Annual report and accounts 2005

Inchcape

The international automotive retail group

Inchcape is a scale automotive retail group operating in Australia, Belgium, Greece, Hong Kong, Singapore and the UK. The Group also has operations in a number of other global markets.

In addition to growing our core businesses, we are looking to develop scale operations in new and emerging regions.

We represent leading automotive brands and operate either a retail, or a vertically integrated retail model (i.e. exclusive distribution and retail), depending on the market.

Our key manufacturer partners are Toyota/Lexus, Subaru, BMW, the Premier Automotive Group of Ford, Mazda, Mercedes-Benz and Volkswagen.

Financial highlights

Trading profit
(operating profit before exceptional items)
£189.4m
+10.1%

Dividend
per ordinary share
57.0p
+14.0%

Revenue
£4.5bn
+8.9%

Headline profit before tax
before exceptional items
£190.3m
+13.0%

Headline earnings per share
before exceptional items
178.5p
+14.6%

Operating profit
£176.4m
+9.2%

Profit before tax
£177.3m
+8.6%

Earnings per share
161.9p
+9.0%

Contents

Front cover features Jenny Hui, Mazda sales consultant, Hong Kong

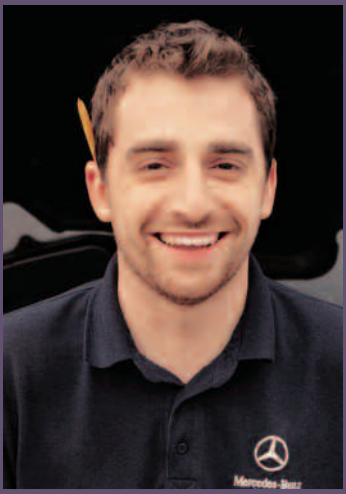
Our vision is to be the world's most customer centric automotive retail group.
We look to deliver an outstanding customer experience, everyday, everywhere.
To do this, we must...

Our customers

...exceed our customers' expectations.
Putting our customers first will take Inchcape to the next level in retail and customer service. To achieve this...


的士
TAXI
TOYOTA

Our people



…we must recognise that it is our people who make a difference.
We have strong management and dedicated employees throughout the Group. Their excellence will ensure we are at the forefront of…

Our brand partners

...development opportunities with our brand partners.

We will go beyond our partners' standards in the way we represent their brands, and aspire to become the manufacturers' partner of choice.


2005 Service Advisor Elite
MAX TAE
SERVICE ADVISOR SUPERVISOR
LEXUS

Chairman's statement

Headline profit
before tax £m

£190.3m

2005	190.3
2004	168.4

£m	2005	2004
Profit before tax	177.3	163.2
Exceptional items	13.0	5.2
Headline profit before tax	190.3	168.4

Highlights

Inchcape has experienced a successful year showing strong growth in profits with continued cash generation. Headline profit before tax and exceptional items of £190.3m was 13.0% higher than 2004, while Headline earnings per share rose 14.6% to 178.5p.

Despite challenging market conditions in most of our core markets, and the run out of a number of key models, we increased our trading profits by over 10.0% in five of our six core regions. Singapore and Australia generated record sales performances, whilst our UK Retail business achieved strong trading margin progression in a declining market.

Overall, 2005 demonstrated an encouraging operational performance for the Group.

We continue to invest in our core businesses, whilst developing additional scale operations in new and emerging markets.

In the UK, consolidation has, as we forecast, gathered pace. Inchcape Retail looks to play its part in this consolidation. We will continue our strategy of growth through the extension of existing contiguous territories and the acquisition of new market areas with our brand partners.

In April 2005, we purchased six Mercedes-Benz retail centres in the north west. As a result, we are the largest independent Mercedes-Benz retailer in the country. We also continue to invest in our BMW retail centres.

In Australia, we have recently extended our retail presence into a third market, Brisbane, with the acquisition of Keystar Motors Pty Ltd (Keystar) in February 2006. This business represents Subaru, Hyundai, Kia and Mitsubishi across two multi-franchise retail centres. The acquisition complements our existing retail operations in Melbourne and Sydney, and provides a platform to build a larger business in the high growth market of south east Queensland.

On 6 March 2006 we announced our entry into the high growth Russian market, a new territory for the Group, through a joint venture with the Independence Group of Companies, one of Moscow's leading independent car retailers. The partnership is to establish two retail and service centres in Moscow for Toyota vehicles. Moscow currently accounts for approximately 50.0% of foreign brand sales in Russia. The retail centres, which will be newly constructed, are due to open in the second half of 2007 and are expected to become Inchcape's largest retail outlets in Europe. Toyota is currently one of the most successful foreign brands in Russia with sales of around 60,000 units in 2005, and a market share of foreign brand car sales of over 10.0%.

Dividend

The Board is recommending the payment of a final ordinary dividend for the year of 38.0p (2004 – 35.0p). This gives a total dividend for 2005 of 57.0p, which is 14.0% above the 2004 dividend of 50.0p, and covered 3.1 times by Headline earnings per share (2004 – 3.1 times).

Share buy back

In February 2005, the Company announced a £65.0m share buy back programme and to date £31.0m has been returned to shareholders. It is envisaged that the programme will be concluded in 2006.

Share split

Given the rise in the Company's share price over recent years, the Directors consider that it is now appropriate to sub-divide the shares into smaller units. This should improve their liquidity.

A proposal will therefore be put forward at the Company's Annual General Meeting (AGM), on 11 May 2006, that each ordinary share of 150.0p should be divided into six ordinary shares of 25.0p each.

If approved, from the effective date, which is expected to be 12 May 2006, shareholders will hold six new ordinary shares of 25.0p nominal value for each old ordinary share of 150.0p nominal value.

Board changes

Sir John Egan retired from the Board on 31 December 2005. I would like to thank Sir John for his immensely valuable contribution and support during his five years as Chairman.

Simon Robertson retired at the Company's AGM on 12 May 2005. I would like to give him my personal thanks for the great contribution he made to Inchcape. I am delighted to say that upon Simon's retirement, Will Samuel has accepted the roles of Deputy Chairman and Senior Independent Non-executive Director.

Alan Ferguson resigned on 14 September 2005 to join BOC Group plc. His contribution to Inchcape's success was considerable and we wish him well.

André Lacroix joined the Board on 1 September 2005, and became Group Chief Executive on 1 January 2006. André has an exceptional background in international management, with strong experience in retail, marketing, customer service and relationship management across a broad range of products and geographies. In his interview, on pages 10 to 13, André discusses his first impressions of the Group and his thoughts on the growth opportunities available to Inchcape.

Barbara Richmond will join the Board on 3 April 2006 as Group Finance Director. Barbara joins Inchcape from Croda International Plc. Her successful track record augurs well for the continued development of Inchcape.

On 1 January 2006, Karen Guerra, President, Colgate Palmolive SAS, and General Manager of the French Branch of CPI LLC, joined the Board as a Non-executive Director. Karen's insight and experience in international, consumer facing businesses will be of great value to the Group.

People

Once again the hard work and dedication of our colleagues around the world have helped the Group achieve the excellent results that are published today. On behalf of the Board, I would like to thank them all for their continued commitment and loyalty.

Trading prospects

The Australian market is predicted to remain strong and Subaru's market share progression is expected to continue. Our retail operations will benefit from the Keystar acquisition made in February 2006 and further organic growth delivering margin improvement, particularly in Sydney.

In Belgium, our Toyota business will benefit from the launch of the Aygo, Yaris and RAV4 models, in what is expected to be a flat market. This will help offset margin pressure.

Our distribution business in Greece will benefit from the launch of the new Aygo, Yaris and RAV4 models, and our retail operations will recover from a difficult year in 2005.

In Hong Kong, the launch of the new Toyota/Lexus product range will stimulate demand. Despite this, we expect margin pressure in a market that will remain challenging.

Following the recent Certificate of Entitlement announcement in Singapore, we expect the market to be around 4.0% below the exceptional level of 2005.

In the UK our Retail business will see the benefits of the full year impact of recent acquisitions. We will target a further improvement in revenue and margin in a market expected to be below the level of 2005. Our Fleet Solutions business will continue to do well, and we should see an improvement in Inchcape Automotive's performance.

In our other markets, we expect another successful year as we leverage the growth opportunities in the Balkans and Baltics. We should also improve our performance in Finland.

The net finance charge will be affected by higher stock funding charges primarily from acquisitions and the cost of the share buy back programme.

Despite overall market conditions remaining challenging, we are well placed to deliver further growth in 2006. This is based on the exciting new products we are launching and the focus on operational excellence, which we have in the Group.

Peter Johnson

Peter Johnson Chairman
6 March 2006

"We announced our entry into the high growth Russian market, a new territory for the Group, through a joint venture with one of Moscow's leading independent car retailers."

Operating and financial review
Group Chief Executive's interview

When you joined the Inchcape Board in September last year, you were new to car retailing. What attracted you to the Company and the role?

Above all, I was attracted by the strengths of Inchcape's strategic assets and the growth opportunities for the Group around the world.

Inchcape is a scale automotive retail group operating in Asia, Australasia, Europe and South America. We represent leading brands and operate either a retail or a vertically integrated retail (i.e. exclusive distribution and retail) model, depending on the market.

Inchcape has done extremely well over the past five years. It has highly talented management teams, a good geographical spread of earnings, a healthy balance sheet and strong global relationships with its brand partners.

That is a fantastic legacy for a new Group Chief Executive to inherit, but what also attracts me are the opportunities and the challenges ahead.

There is no doubt in my mind that Inchcape is well positioned to play an important role in the emerging global retail consolidation process, but to capitalise fully we have to stay ahead of the changes in the marketplace. The car industry is very dynamic. The pace of innovation is increasing, and customers are more and more demanding when it comes to the quality of their vehicles and the service they expect. I have always worked in consumer facing industries and these challenges will allow me to apply my skills, ensuring we make the most of the opportunities available to the Group.

"I was attracted by the strengths of Inchcape's strategic assets and the growth opportunities for the Group around the world."

Inchcape is already a very successful business. Following your appointment, what developments are there likely to be to the existing strategy?

It is clear from the returns that have been generated and from the market positions that we hold, that the strategy pursued in recent years has been the right one. The result is a business, and a business model, that is extremely sound. My task is to develop the next phase of growth and to build on this success.

Central to our approach are two words, 'strengthen' and 'expand'. I am convinced that we can create further shareholder value by strengthening our organic performance, and leveraging our existing assets. The second significant opportunity is to expand in both our core markets and in new countries, with existing and new brand partners.

To achieve this, it is important that we continue to invest in the appropriate organisational capability to deliver the next phase of growth. Our organisational and people strategies must be capable of creating the right platform to execute our future plans.

Is there growth potential in your existing core markets?

Very much so. I believe that organic growth will come from us becoming truly customer centric. This is one of my absolute priorities.

When someone buys a new or used car, we must provide them with an outstanding customer experience that gives us a competitive advantage in the marketplace. The same philosophy applies when we take care of our customers' vehicles in the service and bodyshop departments.

If you look at our current operations, we have some tremendous customer service practices, but we do not deliver them consistently in all our markets.

Moreover, it is important to recognise that we need to address the individual needs of our customers by having the right level of insight and information regarding their expectations. This implies that we need to be the leading innovator in retail and customer service.

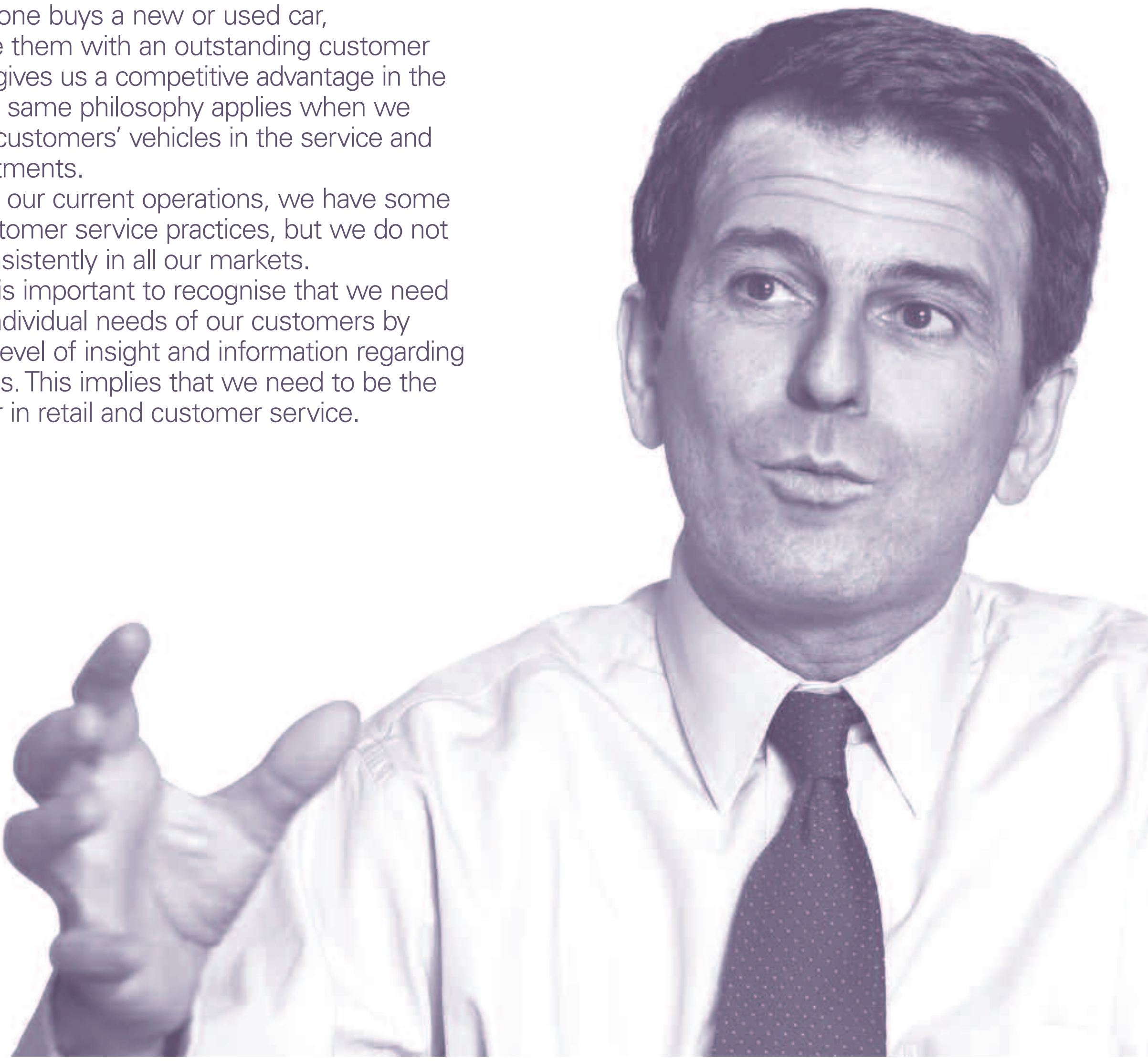
My vision is for us to become the world's most customer centric automotive retail group, exceeding the standards set by our brand partners and surpassing customer expectations. That will be a strong differentiator for Inchcape and will give us a sustainable base for organic growth.

Beyond organic growth, there are plenty of opportunities in our existing markets to expand our retail presence. In Australia for example, we have recently entered the Queensland market. In the UK, consolidation continues, and in Belgium and Greece, we have a good existing infrastructure from which to grow.

How are you progressing in your existing emerging markets?

In the Balkans, the rapid success we have enjoyed demonstrates Inchcape's ability to develop scale operations through a market focused approach. The Balkans are now a sizeable profit contributor to the Group.

We have also developed strong market positions in the Baltics with Mazda, and in Chile and Peru with BMW.



Operating and financial review continued
Group Chief Executive's interview continued

Will you be entering new markets?

Our growth strategy is directed at existing, emerging and new markets. An important element of our strategy will be to continue to expand our business model where we can build profitable scale operations.

Today we have scale businesses in six markets, and over the next five years we expect this to increase to about ten.

In Russia, we have recently signed a joint venture with the Independence Group of Companies and we plan to open two new retail centres in Moscow for Toyota vehicles in the second half of 2007. Russia is a hugely exciting market, where the Toyota brand is well accepted and Moscow itself accounts for approximately 50.0% of foreign brand sales in Russia. We will continue to evaluate scale opportunities in Russia.

We are also continuing to develop our plans for China, a very promising growth opportunity, where we can leverage the strengths of our Asian expertise.

In practical terms, how are you going to put customers at the forefront of Inchcape's strategy?

Having the right location and the right brand is obviously important. What really creates a strategic advantage, however, is the ability to deliver an outstanding customer experience, everyday, everywhere. The purchase of a car is an important investment, as well as an emotional decision. Putting customers first will take Inchcape to the next level.

To do that, we intend to formalise transferable best practices around the Group, constantly update our insights on customer expectations, identify the areas for innovation in services and continually improve our operational processes. This should result in an outstanding customer experience that can be delivered consistently across our retail operations. That is why we plan to upgrade our training and increase our focus on people development.

I am convinced that customer centric operational excellence is the right focus for us to deliver the next phase of organic growth.

Can you be more specific with what you mean by customer centric innovation?

There are lots of great examples, which already exist throughout the Inchcape Group.

In Melbourne, we have redefined the rules of retailing by creating a fully immersive brand experience at Subaru Docklands. The site is a theatre, where our customers can discover the Subaru technology, experience it on the race track and jungle trail, and enjoy a nice, relaxing lunch!

In Singapore, we have launched our innovative Service Express concept, which guarantees one hour service time in scheduled service slots. Furthermore, we have created several Toyota service stations throughout Singapore to reduce the travel time for our customers.

In Hong Kong, we actually visit our customers in their offices and homes to discuss their needs. We have created a Lexus Club, and all our Lexus customers are invited to numerous, exclusive events during the year.

In the UK, we have examined in detail the fundamental elements of car buying. By listening to our customers and identifying nine 'moments of trust' in the buying and servicing experience, we have developed a systematic sales process that focuses on individual customer needs.

There are many other examples of retail excellence and innovation around the Group, which convince me that we are capable of achieving our goal of becoming the world's most customer centric automotive retail group.

Is it your strategy to build with your existing brand partners or to develop new partnerships?

Both. There are certainly development opportunities with our existing partners, provided that we continue to exceed their expectations in how we represent their brands. If there are other brands, however, that are relevant for our customers in a market where we want to invest, then we will seek to establish partnerships with those brands. We are very open to such opportunities.

When a manufacturer considers entering a new market or expanding significantly in an existing one, Inchcape should be seen by them as the natural partner of choice for their strategy. That is an ambitious goal, but I genuinely believe that if we get our customer centricity right we are capable of achieving it.

There is some large scale consolidation taking place in the UK retail market, in which Inchcape appears to be reluctant to participate. Where does UK expansion sit on your list of priorities?

Growth in the UK is a key priority for us, and our business is performing well. Growth in year on year revenue and profits has been considerable, because we are following a clear strategy based on contiguous territories for the brands in our portfolio.

We have made several acquisitions in the recent past and will continue to do so, provided we can identify the right opportunity in terms of brand and geography with good returns for our shareholders.

Inchcape has low gearing and significant cash on its balance sheet. Will all Inchcape's financial resources be required for investment?

We do have the benefit of a very strong balance sheet, and the approach we have decided to take is sequential. Firstly, we will develop our growth strategy to a high level of detail by country and by brand partner. Secondly, we will see how much of our resources the required investments are likely to absorb.

What we do will depend on the investment opportunities that we identify through our current strategic planning, and I am not going to pre-judge the scale of this investment. What I can say, however, is that we will improve the efficiency of our balance sheet, but not with overpriced acquisitions. Put another way, we will be disciplined about our allocation of funds towards investments that can deliver a satisfactory return on invested capital.

In five years time, what will be noticeably different about Inchcape?

My firm intention is that we will have established scale businesses in about ten global markets and will be recognised as the most customer centric automotive retail group in the world, delivering an outstanding customer experience for the brand partners we represent.

