



20 March 2006

LOOKERS PLC

AUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

Further to the announcement made by the Board of Lookers on 9 March 2006 firmly rejecting Pendragon's offer, today the Board of Lookers is delighted to announce its audited preliminary results for the year ended 31 December 2005.

Commenting on the results, Ken Surgenor, Chief Executive said:

"It is ironic that at a time when Lookers is the subject of a bid at a level which represents significant under value for Lookers shareholders, the Board of Lookers announces another record year with its strongest ever set of results.

These outstanding results demonstrate the effectiveness of management's commitment to their stated strategy as we continue to create shareholder value, outperforming in each of our key markets. In the current year, we have made an excellent start and trading is significantly ahead of the Board's expectations across all areas of our business.

As stated in the announcement on 9 March 2006, the Board believes that the all paper offer of 1.15 Pendragon shares for each Lookers share significantly undervalues the company and represents a significant discount to its fundamental value. The Board will write to shareholders in due course with its detailed views on the offer after Pendragon has published its Offer Document. In the meantime, the Board strongly advises shareholders to take no action whatsoever in respect of the offer."

2005 RESULTS HIGHLIGHTS

- Strong growth across all areas of the business with turnover up 13 per cent. to £1.23 billion (2004: £1.09 billion)
- Adjusted* operating profit up 31 per cent. to £27.1 million (2004: £20.7 million)
- Adjusted* profit before tax up 28 per cent. to £18.0 million (2004: £14.1 million)
- Profit before tax £16.4 million (2004: £26.4 million, after net exceptional gains of £12.5 million)
- Adjusted earnings per share up 22 per cent. to 37.7p (2004: 30.8p)
- Basic earnings per share 32.7p (2004: 55.0p)

* After adding back exceptional items, goodwill impairment and amortisation of intangible assets

- Total dividend up 26 per cent. to 15.25p (2004:12.1p), reinforcing the Board's commitment to the creation and return of value to shareholders. Further explanation of the Board's proposal for returning value to shareholders will be set out in its detailed response to Pendragon's offer
- In spite of disruption caused by franchise refurbishments, rebuilds and relocations we have continued to outperform the indices for the new car market
- Looking forward the Board has established a trading platform that is perfectly suited to the current trading environment. The key aspects of which are as follows:
 - used car sales up 23 per cent. after acquisition of two used car supermarkets
 - aftersales volumes up 36 per cent. including the acquisition of APEC Limited and strong performance from FPS
 - 72 per cent. of gross profit from non-new car business
- Excellent start to the current year with trading well ahead of Board's expectations
- In 2006 we expect to see significant contribution from recent acquisitions

Enquiries:

Lookers

Ken Surgenor, Chief Executive

David Dyson, Finance Director

Telephone: 020 7796 4133

(on Monday 20 March only, and on 0161 291 0043 thereafter)

Hudson Sandler

Andrew Hayes/Nick Lyon/James Hill

Telephone: 020 7796 4133

RESULTS STATEMENT

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

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

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

Outlook

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

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

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

Dividend and Future Dividend Policy

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

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

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

Operating Review

Franchised Businesses

The success achieved in this business area is due to the combination of the scale which has been generated with its broad base of manufacturing partners and also the wide geographic spread of the operations. In order to provide a first class service to our partners and customers, the Group operates a decentralised management structure with key management directors taking responsibility for their respective franchises, and certain franchise directors who are responsible for a number of dealerships in one or more regions also being the focal point of contact for the manufacturer.

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

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

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

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

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

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

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

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

Used Car Supermarkets

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

Many of the vehicles sold by these outlets are sourced from our existing franchise network, vehicles which would otherwise have been sold at auction. Unlike the used car operations on franchised sites, the Used Car Supermarkets give customers much

wider choice as they can physically display more vehicles and offer all makes of used cars.

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

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

Parts Distribution

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

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

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

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

Acquisitions and Disposals

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

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

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

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

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

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

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

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

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

Reg Vardy Acquisition and Pendragon Offer

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

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

Fred Maguire
Ken Surgenor
For and on behalf of the Board of Lookers plc
20 March 2006

FINANCIAL REVIEW

Financials

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

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

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

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

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

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

Over the last five years we have increased earnings and dividends at a compound growth rate of 28 per cent. and 13 per cent. respectively.

Dividends

Total dividend cover is 2.5 times based on adjusted earnings.

