	(3,494)	(360)	334	(14,032)
Hire purchase creditors	(10)	(39)	-	-	(49)
	(29,593)	(26,231)	(3,460)	-	(59,284)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003 (continued)

### 23. RELATED PARTY TRANSACTIONS

Hamilton Finance Limited (a wholly owned subsidiary of General Electric Capital Corporation) owns 24.4% of the issued ordinary share capital of the Company. GE Capital and its subsidiaries are therefore considered to be related parties in accordance with the definition included in FRS 8. During the year the Group entered into a number of transactions with the related party, details of which are summarised below.

General Electric Capital Corporation and its subsidiary companies have been given the opportunity to provide, on normal competitive terms, advances on hire purchase to customers of the Group. This agreement expires on 31 December 2005. During the year, the Group received £2,577,000 (2002: £2,179,000) commission income under this agreement. The amount outstanding at the year end was £339,000 (2002: £336,000).

In addition, the Group holds advances from GE Capital in relation to future hire purchase agreements that the Group expects to arrange for GE Capital. At the year end the balance included in other creditors was £9,881,000 (2002: £9,991,000).

The Group has paid £22,000 for consultancy services provided by Consult for Success Limited, of which G. J. Morris is a Director.

### 24. DERIVATIVES AND FINANCIAL INSTRUMENTS

The objectives, policies and strategies for holding or issuing financial instruments adopted by the Board are given in the Directors' Report. Details of non-equity shares issued by the Group are given in note 19. Further details regarding other financial liabilities at 31 December 2003 and 31 December 2002 are given below. Short term debtors and creditors, which include assets and liabilities in respect of interest-bearing consignment stock, have been excluded from all disclosures. All activities are in Sterling and therefore there is no exposure to foreign currency risk.

#### MATURITY PROFILE

The maturity profile of financial liabilities excluding non-equity shares is shown in notes 16 and 17, and of the non-equity shares in note 19. The Group had the following committed undrawn borrowing facilities which expire:

	2003 £000	2002 £000
In less than one year	28,344	32,062

The above facilities represent loans and overdrafts which are repayable on demand, but for which the facilities have been confirmed.

#### INTEREST RATE PROFILE

Financial assets comprise cash of £33,000 (2002: £32,000).

An analysis of liabilities (excluding non-equity shares) and after taking account of swaps is given below.

	2003 Financial Liabilities £000	2002 Financial Liabilities £000
Fixed Rate	3,071	4,179
Floating Rate	56,246	25,446
Total	59,317	29,625

The weighted average interest rate of the fixed rate financial liabilities at 31 December 2003 was 4.80% (2002: 4.98%). The weighted average period for which interest rates on such liabilities were fixed was three months at 31 December 2003 (2002: 3 months). Interest rates on floating rate liabilities are based on London Interbank rate.

#### FAIR VALUES

Based on current interest rates, the fair value of the Group's interest rate swap is a liability of approximately £37,000 (2002 liability: £67,000). Fair values shown have been calculated by discounting cashflows at prevailing interest rates. In addition to the interest rate swap reflected above, the Group has a £14,984,000 notional principal Sterling interest rate collar, which reduces over time between the balance sheet date and 27 December 2006. The collar has a floor of 3.94% and a cap of 6.79%. Additionally, the Group has a £7,000,000 notional principal Sterling window swap which reduces over time between the balance sheet date and 3 August 2007. This takes effect if interest rates fall below 3.94% by reducing the floor of the collar to 3.25% and the cap to 6%. The fair value of the interest rate collar is £66,500. The aggregate fair value of non-equity shares at 31 December 2003 was £nil (2002: £14,181,000) compared with the carrying values of £nil (2002: £13,889,000). The Directors believe that there is no material difference between the carrying value and the fair value of other financial assets and liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003 (continued)

### 25. PENSIONS

#### PENSION SCHEMES

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

The most recent full actuarial valuation of the Lookers Pension Plan was carried out as at 6 April 2002, by William M. Mercer Limited 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. This actuarial valuation showed that the market value of the scheme's assets attributable to the Lookers Group was £48,000,000 and that the actuarial value of the assets represented 93% of the liabilities at the valuation date, after allowing for expected future increases in earnings. The valuation does not take into account any impact of fluctuations in general stock market values since 6 April 2002.