If we achieve this, I am confident that we will have delivered the next phase of growth for our shareholders.

What challenges do you face in achieving these objectives?

We compete every day against other car retailers, with other service industries for talent and with other companies in convincing shareholders to invest in us. As I have already said, the industry in which we are competing is dynamic with a high rate of innovation and very demanding customers.

To do what I am talking about will take time and will require strategic focus. We will have to be highly responsive. Throughout the organisation, we must execute our initiatives fully and seamlessly. Moreover, we will continue to learn by listening to our customers and employees and will look to lead the market by increasing retail innovation.

Your overall conclusion?

I have now been at the helm of the Company since January this year, and I am extremely excited about the future of Inchcape. We have a clear vision, to be the world's most customer centric automotive retail group. To achieve this, we will strengthen our organic performance and expand with our global brand partners.

What we have to do now is fully develop our new growth strategy with a specific country and brand approach, and disciplined allocation of capital for our future investments.

It is a very exciting time for the Group.

André Lacroix Group Chief Executive
6 March 2006

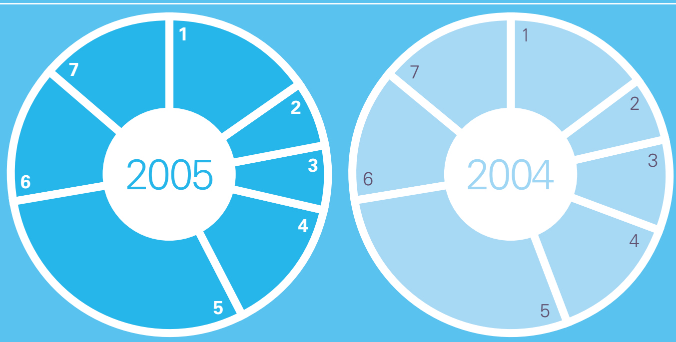
Operating and financial review continued

Operating review

Regional analysis	2005 Operating profit £m	2005 Exceptional items £m	2005 Trading profit £m	2004 Operating profit £m	2004 Exceptional items £m	2004 Trading profit £m
Australia	**31.9**	**–**	**31.9**	28.7	(0.6)	28.1
Belgium	**14.0**	**–**	**14.0**	10.5	2.1	12.6
Greece	**13.8**	**–**	**13.8**	17.8	(0.1)	17.7
Hong Kong	**28.8**	**–**	**28.8**	25.6	–	25.6
Singapore	**62.1**	**–**	**62.1**	53.5	–	53.5
United Kingdom	**9.7**	**19.5**	**29.2**	6.5	19.3	25.8
Other	**28.4**	**–**	**28.4**	27.0	(0.3)	26.7
Central costs	**(12.3)**	**(6.5)**	**(18.8)**	(8.1)	(9.8)	(17.9)
Operating profit	**176.4**	**13.0**	**189.4**	161.5	10.6	172.1

Operating profit by region before Central costs and exceptional items

1 Australia
2 Belgium
3 Greece
4 Hong Kong
5 Singapore
6 United Kingdom
7 Other



Operating profit before exceptional items has been defined as 'trading profit' throughout the Operating review.

Inchcape, the international automotive retail group, achieved revenue of £4.5bn in 2005. Five of our six core markets recorded profit growth in excess of 10.0%.

Group

Trading profit 2005
+10.1% to £189.4m (2004: £172.1m)

Number of employees
10,425

This Annual report and accounts is the first full year set of financial statements to be prepared in accordance with International Financial Reporting Standards (IFRS). The Group has taken advantage of the transition to IFRS to amend its geographical segments.

Overall the Group achieved an increase in revenue of 8.9% to £4.5bn for the full year to 31 December 2005. This result was assisted by record sales performances in Singapore and Australia, and strong growth by UK Retail despite a softening market.

The operating profit for the Group, of £176.4m, was 9.2% above 2004. This performance includes a net exceptional loss of £13.0m. Excluding this, operating profit before exceptional items (hereafter termed trading profit) is £189.4m, which is some 10.1% or £17.3m higher than 2004. Encouragingly, despite challenging market conditions, trading profits grew by over 10.0% in five of our six core markets. A record sales performance and increased level of aftersales activity underpinned a 16.1% growth in Singapore. Australia also benefited from record sales, and enjoyed a strong retail performance. Increasing competitiveness in our core markets, however, put pressure on margins in the second half of the year.

Headline profit before tax was up 13.0% to £190.3m and Headline earnings per share increased by 14.6% from 155.7p to 178.5p in the year.

Australia

Trading profit 2005
+13.5% to £31.9m (2004: £28.1m)

Number of employees
832

Brand partners

Subaru	Hyundai	Volkswagen
Kia	Mitsubishi	

The Australian vehicle market enjoyed a fifth consecutive year of growth, and at c. 988,000 was 3.5% up on 2004. Subaru significantly outperformed this, growing 7.2% compared to 2004, with sales of the Forester and Impreza achieving their highest ever levels. Subaru volumes of c. 36,000 units reached record levels for the tenth successive year. Furthermore, Subaru set yet another record full year market share of 3.6%.

Our Subaru Distribution business suffered margin pressure in 2005 due to the competitive market.

Trading profits for Subaru Melbourne were up over 25.0% for the second successive year. A focus on customer experience and operational excellence has delivered growth in volumes, particularly used cars which were up over 12.0% on the prior year, and increased aftersales. This business continues to exceed our expectations and achieved trading margins of 5.0%.

In 2005 we completed the re-engineering of our non-Subaru dealer network in Sydney, exiting from underperforming non-core dealerships. Our performance benefited from this and with the contribution from two new Subaru retail centres acquired in the second half of 2004, Sydney Retail returned to profit in 2005.

Our Business Services operation, AutoNexus, had a strong year with profits up 23.9%. We have invested in a new parts warehouse in Sydney and a larger vehicle compound in Melbourne, in response to increased customer demand.

Overall, the strong progression in our Retail business contributed to an increase of 10.3% in trading profits compared to 2004 at constant currency. Margins improved from 5.0% to 5.2%.

The Subaru range is further developing in 2006 with the introduction of a new entry level Liberty 2.0R and special editions, together with the addition of a fifth model to the line up with the launch of the new B9 Tribeca in the last quarter of the year. All this should result in increased vehicle sales for Subaru.

Trevor Amery Chairman: Australia
John McConnell Regional Managing Director: Australia

Operating and financial review continued
Operating review continued

Belgium

Trading profit 2005
+11.1% to £14.0m (2004: £12.6m)

Number of employees
311

Brand partners
Toyota/Lexus

The Belgian vehicle market was flat year on year at c. 552,700 units. In a market dominated by diesel products, Toyota Belgium benefited from new diesel derivatives, particularly the Corolla 1.4 litre. This assisted Toyota in outperforming the market, improving its market share from 4.9% in 2004 to 5.0% in 2005 and increasing volumes by 2.9%. This was an encouraging performance given that two of Toyota's core products, the Yaris and RAV4, were in run out prior to the launch of new models in early 2006.

The good performance was offset however, by certain discontinued niche models and a weaker model mix resulting in revenue decline of some 2.6%.

Trading profits benefited from the higher parts and accessories sales, allied to the growth in the Toyota car parc, tight control of overheads and the favourable settlement of claims following the dealer network reorganisation undertaken in 2002. This drove an 11.1% increase in trading profits to £14.0m.

The next generation Yaris, RAV4 and Lexus IS models were showcased at the Brussels Motor Show in January 2006 and were well received.

Greece

Trading profit 2005
–22.0% to £13.8m (2004: £17.7m)

Number of employees
422

Brand partners
Toyota/Lexus

Our Toyota/Lexus business in Greece experienced a challenging year in 2005, facing significant year on year decline in a more competitive market.

The Greek vehicle market enjoyed strong consumer demand in 2004, stimulated in part by the Olympics. Demand started to weaken, however, in late 2004 and this trend continued throughout 2005. For the full year the market of c. 292,800 units was 6.2% down compared to 2004. Our full year market share in 2004 was 9.6%. Our full year market share for 2005 was 8.5% although this showed an improvement compared to the second half of 2004.

Like Belgium, Toyota in Greece also suffered from the run out of the core Yaris and RAV4 models. This, coupled with supply shortages, particularly with the Corolla and Hilux models, and the disruption from the network reorganisation undertaken in late 2004, had an adverse impact on market share in 2005.

Overall, the performance from our Athens and Salonica Retail businesses was disappointing. The start up of our new Athens flagship retail centre, which opened in late 2004 has been slower than expected. This, combined with operational inefficiencies in Salonica, has resulted in a net trading loss for our Retail business in 2005.

All these factors had an adverse impact on margins, particularly in the second half of 2005, and overall the region achieved a trading profit of £13.8m for the year, some 22.0% lower than 2004.

The Toyota model line up was broadened by the launch of the new Aygo model in mid 2005, which has increased market appeal for Toyota. In early 2006 we launched the next generation Yaris and RAV4 models.

Martin Taylor Regional Managing Director: Belgium and Greece

Hong Kong

Trading profit 2005
+12.5% to £28.8m (2004: £25.6m)

Number of employees
1,159

Brand partners
Toyota/Lexus
Daihatsu
Mazda
Jaguar

Consumer confidence in the vehicle market in Hong Kong has been slower to return than we anticipated. The 2005 full year vehicle market was approximately in line with the c. 31,000 units achieved in 2004.

Crown Motors, our Toyota/Lexus business, maintained its strong market leadership in 2005 with a 33.1% market share. This was slightly lower than 2004 due to supply constraints, particularly in the first half of the year, and increased competitive pressure. Crown Motors achieved the Toyota Triple Crown Award for the fourteenth consecutive year, and is the only distributor ever to have achieved this.

A higher level of one off specialist service work supported a strong performance in the parts and aftersales activities. This, together with a favourable vehicle mix, drove an improvement in overall trading margins from 10.8% in 2004 to 11.5% in 2005, excluding a one off property profit of £0.9m. Overall trading profits improved by 12.5%.

Toyota/Lexus are launching various new models in early 2006, including the next generation Camry, Previa and Lexus models.

Singapore

Trading profit 2005
+16.1% to £62.1m (2004: £53.5m)

Number of employees
773

Brand partners
Toyota/Lexus
Suzuki

In Singapore we once again had an outstanding year, achieving record unit sales and profitability. This was mainly due to the strong performance from Borneo Motors, our Toyota/Lexus business.

In Singapore, a Certificate of Entitlement (COE), obtained from the Government, is required to purchase a new vehicle. Since May 2002 the market has benefited from a change in fiscal policy, which coupled with the declining price of the COE has encouraged consumers to scrap their cars before the expiry of the ten year COE term. This has stimulated a strong market, which has grown by an average of 12.4% per annum between 2001 and 2005. In 2005 the market reached a record level of c. 122,100 units.

Toyota/Lexus retained overall market leadership in 2005 for the fourth consecutive year with a market penetration of 29.7%. This was marginally below the 30.9% reached in 2004 as Borneo Motors suffered from supply constraints and the discontinued Liteace commercial van.

Recognising the recent growth in the Toyota vehicle parc, we commenced an investment programme in 2004 to increase aftersales capacity. During 2005 we opened a further satellite aftersales facility.

The higher vehicle sales and aftersales volumes, together with softening COE prices, helped the region to increase trading profits by 13.5% at constant exchange rates. The strengthening of the Singapore dollar gave rise to a £1.4m currency translation benefit and, including this, overall trading profits increased by 16.1%. Trading margins strengthened from 8.2% in 2004 to 8.6% in 2005.

William Tsui Regional Managing Director: Hong Kong and Singapore

Operating and financial review continued
Operating review continued

United Kingdom

Trading profit 2005
+13.2% to £29.2m (2004: £25.8m)

Number of employees
4,736

Brand partners
BMW/MINI
Mercedes-Benz/smart
Toyota/Lexus
The Premier Automotive Group of Ford
Ford
Volkswagen
Ferrari/Maserati
Renault
Vauxhall

In the UK total trading profits improved significantly compared to 2004, despite the fact that the UK passenger car market declined by 5.0% to 2.4m units.

Trading profits from our UK Retail operations grew by 41.9% to £27.6m. Like for like trading profits increased by 10.6%, and our like for like used car sales were up 10.0%. Our like for like new retail sales fell, but at a lesser rate than the market. Like for like aftersales hours sold rose by 1.6%, and associated profits increased by 5.8%. In particular our Mercedes-Benz, Land Rover, Vauxhall, Ford and Volkswagen franchises performed well during the year. Overall the impressive performance has been driven by our focus on process improvements, operational excellence and customer centric initiatives such as 'Insight'.

UK Retail trading profits also benefited from the acquisition of new Mercedes-Benz retail centres in the East Midlands in 2004, and in the north west in 2005. These have been successfully integrated into our UK Retail operation and in the second half of 2005, having applied our customer centric processes and procedures, these businesses ranked first and third in Mercedes-Benz's national customer satisfaction indices.

Our finance and insurance model has changed from an exclusive arrangement to a competitive market placement, which increased profitability.

UK Retail full year trading margins progressed from 1.7% in 2004 to 2.0% in 2005.

Inchcape Automotive experienced another difficult year and reported a loss in 2005. The focus during the year has been on resolving production inefficiencies, improving processes and strengthening management.

Inchcape Fleet Solutions continued to benefit from new contract wins, and the number of vehicles under fleet management grew by 25.8%.

Excluding the prior year contribution from the Ferrari/Maserati import and distribution business, which we relinquished in late 2004, UK trading profits increased by 28.1%.

Graeme Potts Regional Managing Director: United Kingdom

Other

Trading profit 2005
+6.4% to £28.4m (2004: £26.7m)

Number of employees
2,125

Brand partners
Toyota/Lexus
BMW/MINI
Mazda
Jaguar
Land Rover
Subaru
Volkswagen/Audi

We achieved another year of market leadership for our Toyota businesses in Guam, Saipan, Brunei and Ethiopia. Together they delivered trading profits of £15.3m, which were some 18.6% higher than 2004.

The Balkans have experienced strong market growth, particularly in Bulgaria and Romania as they prepare to join the European Union in 2007. This growth has underpinned a 43.6% increase in unit sales. In Bulgaria, Toyota was the passenger car market leader with a market share of 8.7% and a 35.2% increase in new vehicle volumes. In Romania, Toyota achieved a market share of 3.4% and an increase in volumes of almost 66.0%. Our Retail investments are progressing well, with a new facility planned for Bucharest in 2006. Overall trading profits in the Balkans have increased by 58.1% to £6.8m in 2005.

The market slowdown in Finland seen in the second half of 2004 continued into early 2005. This, together with a softening in market share, contributed to a decline in trading profits of over 45.0% to £3.9m.

Our Retail operations in Estonia and Latvia, acquired in December 2004 and April 2005 respectively, sold over 2,780 new and used Mazda, Jaguar and Land Rover vehicles in 2005.

The start up of our BMW/MINI operations in Poland was slower than expected, due to a weak new car market.

Our Retail business in France was impacted by the poor national performance of Jaguar, despite the contribution from the newly acquired Volkswagen/Audi business in Montpellier.

An 8.3% increase in volumes and improved margins in our Subaru New Zealand business underpinned a 45.5% increase in trading profits to £1.6m.

In 2005 our BMW/MINI operations in Chile and Peru achieved a 68.4% increase in trading profits, due in part to the reduction in the luxury vehicle tax in Chile. New vehicle volumes grew by 34.2%, compared to 2004, and trading profits increased to £3.2m.

Central costs

2005
£18.8m (2004: £17.9m)

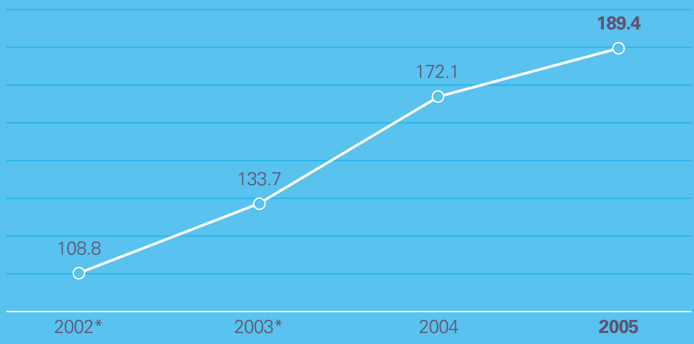
Number of employees
67

In 2004, Central costs included a net one off recovery relating to the settlement of various litigation issues. Excluding this, underlying Central costs for 2004 were £18.5m. Tight control of overheads has meant that Central costs for 2005 are marginally higher at £18.8m. This is despite additional share-based payment costs arising on the transition to IFRS.

Operating and financial review continued

Financial review

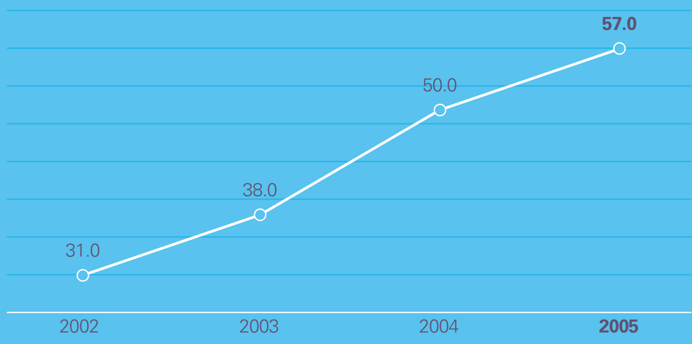
Operating profit before exceptional items £m



Operating profit before exceptional items is 10.1% higher than in 2004.

*Pro forma to adjust UK GAAP for main IFRS differences (stock holding interest and pensions).

Ordinary dividend per share pence



This year the dividend has increased by 14.0% to 57.0p.

Cash and debt balances after cross border loans

£m	Cash	Debt	Net
Australian dollar	15.8	–	15.8
Euro	36.3	(3.6)	32.7
Hong Kong dollar	7.9	–	7.9
Singapore dollar	29.1	–	29.1
Other	32.2	(2.4)	29.8
Total (other than sterling)	121.3	(6.0)	115.3
Total sterling	187.7	(145.0)	42.7
Total	309.0	(151.0)	158.0

Foreign currency translation

	Average rates		Year end rates	
	2005	2004	**2005**	2004
Australian dollar	**2.38**	2.48	**2.34**	2.45
Euro	**1.46**	1.47	**1.46**	1.41
Hong Kong dollar	**14.16**	14.22	**13.31**	14.92
Singapore dollar	**3.02**	3.09	**2.85**	3.13

This Annual report and accounts is the first full year set of financial statements to be prepared in accordance with IFRS.

International Financial Reporting Standards

Until 31 December 2004, the Group prepared its Financial statements under UK Generally Accepted Accounting Principles (UK GAAP). European Union regulations require that the Group's consolidated accounts apply International Financial Reporting Standards (IFRS) from 1 January 2005. This Annual report and accounts is the first full year set of Financial statements to be prepared in accordance with the standards.

Reconciliations between previously reported UK GAAP numbers, and those under IFRS, are set out in note 33 to the accounts. There are a number of first time adoption exemptions, which companies are permitted to use upon transition to IFRS. Those applied by the Group are set out in the Accounting policies on page 50.

As a result of these first time adoption exemptions, the Group has adopted IAS 32 Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement, with effect from 1 January 2005, with no restatement of previous comparative information. This had the effect of decreasing shareholders' equity by £4.5m at 1 January 2005. Cash balances and bank overdrafts are disclosed at the gross level in the balance sheet, under IAS 32. Although there is the legal ability, there is no intention to settle these amounts net. This has had the effect of grossing up cash and borrowings in the balance sheet.

In addition the Group has chosen to adopt the amendment to IAS 19 Employee Benefits early. Actuarial gains and losses are recognised in the Consolidated statement of recognised income and expense in full, in the year in which they arise.