Cash Flow and Capital Expenditure

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

Pension Deficit

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

New Regulations

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

David Dyson
Finance Director
20 March 2006

The Directors announce the following audited results of the Group for the year ended 31 December 2005

Consolidated Income Statement (Summarised)

	Year ended 31 December 2005 £M	Year ended 31 December 2004 £M
Revenue	<u>1,231.6</u>	<u>1,093.8</u>
Operating profit before amortisation and exceptional items	27.1	20.7
Amortisation of intangible assets and impairment of goodwill	(0.9)	(0.2)
Exceptional items	(2.5)	4.1
Profit from operations	23.7	24.6
Interest costs – net	(9.1)	(6.6)
Interest income on VAT refund	1.8	8.4
Profit before tax, amortisation, impairment and exceptional items	18.0	14.1
Amortisation of intangible assets and impairment of goodwill	(0.9)	(0.2)
Exceptional items including interest income on VAT refund	(0.7)	12.5
Profit on ordinary activities before taxation	<u>16.4</u>	<u>26.4</u>
Taxation	4.8	7.1
Profit for the period	<u>11.6</u>	<u>19.3</u>
Basic earnings per ordinary share	<u>32.7p</u>	<u>55.0p</u>
Diluted earnings per ordinary share	32.6p	54.9p
Adjusted earnings per ordinary share	37.7p	30.8p
Dividend per Ordinary share		
- interim	4.75p	4.00p
- final	10.50p	8.10p
	<u>15.25p</u>	<u>12.10p</u>

Consolidated Balance Sheet (Summarised)

	31 December 2005 £M	31 December 2004 £M
FIXED ASSETS		
Goodwill	20.3	15.2
Other intangible fixed assets	16.8	13.4
Property, plant & equipment	137.2	106.2
	<u>174.3</u>	<u>134.8</u>
CURRENT ASSETS		
Inventories	190.8	140.4
Trade and other receivables	66.8	52.2
Cash and cash equivalents	2.4	2.5
	<u>260.0</u>	<u>195.1</u>
Non current assets classified as held for resale	-	1.8
	<u>-</u>	<u>1.8</u>
TOTAL ASSETS	434.3 =====	331.7 =====
CURRENT LIABILITIES		
Bank loans and overdrafts	21.3	16.6
Trade and other payables	240.2	156.7
Tax liabilities and short term provisions	8.5	9.5
	<u>270.0</u>	<u>182.8</u>
	=====	=====
NET CURRENT (LIABILITIES)/ASSETS	(10.0)	12.3
	<u>(10.0)</u>	<u>12.3</u>
NON CURRENT LIABILITIES		
Bank loans and overdrafts	52.7	43.7
Retirement benefit obligations	19.2	18.0
Deferred taxation and long term provisions	2.2	3.0
	<u>74.1</u>	<u>64.7</u>
	=====	=====
TOTAL LIABILITIES	344.1 =====	247.5 =====
NET ASSETS	90.2 =====	84.2 =====
Total Borrowings	74.0 =====	60.3 =====
Gearing	82% =====	72% =====

Consolidated Cashflow Statement (Summarised)

Year ended 31 December 2005 £M	Year ended 31 December 2004 £M
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Cash generated from operations

Net profit	11.6	19.3
Adjustments for tax	4.8	7.1
Adjustments for depreciation	4.7	4.1
Profit on disposal of property, plant & equipment	(0.4)	(0.4)
Cost of aborted Vardy takeover	1.2	-
Amortisation of intangibles	0.7	0.1
Impairment of goodwill	0.2	-
Interest on VAT	(1.8)	(8.4)
Interest expense – net	9.1	6.6

Changes in working capital (excluding effects of acquisitions and disposal of subsidiaries)

Increase in inventories	(40.1)	(24.6)
(Decrease) increase in trade and other receivables	(8.5)	3.1
Increase in payables	73.0	31.5
Increase/(decrease) in pensions	(2.5)	(0.5)
Movement in provisions	(1.8)	2.7

Cash generated from operations	<u>50.2</u>	<u>40.6</u>
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Tax paid	(4.0)	(2.4)
Interest paid	(8.3)	(5.9)
Exceptional interest received on VAT refund	1.8	8.7

Net cash from operating activities	<u>39.7</u>	<u>41.0</u>
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Cashflows from investing activities