During the year the pension valuation was updated and certain assumptions were amended to reflect the Directors' best estimates of the future Group pension cost. In particular the rate of equity investment return was increased by 1% and the rate of salary increases was re-aligned to management's current best estimates.

The employer's future service contribution rate has been adjusted to take into account the deficit disclosed by the valuation, spread over the average remaining service lives of the members of the scheme. The agreed contribution rate for the year ended 31 December 2003 was 16.5%. The agreed contribution rate for next year is 16.5%.

The Group and Company provides pension arrangements for certain Directors under defined contribution schemes. The Group has recently introduced a defined contribution Stakeholder Pension Scheme for employees. The profit and loss account charge for the year in respect of defined contribution schemes was £113,000 (2002: £38,000).

The pension charge for the scheme for 2003 was £905,000 (2002: £1,395,000). At the year end there was a pension prepayment of £1,069,000 (2002: £159,000).

#### COMPANY

The Company participates in the Lookers Pension Plan, a Group wide defined benefit scheme which is accounted for under SSAP 24.

The Company's share of the underlying assets and liabilities cannot be identified on a consistent and reasonable basis and accordingly, under FRS 17, the Company will account for contributions to the scheme as if it were a defined contribution scheme. Information in respect of the scheme as a whole is set out above.

#### FRS 17 RETIREMENT BENEFITS

In November 2000 the Accounting Standards Board issued FRS 17 "Retirement Benefits" replacing SSAP 24 "Accounting for Pension Costs". FRS 17 is anticipated to be fully effective for periods ending on or after 1 January 2005, though certain disclosures are required during the transition period. The transitional disclosures for periods ending on or after 22 June 2001 are detailed in the next table.

A valuation update was made as at 31 December 2003 by a qualified independent actuary to take account of the FRS 17 requirements. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the scheme's assets at their 31 December market value. The major assumptions used by the actuary were:

	2003	2002	2001
Rate of increase in salaries (excluding promotional salary scale)	3.7%	3.2%	3.9%
Rate of increase of pensions in payment	2.7%	2.2%	2.4%
Discount rate	5.9%	5.9%	5.8%
Inflation assumption	2.7%	2.2%	2.4%

Based on actuarial advice and using the above assumptions in calculating the schemes' liabilities, the total value of these liabilities under FRS 17 are £57,297,000 at 31 December 2003 (2002: £52,704,000).

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

	Expected rate of return 2003	Market value 2003 £000	Expected rate of return 2002	Market value 2002 £000	Expected rate of return 2001	Market value 2001 £000
Equities	7.9%	29,613	6.5%	27,629	6.7%	38,190
Bonds	4.7%	13,671	4.5%	13,163	4.7%	9,548
Cash	4.0%	393	-	-	-	-
<b>Total fair value of assets</b>		<b>43,677</b>		<b>40,792</b>		<b>47,738</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003 (continued)

### 25. PENSIONS (continued)

The overall net deficit between the assets of the Group's defined benefit scheme and the actuarial liabilities of the scheme which would be included in the accounts, under FRS 17, are as follows:

	2003 £000	2002 £000
Fair value of scheme's assets	43,677	40,792
Actuarial value of scheme liabilities	(57,297)	(52,704)
Deficit in the scheme	(13,620)	(11,912)
Related deferred tax asset	4,086	3,574
Net pension liability	(9,534)	(8,338)

The inclusion of these liabilities within the Group balance sheet would have the following effect on the Group profit and loss account reserves:

	2003 £000	2002 £000
Profit and loss account as reported	38,721	46,319
(Write off)/release of SSAP 24 (prepayment)/deficit net of deferred tax	(637)	475
Profit and loss account on FRS 17 basis excluding net pension liability	38,084	46,794
Net pension liability	(9,534)	(8,338)
Profit and loss account on FRS 17 basis	28,550	38,456

ANALYSIS OF THE AMOUNT CHARGED TO OPERATING PROFIT	2003 £000	2002 £000
Service cost	1,542	1,530
Past service cost	-	-
Total operating charge	1,542	1,530

ANALYSIS OF NET (EXPENSE)/RETURN ON PENSION SCHEME	2003 £000	2002 £000
Expected return on pension scheme assets	2,307	2,963
Interest on pension liabilities	(3,035)	(2,951)
Net (expense)/return	(728)	12

ANALYSIS OF AMOUNT RECOGNISED IN STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	2003 £000	2002 £000
Actual return less expected return on assets	3,657	(8,799)
Experience gains and losses on liabilities	-	(4,818)
Changes in assumptions	(4,781)	5,822
Net actuarial loss recognised in STRGL	(1,124)	(7,795)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003 (continued)

### 25. PENSIONS (continued)

	2003 £000	2002 £000
<b>MOVEMENT IN DEFICIT DURING THE PERIOD</b>		
Deficit in scheme at 1 January 2003	(11,912)	(2,753)
Movement in the period:		
Current service cost	(1,542)	(1,530)
Contributions	1,686	154
Other finance income	(728)	12
Actuarial loss	(1,124)	(7,795)
<b>Deficit in scheme at 31 December 2003</b>	<b>(13,620)</b>	<b>(11,912)</b>
<b>HISTORY OF EXPERIENCE GAINS AND LOSSES</b>		
	2003	2002
Difference between expected and actual return on scheme assets:		
Amount (£000)	3,857	(8,799)
Percentage of scheme assets	8%	(22%)
Experience gains and losses on scheme liabilities:		
Amount (£000)	-	(4,818)
Percentage of scheme liabilities	-	(9%)
Total amount recognised in statement of total recognised gains and losses:		
Amount (£000)	(1,124)	(7,795)
Percentage of scheme liabilities	(2%)	(15%)

### 26. LEASE COMMITMENTS

	2003		2002	
	Property £000	Plant & equipment £000	Property £000	Plant & equipment £000
Annual commitments under non-cancellable operating leases expiring:				
Within one year	440	445	578	74
Within two to five years	405	108	-	388
After five years	950	28	1,035	37
	<b>1,795</b>	<b>581</b>	<b>1,613</b>	<b>499</b>

### 27. CONTINGENT GAIN

The Group has been negotiating with the VAT authorities for some time over issues arising from recent changes in case law. Notification has recently been received that the Group's retrospective VAT claims in respect of these changes will be successful. Final confirmation of the precise sums involved is expected to be received in the next few months and these are expected to be material to the Group's results in the forthcoming year. The cash received is anticipated to be used to reduce the borrowing requirements of the Group.

## TRADING OUTLETS AND INTERESTS IN MAJOR SUBSIDIARY COMPANIES

as at 31 December 2003

### MOTOR DIVISION/FRANCHISES

**Vauxhall**  
Aston  
Birkenhead  
Blackburn  
Castle Bromwich  
Chester  
Ellesmere Port  
Heswall  
Lisburn  
Liverpool  
Portadown  
Selly Oak  
Speke  
St. Helens  
Wallasey  
Yardley

**Volkswagen**  
Blackburn  
Burnley  
Middlesbrough

**Nissan**  
Belfast  
Camden  
Dundonald  
Lisburn  
Macclesfield  
Manchester  
Mill Hill  
Newtownabbey  
Waltham Abbey