Pensions

The net pension schemes deficit has widened from £58.9m at 31 December 2004 to £69.4m at 31 December 2005. This movement was principally attributable to a reduction in long term interest rates, combined with the use of updated mortality assumptions generating an increase in the gross pension liability. It was, however, partially offset by a strengthening in equity markets, which increased the value of the pension plan assets.

Exceptional items

In 2005, the aggregate net exceptional items amounted to £13.0m. This included £19.5m to fully impair the carrying value of goodwill relating to Inchcape Automotive, which reflects the continuing difficult trading conditions experienced by the business. Offsetting this was £6.5m of exceptional income arising from the release of litigation provisions on the settlement and expiry of a number of claims, relating to non-motors business exits.

Net finance costs

The 2004 net finance cost of £6.1m benefited from a one off interest income of £4.2m, relating to the Group's VAT recovery. Excluding this, the 2004 net finance costs totalled £10.3m.

The net finance costs for 2005 are substantially lower than the 2004 underlying interest charge at £5.3m. This decrease is mainly a result of the full year benefit of the c. £135.0m cash repatriation to the UK, effected in November 2004. This resolved the mismatch between debt in the UK and cash held overseas in countries with low interest rates. Stock holding interest of £8.7m was up from £7.2m in 2004, primarily due to the Mercedes-Benz acquisitions in the UK.

Tax

The subsidiaries Headline tax rate before exceptional items for 2005 is 25.5%, compared to 26.6% in 2004. In 2005 the rate benefited from a favourable change in profits mix to lower tax jurisdictions and minimal losses in the UK, due to improved trading and the impact of the c. £135.0m cash repatriation in late 2004.

We anticipate that the subsidiaries Headline tax rate in 2006 will be broadly in line with the rate in 2005.

We remain in ongoing discussions with HM Revenue & Customs regarding the corporate tax treatment of the VAT recovery and associated interest. The provision remains unchanged at £8.0m.

Joint ventures and associates

The share of profit after tax of joint ventures and associates has decreased from £7.8m in 2004 to £6.2m in 2005. The 2004 results included a £1.2m exceptional property profit. Excluding this, the reduction in 2005 is largely due to the sale of the 40.0% stakes in MCL Group Limited and Automotive Group Limited in July 2004 and a reduced contribution year on year from Inchroy, our Financial Services joint venture in Hong Kong. This has been partly offset by improved trading in the Group's joint venture in Greece and associate in Belgium.

Minority interests

Profit attributable to minority interests has increased from £3.2m to £3.8m year on year. This has resulted from continuing growth in the Bulgarian business.

Exchange rates

If the average exchange rates, which prevailed during 2004 had continued into 2005 the Group's Headline profit before tax would have been £3.4m lower. The strengthening of the Singaporean and Australian dollars against sterling, particularly in the second half, benefited the Group year on year.

Cash flow

The Group has generated strong cash flow from operations in 2005 and is some 12.8% higher than the prior year, excluding the VAT receipt of £15.5m in 2004 and £1.8m in 2005.

The Group continues to manage working capital tightly. At 31 December 2005, working capital was £34.7m higher than the 2004 year end position. This was partly due to c. £7.4m arising on businesses acquired. The net increase reflects the higher levels of trading across the Group and the impact of some timing differences, which included increased stock levels in Belgium in anticipation of the Brussels Motor Show in January 2006.

During the year the Group returned £73.0m to shareholders with £42.0m through dividend payments and £31.0m through the share buy back programme. In addition, the Group has invested £78.0m in acquisitions and net capital expenditure during the year.

Overall the Group's net cash position has increased by £6.1m from £151.9m at 31 December 2004 to £158.0m at 31 December 2005.

Acquisitions and disposals

The Group added six Mercedes-Benz retail centres to its portfolio, with the acquisition of the Robert Smith Group Limited and its subsidiaries in the first half of 2005. Total consideration was £18.2m, of which £0.9m is deferred.

No other significant acquisitions or disposals were made during the year.

Capital expenditure

Capital expenditure less disposal proceeds was £48.1m, which is £25.3m in excess of the depreciation charge. This incremental investment primarily took place in our BMW and Mercedes-Benz retail centres in the UK, as part of the redevelopment and upgrading of the facilities.

Treasury management and policy

The centralised treasury department manages the key financial risks of the Group encompassing funding and liquidity risk, interest rate risk, counterparty risk, market price risk and currency risk. The treasury department operates as a service centre under Board approved objectives and policies. Speculative transactions are expressly forbidden. The treasury function is subject to regular internal audit.

Funding and liquidity risk

Group policy is to ensure that the funding requirements forecast by the Group can be met within available committed facilities. In July 2005, the Group took advantage of the favourable market conditions and amended and restated its syndicated committed borrowing facility, originally put in place in 2002. The maturity of this facility has been extended for a further five years to 2010, with the option for a further extension to 2012.

The facility was also increased from £250.0m to £275.0m, with additional focus given to the banking group by reducing the number of banks from thirteen to nine. The facility was not drawn at the year end.

Loan notes totalling £2.2m outstanding at 31 December 2004 were redeemed during the year. At 31 December 2005 there were no further loan notes outstanding.

In addition to the committed facilities, the Group has access to uncommitted borrowing lines made available by relationship banks. These facilities are used for liquidity management purposes. At the year end these facilities had not been utilised.

Cross border Group loans are made to optimise the use of those funds still domiciled locally. Cash and debt balances after cross border loans are set out in the table on page 20.

The principal overseas cash deposits at the year end were in euros and Singapore dollars. Cash is held locally ahead of payments to trade creditors. In Singapore, cash deposits also support the mandatory requirement for Certificates of Entitlement for new car sales.

Interest rate risk

The Group's interest rate policy has the objective of minimising net interest expense, and protecting the Group from material adverse movements in interest rates. Throughout 2005 the Group has borrowed at floating rates only. This approach reflects the continuing benign interest rate environment and the low level of gross debt.

Should interest rate hedging activities be deemed appropriate in the future, the Board has approved the use of interest rate swaps, forward rate agreements and options.

Counterparty risk

The amount due from counterparties, arising from cash deposits, and the use of financial instruments creates credit risk. Limits are in place, which reduce credit risk by stipulating the aggregate amount and duration of exposure to any one counterparty, dependent upon the applicable credit rating. Credit ratings and the appropriate limits are reviewed regularly.

Market price risk

The Group is exposed to price risk on its available for sale assets. The Group is not exposed to commodity price risk.

Currency risk

The Group faces currency risk on its net assets and earnings. A significant proportion of this is in currencies other than sterling. On translation into sterling, currency movements can affect the Group balance sheet and income statement. Group policy is to minimise balance sheet translation exposures, where fiscally efficient. This is achieved by financing working capital requirements in local currency and maximising the remittances of overseas earnings into sterling.

The Group has transactional currency exposures where sales or purchases by an operating unit are in currencies other than in that unit's reporting currency. In particular there is an Australian dollar/Japanese yen exposure arising from the importation of vehicles from Japan to Australia. For a significant proportion of the Group these exposures are removed, as trading is denominated in the relevant local currency.

In particular, local billing arrangements are in place for many businesses with our brand partners. For those businesses that continue to be billed in foreign currency, including Australia, Group policy is that committed transactional exposures must be hedged into the reporting currency of that business. If possible, foreign exchange exposures will be matched internally before being hedged externally.

Hedging instruments are approved by the Board and are restricted to forward foreign exchange contracts, currency options and foreign exchange currency swaps. Foreign exchange currency swaps are also used to hedge transaction exposures arising on cross border Group loans.

Operating and financial review continued

Corporate social responsibility

Our international operations have resulted in a diverse range of people, cultures and lifestyles, which enrich Inchcape as a whole.

Inchcape has a Corporate Social Responsibility (CSR) Committee, which is chaired by the Group Chief Executive, who has responsibility for CSR at Board level, and includes the Group Finance Director, the Group Company Secretary, the Director of Audit and Risk Management, the Group Human Resources Director and the Investor Relations Manager.

This section looks at the three areas, which encompass CSR for the Group. They are as follows.

Our people and values

The environment in which we operate, including health and safety issues

Inchcape in the community

Our people and values

Inchcape recognises that success depends on maintaining the quality, motivation and commitment of its employees in every market in which it operates. The Group's employment policies and practices are designed to support and achieve this goal.

Underpinning this commitment are the Inchcape values. These values are central to the way we work and are fundamental to our relationship with customers, brand partners and employees. They are as follows.

Service
We constantly seek to enhance our service standards for our customers and for the companies we represent.

Teamwork
We work as a team within our individual businesses, across the Group as a whole and with our principals and partners.

Innovation
We strive to remain at the forefront of our industry by anticipating market changes and developing new products and services.

Respect
We respect all our stakeholders. These are our customers, brand partners, employees and shareholders, and we work hard to earn their respect.

Results
We set ourselves challenging targets and endeavour to exceed them.

Our values are explained to all our new colleagues when they join Inchcape and are regularly reinforced through all employee communications. Appraisals are largely based on the five values, and individuals are asked to provide examples of how they have demonstrated the values in their work.

Inchcape's employment philosophy is simple; we want to attract, motivate and retain the best people for our business. The following examples demonstrate some of the innovative recruitment, induction and development practices in place throughout the Group.

Belgium

Toyota Belgium provides all permanent colleagues with a comprehensive and exciting training programme, which may also include an assignment to the Toyota stand during the Brussels Motor Show.

During a period of two weeks they help customers with their queries and sell cars. This has proved to be a fantastic experience for our colleagues, who gain first hand experience of customer interaction and the dynamism required for a career in the car industry.

Hong Kong

Many of our young managers at Crown Motors, our Toyota/Lexus business in Hong Kong, have come up through the leading edge graduate programme in place for this business.

Crown Motors receives more than 2,000 applicants per annum for the four places on its graduate scheme, which is a clear measure of how highly regarded it is as an employer.

Singapore

In 2005, Borneo Motors launched its Scholarship Awards initiative in order to promote itself as a socially responsible company.

The Awards, designed to develop the community's young people, are given to exceptional students attending the Automotive Engineering course, at the Institute of Technical Education. The students undertake work experience at Borneo Motors during their holiday time and participate in Company events including the Technician Skills Contest. This allows them to explore the world of Borneo Motors, where, if successful, they may be offered a position.

Scholarship Awards were presented to ten students in 2005. They were invited to attend a ceremony with their families, and the management team at Borneo Motors, in recognition of their achievement.

United Kingdom

The Inchcape Academy, which we first introduced in the UK in 2004, achieved significant success in 2005.

More than one hundred managers from the UK attended various leadership development and management skills courses, and at the end of 2005 we welcomed our first European attendees. Feedback from our colleagues on the Academy remains very positive, and we expect some 300 managers to attend during 2006.

Environment, health and safety

Inchcape is committed to pursuing sound environment, health and safety (EHS) management policies and practices throughout our businesses worldwide.

We continuously look to increase the levels of health and safety standards in the workplace, and it is therefore Inchcape's policy to:

consider EHS issues within existing and future business activities, through the implementation of appropriate policies and procedures;

monitor and manage the EHS impacts, risks and opportunities for our businesses in order to benefit our colleagues, customers, brand partners and the local communities in which we operate;

promote the awareness of the Environment, Health and Safety Policy (the Policy) across our businesses in order to assess its performance, and set practical targets for improvement; and

report, as appropriate, on the status of the EHS performance within each of our businesses.

Implementation of the Policy is the responsibility of the management within each of our businesses. Common standards are applied to a wide range of EHS matters, and compliance with local statutory requirements is the minimum standard we will accept. Where local standards are below international good practice, it is our policy to follow UK good practice.

In 2005, a number of initiatives were implemented to improve and promote EHS standards across the Group.

Australia

Our Subaru business in Australia has formed a long term partnership with Environmental Recovery Services (ERS) in a national workshop waste management programme.

The partnership demonstrates Subaru's commitment to the environment and involves ERS managing, collecting and recycling waste resulting from vehicle maintenance in the Subaru service centres.

Belgium

In Belgium, we have a dedicated resource working on environmental issues relating to the ISO 14001 environmental certificate. ISO 14001 is an assessment of the environmental impact a business has when conducting its daily activities.

In 2005 our business in Belgium was evaluated on energy usage, recycling, use of office supplies, workshop practices and our effect on wildlife and plant ecosystems. The evaluation resulted in the Inchcape head office and Lexus dealer network in Belgium achieving the ISO 14001 certification, and we are now looking to achieve the same standard in our other Belgian operations.

Hong Kong

We place particular emphasis on risk assessments in the workplace, with each employee receiving structured Health and Safety training in this area. An example of how we look to reduce the number of work related incidents can be seen in our Mazda and Jaguar warehouses. In these operations, we have replaced traditional storage racks with a new system designed to eliminate high level storage. This helps avoid the risk of injury through overhead lifting.

Singapore

Our Toyota/Lexus business in Singapore, Borneo Motors, works closely with Crown Motors, our Toyota/Lexus operation in Hong Kong, on workplace assessments. They are particularly focused on the layout of workshops in respect to the safety of moving vehicles around employees and customers.

All workshops, in Singapore and Hong Kong, have now been resurfaced with slip resistant and oil repellent resin, which, when combined with frequent cleaning, ensures that vehicle fluids are collected and disposed of before they can cause injury or pollution.

Inchcape in the community

Our international operations have resulted in a diverse range of people, cultures and lifestyles, which enrich Inchcape as a whole. We therefore encourage our colleagues to become involved in charitable projects at a local level, in order to help the communities in which we operate.

The tsunami at the end of 2004 however, drew worldwide attention and in response Inchcape formed a partnership in 2005 with the global charity, CARE International (CARE).

Working together, Inchcape and CARE have provided assistance to tsunami victims in Somalia. This was the worst affected region in Africa and approximately 300 people died, with 7,300 households, in over forty villages, affected by the disaster.

As part of the project, Inchcape worked with CARE to support fishing based livelihood programmes in Somalia. We have provided engine powered fishing boats, and equipment, such as nets and hooks, for families whose livelihoods were destroyed by the tsunami.

Charitable and political donations

In the UK, Inchcape and its subsidiaries have donated funds throughout the year totalling £0.1m (2004 – £0.1m). Total charitable donations made by the Group worldwide during the year were £0.3m (2004 – £0.4m). These figures exclude personal contributions from our colleagues.

No political donations were made in 2005 (2004 – nil).

Board of directors

Peter Johnson (c) Chairman
Age 58. Joined the Group in 1995 as Chief Executive of Inchcape Motors Retail and became Chief Executive of Inchcape Motors International in 1996. He joined the Inchcape Board in January 1998 before becoming Group Chief Executive on 1 July 1999 until 31 December 2005 and Non-executive Chairman on 1 January 2006. He was appointed as a Non-executive Director of Wates Group Limited in September 2002 and Director and Chairman of Automotive Skills Limited in October 2003. He was appointed as a Non-executive Director of Bunzl plc on 1 January 2006. He is a Vice President of the Institute of the Motor Industry and was previously Sales and Marketing Director of the Rover Group, and Chief Executive of the Marshall Group.

Will Samuel (a) (b) (c) * Deputy Chairman and Senior Independent Non-executive Director
Age 54. Joined the Inchcape Board in January 2005. Will Samuel is a Chartered Accountant. He is Vice Chairman of Lazard & Co. Ltd and a Non-executive Director of the Edinburgh Investment Trust plc and Ecclesiastical Insurance Group. Prior to this he was a Director of Schroders plc, Co-Chief Executive Officer at Schroder Salomon Smith Barney (a division of Citigroup Inc.) and Vice Chairman, European Investment Bank of Citigroup Inc and Chairman of H.P. Bulmer PLC.

André Lacroix (c) Group Chief Executive
Age 46. Joined the Group as Group Chief Executive Designate on 1 September 2005 before becoming Group Chief Executive on 1 January 2006. He was Chairman and Chief Executive Officer of Euro Disney S.C.A. from mid 2003 to mid 2005 and President of Burger King International from mid 2000 to mid 2003.

Raymond Ch'ien Non-executive Director
Age 54. Joined the Inchcape Board in July 1997. Raymond Ch'ien is Chairman of CDC Corporation and its subsidiary, China.com Inc. He is Non-executive Chairman of MTR Corporation Limited, Non-executive Chairman of HSBC Private Equity (Asia) Limited, a Non-executive Director of HSBC Holdings plc, the Hongkong and Shanghai Banking Corporation Limited, Convenience Retail Asia Limited, VTech Holdings Ltd and The Wharf (Holdings) Limited.

Graeme Potts Managing Director, Inchcape UK, Europe and South America Retail
Age 48. Joined the Inchcape Board in September 2002. He was Group Managing Director of RAC Motoring Services and a Director of Lex Service PLC (now RAC plc) from 1999 to 2002. He was Chief Executive of Reg Vardy plc from 1996 to 1999.

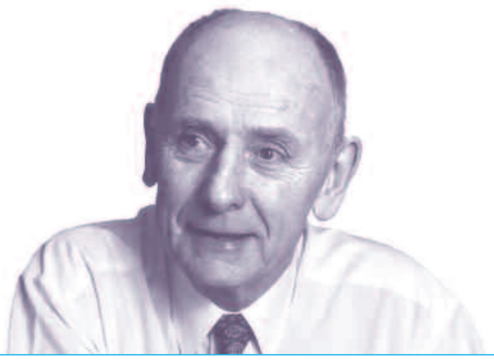
Karen Guerra (b)* Non-executive Director
Age 49. Joined the Inchcape Board on 1 January 2006. Karen Guerra is President of Colgate Palmolive SAS and General Manager of the French Branch of CPI LLC. Prior to this, she was Chairman and Managing Director of Colgate Palmolive UK Limited and a Non-executive Director of More Group plc.

Ken Hanna (a) (b) (c) * Non-executive Director

Age 52. Joined the Inchcape Board in September 2001. Ken Hanna is a Chartered Accountant. He is an Executive Director and Chief Financial Officer of Cadbury Schweppes plc. Prior to this he was a Partner of Compass Partners International and Group Finance Director and Chief Executive of Dalgety (now Sygen Group plc) from 1997 to 1999. He has previous experience with Guinness plc (now Diageo plc), Avis Europe and Black & Decker.

David Scotland (a) (b) (c) * Non-executive Director

Age 58. Joined the Inchcape Board in February 2005. David Scotland was an Executive Director of Allied Domecq PLC from 1995 to 2005. He is also a Non-executive Director of Brixton plc, and was previously a Non-executive Director of Photo-Me International plc and Thompson Travel Group plc.



Michael Wemms (a) (b) (c) * Non-executive Director

Age 66. Joined the Inchcape Board in January 2004. Michael Wemms was appointed as Chairman of the British Retail Consortium in August 2004. He was an Executive Director of Tesco plc between 1989 and 2000. During that time he held the positions of Personnel Director and, from 1992, Retail Operations Director where he was responsible for all store operations. He is Chairman of House of Fraser plc and a Non-executive Director of Coles Myer Limited.

Sir John Egan (c)

Age 66. Appointed Non-executive Chairman in June 2000. Sir John became Chairman of Severn Trent Plc on 1 January 2005, having been appointed as a Non-executive Director on 1 October 2004. He is also Chairman of Harrison Lovegrove & Co. Limited. He was President of the Confederation of British Industry from May 2002 to July 2004. He was Chairman of MEPC from 1 August 1998 to 3 August 2000 and of QinetiQ Group plc from December 2000 to May 2002. He was Chief Executive of BAA from 1990 to 1999, and was Chairman and Chief Executive of Jaguar plc prior to joining BAA. Sir John retired from the Board and as Chairman on 31 December 2005.