Acquisition of subsidiaries (net of cash acquired)	(34.6)	(34.9)
Purchase of property, plant and equipment	(19.9)	(11.9)
Proceeds from sale of property, plant & equipment	2.6	10.5
Proceeds from sale of business	1.9	0.5

Net cash used by investing activities	<u>(50.0)</u>	<u>(35.8)</u>
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Cashflows from financing activities

Proceeds from issue of ordinary shares	0.1	0.3
Repayment of loans	(13.5)	(16.9)
New loans	24.0	30.0
Principal payments under HP agreements	(0.2)	(0.1)
Dividends paid to group shareholders	(3.5)	(3.9)
Net cash from financing activities	<u>6.9</u>	<u>9.4</u>

Increase in cash and cash equivalents	(3.4)	14.6
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Cash and cash equivalents at the beginning of the period	2.5	(12.1)
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Cash and cash equivalents at the end of the period	<u>(0.9)</u>	<u>2.5</u>
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Consolidated Statement of Recognised Income and Expense

	Year ended 31 December 2005 £M	Year ended 31 December 2004 £M
Actuarial losses recognised in post retirement benefit scheme	(3.1)	(4.6)
Taxation thereon	0.9	1.4
Net losses recognised directly in equity	<u>(2.2)</u>	<u>(3.2)</u>
Profit for the financial period	11.6	19.3
Total recognised income and expenses for the period	<u>9.4</u> =====	<u>16.1</u> =====

Notes

1. Basis of Preparation

The financial information has been prepared under International Financial Reporting Standards (IFRS) issued by the IASB and as adopted by the European Commission (EC). As a result, the comparative figures to 31 December 2004 have been restated under IFRS. Further information in relation to the Standards adopted by the Group is available on the Group's website www.lookers.co.uk.

The information for the years ended 31 December 2005 and 2004 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the UK GAAP statutory accounts for 2004 have been delivered to the Register of Companies. The auditors' report on those accounts under UK GAAP was unqualified.

2. Dividends

The final dividend proposed at the rate of 10.5p per share (2004 – 8.1p per share) is payable on 31 May 2006 to shareholders on the register at close of business on 18 April 2006. Together with the interim dividend paid 30 November 2005, total dividend for 2005 is 15.25p (2004 – 12.10p)

3. Exceptional items

	Year ended 31 December 2005 £M	Year ended 31 December 2004 £M
Exceptional item – VAT refund	0.2	7.3
Loss on termination of businesses	(1.9)	(3.4)
Profit on disposal of properties	0.4	0.2
Aborted acquisition costs	(1.2)	-
Exceptional items included within Operating Profit	<u>(2.5)</u>	<u>4.1</u>
Exceptional interest on VAT refund	1.8	8.4
Total exceptional items	<u>(0.7)</u> =====	<u>12.5</u> =====

4. Interest costs - net

	Year ended 31 December 2005 £M	Year ended 31 December 2004 £M
Bank interest payable	5.6	4.4
Fair value losses on interest rate hedges	0.4	-
Bank interest receivable	(0.1)	(0.3)
Hire purchase agreements	0.1	0.1
Interest on consignment vehicles	2.5	2.0
Net interest on pension scheme	0.6	0.4
	<u>9.1</u>	<u>6.6</u>
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5. Earnings per share

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

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

Adjusted earnings per share is stated before amortisation of intangible assets, impairment of goodwill, loss on disposal/termination of businesses, the profit on disposal of properties and the exceptional VAT credits and is calculated on profits of £13.4 million for the year (2004: £10.8 million).

	31 December 2005		31 December 2004	
	Earnings £M	Earnings per share P	Earnings £M	Earnings per share P
Earnings attributable to ordinary shareholders	11.6	32.7	19.3	55.0
Amortisation of intangible assets and impairment of goodwill	0.9	2.5	0.2	0.6
Exceptional items (net)	0.7	2.0	(12.5)	(35.6)
Tax on exceptional items (net)	0.2	0.5	3.8	10.8
	<u>13.4</u>	<u>37.7</u>	<u>10.8</u>	<u>30.8</u>

6. Property, Plant and Equipment

	31 December 2005 £M	31 December 2004 £M
Freehold property	87.6	65.9
Long leasehold property	35.1	29.9
Short leasehold property	4.2	1.8
Plant and machinery	4.4	3.4
Fixtures, fittings, tools and equipment	5.9	5.2
	<u>137.2</u>	<u>106.2</u>
	=====	=====