**Peugeot**  
Belfast  
Knock

**Citroën**  
Belfast

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

**Toyota**  
Belfast  
Chelmsford  
Dundonald  
Newtownabbey  
Northallerton  
Rayleigh  
Romford

**Scat**  
Manchester

**Mazda**  
Motherwell

**MG Rover**  
Belfast  
Coleraine  
Motherwell  
Stockport

### LUXURY/SPECIALIST FRANCHISES

**Aston Martin**  
Belfast

**Audi**  
Middlesbrough

**Ferrari**  
Belfast

**Jaguar**  
Belfast  
Glasgow  
Motherwell  
Portadown

**Chrysler / Jeep**  
Belfast  
Lisburn  
Newtownards

**Honda**  
Derby  
Liverpool  
Mapperley  
Nottingham  
Southport  
Warrington

**Land Rover**  
Belfast  
Bishop's Stortford  
Chelmsford  
Coleraine  
Hadleigh

**Lexus**  
Belfast  
Hadleigh

**Maserati**  
Belfast

**Bentley**  
Belfast

**Saab**  
Liverpool

**Volvo**  
Brentwood  
Witham

**MOTORCYCLES**  
(BMW, Ducati, Honda,  
Kawasaki and Yamaha)  
Belfast  
Newtownabbey

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

**AGRICULTURAL DIVISION**  
Darley Dale  
Tuxford

**MAJOR SUBSIDIARY COMPANIES**  
DSM Autos Limited  
Charles Hurst Limited  
Charles Hurst Motors Limited  
Lookers North West Limited  
Lookers Southern Limited  
Bolling Investments Limited  
Lookers Birmingham Limited

Web Site: [www.lookers.co.uk](http://www.lookers.co.uk)

## FIVE YEAR RECORD

for the year ended 31 December 2003

	Fifteen months ended 31 December 1999 £000	Year ended 31 December 2000 £000	Year ended 31 December 2001 £000	Year ended 31 December 2002 £000	Year ended 31 December 2003 £000
<b>TURNOVER</b>	652,509	582,529	717,894	790,352	961,445
<b>PROFIT BEFORE TAXATION</b>	6,442	6,510	10,065	11,829	14,025
Taxation	(1,611)	(1,820)	(2,507)	(3,007)	(3,562)
<b>Profit attributable to shareholders</b>	4,831	4,690	7,558	8,822	10,463
Non-equity dividends	1,444	1,152	1,152	1,126	-
Equity dividends	2,771	2,928	3,183	3,428	3,893
<b>Total dividends</b>	4,215	4,080	4,335	4,554	3,893
<b>EARNINGS PER ORDINARY SHARE</b>	10.1p	10.5p	18.9p	22.6p	30.1p
<b>AS AT PERIOD END</b>					
Shareholders' interests					
Share capital	22,958	23,058	23,061	22,470	8,754
Reserves – non-distributable	23,152	23,020	22,980	8,135	23,112
– distributable	23,499	24,232	26,901	46,319	38,721
	69,609	70,310	72,942	76,924	70,587

Figures for 2001 differ from those originally reported due to amendment following the introduction of Financial Reporting Standard 19 - Deferred Tax.

## NOTICE OF MEETING

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

NOTICE IS HEREBY GIVEN that the ninety-fourth Annual General Meeting of Lookers plc ("the Company") will be held at the Stretford Suite, Manchester United Football Club, Sir Matt Busby Way, Old Trafford, Manchester, M16 0RA on Thursday 13 May 2004 at 12 noon for the following purposes:

1. To approve and adopt the financial statements for the year ended 31 December 2003 together with the reports thereon of the Directors and Auditors (Resolution 1).
2. To receive and approve the Directors' Remuneration Report for the year ended 31 December 2003 (Resolution 2).
3. To declare a final dividend of 7.7p per share on the ordinary share capital of the Company (Resolution 3).
4. To re-elect H. K. Surgenor as a Director who retires in accordance with the Articles of Association (Resolution 4).
5. To re-elect D. J. Blakeman as a Director who retires in accordance with the Articles of Association (Resolution 5).
6. To re-elect B. Schumacker as a Director who retires in accordance with the Articles of Association (Resolution 6).
7. To re-appoint PricewaterhouseCoopers LLP as Auditors (Resolution 7).
8. To authorise the Directors to fix the remuneration of the Auditors (Resolution 8).
9. To authorise the Directors to generally and unconditionally in accordance with section 80 Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80) up to an aggregate nominal amount of £2,972,360 (11,889,441 shares) during the period commencing on the date of the passing of this Resolution and expiring on the date of the next Annual General Meeting of the Company but so that this authority shall allow the Company to make, before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and, notwithstanding such expiry, the Directors may allot relevant securities in pursuance of such offers or agreements (Resolution 9).
10. A Special Resolution, to empower the Directors to allot equity securities (as defined for the purposes of Section 95 of the Companies Act 1985 ("the Act")) pursuant to Section 80 of the Act, as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited:
  - (i) to the allotment of equity securities in connection with any rights issue in favour of holders of ordinary shares in the capital of the Company on the register of members at such record date or dates as the Directors may determine for the purposes of the issue where the equity securities respectively attributable to the interests of all such shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares in the capital of the Company held by the ordinary shareholders, and for the avoidance of doubt, the Directors may make such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of overseas jurisdictions or the requirements of any regulatory body; and
  - (ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities having an aggregate maximum nominal amount of £437,744 (1,750,976 shares) in the case of ordinary shares.

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

## NOTICE OF MEETING

(continued)

11. As a Special Resolution, to authorise the Company both generally and unconditionally to make market purchases (within the meaning of Section 163 of the Companies Act 1985) of ordinary shares of 25p each in the capital of the Company provided that:
  - (i) the aggregate maximum Nominal Value of ordinary shares hereby authorised to be purchased is £875,488 (3,501,952 shares)
  - (ii) the minimum price which may be paid for ordinary shares is 25p per ordinary share;
  - (iii) the maximum price which may be paid for ordinary shares is an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased;
  - (iv) the authority hereby conveyed shall expire at the conclusion of the next Annual General Meeting of the Company, unless such authority is renewed prior to such time; and
  - (v) the Company may make a contract to purchase ordinary shares under the authority hereby conveyed prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares in pursuance of any such contract (Resolution 11).
12. That the Board of Directors of the Company be and are hereby authorised to offer the holders of ordinary shares of 25 pence each in the capital of the Company (subject to such exclusions or other arrangements as the Board may consider necessary or expedient in relation to any legal or practical problems under the laws of any overseas territory or the requirements of any regulatory body or stock exchange) the right to elect to receive new ordinary shares instead of cash in respect of all or part of any dividend either declared by the Board of Directors as an interim dividend at any time or as a final dividend approved by the shareholders in general meeting for a period of five years to 12 May 2009.

Registered Office:  
776 Chester Road  
Stretford  
Manchester M32 0QH

By order of the Board  
*D. J. Blakeman*, Secretary  
9 March 2004

### Notes:

1. The company specifies (pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001) that ordinary shareholders registered in the Company's register, as at 6.00pm on 11 May 2004 are entitled to attend and speak at the Meeting and to vote on all resolutions proposed at the Meeting. We will disregard any entries on the register after this time in determining who is entitled to attend and vote.
2. A member entitled to attend, speak and vote at the Meeting is entitled to appoint a proxy to attend, speak and, upon a poll, vote in his/her stead. A member may nominate a proxy of his/her choice who need not be a member of the Company.
3. Appointment of a proxy will not preclude a member from, attending, speaking and voting at the Meeting should he/she subsequently wish to do so.
4. A form of proxy is enclosed on page 51 for use by shareholders in respect of Resolutions 1 to 12.
5. A form of proxy must be lodged with the Company's Registrars, Capita Registrars' Proxy Department, P.O. Box 25 Beckenham, Kent B73 4BR, not less than 48 hours before the time appointed for the holding of the Annual General Meeting or any adjourned Meeting.