Members of the Audit Committee (a)

Dates of appointment/resignation:

Ken Hanna Chairman
(Member – 27 September 2001)
Chairman – 16 May 2002

Simon Robertson
25 June 1996 to 12 May 2005

Will Samuel
26 January 2005

David Scotland
24 February 2005

Michael Wemms
29 January 2004

Members of the Remuneration Committee (b)

Dates of appointment/resignation:

Michael Wemms Chairman
(Member – 29 January 2004)
Chairman – 13 May 2004

Karen Guerra
1 January 2006

Ken Hanna
27 September 2001

Simon Robertson
3 August 2000 to 12 May 2005

Will Samuel
26 January 2005

David Scotland
24 February 2005

Members of the Nomination Committee (c)

Dates of appointment/resignation:

Peter Johnson Chairman
(Member – 1 July 1999)
Chairman – 1 January 2006

Sir John Egan
Chairman – 15 June 2000 to 31 December 2005

Ken Hanna
26 February 2004

André Lacroix
1 January 2006

Simon Robertson
25 June 1996 to 12 May 2005

Will Samuel
1 April 2005

David Scotland
29 November 2005

Michael Wemms
29 July 2004

*Independent Non-executive Director

Directors' report

The Directors present the Annual report and accounts and audited Financial statements for the year ended 31 December 2005. For the purposes of this report 'Company' means Inchcape plc and 'Group' means the Company and its subsidiary and associated undertakings.

Business activities

A review of the business activities of the Group and likely future developments and important events occurring since the end of the year is given on pages 8 to 23.

Results and dividends

The Group's audited Financial statements for the year ended 31 December 2005 are shown on pages 46 to 98. The Board recommends a final ordinary dividend of 38.0p per ordinary share. If approved at the 2006 Annual General Meeting (AGM), the final ordinary dividend will be paid on 16 June 2006 to shareholders registered in the books of the Company at the close of business on 19 May 2006. Together with the interim ordinary dividend of 19.0p per ordinary share, paid on 12 September 2005, this makes a total ordinary dividend for the year of 57.0p (2004 – 50.0p).

Authority to purchase shares

On 28 February 2005, the Company announced its intention to return £65.0m to shareholders through a share buy back programme. Following that announcement, between 15 April 2005 and 12 May 2005, the Company purchased into Treasury 895,901 ordinary shares (representing 1.1% of the Company's issued share capital on 12 May 2005) pursuant to the authority granted at the Company's 2004 Annual General Meeting held on 13 May 2004, at a cost of some £16.9m as part of the programme.

At the Company's 2005 Annual General Meeting on 12 May 2005, the Company was authorised to make market purchases of up to 7,970,466 ordinary shares (representing approximately 10.0% of its issued share capital). Pursuant to that authority, the Company purchased into Treasury a further 785,437 ordinary shares (representing 1.0% of the Company's issued share capital on 24 May 2005, the date the shares were purchased), at a cost of some £14.0m. The nominal value of total shares purchased into Treasury so far is £2.5m. Following these purchases, the authority granted in 2005 now covers a total of 7,185,029 ordinary shares (representing 8.9% of the Company's issued share capital on 31 December 2005). All purchases were made through the market.

Share capital

Details of the changes to the Company's issued ordinary share capital are shown in note 24 on pages 84 and 85.

Substantial shareholdings

As at 5 March 2006, the following notifications of substantial interests in the Company's issued ordinary share capital had been received pursuant to the provisions of the Companies Act 1985:

Holding	Total %
Standard Life Investments	5.69
Toyota Motor Corporation	5.25
Fidelity Investments	4.52
Legal and General Investment Management	3.72

Directors

The names of the Directors, plus brief biographical details, including those Directors offering themselves for election or re-election, are given on pages 28 and 29. They all held office throughout the year other than Will Samuel, David Scotland and André Lacroix, who were appointed to the Board on 26 January 2005, 24 February 2005 and 1 September 2005 respectively. Simon Robertson retired from the Board on 12 May 2005. Following his retirement, Will Samuel was appointed as Deputy Chairman and Senior Independent Non-executive Director on 12 May 2005. Alan Ferguson resigned from the Board on 14 September 2005 and Sir John Egan retired from the Board on 31 December 2005.

With effect from 1 January 2006, the following changes took place: Peter Johnson was appointed Chairman of the Board, having retired as Group Chief Executive on 31 December 2005; André Lacroix became Group Chief Executive; and Karen Guerra was appointed to the Board as a Non-executive Director.

As announced on 7 December 2005, Barbara Richmond will join the Board on 3 April 2006 as Group Finance Director.

In accordance with the Articles of Association of the Company, André Lacroix, Karen Guerra and Barbara Richmond, will retire at the AGM and offer themselves for election. Peter Johnson will retire at the AGM and offer himself for re-election. Raymond Ch'ien and Graeme Potts will retire by rotation at the AGM and offer themselves for re-election in accordance with the Articles of Association.

Directors' interests

The table below shows the beneficial interests, other than share options, including family interests, on the dates indicated, in the ordinary shares of the Company of the persons who were Directors at 31 December 2005.

	Ordinary shares of 150.0p each	
	31 December 2005	1 January 2005*
Sir John Egan	**4,300**	23,500
Peter Johnson	**54,093**	64,969
André Lacroix	**10,000**	Nil
Graeme Potts	**21,501**	15,847
Raymond Ch'ien	**20,000**	20,000
Ken Hanna	**2,000**	2,000
Will Samuel	**2,000**	Nil
David Scotland	**842**	Nil
Michael Wemms	**500**	500

*(or date of appointment if later)

Notes:
(a) The Executive Directors of the Company, together with other employees of the Group, are potential beneficiaries of the Inchcape Employee Trust (Trust) and, as such, are deemed by the Companies Act 1985 to be interested in any ordinary shares held by the Trust. At 31 December 2005, the Trust's shareholding totalled 468,362 ordinary shares (1 January 2005 – 733,792 ordinary shares).
(b) Karen Guerra was appointed a Director on 1 January 2006. She held no interest in the ordinary shares of the Company on that date.
(c) No Director had any beneficial interest in the subsidiaries of the Company.

Between 1 January and 5 March 2006 the Trustees of the Inchcape Employee Trust made the following transfer of ordinary shares to satisfy the exercise of awards by Peter Johnson under the Inchcape Deferred Bonus Plan.

Date	Ordinary shares of 150.0p each transferred
3 January 2006	17,158

Details of share options held by Directors, including under the Inchcape 1999 Share Option Plan and the Inchcape SAYE Share Option Scheme, together with details of awards under the Inchcape Deferred Bonus Plan, are shown in notes 3 and 4 on pages 41 to 43.

Transactions with Directors

No transaction, arrangement or agreement required to be disclosed in terms of the Companies Act 1985 and IAS 24 was outstanding at 31 December 2005, or occurred during the year for any Director and/or connected person (2004 – none).

Creditor payment policy

The Company has no trade creditors (2004 – nil). The Group is responsible for agreeing the terms and conditions including terms of payment under which business transactions with the Group's suppliers are conducted. Whilst the Group does not follow any single external code or standard, in line with Inchcape Group policy, payments to suppliers are made in accordance with agreed terms and conditions.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Charitable and political donations

The Group's policy on charitable and political donations, including the amounts, is shown on page 27.

Environment

The Group's policy on environment, health and safety is shown on page 26.

Events after the balance sheet date

See note 32 on page 92.

Annual General Meeting

The Annual General Meeting will be held at 11.00am on Thursday 11 May 2006 at The Royal Automobile Club, 89-91 Pall Mall, London SW1Y 5HS. The notice convening the meeting and the resolutions to be put to the meeting, together with the explanatory notes, are given in the Circular to all shareholders which accompanies the Annual report and accounts.

The business of the meeting will include a proposal to sub-divide into six the Company's ordinary shares of 150.0p each, together with proposals to renew:

(i) existing authorities for Directors to allot securities in the Company; and

(ii) the Company's authority to purchase up to 10.0% of its own ordinary shares (the Company currently has authority to purchase up to 7,970,466 ordinary shares of 150.0p each, approximately 9.9% of its current issued ordinary share capital). This authority will include the purchase of ordinary shares into treasury.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. A resolution to reappoint them as auditors will be proposed at the Annual General Meeting.

By order of the Board

R.C. Williams

Roy Williams Group Company Secretary
6 March 2006

Corporate governance report

The Board is committed to ensuring that high standards of corporate governance are maintained by the Company. The Board supports the main and supporting principles and the provisions of the Combined Code on Corporate Governance.

The Listing Rules of the Financial Services Authority require listed companies to disclose, in relation to Section 1 of the Code, how they have applied its principles and whether they have complied with its provisions throughout the accounting period. This statement, together with the report on Directors' remuneration on pages 36 to 43, explains how the Company has applied the principles and complied with the provisions set out in the Code.

During the year the Board continued to keep corporate governance matters under review, monitoring policies and guidelines issued by the main institutional bodies such as the Association of British Insurers and the National Association of Pension Funds, and adopting appropriate recommendations of relevant bodies such as the Institute of Chartered Secretaries and Administrators and the Institute of Chartered Accountants of England and Wales. This process is ongoing.

Directors

The Board The Board recognises its collective responsibility for leading and controlling the Group. It is responsible for setting the Group's strategic aims, ensuring that sufficient resources are available for the Group to meet its objectives and monitoring executive management. It is also responsible for setting the Company's values and standards in corporate governance matters. The Directors act in the best interests of the Company, cognisant of their duties to shareholders and also with consideration for other stakeholders.

The Board has a formal schedule of matters required to be brought to it for its decision. Such matters include: strategy and management; major investments, acquisitions and disposals; corporate and capital structure; financial budgeting; reporting and controls; monitoring internal controls; approval of major contracts; external corporate communications; Board membership and appointments; corporate governance; and Group policy in important areas.

There are clear written Terms of Reference for the responsibilities delegated to the principal committees. Through the Nomination Committee, the Board fulfils its role in nominating new Directors and succession planning. The Remuneration Committee determines appropriate levels of remuneration of the Chairman, the Executive Directors and senior executives. Through its Audit Committee, the Board discharges its responsibilities in respect of the integrity of financial information, on the financial, operational and compliance controls and on the systems of risk management. Below Board and principal committee level, there are clear limits on the authority that management committees and individuals have to make financial commitments.

The Board and its principal committees meet regularly during the year. In setting the timetable the Chairman and, in the case of the committees, the committee chairmen, with the support of the Group Company Secretary, ensure that sufficient regular meetings are scheduled and other meetings are held as required in order for the Board and the committees to discharge their respective duties sufficiently. The number of meetings held is shown in the adjacent table. In addition, the Board held a strategy review.

The names and biographical details of the Chairman, the Deputy Chairman and Senior Independent Non-executive Director, the Group Chief Executive, and the Chairmen and members of the principal committees can be found on pages 28 and 29. In the few instances where a Director has not been able to attend a Board or committee meeting, this has been due to a prior commitment or for reason of illness. In such circumstances it is the normal practice for the Director's comments on the business of the meeting to be relayed to the Chairman of the meeting in advance of the meeting, and for the Chairman to communicate the Director's views at the meeting.

Information regarding meetings of the Board, and the principal committees during the year, and Directors' attendance is given below.

Board	Scheduled	Ad hoc
Number of meetings held	8	3
Sir John Egan (Chairman) (retired 31 December 2005)	7	2
Peter Johnson (appointed Chairman 1 January 2006)	8	3
Raymond Ch'ien	7	1
Alan Ferguson (resigned 14 September 2005)	6	1
Ken Hanna	8	1
André Lacroix (appointed 1 September 2005)	2	1
Graeme Potts	8	2
Simon Robertson (retired 12 May 2005)	4	0
Will Samuel (appointed 26 January 2005)	8	2
David Scotland (appointed 24 February 2005)	6	2
Michael Wemms	8	2

Nomination Committee	Scheduled	Ad hoc
Number of meetings held	3	6
Sir John Egan (Chairman) (retired 31 December 2005)	3	5
Peter Johnson (appointed Chairman 1 January 2006)	3	6
Ken Hanna	2	1
Simon Robertson (retired 12 May 2005)	1	1
Will Samuel (appointed 1 April 2005)	2	5
David Scotland (appointed 29 November 2005)	0	1
Michael Wemms	3	6

Remuneration Committee	Scheduled	Ad hoc
Number of meetings held	2	7
Michael Wemms (Chairman)	2	7
Ken Hanna	1	3
Simon Robertson (retired 12 May 2005)	0	1
Will Samuel (appointed 26 January 2005)	2	6
David Scotland (appointed 24 February 2005)	2	3

Audit Committee	Scheduled	Ad hoc
Number of meetings held	5	0
Ken Hanna (Chairman)	5	0
Simon Robertson (retired 12 May 2005)	3	0
Will Samuel (appointed 26 January 2005)	4	0
David Scotland (appointed 24 February 2005)	3	0
Michael Wemms	4	0

The Chairman meets with the Non-executive Directors without the Executive Directors present as necessary. One meeting was held during the year. The Senior Independent Non-executive Director also meets the other Non-executive Directors without the Chairman present, as needed, including an annual appraisal of the Chairman's performance. One meeting was held during the year.

If any Director were to have any concerns regarding the running of the Company or a proposed action, these would be recorded in the Board minutes. If a Director were to resign over an unresolved issue, the Chairman would bring the issue to the attention of the Board. No such concerns or issues arose during the year.

For some years the Company has purchased insurance to cover its Directors against legal action taken against them in that capacity.

Chairman During the year Sir John Egan indicated that he intended to retire from the Board by the time of the Company's 2006 AGM. The Board had also been aware of Peter Johnson's intention not to continue in a full time role as Group Chief Executive until retirement age.

In considering the issue of succession to Sir John as Non-executive Chairman, the Board recognised the benefit to the Company and its shareholders of Peter Johnson's ongoing involvement because of his deep and broad experience of the automotive industry as a whole and the contrasting international market in which Inchcape operates. They also recognised the pivotal role which he has played in the development and continuity of Inchcape's relationships with its major international manufacturer partners, which in many cases are founded upon associations built up over many years.

Accordingly, the Directors came to the conclusion that the appointment of Peter Johnson as Chairman was in the best interests of shareholders as a whole. The Board consulted in advance a number of its largest institutional shareholders, all of whom gave their support. The Board was aware of the provisions of the Code in that an explanation should be given when someone who has previously been Chief Executive of a company is to be appointed as Chairman of the Board. Accordingly Sir John Egan wrote to all shareholders on 22 March 2005 explaining the reasons for Peter Johnson's proposed appointment.

The Board also considered the fact that Peter Johnson's tenure as Group Chief Executive would prevent him from meeting the independence criteria of the Code, but the Board is confident that he will continue to show the strength of character and independent judgement that he exhibited as Group Chief Executive.

Chairman and Group Chief Executive The role of the Chairman is separate from that of the Group Chief Executive. Their respective roles and responsibilities have been set out in writing and agreed by the Board. The Chairman is responsible for creating the conditions to achieve overall Board and individual Directors' effectiveness, whereas the Group Chief Executive is responsible for the operational implementation of the strategy and policies agreed by the Board. Matters are referred to the Board as a whole and no one individual or small group of individuals has unfettered powers of decision.

Board balance and independence All Directors bring an independent judgement to bear on issues of strategy, performance, resources, including key appointments, and standards of conduct. In addition to the Chairman, the Board currently has six Non-executive Directors who bring to the Group a wide diversity of experience and expertise. Raymond Ch'ien is not regarded as independent because he previously had a service contract with Crown Motors Limited, a subsidiary of the Company incorporated in Hong Kong. The other five Non-executive Directors are considered by the Board to be independent in accordance with the Code as being independent in character and judgement and having no relationships which are likely to affect, or could appear to affect, the Directors' judgement.

Following the appointment of Will Samuel and David Scotland on 26 January 2005 and 24 February 2005 respectively, half the Board, excluding the Chairman, comprised Independent Non-executive Directors, as required by the Code. This position was maintained until the appointment of André Lacroix as Group Chief Executive Designate on 1 September 2005 when the Board fell below the balance required under the Code but was restored again upon Alan Ferguson's resignation on 14 September 2005. The appointment of Karen Guerra on 1 January 2006 has increased further the balance of the Board in favour of Independent Non-executive Directors.

Appointments to the Board The Code requires that there be a formal, rigorous and transparent procedure for the appointment of new Directors to the Board, which should be made on merit and against objective criteria. The main responsibility for Board appointments is delegated to the Nomination Committee. The processes and work of the Committee is set out in more detail on page 34. The processes described were followed in the search and appointment of André Lacroix as an Executive Director on 1 September 2005, Karen Guerra as a Non-executive Director on 1 January 2006 and Barbara Richmond as an Executive Director with effect from 3 April 2006.

Information and professional development Board and committee papers are generally distributed six days in advance of the meeting and the Board and its principal committees consider that this timing and the information which has been supplied is sufficient to enable them to discharge their respective duties.

In the case of urgent matters the policy adopted by the Board and its Committees is to hold a telephone or video conference meeting in which as many Directors as possible can participate. Papers for such meetings are sent to all Directors as far as possible in advance of the meeting to enable the views of those Directors who are unable to attend to be relayed to the Chairman of the meeting so that he can communicate their views at the meeting.

Newly appointed Directors who have not previously held listed company board appointments, receive appropriate external training. An induction process, which includes site visits, has been developed for newly appointed Directors to ensure that they are aware of their responsibilities and are properly apprised of the Group's activities and strategic direction. In addition, the Company has an induction and ongoing training programme, which covers generic induction for new Board members and arrangements for individual coaching and annual best practice updates for all Board and Committee members where appropriate, including briefings from time to time from the Auditors, the Company's legal advisers, and the Remuneration advisers. These arrangements are designed to ensure that Directors' skills, knowledge and familiarity with the Company are kept up to date to enable them to fulfil their role both on the Board and on its committees. Ongoing training is provided by a combination of internal and external resources. The Board is given business presentations from the heads of business units and Directors make site visits. The Board's schedule includes at least one meeting each year at one of the Group's operational locations where the Board is given presentations on the Group's operations and have the opportunity to meet local management.

There is a procedure for Directors to take independent professional advice at the Company's expense where relevant to the execution of their duties, although no Director felt it necessary during the year. The Group Company Secretary is responsible for ensuring that Board procedures are complied with and for advising the Board through the Chairman on all other governance matters. All members of the Board have access to his services and advice.

The appointment and removal of the Group Company Secretary is a matter for the Board as a whole.

Performance evaluation The 2005 evaluation was undertaken by all members of the Board completing a detailed questionnaire which was designed to test a range of areas which the Code regards as necessary for good governance. The evaluation of Board performance is discussed by the Board and by each of the committees in respect of their own performance and the results of the evaluation of each Director are communicated to them individually by the Chairman. The evaluation process includes an annual review by the Board of the Matters Reserved for its decision and a review by the Board and each of the principal committees of each committee's Terms of Reference.

The 2005 evaluation found that the Board and its committees were generally performing effectively but there were ways in which performance could be improved. Actions were agreed and are being implemented to address the issues which were raised. The Board has agreed that it will carry out evaluations annually, with the 2006 evaluation being facilitated by an independent external advisor. The Non-executive Directors are responsible for performance evaluation of the Chairman, taking into account the views of the Executive Directors.

Election and re-election Non-executive Directors are appointed for an initial period of three years, which may be extended by agreement with the Board. All Directors currently on the Board have submitted themselves for election or re-election (as applicable) within the last three years, as required by the Company's Articles of Association.

When considering the election or re-election of a Director, the Nomination Committee takes into account the review of his or her performance. This is particularly rigorous in the case of a Non-executive Director for any term beyond six years. A similar process is applied when considering the appointment or reappointment of a Director to each of the principal committees.

Board committees

The Board has three principal committees, all with written Terms of Reference which are available on the Company's website (www.inchcape.com). The Group Company Secretary serves as secretary to all three committees.

Nomination Committee The membership of the Committee is shown on page 29. At all times the majority of members have been Independent Non-executive Directors.

No-one, other than the Committee Chairman and the members, is entitled to be present at meetings of the Committee, although others including the Group Human Resources Director, attend by invitation of the Committee.

Role: The Nomination Committee meets at least once a year. In 2005 it met nine times, reflecting the changes to the Board which have taken place. It is responsible for leading the process for Board appointments and making recommendations to the Board. Before the Board makes an appointment, the Committee evaluates the balance of skills, knowledge and experience of the Board and in light of this evaluation prepares a description of the role and capabilities required for a particular appointment in consultation with an external search consultant, who is appointed to work with the Committee. The consultant prepares a list of potential candidates which is discussed by the Committee and reduced to a shortlist. The shortlist candidates then meet with a panel of Committee members and other Directors also have the opportunity to meet the candidates. Following this, and in the light of feedback received, the Committee meets to finalise a recommendation to the Board. A Director may be consulted by the Committee in the course of the process to appoint his successor but it is the policy of the Board that he does not participate in the decision on the appointment.

During the course of the year, the Committee met to consider the structure, size and composition of the Board, including the skills, knowledge and experience available. It also undertook its annual review of development and succession plans. It made recommendations to the Board regarding the appointments of André Lacroix as Group Chief Executive, Karen Guerra's appointment as an Independent Non-executive Director and Barbara Richmond's appointment as Group Finance Director. It also made recommendations to the Board regarding Peter Johnson's appointment as Chairman of the Board. In addition, the Committee made recommendations for the election and re-election of Directors retiring at the 2006 AGM. No Directors participated in the meeting when recommendations regarding his or her election or re-election were considered.

Remuneration Committee The membership of the Committee is shown on page 29.

At all times during the year, the Committee comprised wholly Independent Non-executive Directors and continues to do so.

No-one, other than the Committee Chairman and the members, is entitled to be present at meetings of the Committee, although others, including the Chairman, the Group Chief Executive and the Group Human Resources Director, attend by invitation of the Committee.

Role: The Remuneration Committee is responsible for remuneration issues regarding the Chairman, Executive Directors and certain senior executives within the framework recommended by the Committee and approved by the Board. More details are given in the Board report on remuneration on pages 36 to 43.

Audit Committee The membership of the Committee is shown on page 29. At all times during the year, the Committee comprised wholly Independent Non-executive Directors and continues to do so.

No-one, other than the Committee Chairman and the members, is entitled to be present at meetings of the Committee, although others, including the Chairman, the Group Chief Executive, the Group Finance Director, the Director of Audit and Risk Management and the external auditors attend by invitation of the Committee.

In light of Ken Hanna's qualifications as a Chartered Accountant and his experience with Coopers & Lybrand, Compass Partners and Cadbury Schweppes, and Will Samuel's qualifications as a Chartered Accountant and his experience with Lazard, Edinburgh Investment Trust and Schroders, the Board has determined that they have recent and relevant financial experience.

The Non-executive Directors on the Committee have the opportunity at each meeting to review any issues with the external auditors and with the Director of Audit and Risk Management without members of the executive management being present.

Role: The Committee meets at least three times a year. It is responsible for monitoring the integrity of the financial statements of the Company and any formal announcement relating to its financial performance, reviewing internal financial controls and internal control and risk management systems, monitoring and reviewing the effectiveness of the internal audit function, making recommendations to the Board in relation to the appointment and removal of the external auditor, reviewing the external auditor's independence and objectivity and the effectiveness of the audit process, and for policy on the engagement of the external auditor to supply non-audit services. It is also responsible for reviewing the Company's arrangements for employees to raise concerns confidentially about possible improprieties in relation to financial reporting or other matters. In order to fulfil its duties, the Audit Committee receives and challenges presentations or reports from the Group's senior management, consulting as necessary with the external auditors.

Part of the Committee's responsibility in relation to external auditors is to keep their independence and objectivity and the nature and extent of the non-audit services they provide under regular review. The Committee has established policies and procedures in relation to the provision of non-audit services by the external auditors pursuant to which external auditors' services are not permitted on areas such as internal audit, appraisal or valuation services and financial information systems design/implementation. Financial limits are imposed on permitted areas of non-audit work, such as tax advice.

A full statement of the fees paid for audit and non-audit services is provided in note 3c(ii) on page 62. Non-audit fees continue to be higher than usual mainly due to the significant work undertaken on the introduction of International Financial Reporting Standards.

Communication with shareholders

The Company encourages two way communication with its institutional and private investors and responds promptly to all queries received verbally or in writing. The preliminary and interim results are presented publicly to analysts and other meetings with shareholders are arranged as appropriate.

The Company has an established Investor Relations programme in the course of which the Group Chief Executive and the Group Finance Director have regular meetings with major shareholders to update them on the Company's progress and to discuss any issues that investors may have. During these meetings, shareholders are reminded of the availability of the Chairman, the Deputy Chairman and Senior Independent Non-executive Director, and the rest of the Board if they wish to meet them. Any issues arising at such meetings are reported and considered by the Board. In addition, the Company's stockbrokers, UBS, obtain shareholder feedback on a confidential basis from major investors following the meetings and this is reported in summary and considered at Board meetings. During the year, the Chairman wrote to the largest fifteen shareholders emphasising his availability and that of the Deputy Chairman and Senior Independent Non-executive Director and the rest of the Board, including new Non-executive Directors, should they wish to meet.

The Company makes constructive use of the AGM in accordance with the Code. Private investors are encouraged to participate in the meeting at which the Chairman comments on the performance and outlook for the Company and the Group Chief Executive makes a presentation on operational and strategic issues. Peter Johnson, Chairman of the Nomination Committee, Ken Hanna, Chairman of the Audit Committee, and Michael Wemms, Chairman of the Remuneration Committee, will be available to answer shareholder questions.

Remuneration report

The Company's policy on executive remuneration with details of the Executive Directors' salaries, annual bonuses, long term incentives and pensions, and fees for the Non-executive Directors appears in the Board report on remuneration on pages 36 to 43.

Internal control

The Board of Directors has overall responsibility for establishing key procedures designed to achieve a sound system of internal control and for reviewing its effectiveness. Such a system can provide only reasonable and not absolute assurance against any material misstatement or loss and cannot eliminate business risk. It is the responsibility of the Audit Committee to monitor and review internal controls, with its Chairman reporting the results of such reviews to the Board. In addition, the Board has entrusted executive management with responsibility for implementing internal control procedures.

The Group operates a Risk Committee, which is chaired by the Group Chief Executive and includes, inter alia, the Group Finance Director, Group Company Secretary, Treasury Director, Director of Audit and Risk Management and the Group Risk Manager. The Risk Committee meets quarterly to consider what changes to risk management and control processes should be recommended. Its review covers matters such as responses to significant risks that have been identified, output from monitoring processes, including internal audit reports, and changes to be made to the internal control system. It also follows up on areas that require improvement and reports back to the Audit Committee every six months, or more frequently if required.

The Group Chief Executive also reports to the Board, on behalf of executive management, significant changes in the Group's business and the external environment in which it operates.

In addition, the Group Finance Director provides the Board with monthly financial information, which includes key performance and risk indicators. The Group's key internal control and monitoring procedures include the following.

Financial reporting There is a comprehensive budgeting system with an annual budget approved by the Directors. Monthly actual results are reviewed and reported against the budget and, where appropriate, revised forecasts at each of the Board's scheduled meetings.

Monitoring systems Internal Audit reports to the Audit Committee on its examination and evaluation of the adequacy and effectiveness of the Group's systems of internal control. Internal Audit also works closely with management and the external auditors.

Operating unit controls The overall control framework for the Group is detailed in the Group Finance and Information Systems manuals and is supplemented by risk management policies. Compliance with Group policies and the effectiveness of internal controls are regularly assessed through the audit process and through a process of self certification, which requires business unit management to assess annually the quality of internal controls in their businesses.

Risk management The Group's management operates a risk management process, which identifies the key risks facing each business unit twice a year. A risk register, which identifies the key risks, the impact should they occur and actions being taken to manage those risks to the desired level, is produced for each business unit. In addition, actions to be taken in the event that such risks crystallise and proposed improvements to the way they are managed are also included. This information is passed up the organisation on a filter basis, culminating in the production of a Group Risk Register, which is approved by the Risk Committee and provided to and discussed with the Audit Committee. In addition, internal audit continuously reviews financial, commercial and systems developments in the Group's business units to ensure appropriate audit focus in the major risk areas.

Investment appraisal The Group has clearly defined policies for capital expenditure. These include annual budgets and detailed appraisal and review procedures.

The Board has reviewed the effectiveness of internal control systems in operation during the financial year in accordance with the guidance set out in the Turnbull Report, through the processes set out above.

Auditors independence

The Company has an established policy on the provision of non-audit services by the external auditors. Through its Audit Committee, the Company has reviewed a report from its auditors, PricewaterhouseCoopers LLP (PwC), confirming, in their professional judgement, their independence. The review included the audit, audit related, tax and advisory services provided by PwC, and compliance with the Group policy which prescribes the types of engagements for which external auditors may be used. The Committee also noted that the audit partner is subject to a five year fixed term rotation which has been applied. Having regard to the policy on the engagement of external auditors for non-audit services, and the report from the auditors, the Company concluded that there are sufficient controls and processes in place to ensure the continued level of independence.

Statement of compliance with the Combined Code

Due to minor timing issues in the implementation of the Board's succession planning, the Board was not in compliance with Code provision A.3.2 for parts of January and September 2005, when the proportion of Independent Non-executive Directors on the Board, excluding the Chairman, was less than half. Otherwise, the Company was in compliance with the Code throughout the year ended 31 December 2005.

Board report on remuneration

Remuneration Committee

The Board has delegated responsibility to the Remuneration Committee for determining and agreeing with the Board the Company's policy and framework for executive remuneration. It is also responsible for setting remuneration packages and terms of employment, including pension rights, for Executive Directors and certain senior executives. This includes agreeing performance incentive arrangements and approving allocations under any long term incentive arrangements, including executive share options. It is also responsible for determining the remuneration of the Chairman.

The members of the Committee are shown on page 29. The Committee comprised wholly Independent Non-executive Directors during the year and continues to do so. The Chairman, the Group Chief Executive and the Group Human Resources Director attended meetings by invitation of the Committee.

Throughout 2005 the Company complied with the remuneration provisions of the Combined Code (the Code) in respect of Directors. The contents of this report also comply with the Directors' Remuneration Report Regulations 2002 (contained in Schedule 7A to the Companies Act 1985) and the relevant requirements of the UKLA Listing Rules.

Committee operation

The Committee holds at least two meetings a year. It has an annual meeting to review the compensation arrangements for each Executive Director and certain senior executives, in advance of the annual salary review on 1 April. It also holds a further meeting to consider policy issues, and development in market best practice, including the monitoring of award levels and consequent Company liabilities. In addition, ad hoc meetings are held as required. The number of meetings held and details of members' attendance are shown in the table on page 32. Neither the Chairman, nor any executive, is involved in deciding their own remuneration.

The Committee has authority from the Board to obtain the services of external independent advisors, as it may require. Towers Perrin provided advice to the Committee throughout 2005. In addition, Towers Perrin provided advice to the Board on Non-executive fees and Board performance, and to the Group in connection with the adoption of International Financial Reporting Standard 2, Share-based Payments in 2005. Each year, the Chairman of the Committee reviews the use of advisors and he considers the continued appointment of Towers Perrin as appropriate.

In addition to Towers Perrin, the Committee has been advised internally during the year by Peter Johnson, Group Chief Executive, (André Lacroix from 1 January 2006 following his appointment as Group Chief Executive), Roy Williams, Group Company Secretary and Nick Smith, Group Human Resources Director. These external and internal sources of advice and data available to the Committee, together with consideration of the levels of pay increases for other employees and the remuneration policy outlined below, provide a framework for the decision making process.

Remuneration policy

In establishing its remuneration policy and practice, the Committee had regard to the need to continue to support the Company's business strategy, to allow the Company to motivate and retain its executive management whilst having regard to pay and conditions throughout the Group, and recruit executives of high quality. The Committee was also guided by the following principles:

- the package should be competitive (i.e. at or around median) when compared with those in organisations of similar size, complexity and type;
- there should be a clear link between the level of remuneration and the performance of the Group and the individual, to the extent that performance related elements should form a significant part of executives' total remuneration package;
- the interests of the shareholders should be safeguarded by aligning the remuneration package of the executives with shareholders' interests;
- the package as a whole should be easy to understand and motivating for the individual; and
- the composition of the package should reflect best practice among comparable companies.

The remuneration packages for the Executive Directors are made up of both fixed and variable elements as described below. In broad terms, if the Group meets its target levels of performance, the expected value of the variable elements will account for approximately 48.0% to 52.0% of the Executive Directors' total remuneration and, if the Group achieves outstanding results, approximately 63.0% to 67.0%. If target performance levels are not met, then no pay out is made under the incentive plans. As part of its annual review of market best practice to ensure that executive remuneration arrangements remain effective and appropriate to the Group's circumstances and prospects, the Committee has made certain adjustments to Executives' packages for 2006. These are highlighted in the relevant section of the report. The Committee intends to conduct a more comprehensive review during 2006 to ensure that the remuneration policy is aligned with the Company's future strategic goals.

Total remuneration for these purposes comprises base salary, annual bonus and long term incentives.

The remuneration packages of the Executive Directors are explained in detail below as they apply to 2005 and, as far as possible, for subsequent years. Any changes in policy for subsequent years will be described in future reports on Directors' remuneration.

Base salary

Base salaries are set by the Committee, taking into account the individual's level of responsibility, experience, and performance, along with salary levels in comparable companies. The comparator group is made up of twenty five general industry companies, almost all being companies in the FTSE mid 250 index. Those companies were chosen because they are of a similar size and complexity (measured in terms of revenues, market capitalisation, employee numbers and international scope) as the Company. Executive Directors' salary increases in 2005 took into account the relevant median data from this comparative group, and the individual's performance. Base salary is the only element of remuneration which is pensionable.

Annual bonus

During 2005 the Executive Directors participated in a bonus plan based 90.0% on profit before tax (PBT). A further measure, stock ageing and churn, was introduced to incentivise an improvement in working capital. This represented 10.0% of the annual bonus opportunity. In respect of 2005, the bonus plans for Peter Johnson and André Lacroix, who joined the Company on 1 September 2005, yield a bonus of 40.0% of base salary if target performance is achieved and higher payments for performance above target to a maximum of 90.0% of base salary. The bonus payment for André Lacroix has been pro-rated from his date of joining. Graeme Potts and Alan Ferguson's bonus plans yield a bonus of 30.0% of base salary if target performance is achieved and higher payments for performance above target to a maximum of 70.0% of base salary. The bonus payment for Alan Ferguson has been pro-rated to his date of leaving. In 2005, the Company met its PBT performance targets set at the start of the year for the bonus plan and met 90.0% of the stock ageing and churn target. The resultant bonuses for Peter Johnson, André Lacroix, Graeme Potts and Alan Ferguson are shown in the remuneration table on page 40.

Adjustments to Executive Directors' bonus plans have been made for 2006 to reflect market best practice. Bonus will be based 70.0% on PBT, 20.0% on working capital and 10.0% on achievement of personal objectives. For André Lacroix, his bonus plan will yield a bonus of 50.0% of base salary if target performance is achieved and higher payments for performance above target to a maximum of 110.0% of base salary. Graeme Potts' bonus plan will yield a bonus of 40.0% of base salary if target performance is achieved and a maximum of 90.0% of base salary for performance above target. In the course of revising Graeme Potts' service contract, it was agreed that if he remains in employment on 30 June 2006, he will also receive a cash bonus equivalent to the value on that date of 2,500 fully paid ordinary shares of 150.0p in Inchcape plc and if he remains in employment on 30 June 2007, he will receive a cash bonus equivalent to the value on that date of 7,500 fully paid ordinary shares of 150.0p in Inchcape plc (adjusted appropriately in the event of a reorganisation of Inchcape's share capital).

Deferred bonus plan

The Plan is a voluntary plan and is available to Executive Directors and certain other senior executives. The purpose of the Plan is to give participants a share-linked reward that is related to the participant's commitment to maintaining a shareholding in the Company. Details of awards made to Executive Directors in 2005 under the Plan are shown in note 4 on pages 42 and 43.

Participants may invest a minimum of 10.0% and a maximum of 75.0% of any net of tax bonus award to acquire ordinary shares in the Company. These shares will then be matched with a one for one matching share at the end of a three year period. In addition, to comply with current best practice and to align Executive Directors' rewards under the Plan to shareholders' interests, there is a performance condition attached to the vesting of their matching shares. That test is EPS growth of RPI +3.0% per annum, with no retesting. EPS has been chosen because the Committee believes the key to the Company delivering value to shareholders is through continued strong earnings growth over the long term. EPS will be measured in the same manner as for the Executive Share Option Plan. Subject to that performance condition being met, the Director's shares being held in trust for three years and the Director remaining an employee of the Group, they will become entitled to be awarded shares to an amount equal to the gross amount of the bonus used to acquire ordinary shares in the Company.

Executive share option plan

Under the Plan, share options are granted to Executive Directors and certain other senior executives throughout the Group. The option price is calculated by rounding up the arithmetic average of the market quotations of a share for the three dealing days immediately preceding the date of grant. The 2005 grant of share options covered over 250 participants across the world. Details of share options granted to Executive Directors in 2005 are shown in note 3 on pages 41 and 42.

Options granted following the 2004 AGM vest according to a sliding scale: 25.0% of the award will vest if earnings per share (EPS) growth of RPI +3.0% per annum is achieved over the initial three year period, with all of the award vesting if EPS growth is RPI +8.0% per annum or greater. Options will vest on a straight line basis between these two points. No options will vest if EPS growth is less than RPI +3.0% per annum. There will be no retesting.

The Committee has retained EPS as the performance measure to ensure that Executive Directors only receive rewards if there is significant and sustained improvement in the underlying financial performance of the Company. EPS will continue to be the headline earnings per ordinary share, which excludes volatile one off matters such as exceptional items. In exceptional circumstances, the Committee has the right to adjust the published EPS, as it considers appropriate. If this were to be the case, any adjustment would be disclosed in this report. In light of changes to accounting standards, the Remuneration Committee has made necessary adjustments to ensure a consistent basis in respect of the EPS measure used to evaluate performance.

During the year, the Committee made annual grants of two times base salary taking into account the Executive Directors' and the Company's performance. This grant level is necessary to keep the Company's long term incentive provision in line with the market. Grants in excess of the two times limit may be required in the future in the event of new hires or developments in market practice. In this regard, the Committee has the flexibility under the Plan rules to increase the maximum allowable annual grant level to four times base salary if required.

SAYE share option scheme

The Inchcape SAYE share option scheme is open to employees in the UK with at least three months' service. Participants make monthly savings for a three year period. At the end of the savings period share options become exercisable for a six month period.

Board report on remuneration continued

Executive share ownership

To emphasise the importance the Committee places on executive share ownership, Executive Directors are expected to hold a fixed number of shares equivalent to 100.0% base salary. They have up to five years from 2004, or date of appointment as an Executive Director (if later), to reach this shareholding target.

At the end of the year, by reference to the share price at that date, Executive Directors share ownership levels are as follows:

Name of Director	Share Ownership (expressed as percentage against base salary)
Peter Johnson (retired as Group Chief Executive on 31 December 2005)	194%
André Lacroix (appointed on 1 September 2005)	37%
Graeme Potts	109%

Retirement benefits

The Inchcape Group (UK) Pension Scheme provides benefits for Executive Directors and certain other senior executives at the normal retirement age of sixty, equal to a maximum of two-thirds of final base salary, subject to completion of twenty years' service. The Scheme is non-contributory for members who joined prior to 31 March 2005. There is a 7.0% contribution and a retirement age of sixty-five for new members from that date.

Pensions in payment are guaranteed to increase in line with the lesser of 5.0% and the increase in the RPI. A lump sum benefit of four times base salary is provided on death in service, along with a spouse's pension of two-thirds of the member's pension. Children's pensions may also be payable, up to one-third of the member's pension.