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

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

## SHAREHOLDERS' INFORMATION

### DIVIDEND TIMETABLE

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

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

### SHARE QUOTES

Share prices of the ordinary shares are shown in the *Financial Times* and also appear in several other newspapers. The ordinary share price is also shown daily on Teletext (BBC 1 page 227 and Channel 4, page 538).

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

### SHAREHOLDER BENEFITS

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

## BANKERS AND PROFESSIONAL ADVISERS

### PRINCIPAL BANKERS

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

### REGISTRARS AND TRANSFER OFFICE

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

### AUDITORS

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

### SOLICITORS

Addleshaw Goddard  
100 Barbirolli Square,  
Manchester M2 3AB

### STOCK BROKERS

Numis Securities Limited  
Cheapside House  
138 Cheapside  
London  
EC2V 6LH

### FINANCIAL ADVISERS

Rothschilds  
82 King Street,  
Manchester M2 4WQ

FORM OF PROXY

TO BE RETURNED BY ORDINARY SHAREHOLDERS ONLY

For use at the Annual General Meeting to be held at 12.00 noon on Thursday 13 May 2004.

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

of .....

being (a) member(s) of the above-named Company hereby appoint Frederick Sydney Maguire or failing him David Victor Dyson (both Directors of the Company) or failing him

.....

of .....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 13 May 2004, and at any adjournment thereof.

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

RESOLUTIONS	For	Against
1. Adoption of Financial Statements, Directors and Auditor's Reports		
2. Approval of Directors' Remuneration Report		
3. Approval of Final dividend		
4. Re-election of H. K. Surgenor		
5. Re-election of D. J. Blakeman		
6. Re-election of B. Schumacker		
7. Re-appointment of PricewaterhouseCoopers LLP		
8. Authorisation of Directors to fix Auditors' Remuneration		
9. Authorise Directors to allot up to 11,889,441 ordinary shares under Section 80 of the Companies Act 1985		
10. As a Special Resolution to authorise the Directors to allot up to 1,750,976 ordinary shares as if Section 89(1) of the Companies Act 1985 did not apply to such allotment.		
11. As a Special Resolution to authorise the purchase of 3,501,952 ordinary shares under Section 163 of the Companies Act 1985		
12. Authorise Directors to offer the issue of shares in lieu of cash for Dividends.		

Dated.....day of.....2004

Name (block capitals) .....

Signed .....

Notes

1. Only Shareholders on the Company's register at 6.00pm on 11 May 2004 are entitled to attend and speak at the Meeting and to vote on all resolutions proposed at the Meeting.
2. A member entitled to attend, speak and vote at the Meeting is entitled to appoint a proxy to attend, speak and, upon a poll, vote in his/her stead. A member may nominate a proxy of his/her choice who need not be a member of the Company.
3. Appointment of a proxy will not preclude a member from, attending, speaking and voting at the Meeting should he/she subsequently wish to do so.
4. In the case of a corporation, this proxy must be under its common seal, or under the hand of an officer or attorney duly authorised in writing.
5. In the case of joint holders, the proxy of the first-named holder on the register of members will be accepted to the exclusion of the votes of the other joint holders.
6. A proxy to be valid must be lodged with the Company's Registrars, Capita Registrars, Proxy Department, P.O. Box 25 Beckenham, Kent B73 4BR, not less than 48 hours before the time fixed for the Meeting.
7. If the Form of Proxy is returned without an indication as to how the proxy shall vote on any particular matter, the proxy will exercise his/her discretion as to whether he/she votes and if so, how. The person appointed as proxy may also vote as he or she sees fit on any other business (including amendment to a resolution) which may properly come before the Meeting.
8. You are entitled to appoint a proxy of your own choice. To appoint someone other than Frederick Sydney Maguire or David Victor Dyson as your proxy, cross out Frederick Sydney Maguire, or failing him, David Victor Dyson, and write on the dotted line the full name and address of your proxy. The change should be initialled.
9. Any alteration made to this Form of Proxy must be initialled.

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BUSINESS REPLY SERVICE  
Licence No. MB122



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

SECOND FOLD