In the case of Executive Directors and certain other senior executives appointed after 1 June 1989, the benefits under the Inchcape Group (UK) Pension Scheme are in respect of capped base salary. For those Executive Directors and certain other senior executives whose base salary is capped, or who are not members of the UK management pension scheme, a separate life assurance exists to supplement the approved life cover to a total lump sum benefit of four times base salary on death in service. Executives whose base salary is capped are paid a monthly cash supplement to enable them to make their own pension arrangements. The Executive Directors who received such supplements in the year are Peter Johnson until his retirement as Group Chief Executive on 31 December 2005, and Graeme Potts. Details of the amounts paid are shown in note 1 on page 40. André Lacroix, who joined the Company on 1 September 2005, received a cash supplement of 40.0% of his base salary in lieu of formal pension provision. He is not a member of the UK Management Pension scheme.

With the impending pension's legislation changes in 2006, the Committee has agreed to maintain its current pension arrangements. This means that there will be no increase in company cost/risk and that executives are not receiving compensation for the changed tax situation.

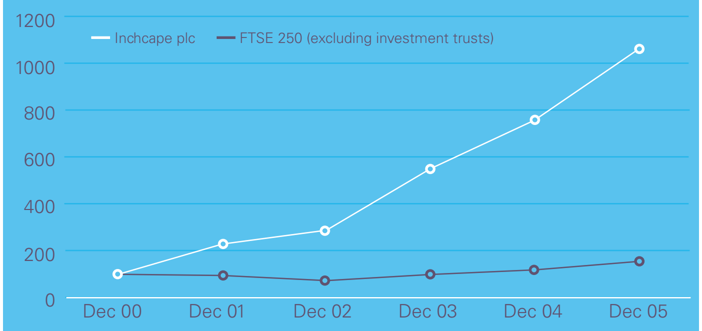
Taxable and other benefits

These include such items as company car and medical and life assurance premiums. They are in line with the remuneration policy framework outlined above. These benefits are non-pensionable.

Performance graph

The following graph illustrates the Group's Total Shareholder Return (TSR) over a five year period, relative to the performance of the total return index of the FTSE mid 250 group of companies. TSR is essentially share price growth plus reinvested dividends. The FTSE mid 250 has been chosen as the most suitable comparator as it is the general market index in which Inchcape plc appears.

Historical TSR performance £100.0 holding



Growth in the value of a hypothetical £100.0 holding over five years FTSE 250 excluding investment companies comparison based on thirty trading day average values.

Chairman's remuneration

During the year the Chairman's remuneration was determined by the Committee, taking advice from Towers Perrin on best practice and competitive levels, taking into account responsibilities and time commitment. The Chairman is not eligible for pension scheme membership or participation in any of the Company's bonus, share option or other incentive schemes.

Non-executive Directors' remuneration

The remuneration of Non-executive Directors consists of fees for their services in connection with Board and Committee meetings. Non-executive Directors' fees are determined by the Board, within the restrictions contained in the Articles of Association. Fees are reviewed annually, with the Board taking advice from Towers Perrin on best practice and competitive levels, taking into account the individual's responsibilities and time commitment. The Non-executive Directors are not involved in deciding their fees.

Non-executive Directors are not eligible for pension scheme membership or participation in any of the Company's bonus, share option or other incentive schemes.

Service contracts

The Executive Directors have service contracts with a notice period of one year. During the year, Graeme Potts' service contract was revised by agreement with him and the entitlement to special compensation if his employment is terminated without proper notice by the Group within six months of a change of control was removed. Neither André Lacroix's nor Barbara Richmond's service contracts contain any such entitlement. In the event of termination, the Company will seek fair mitigation of contractual rights. Within legal constraints, the Remuneration Committee tailors its approach, in cases of early termination, to the circumstances of each individual case.

Neither Peter Johnson nor Alan Ferguson received severance payments upon their retirement and resignation respectively.

Details of the Executive Directors' service contracts are as follows:

Name	Date of contract	Unexpired term
Peter Johnson	1 January 1998	Retired on 31 December 2005
André Lacroix	1 September 2005	To normal retirement age
Alan Ferguson	1 January 1999	Resigned on 14 September 2005
Graeme Potts	10 September 2002 (revised 25 July 2005)	To normal retirement age

Normal retirement age is sixty for Graeme Potts and sixty-five for André Lacroix. The Group changed its policy during 2005 so that all new joiners have a normal retirement age of sixty-five.

As explained in the Corporate Governance Report, Non-executive Directors are appointed for an initial period of three years, which may be extended by agreement with the Board. None of them are engaged on a service contract with the Company.

AL Incentive Plan

To compensate André Lacroix for loss of existing benefits from his former employer, the Remuneration Committee considered it necessary, in these unusual circumstances, to establish a special long term incentive plan (AL Incentive Plan), to facilitate his recruitment as the Group Chief Executive. André Lacroix is the sole participant in the AL Incentive Plan. He became eligible to participate in the AL Incentive Plan on 1 September 2005.

Under the terms of this plan, subject to André Lacroix's continuing employment and the percentage growth in the Company's earnings per share over the relevant performance period exceeding the rate of inflation over the same period by at least 3.0% per year, André Lacroix will be eligible to receive three tranches of 6,500 Inchcape plc shares each, which will vest at the end of 2006, 2007 and 2008 respectively. The maximum grant of Inchcape plc shares which André Lacroix could receive under this plan is therefore 19,500.

No amendment shall be made to André Lacroix's advantage in respect of: the maximum amount of shares to be granted under the plan or the basis for determining André Lacroix's entitlement to or terms of such shares (or the adjustment thereof) on a capitalisation issue; rights issue or open offer; sub-division or consolidation of shares or reduction of capital or any other variation of capital without prior approval of shareholders in general meeting (except for minor amendments to benefit the administration of the scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the scheme or for the Company or for members of its group).

Benefits under the scheme are not pensionable.

Full terms of the plan will be available for inspection from today's date until the close of the 2006 AGM at 22a St. James's Square, London SW1Y 5LP and at The Royal Automobile Club, 89-91, Pall Mall, London SW1Y 5HS for at least fifteen minutes before and during the 2006 AGM.

BR Incentive Plan

Barbara Richmond has agreed to join the Group as Group Finance Director on 3 April 2006 and her remuneration package will be in line with the policy set out in this report. In order to compensate her for the loss of existing benefits from her former employer, the Remuneration Committee considered it necessary, in these unusual circumstances to establish a special long term incentive plan (BR Incentive Plan), to facilitate her recruitment as the Group Finance Director, in which she will be eligible to participate after she joins. Barbara Richmond will be the sole participant in the BR Incentive Plan.

Under the terms of her plan, subject to Barbara Richmond's continuing employment and the percentage growth in the Company's earnings per share over the relevant performance period exceeding the rate of inflation over the same period by at least 3.0% per year, she will be eligible to receive two tranches of 3,666 Inchcape plc shares each, which would vest at the end of 2006 and 2007 respectively, and a third tranche of shares, which would vest at the end of 2008. The number of shares under the final tranche is to be determined according to the share price on 31 March 2006. Assuming a share price of 2512.0p (the share price prevailing on 3 March 2006, the last business day before the date of the accounts) the maximum number of shares under the final tranche would not exceed 10,154 and, on this basis, the maximum number of Inchcape plc shares which Barbara Richmond could receive under this plan would be 17,486.

No amendment shall be made to Barbara Richmond's advantage in respect of: the maximum amount of shares to be granted under the Plan or the basis for determining Barbara Richmond's entitlement to or terms of such shares (or the adjustment thereof) on a capitalisation issue; rights issue or open offer; sub-division or consolidation of shares or reduction of capital or any other variation of capital without prior approval of shareholders in general meeting (except for minor amendments to benefit the administration of the scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the scheme or for the Company or for members of its group).

Benefits under the scheme are not pensionable.

The proposed terms of the plan will be available for inspection from today's date until the close of the 2006 AGM at 22a St. James's Square, London SW1Y 5LP and at The Royal Automobile Club, 89-91, Pall Mall, London SW1Y 5HS for at least fifteen minutes before and during the 2006 AGM.

Policy on external appointments

Inchcape recognises that its Executive Directors may well be invited to become Non-executive Directors of other companies and that this additional experience is likely to benefit the Company. Executive Directors are, therefore, allowed to accept one Non-executive appointment (two in the case of the Group Chief Executive) as long as these are not likely to lead to conflicts of interest or undue time commitments. The policy in respect of the Executive Directors' other commitments is kept under review by the Nomination Committee. Any fees received for these duties may be retained by the Executive Director.

During 2005, Peter Johnson, was a Non-executive Director of Wates Group Limited, for which he received a fee of £32,000.

Notes to the Board report on remuneration

The following are auditable disclosures in accordance with Schedule 7A Part III of the Companies Act 1985.

1 Individual emoluments for the year

The table below shows a breakdown of remuneration, including taxable and other benefits of each Director. Details of pension entitlements, share options and deferred bonus plan awards held are shown in notes 2, 3 and 4 on pages 41 to 43.

	Base salary/fees		Bonus (f)		Taxable and other benefits (h)		Total remuneration excluding Company contributions paid in year in respect of pension arrangements		Company contributions paid in year in respect of pension arrangements		Total remuneration	
	2005 £'000	2004 £'000	**2005 £'000**	2004 £'000	**2005 £'000**	2004 £'000	**2005 £'000**	2004 £'000	**2005 £'000**	2004 £'000	**2005 £'000**	2004 £'000
Chairman												
Sir John Egan (retired 31 December 2005)	**187.5**	152.5	**–**	–	**25.3**	21.9	**212.8**	174.4	**–**	–	**212.8**	174.4
Executive Directors												
Peter Johnson (a) (f)	**636.3**	602.5	**255.4**	549.0	**33.2**	29.3	**924.9**	1,180.8	**265.8**	250.6	**1,190.7**	1,431.4
André Lacroix (c) (f)	**206.6**	–	**81.8**	–	**38.9**	–	**327.3**	–	**82.7**	–	**410.0**	–
Alan Ferguson (resigned on 14 September 2005)	**257.9**	342.5	**78.4**	245.0	**16.1**	18.0	**352.4**	605.5	**–**	–	**352.4**	605.5
Graeme Potts (b) (f)	**408.8**	355.0	**133.6**	252.0	**33.5**	32.7	**575.9**	639.7	**108.4**	76.2	**684.3**	715.9
Non-executive Directors												
Simon Robertson (retired on 12 May 2005) (d)	**15.8**	42.0	**–**	–	**–**	–	**15.8**	42.0	**–**	–	**15.8**	42.0
Raymond Ch'ien (e)	**30.0**	30.0	**–**	–	**13.8**	13.2	**43.8**	43.2	**–**	–	**43.8**	43.2
Ken Hanna (d)	**48.0**	45.2	**–**	–	**–**	–	**48.0**	45.2	**–**	–	**48.0**	45.2
Will Samuel (d)	**52.4**	–	**–**	–	**–**	–	**52.4**	–	**–**	–	**52.4**	–
David Scotland (d)	**32.4**	–	**–**	–	**–**	–	**32.4**	–	**–**	–	**32.4**	–
Michael Wemms (d)	**48.0**	39.8	**–**	–	**–**	–	**48.0**	39.8	**–**	–	**48.0**	39.8
Total	**1,923.7**	1,609.5	**549.2**	1,046.0	**160.8**	115.1	**2,633.7**	2,770.6	**456.9**	326.8	**3,090.6**	3,097.4

(a) The payment of £265,775 (2004 – £250,625) was paid directly to Peter Johnson to allow him to make his own pension arrangements outside the Company's plan. Such payment was subject to tax.

(b) The payment of £108,435 (2004 – £76,175) was paid directly to Graeme Potts to allow him to make his own pension arrangements outside the Company's plan. Such payment was subject to tax.

(c) The payment of £82,666 was paid directly to André Lacroix to allow him to make his own pension arrangements. Such payment was subject to tax.

(d) The details shown include fees at the rate of £10,000 per annum for Committee Chairmanship and at the rate of £4,000 for Committee membership.

(e) The emoluments shown for Raymond Ch'ien include those in respect of services provided in Asia.

(f) Executive Directors may elect to invest up to 75.0% of their annual bonus in the Deferred Bonus Plan. The invested monies are grossed up by the Company to remove the effect of tax on that portion of the executive's bonus and the grossed up amount is used by the Company to purchase ordinary shares (Awarded shares), which are held in trust for the executive. Provided certain conditions are met, the Awarded shares will vest and the executive may exercise his rights under the Plan at any time during the six month exercise period. Details of Awarded shares are set out in the Deferred bonus plan table on page 42.

(g) No Directors waived emoluments in respect of the year ended 31 December 2005 (2004 – none).

(h) Taxable and other benefits comprise items such as company car, medical care, life assurance premiums and petrol allowance. All Executive Directors are entitled to such benefits. In the case of new recruitment, taxable benefits include relocation expenses.

2 Directors' pension entitlements

Accrued annual pension under defined benefit schemes

	Increase in accrued pension during the year £'000	Increase in accrued pension during the year (net of inflation) £'000	Accumulated total of accrued pension at 31.12.04 £'000	Accumulated total of accrued pension at 31.12.05 £'000	Transfer value (less Director's contributions) of the increase in accrued benefit net of inflation 31.12.05 £'000	Transfer value of accrued benefits at 31.12.05 £'000	Transfer value of accrued benefits at 01.01.05 £'000	Difference in transfer value less any contributions made in the year £'000
Peter Johnson	4.4	3.6	33.4	37.8	69.5	721.2	560.8	160.4
Alan Ferguson*	20.3	16.3	183.3	203.6	212.3	2,662.7	2,215.2	447.5
Graeme Potts	3.8	3.6	7.6	11.4	37.1	117.2	71.0	46.2

The transfer value has been calculated in accordance with Retirement Benefits Schemes Transfer Values (GN 11), 6 April 2002.

The transfer values of the accrued benefits represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the Director's pension benefits. The transfer values do not represent sums payable or due to the individual Directors and therefore, cannot be added meaningfully to annual remuneration.

No Directors made any contribution to their pension in respect of the above during the year.

*Alan Ferguson resigned on 14 September 2005. The transfer value of his pension was accrued to his date of leaving.

3 Directors' share options

	Held at 31.12.05 or date of leaving	Lapsed during the year	Exercised during the year	Granted during the year	Held at 01.01.05 (or date of appointment, if later)	Exercise price(f)	Exercise period
Peter Johnson (d)	–	–	63,065 (c)	–	63,065 (a)	685.0p	Mar 2005 – Mar 2012
	61,679 (a)	–	–	–	61,679 (a)	762.0p	Mar 2006 – Mar 2013
	–	1,549 (b)	–	–	1,549 (b)	610.0p	Jun 2006 – Dec 2006
	77,608 (a)	–	–	–	77,608 (a)	1572.0p	May 2007 – May 2014
	59,338 (a)	–	–	59,338 (a)	–	2056.0p	Mar 2008 – Mar 2015
Alan Ferguson (e)	–	–	35,000 (a)		35,000 (a)	284.0p	Aug 2003 – Aug 2010
	–	–	33,576 (a)		33,576 (a)	685.0p	Mar 2005 – Mar 2012
	–	39,370 (a)	–		39,370 (a)	762.0p	Mar 2006 – Mar 2013
	–	1,549 (b)	–		1,549 (b)	610.0p	Jun 2006 – Dec 2006
	–	44,529 (a)	–		44,529 (a)	1572.0p	May 2007 – May 2014
	–	34,046 (a)	–	34,046 (a)	–	2056.0p	Mar 2008 – Mar 2015
André Lacroix	57,727 (a)	–	–	57,727 (a)	–	2148.0p	Sept 2008 – Sept 2015
Graeme Potts	97,014 (a)	–	–	–	97,014 (a)	670.0p	Oct 2005 – Oct 2012
	42,650 (a)	–	–	–	42,650 (a)	762.0p	Mar 2006 – Mar 2013
	1,549 (b)	–	–	–	1,549 (b)	610.0p	Jun 2006 – Dec 2006
	45,801 (a)	–	–	–	45,801 (a)	1572.0p	May 2007 – May 2014
	35,019 (a)	–	–	35,019 (a)	–	2056.0p	Mar 2008 – Mar 2015

(a) Under the Inchcape 1999 Share Option Plan.

(b) Under the Inchcape SAYE Share Option Scheme.

(c) Peter Johnson exercised his options over 63,065 ordinary shares on 18 March 2005. At the close of business on the date of exercise the mid market price of the ordinary shares was 2051.0p. A gain of £860,837.25 was made upon the exercising of this option.

(d) Upon Peter Johnson's retirement as an Executive Director on 31 December 2005, he retained rights to all Options granted to him with the number of exercisable Options being determined by the extent to which the performance target, measured over the period ended on 31 December 2005 was met. All vested Options must be exercised within twelve months from the date of his retirement.

Notes to the Board report on remuneration continued

(e) Upon Alan Ferguson's resignation from the Board on 14 September 2005, he retained rights to exercise all vested Options within twelve months from the date of resignation and all unvested Options lapsed on the date of his resignation. Alan Ferguson exercised his options over 18,000 ordinary shares on 23 June 2005. At the close of business on the day of exercise the mid market price of the ordinary shares was 2056.0p. On 4 August 2005 he exercised his options over 15,000 and 15,576 ordinary shares. At the close of business on the day of exercise the mid market price of the ordinary shares was 2149.0p. On 28 November 2005 he exercised his options over 10,000 ordinary shares. At the close of business on the day of exercise the mid market price of the ordinary shares was 2397.0p. On 30 November 2005 he exercised his options over 10,000 ordinary shares. At the close of business on the day of exercise the mid market price of the ordinary shares was 2352.0p. A total gain of £1,170,782 was made upon the exercise of these options.

(f) Exercise prices are determined in accordance with the rules of the relevant share option scheme.

Notes on share options:

(i) All options were granted for nil consideration.

(ii) The table shows Directors' options over ordinary shares of 150.0p at 1 January 2005 or date of appointment and 31 December 2005. The mid market price of the shares at the close of business on 31 December 2005 was 2281.0p. The price range during 2005 was 1759.0p to 2442.0p.

(iii) Options under the Inchcape 1999 Share Option Plan are granted on a discretionary basis to certain full time senior executives based within and outside the UK including the Executive Directors of the Company. Such options are normally exercisable between three and ten years of grant.

(iv) Options may normally only be exercised if the performance target has been met. For all options granted between 1999 and 2003 under the Inchcape 1999 Share Option Plan, growth in the Company's earnings per share over a three year period must exceed the increase on the UK Retail Price Index over the same period by 3.0% per annum. Options granted after the 2004 AGM vest according to a sliding scale: 25.0% of the option will vest if EPS growth of RPI +3.0% per annum is achieved over the initial three year period, with all of the option vesting if EPS growth is RPI +8.0% per annum. Options will vest on a straight line basis between these points and there is no opportunity to retest.

(v) The Inchcape SAYE Share Option Scheme is open to employees in the UK with at least three months' service. Participants make monthly savings for a three year period. At the end of the savings period options become exercisable within a six month period.

4 Deferred bonus plan

The number of ordinary shares awarded to Executive Directors under the Inchcape Deferred Bonus Plan are:

	Awarded ordinary shares 31.12.05	Lapsed during the year	Ordinary shares exercised during the year	Ordinary shares awarded during the year	Awarded ordinary shares 01.01.05	Market value of shares awarded	Exercise period
Peter Johnson (a)	–	–	14,677	–	14,677	724.0p	Apr 2005 – Oct 2005
	–	–	3,222	–	3,222	724.0p	Apr 2005 – Oct 2005
	17,158	1,692 (a)	–	–	18,850	748.0p	Apr 2006 – Oct 2006
	10,485	5,243	–	–	15,728	1647.0p	Jun 2007 – Dec 2007
	6,243	12,485	–	18,728	–	2058.0p	Jan 2008 – Jun 2008
	375	750	–	1,125	–	2058.0p	Jan 2008 – Jun 2008
Alan Ferguson	–	–	6,543 (b)	–	6,543	698.0p	Mar 2005 – Sept 2005
	–	–	3,222 (b)	–	3,222	724.0p	Apr 2005 – Oct 2005
	–	5,553	–	–	5,553	750.0p	Mar 2006 – Sept 2005
	–	6,461	–	–	6,461	748.0p	Apr 2006 – Oct 2006
	–	8,677	–	–	8,677	1647.0p	Jun 2007 – Dec 2007
	–	8,861	–	8,861	–	2058.0p	Jan 2008 – Jun 2008
Graeme Potts	6,684	–	–	–	6,684	748.0p	Apr 2006 – Oct 2006
	4,610	–	–	–	4,610	1647.0p	Jun 2007 – Dec 2007
	7,989	–	–	7,989	–	2058.0p	Jan 2008 – Jun 2008
	1,125	–	–	1,125	–	2058.0p	Jan 2008 – Jun 2008

(a) Upon Peter Johnson's retirement as an Executive Director on 31 December 2005, he retained rights to Awards granted to him on a pro-rata basis, with the number of exercisable Awards being determined by the extent to which the performance target, measured over the period ended on 31 December 2005 is met. All vested Awards must be exercised within six months from the date of his retirement. He exercised the award granted to him on 10 April 2003, in respect of 17,158 ordinary shares, on 3 January 2006. At the close of business on the date of exercise the mid market price of the ordinary shares was 2316.0p. The remaining 1,692 award shares lapsed.

(b) Upon Alan Ferguson's resignation from the Board on 14 September 2005, he retained rights to exercise all vested Awards within twelve months from the date of resignation. All unvested Awards lapsed on the date of his resignation. He exercised the award granted to him on 14 March 2002, 6,543 ordinary shares, on 1 April 2005. At the close of business on the date of exercise the mid market price of the ordinary shares was 1991.0p. He also exercised the award granted to him on 10 April 2002, 3,222 ordinary shares, on 4 August 2005. At the close of business on the date of exercise the mid market price of the ordinary shares was 2149.0p.

(c) Directors will become entitled to the Awarded shares if they remain employed by the Inchcape Group for three years and retain the shares purchased with their bonus throughout that period. The awards made will normally vest within three years of award. Special rules apply on termination of employment and on a change of control. For awards made after the 2004 AGM to vest, growth in the Company's earnings per share over a three year period must exceed the increase on the UK Retail Price Index over the same period by 3.0% per annum, with no opportunity to retest.

AL Incentive Plan
The number of ordinary shares conditionally awarded to André Lacroix under the AL Incentive Plan are:

	Awarded ordinary shares 31.12.05	Ordinary shares awarded during the year or at date of appointment as a Director of the Company	Awarded ordinary shares 01.01.05 or at date of appointment as a Director of the Company	Market value of shares awarded	Qualifying performance conditions	End of period over which the qualifying condition has to be fulfilled
André Lacroix	6,500	6,500	–	2145.0p	EPS exceeding the rate of inflation by at least 3.0% per year	31 Dec 06
	6,500	6,500	–	2145.0p	EPS exceeding the rate of inflation by at least 3.0% per year	31 Dec 07
	6,500	6,500	–	2145.0p	EPS exceeding the rate of inflation by at least 3.0% per year	31 Dec 08

By order of the Board

Michael Wemms Chairman of the Remuneration Committee
6 March 2006

Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and the profit or loss of the Group for that period. In preparing those Financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the consolidated Financial statements comply with IFRS, and the Company Financial statements comply with UK GAAP;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed, and explained in the Financial statements; and
- prepare the Financial statements on the going concern basis, unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial statements comply with the Companies Act 1985. They are responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the Company's website. The work carried out by the auditors does not involve consideration of these matters, and accordingly the auditors accept no responsibility for any changes that may have occurred to the Financial statements since they were initially presented on the website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the Auditors

Independent Auditors' report to the members of Inchcape plc
We have audited the Group Financial statements of Inchcape plc for the year ended 31 December 2005 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement and the related notes to the accounts. These Financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent Company Financial statements of Inchcape plc for the year ended 31 December 2005 and on the information in the Board report on remuneration that is described as having been audited.

Respective responsibilities of Directors and Auditors
The Directors' responsibilities for preparing the Annual report and the Financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the Financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' report is not consistent with the Financial statements, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Director's remuneration and other transactions is not disclosed.

We review whether the Corporate governance report reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual report and consider whether it is consistent with the audited Financial statements. The other information comprises the Chairman's statement, the Operating and financial review, the Corporate social responsibility section, the Board of Directors, the Directors' report, the Corporate governance report, the Board report on remuneration, the Directors' responsibilities, the Five year record and Company details. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial statements. 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 Group'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 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, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2005 and of its profit and cash flows for the year then ended; and
- the Financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
6 March 2006

Consolidated income statement

For the year ended 31 December 2005

	Notes	**Before exceptional items 2005 £m**	**Exceptional items 2005 £m**	**Total 2005 £m**	Before exceptional items 2004 £m	Exceptional items 2004 £m	Total 2004 £m
Revenue	1, 3	**4,488.1**	**–**	**4,488.1**	4,119.5	–	4,119.5
Cost of sales		**(3,847.4)**	**–**	**(3,847.4)**	(3,532.9)	–	(3,532.9)
Gross profit		**640.7**	**–**	**640.7**	586.6	–	586.6
Net operating expenses	2, 3	**(451.3)**	**(13.0)**	**(464.3)**	(414.5)	(10.6)	(425.1)
Operating profit		**189.4**	**(13.0)**	**176.4**	172.1	(10.6)	161.5
Share of profit after tax of joint ventures and associates	13	**6.2**	**–**	**6.2**	6.6	1.2	7.8
Profit before finance and tax		**195.6**	**(13.0)**	**182.6**	178.7	(9.4)	169.3
Finance income	6	**44.7**	**–**	**44.7**	27.0	4.2	31.2
Finance costs	7	**(50.0)**	**–**	**(50.0)**	(37.3)	–	(37.3)
Profit before tax		**190.3**	**(13.0)**	**177.3**	168.4	(5.2)	163.2
Tax	8	**(46.9)**	**–**	**(46.9)**	(43.1)	(0.5)	(43.6)
Profit for the year		**143.4**	**(13.0)**	**130.4**	125.3	(5.7)	119.6
Attributable to:							
– Equity holders of the parent				**126.6**			116.4
– Minority interests				**3.8**			3.2
				130.4			119.6
Basic earnings per share (pence)	9			**161.9p**			148.5p
Diluted earnings per share (pence)	9			**160.6p**			146.6p

Consolidated statement of recognised income and expense

For the year ended 31 December 2005

	2005 £m	2004 £m
Cash flow hedges net of tax	**0.6**	–
Fair value gains on available for sale financial assets	**2.3**	–
Effect of foreign exchange rate changes	**30.4**	(15.2)
Actuarial losses on defined benefit pension schemes	**(15.3)**	(10.1)
Net gains (losses) recognised directly in shareholders' equity	**18.0**	(25.3)
Profit for the year	**130.4**	119.6
Total recognised income and expense for the year	**148.4**	94.3
Attributable to:		
– Equity holders of the parent	**144.2**	91.3
– Minority interests	**4.2**	3.0
	148.4	94.3
Adoption of IAS 32 and IAS 39	**(4.5)**	–

As permitted by IFRS 1 First-time Adoption of International Financial Reporting Standards, the Group has adopted IAS 32 Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement with effect from 1 January 2005 with no restatement of comparative information. This decreased shareholders' equity by £4.5m at 1 January 2005.

Consolidated balance sheet

As at 31 December 2005

	Notes	2005 £m	2004 £m
Non-current assets			
Intangible assets	11	**69.5**	78.0
Property, plant and equipment	12	**346.7**	295.9
Investments in joint ventures and associates	13	**44.7**	42.2
Other investments	14	**–**	11.9
Available for sale financial assets	14	**15.0**	–
Trade and other receivables	15	**22.4**	19.6
Deferred tax assets	16	**23.4**	20.8
		521.7	468.4
Current assets			
Inventories	17	**615.8**	577.1
Trade and other receivables	15	**221.1**	198.3
Other investments	14	**–**	2.7
Available for sale financial assets	14	**2.4**	–
Derivative financial instruments	18	**2.1**	–
Current tax assets		**1.0**	0.5
Cash and cash equivalents	19	**309.0**	171.2
		1,151.4	949.8
Total assets		**1,673.1**	1,418.2
Current liabilities			
Trade and other payables	20	**(688.2)**	(657.3)
Derivative financial instruments	18	**(12.6)**	–
Current tax liabilities		**(43.8)**	(44.9)
Provisions	21	**(22.5)**	(24.6)
Borrowings	22	**(145.4)**	(15.6)
		(912.5)	(742.4)
Non-current liabilities			
Trade and other payables	20	**(45.3)**	(31.8)
Provisions	21	**(35.6)**	(51.9)
Deferred tax liabilities	16	**(13.5)**	(14.8)
Borrowings	22	**(5.6)**	(3.7)
Retirement benefit liability	5	**(69.4)**	(58.9)
		(169.4)	(161.1)
Total liabilities		**(1,081.9)**	(903.5)
Net assets		**591.2**	514.7
Shareholders' equity			
Share capital	24, 25	**120.1**	119.5
Share premium	25	**112.5**	110.7
Capital redemption reserve	25	**16.4**	16.4
Other reserves	25	**13.1**	(15.2)
Retained earnings	25	**319.6**	275.0
Equity attributable to equity holders of the parent		**581.7**	506.4
Minority interests	25	**9.5**	8.3
Total shareholders' equity		**591.2**	514.7

The Financial statements on pages 46 to 98 were approved by the Board of Directors on 6 March 2006 and were signed on its behalf by:

Peter Johnson, Director **André Lacroix**, Director

Consolidated cash flow statement

For the year ended 31 December 2005

	Notes	2005 £m	2004 £m
Cash flows from operating activities			
Cash generated from operations	26a	**195.4**	187.2
Tax paid		**(51.4)**	(36.9)
Interest received		**13.9**	25.4
Interest paid		**(16.8)**	(15.8)
Net cash generated from operating activities		**141.1**	159.9
Cash flows from investing activities			
Acquisition of businesses net of cash and overdrafts acquired		**(29.9)**	(25.1)
Net cash (outflow) inflow from sale of businesses		**(5.5)**	23.7
Purchase of property, plant and equipment		**(63.5)**	(40.3)
Purchase of intangible assets		**(2.2)**	(3.3)
Proceeds from disposal of property, plant and equipment and intangible assets		**17.6**	5.5
Net disposal of other investments		**–**	0.7
Net purchase of available for sale financial assets		**(0.5)**	–
Dividends received from joint ventures and associates		**9.7**	4.9
Net cash used in investing activities		**(74.3)**	(33.9)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**2.4**	2.8
Share buy back programme		**(31.0)**	–
Net disposal of own shares by ESOP Trust		**0.1**	0.1
Net cash outflow from borrowings		**(2.3)**	(18.2)
Payment of capital element of finance leases		**(0.2)**	(0.2)
Equity dividends paid		**(42.0)**	(32.2)
Minority dividends paid		**(3.0)**	(1.4)
Net cash used in financing activities		**(76.0)**	(49.1)
Net (decrease) increase in cash and cash equivalents	26b	**(9.2)**	76.9
Cash and cash equivalents at the beginning of the year		**158.8**	95.0
Effect of foreign exchange rate changes		**16.3**	(13.1)
Cash and cash equivalents at the end of the year		**165.9**	158.8
Cash and cash equivalents consist of:			
– Cash and cash equivalents		**309.0**	171.2
– Bank overdrafts		**(143.1)**	(12.4)
		165.9	158.8

Accounting policies

The Financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 1985, applicable to companies reporting under IFRS.

Adoption of International Financial Reporting Standards

Prior to 2005, the Group prepared its Financial statements under UK Generally Accepted Accounting Principles (UK GAAP). From 1 January 2005, the Group is required to prepare its annual consolidated Financial statements in accordance with IFRS as adopted by the European Union (EU) and implemented in the UK. As the 2005 Financial statements include comparatives for 2004, the Group's date of transition to IFRS is 1 January 2004 and the 2004 comparatives have been restated to IFRS.

First-time adoption

The general principle that should be applied on first-time adoption of IFRS is that standards are applied with full retrospective effect. In accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards, the Group is entitled to a number of voluntary and mandatory exemptions from full restatement. The Group has elected:

(i) not to restate its business combinations made prior to 1 January 2004 to comply with IFRS 3 Business Combinations;

(ii) to retain previous UK GAAP carrying values of property, plant and equipment, treating any historic revaluations as deemed cost at 1 January 2004;

(iii) to recognise all cumulative actuarial gains and losses in respect of defined benefit pension schemes and similar benefits in shareholders' equity at 1 January 2004;

(iv) to apply IFRS 2 Share-based Payments only to awards granted after 7 November 2002 and not vested by 1 January 2005;

(v) to deem cumulative translation differences for all foreign operations to be nil at 1 January 2004; and

(vi) not to present comparative information in accordance with IAS 32 and IAS 39.

The effect of adopting IAS 32 and IAS 39 at 1 January 2005 is shown as a movement in shareholders' equity for 2005. This decreased shareholders' equity by £4.5m at 1 January 2005. In addition, under IAS 32 cash balances and bank overdrafts can only be presented net where there is both the legal ability and intention to settle net. At 1 January 2005 this has had the effect of grossing up cash and borrowings by £66.4m.

The disclosures required by IFRS 1 are set out in note 33. This sets out the principal changes as a result of the transition to IFRS.

Changes in accounting standards

The Group has elected to early adopt the Amendment to IAS 19 Employee Benefits, thereby recognising the actuarial gains and losses in shareholders' equity in full in the period in which they arise.

In addition the Group adopted IFRS 4 Insurance Contracts and IFRS 5 Non-current Assets Held for Sale and Discontinued Operations from 1 January 2005. Neither of these standards has had any material impact on the Group's results or Financial position.

At the balance sheet date a number of IFRS and IFRIC interpretations were in issue but not yet effective, including IFRS 7 Financial Instruments: Disclosures, IFRIC 4 Determining Whether an Arrangement Contains a Lease and the Amendment to IAS 1 Presentation of Financial Statements Capital Disclosures. The Directors anticipate that the adoption of these standards and interpretations in future periods will not have a significant impact on the results or the financial position of the Group.

Accounting convention

The Financial statements have been prepared on the historical cost basis, except for the retention of some freehold properties and leasehold buildings at previously revalued amounts (which have been treated as deemed cost on transition to IFRS) and the measurement of certain balances at fair value as disclosed in the accounting policies below.

Basis of consolidation

The consolidated Financial statements comprise the Financial statements of the parent Company (Inchcape plc) and all of its subsidiary undertakings (defined as where the Group has control), together with the Group's share of the results of its joint ventures (defined as where the Group has joint control) and associates (defined as where the Group has significant influence but not control). The results of subsidiaries, joint ventures and associates are consolidated as of the same reporting date as the parent company, using consistent accounting policies.

The results of subsidiaries are consolidated using the purchase method of accounting from the date on which control of the net assets and operations of the acquired company are effectively transferred to the Group. Similarly, the results of subsidiaries disposed of cease to be consolidated from the date on which control of the net assets and operations are transferred out of the Group.

Investments in joint ventures and associates are accounted for using the equity method, whereby the Group's share of the post-acquisition profits or losses are recognised in the income statement, and its share of post-acquisition movements in shareholders' equity are recognised in shareholders' equity. If the Group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture or associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture or associate.

Foreign currency translation

Items included in the results of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated Financial statements are presented in sterling, which is Inchcape plc's functional and presentational currency.

In the individual entities, transactions in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the dates of the individual transactions. Monetary assets and liabilities denominated in foreign currencies are subsequently retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement, except those arising on long term foreign currency borrowings used to finance or hedge foreign currency investments which on consolidation are taken directly to shareholders' equity.

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date. The income statements of foreign operations are translated into sterling at the average for the period of the month end rates of exchange. Exchange differences arising from 1 January 2004 are recognised as a separate component of shareholders' equity. On disposal of a foreign operation any cumulative exchange differences held in shareholders' equity are transferred to the consolidated income statement.

Derivative financial instruments (up to 31 December 2004)

Derivative financial instruments are used to manage the Group's exposure to fluctuations in foreign currency exchange rates. Instruments accounted for as hedges are designated as hedges at the inception of the contracts. Gains and losses on foreign currency hedges are recognised on maturity of the underlying transaction. Currency swap agreements are retranslated at the rates ruling in the agreements with resulting gains and losses being offset against foreign exchange gains and losses on the related borrowings. Gains and losses on hedging instruments, which are cancelled due to the termination of the underlying exposure, are taken to the income statement immediately.

Derivative financial instruments (after 31 December 2004)

An outline of the objectives, policies and strategies pursued by the Group in relation to its financial instruments is set out in the Treasury management and policy section of the Financial review.

The Group uses derivative financial instruments such as foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are measured at fair value. The gains or losses on remeasurement are taken to the income statement except where the derivative is designated as a cash flow hedge. The fair value of a derivative financial instrument represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the forward rates of exchange prevailing at the balance sheet date.

For cash flow hedges that meet the conditions for hedge accounting, the portion of the gains or losses on the hedging instrument that are determined to be an effective hedge are recognised directly in shareholders' equity and the ineffective portion is recognised in the income statement. When the hedged firm commitment results in the recognition of a non-financial asset or a liability then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in shareholders' equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in shareholders' equity are transferred to the income statement in the same period in which the hedged firm commitment affects the income statement.

Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated, exercised or no longer qualifies for hedge accounting. At that point in time any cumulative gains or losses on the hedging instrument which have been recognised in shareholders' equity are kept in shareholders' equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the cumulative gains or losses that have been recognised in shareholders' equity are transferred to the income statement for the period.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

Accounting policies continued

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and directly attributable costs of the asset. Depreciation is based on cost less estimated residual value and is provided, except for freehold land which is not depreciated, on a straight line basis over the estimated useful life of the asset. For the following categories, the annual rates used are:

Freehold buildings and long leasehold buildings	2.0%
Short leasehold buildings	shorter of lease term or useful life
Plant, machinery and equipment	5.0% – 33.3%
Vehicles subject to residual value commitments	over the lease term

The assets' residual values and useful lives are reviewed at least at each balance sheet date.

Goodwill

Goodwill represents the excess of the cost of acquisition of a business combination over the Group's share of the fair value of identifiable net assets of the business acquired at the date of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. At the date of acquisition the goodwill is allocated to cash generating units for the purpose of impairment testing and is tested at least annually for impairment.

Gains and losses on disposal of a business include the carrying amount of goodwill relating to the business sold in determining the gain or loss on disposal, except for goodwill arising on business combinations on or before 31 December 1997, which has been deducted from shareholders' equity and remains indefinitely in shareholders' equity.

Other intangible assets

Intangible assets, when acquired separately from a business (including computer software), are carried at cost less accumulated amortisation and impairment losses. Amortisation is provided on a straight line basis to allocate the cost of the asset over its estimated useful life, which in the case of computer software is three to five years.

Intangible assets acquired as part of a business combination (including back orders and customer contracts) are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. These intangible assets are amortised over their estimated useful life.

Impairment

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. In addition, goodwill is tested at least annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, the latter being the higher of the asset's fair value less costs to sell and value in use. Value in use calculations are performed using cash flow projections, discounted at a pre-tax rate which reflects the asset specific risks and the time value of money.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises expenditure incurred in bringing inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Used vehicles are carried at the lower of cost or fair value less costs to sell, generally based on external market data available for used vehicles.

Vehicles held on consignment which are deemed in substance to be assets of the Group are included within inventories with the corresponding liability included within trade and other payables.

Stock holding costs are charged to finance costs.

Investments (up to 31 December 2004)

Both non-current and current asset investments are stated at cost, less provision for impairment.

Investments (after 31 December 2004)

The Group's investments are classified as available for sale or held to maturity (where management has a positive intention and ability to hold the asset to maturity).

Gains and losses on available for sale financial assets are recognised in shareholders' equity, until the investment is sold or is considered to be impaired, at which time the cumulative gain or loss previously reported in shareholders' equity is included in the income statement.

Held to maturity financial assets are carried at amortised cost.

Pensions and other post-retirement benefits

The Group operates a number of retirement benefit schemes.

The major schemes are defined benefit pension funds with assets held separately from the Group. The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial valuation method.

The current service cost and gains and losses on settlements and curtailments are included in cost of sales or operating expenses in the consolidated income statement. Past service costs are similarly included where the benefits have vested otherwise they are amortised on a straight line basis over the vesting period. The expected return on assets of funded defined benefit pension plans and the imputed interest on pension plan liabilities comprise the post-retirement benefit element of finance costs and finance income in the income statement.

Differences between the actual and expected return on assets, changes in the retirement benefit obligation due to experience and changes in actuarial assumptions are included in the statement of recognised income and expense in full in the period in which they arise.

The Group's contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate.

The Group also has a liability in respect of past employees under post-retirement healthcare schemes which have been closed to new entrants. These schemes are accounted for on a similar basis to that for defined benefit pension plans in accordance with the advice of independent qualified actuaries.

Share-based payments

The Group operates various share-based award schemes. The fair value at the date at which the share-based awards are granted is recognised in the income statement (together with a corresponding increase in shareholders' equity) on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. For equity settled share-based awards, the services received from employees are measured by reference to the fair value of the awards granted. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Leases

Finance leases, which transfer to the Group substantially all the risks and rewards of ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases.

Operating lease rental payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Revenue and cost of sales

Revenue from the sale of goods and services sold is measured at the fair value of consideration receivable, net of rebates and any discounts. It excludes sales related taxes and intra-Group transactions.

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. In practice this means that revenue is recognised when vehicles or parts are invoiced and physically dispatched or when the service has been undertaken.

Financial services interest and leasing income are included within revenue. Correspondingly, the interest expense in respect of financial services is treated as a cost of sale.

Profits arising on the sale of vehicles to a leasing company, sourced from within the Group, for which a Group company retains a residual value commitment to the leasing company, are recognised over the period of the lease. These vehicles are retained on the balance sheet within property, plant and equipment on the basis that the significant risks and rewards of ownership have not been transferred to the purchaser. The vehicles are written down to their residual value over the term of the lease with the corresponding deferred income included in trade and other payables and released to the income statement over the same period.

Dividend income is recognised when the right to receive payment is established.

Cost of sales includes the expense relating to the estimated cost of self-insured warranties offered to customers. These warranties form part of the package of goods and services provided to the customer when purchasing a vehicle and are not a separable product.

Accounting policies continued

Income tax

The charge for current income tax is based on the results for the period as adjusted for items which are not taxed or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is accounted for using the liability method in respect of temporary differences arising from differences between the tax bases of assets and liabilities and their carrying amounts in the Financial statements.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference is due to goodwill arising on a business combination, or to an asset or liability, the initial recognition of which does not affect either taxable or accounting income.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to shareholders' equity, in which case the deferred tax is also dealt with in shareholders' equity.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle balances net.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits.

In the consolidated cash flow statement, cash and cash equivalents comprise cash and cash equivalents, as defined above, net of bank overdrafts.

Offsetting (after 31 December 2004 only)

Balance sheet netting only occurs to the extent that there is the legal ability and intention to settle net. As such, bank overdrafts are presented in current liabilities to the extent that there is no intention to offset with the cash balance.

Provisions

Provisions are recognised when the Group has a present obligation in respect of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation and where the amount can be reliably estimated. Provisions are discounted when the time value of money is considered to be material.

Exceptional items

Items which are both material and non-recurring are presented as exceptional items within their relevant consolidated income statement category. The separate reporting of exceptional items helps provide a better indication of the Group's underlying business performance. Events which may give rise to the classification of items as exceptional include gains or losses on the disposal of businesses, restructuring of businesses, litigation and asset impairments.

Share capital

Ordinary shares are classified as equity. Where the Group purchases the Group's equity share capital (treasury shares), the consideration paid is deducted from equity attributable to equity holders of the parent until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in equity attributable to equity holders of the parent.

Dividends

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

Significant accounting judgements and estimates

Judgements

In the process of applying the Group's accounting policies, the Directors have made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial statements.

(i) Revenue recognition on vehicles subject to residual value commitments
Where the Group sells vehicles, sourced from within the Group, and retains a residual value commitment, the sale is not recognised on the basis that the Group has determined that it retains the significant risks and rewards of ownership of these vehicles.

(ii) Consignment stock
Vehicles held on consignment have been included in finished goods inventories on the basis that the Group has determined that it holds the significant risks and rewards attached to these vehicles.

Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Product warranty provision
The product warranty provision requires an estimation of the number of expected warranty claims, and the expected cost of labour and parts necessary to satisfy these warranty claims.

(ii) Pensions and other post-retirement benefits
The net retirement benefit liability is calculated based on a number of actuarial assumptions as detailed in note 5. A number of these assumptions involve a considerable degree of estimation, including the rate of inflation and expected mortality rates.

(iii) Tax
The Group is subject to income taxes in a number of jurisdictions. Some degree of estimation is required in determining the worldwide provision for income taxes. There are a number of transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

Notes to the accounts

1 Segmental analysis

Primary reporting format – geographical segments

The Group's primary reporting format is by geographical segments. This is in line with the current management structure which reflects the different risks associated with different territories. The Group is organised into six main geographical segments: Australia, Belgium, Greece, Hong Kong, Singapore and the United Kingdom.

The Group's geographical segments are based on the location of the Group's assets. Revenue earned from sales is disclosed by origin and is not materially different from revenue by destination.

Transfer prices between geographical segments are set on an arm's length basis.

For the year ended 31 December 2005	Australia £m	Belgium £m	Greece £m	Hong Kong £m	Singapore £m	United Kingdom £m	Other £m	Central £m	Total £m
Revenue									
Total revenue	**612.7**	**450.8**	**383.1**	**242.3**	**719.6**	**1,530.3**	**632.0**	**–**	**4,570.8**
Inter-segment revenue	**–**	**–**	**(82.7)**	**–**	**–**	**–**	**–**	**–**	**(82.7)**
Revenue from third parties	**612.7**	**450.8**	**300.4**	**242.3**	**719.6**	**1,530.3**	**632.0**	**–**	**4,488.1**
Results									
Operating profit before exceptional items	**31.9**	**14.0**	**13.8**	**28.8**	**62.1**	**29.2**	**28.4**	**(18.8)**	**189.4**
Exceptional items	**–**	**–**	**–**	**–**	**–**	**(19.5)**	**–**	**6.5**	**(13.0)**
Segment result	**31.9**	**14.0**	**13.8**	**28.8**	**62.1**	**9.7**	**28.4**	**(12.3)**	**176.4**
Share of profit after tax of joint ventures and associates	**–**	**0.7**	**1.1**	**3.0**	**–**	**1.2**	**0.2**	**–**	**6.2**
Profit before finance and tax	**31.9**	**14.7**	**14.9**	**31.8**	**62.1**	**10.9**	**28.6**	**(12.3)**	**182.6**
Finance income									**44.7**
Finance costs									**(50.0)**
Profit before tax									**177.3**
Tax									**(46.9)**
Profit for the year									**130.4**

As at 31 December 2005	Australia £m	Belgium £m	Greece £m	Hong Kong £m	Singapore £m	United Kingdom £m	Other £m	Unallocated £m	Total £m
Segment assets and liabilities									
Segment assets	**130.1**	**105.4**	**111.6**	**58.8**	**113.1**	**583.1**	**179.9**	**–**	**1,282.0**
Investment in joint ventures and associates	**–**	**3.5**	**3.7**	**32.6**	**–**	**4.6**	**0.3**	**–**	**44.7**
Cash and cash equivalents	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**309.0**	**309.0**
Other unallocated assets*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**37.4**	**37.4**
Total assets	**130.1**	**108.9**	**115.3**	**91.4**	**113.1**	**587.7**	**180.2**	**346.4**	**1,673.1**
Segment liabilities	**(148.8)**	**(69.6)**	**(136.5)**	**(22.6)**	**(43.1)**	**(324.5)**	**(75.4)**	**–**	**(820.5)**
External borrowings	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(151.0)**	**(151.0)**
Other unallocated liabilities*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(110.4)**	**(110.4)**
Total liabilities	**(148.8)**	**(69.6)**	**(136.5)**	**(22.6)**	**(43.1)**	**(324.5)**	**(75.4)**	**(261.4)**	**(1,081.9)**

*Other unallocated assets and liabilities include central provisions, tax, dividends and assets and liabilities not directly related to operating activities.

1 Segmental analysis continued

For the year ended 31 December 2005	Australia £m	Belgium £m	Greece £m	Hong Kong £m	Singapore £m	United Kingdom £m	Other £m	Central £m	Total £m
Other segment items									
Capital expenditure:									
– Property, plant and equipment	**2.0**	**0.8**	**0.7**	**1.4**	**2.2**	**46.0**	**10.0**	**0.4**	**63.5**
– Vehicles subject to residual value commitments	**–**	**2.3**	**10.9**	**–**	**–**	**21.3**	**0.9**	**–**	**35.4**
– Intangible assets	**–**	**0.4**	**0.4**	**–**	**0.2**	**0.9**	**0.3**	**–**	**2.2**
Depreciation:									
– Property, plant and equipment	**2.5**	**0.7**	**1.0**	**1.7**	**1.6**	**10.5**	**4.5**	**0.3**	**22.8**
– Vehicles subject to residual value commitments	**–**	**0.1**	**5.2**	**–**	**–**	**9.6**	**0.2**	**–**	**15.1**
Amortisation of intangible assets	**0.3**	**0.3**	**0.4**	**–**	**–**	**2.0**	**0.2**	**–**	**3.2**
Impairment of goodwill	**–**	**–**	**–**	**–**	**–**	**19.5**	**–**	**–**	**19.5**
Net provisions charged (released) to the income statement	**6.8**	**3.4**	**1.1**	**(0.3)**	**3.0**	**5.5**	**2.6**	**(6.5)**	**15.6**

For the year ended 31 December 2004	Australia £m	Belgium £m	Greece £m	Hong Kong £m	Singapore £m	United Kingdom £m	Other £m	Central £m	Total £m
Revenue									
Total revenue	567.3	462.7	404.2	237.2	652.5	1,331.3	520.5	–	4,175.7
Inter-segment revenue	–	–	(56.2)	–	–	–	–	–	(56.2)
Revenue from third parties	567.3	462.7	348.0	237.2	652.5	1,331.3	520.5	–	4,119.5
Results									
Operating profit before exceptional items	28.1	12.6	17.7	25.6	53.5	25.8	26.7	(17.9)	172.1
Exceptional items	0.6	(2.1)	0.1	–	–	(19.3)	0.3	9.8	(10.6)
Segment result	28.7	10.5	17.8	25.6	53.5	6.5	27.0	(8.1)	161.5
Share of profit after tax of joint ventures and associates	–	0.3	0.5	3.7	–	3.3	–	–	7.8
Profit before finance and tax	28.7	10.8	18.3	29.3	53.5	9.8	27.0	(8.1)	169.3
Finance income									31.2
Finance costs									(37.3)
Profit before tax									163.2
Tax									(43.6)
Profit for the year									119.6

Notes to the accounts continued

1 Segmental analysis continued

As at 31 December 2004	Australia £m	Belgium £m	Greece £m	Hong Kong £m	Singapore £m	United Kingdom £m	Other £m	Unallocated £m	Total £m
Segment assets and liabilities									
Segment assets	121.2	103.5	112.5	49.0	106.0	523.2	151.3	–	1,166.7
Investment in joint ventures and associates	–	2.5	2.4	33.2	–	4.1	–	–	42.2
Cash and cash equivalents	–	–	–	–	–	–	–	171.2	171.2
Other unallocated assets*	–	–	–	–	–	–	–	38.1	38.1
Total assets	121.2	106.0	114.9	82.2	106.0	527.3	151.3	209.3	1,418.2
Segment liabilities	(127.7)	(72.1)	(147.2)	(27.3)	(46.3)	(276.9)	(69.2)	–	(766.7)
External borrowings	–	–	–	–	–	–	–	(19.3)	(19.3)
Other unallocated liabilities*	–	–	–	–	–	–	–	(117.5)	(117.5)
Total liabilities	(127.7)	(72.1)	(147.2)	(27.3)	(46.3)	(276.9)	(69.2)	(136.8)	(903.5)

*Other unallocated assets and liabilities include central provisions, the VAT recovery, tax, dividends and assets and liabilities not directly related to operating activities.

For the year ended 31 December 2004	Australia £m	Belgium £m	Greece £m	Hong Kong £m	Singapore £m	United Kingdom £m	Other £m	Central £m	Total £m
Other segment items									
Capital expenditure:									
– Property, plant and equipment	2.8	0.9	1.1	1.6	1.7	23.6	7.5	0.9	40.1
– Vehicles subject to residual value commitments	–	–	9.2	–	–	20.2	1.4	–	30.8
– Intangible assets	0.2	0.3	0.5	–	–	2.2	–	0.1	3.3
Depreciation:									
– Property, plant and equipment	2.9	0.8	0.9	2.0	1.1	9.9	3.3	0.3	21.2
– Vehicles subject to residual value commitments	–	–	3.5	–	–	11.9	0.4	–	15.8
Amortisation of intangible assets	0.7	0.3	0.3	–	–	2.1	–	–	3.4
Impairment of goodwill	0.3	–	–	–	–	10.1	0.2	–	10.6
Net provisions charged (released) to the income statement	5.0	6.0	3.1	(0.2)	3.8	7.7	1.6	(8.7)	18.3

1 Segmental analysis continued

Secondary reporting format – business segments

The Group is organised into five main operating business segments: vertically integrated import, distribution and retail; import and distribution; retail; financial services; and other.

Vertically integrated import, distribution and retail comprises those businesses where the Group acts as the exclusive importer, distributor and retailer for its brand partners.

Import and distribution comprises those businesses where the Group acts as the exclusive importer and distributor for its brand partners.

Retail comprises those businesses where the Group acts as a retailer for its brand partners.

Financial services comprises the Group's leasing businesses and financial services joint ventures and associates, which provide retail finance to customers.

Other largely comprises the Group's business service activities, including logistics and refurbishment.

For the year ended 31 December 2005	Vertically integrated import, distribution and retail £m	Import and distribution £m	Retail £m	Financial services £m	Other £m	Central £m	Total £m
Revenue							
Total revenue	**1,143.8**	**1,449.6**	**2,063.4**	**55.8**	**73.9**	**–**	**4,786.5**
Inter-segment revenue	**–**	**(297.0)**	**–**	**–**	**(1.4)**	**–**	**(298.4)**
Revenue from third parties	**1,143.8**	**1,152.6**	**2,063.4**	**55.8**	**72.5**	**–**	**4,488.1**

As at 31 December 2005	Vertically integrated import, distribution and retail £m	Import and distribution £m	Retail £m	Financial services £m	Other £m	Unallocated £m	Total £m
Segment assets							
Segment assets	**230.2**	**277.2**	**623.1**	**111.5**	**40.0**	**–**	**1,282.0**
Investment in joint ventures and associates	**–**	**0.3**	**–**	**44.4**	**–**	**–**	**44.7**
Cash and cash equivalents	**–**	**–**	**–**	**–**	**–**	**309.0**	**309.0**
Other unallocated assets*	**–**	**–**	**–**	**–**	**–**	**37.4**	**37.4**
Total assets	**230.2**	**277.5**	**623.1**	**155.9**	**40.0**	**346.4**	**1,673.1**

*Other unallocated assets include assets not directly related to operating activities.

For the year ended 31 December 2005	Vertically integrated import, distribution and retail £m	Import and distribution £m	Retail £m	Financial services £m	Other £m	Central £m	Total £m
Other segment items							
Capital expenditure:							
– Property, plant and equipment	**8.1**	**3.6**	**39.1**	**4.6**	**7.7**	**0.4**	**63.5**
– Vehicles subject to residual value commitments	**–**	**2.3**	**5.0**	**28.1**	**–**	**–**	**35.4**
– Intangible assets	**0.2**	**0.6**	**1.1**	**0.1**	**0.2**	**–**	**2.2**

Notes to the accounts continued

1 Segmental analysis continued

For the year ended 31 December 2004	Vertically integrated import, distribution and retail £m	Import and distribution £m	Retail £m	Financial services £m	Other £m	Central £m	Total £m
Revenue							
Total revenue	1,044.9	1,463.4	1,711.1	63.8	114.1	–	4,397.3
Inter-segment revenue	–	(233.6)	–	–	(44.2)	–	(277.8)
Revenue from third parties	1,044.9	1,229.8	1,711.1	63.8	69.9	–	4,119.5

As at 31 December 2004	Vertically integrated import, distribution and retail £m	Import and distribution £m	Retail £m	Financial services £m	Other £m	Unallocated £m	Total £m
Segment assets							
Segment assets	202.1	280.5	518.3	106.9	58.9	–	1,166.7
Investment in joint ventures and associates	–	–	–	42.2	–	–	42.2
Cash and cash equivalents	–	–	–	–	–	171.2	171.2
Other unallocated assets*	–	–	–	–	–	38.1	38.1
Total assets	202.1	280.5	518.3	149.1	58.9	209.3	1,418.2

*Other unallocated assets include the VAT recovery and assets not directly related to the operating activities.

For the year ended 31 December 2004	Vertically integrated import, distribution and retail £m	Import and distribution £m	Retail £m	Financial services £m	Other £m	Central £m	Total £m
Other segment items							
Capital expenditure:							
– Property, plant and equipment	6.9	3.5	20.1	7.5	1.2	0.9	40.1
– Vehicles subject to residual value commitments	–	–	3.7	27.1	–	–	30.8
– Intangible assets	–	0.9	0.4	0.1	1.8	0.1	3.3

2 Exceptional items

	2005 £m	2004 £m
Net profit (loss) on sale and termination of operations:		
– Provision release arising from non-motors business exits	**6.5**	8.6
– MCL Group Limited and Automotive Group Limited	**–**	(5.8)
– Ferrari Belgium and UK	**–**	(5.3)
– Other	**–**	(0.5)
Total net profit (loss) on sale and termination of operations	**6.5**	(3.0)
Goodwill impairment – Inchcape Automotive Limited	**(19.5)**	(9.4)
VAT recovery	**–**	1.8
Total operating exceptional items	**(13.0)**	(10.6)
Share of exceptional property profit of associate	**–**	1.2
Exceptional finance income – VAT recovery	**–**	4.2
Tax on exceptional items	**–**	(0.5)
Total exceptional items	**(13.0)**	(5.7)

The goodwill impairment charge in the year relating to Inchcape Automotive Limited, reflects the continuing difficult trading conditions experienced by that business (note 11).

The release of provisions in the year arises from the settlement and expiry of a number of legal claims relating to non-motors business exits.

3 Revenue and expenses

a Revenue

An analysis of the Group's revenue for the year is as follows:

	2005 £m	2004 £m
Sale of goods	**4,133.7**	3,806.3
Rendering of services	**354.4**	313.2
	4,488.1	4,119.5

b Analysis of net operating expenses

	Net operating expenses before exceptional items 2005 £m	Exceptional items 2005 £m	Net operating expenses 2005 £m	Net operating expenses before exceptional items 2004 £m	Exceptional items 2004 £m	Net operating expenses 2004 £m
Distribution costs	**249.8**	**–**	**249.8**	229.2	–	229.2
Administrative expenses	**204.6**	**13.0**	**217.6**	190.8	12.4	203.2
Other operating income	**(3.1)**	**–**	**(3.1)**	(5.5)	(1.8)	(7.3)
	451.3	**13.0**	**464.3**	414.5	10.6	425.1

Notes to the accounts continued

3 Revenue and expenses continued

c Profit before tax is stated after the following charges (credits):

		2005 £m	2004 £m
(i)	Depreciation of property, plant and equipment:		
	– Owned assets	**22.3**	20.9
	– Assets held under finance lease	**0.5**	0.3
	– Vehicles subject to residual value commitments	**15.1**	15.8
	Amortisation of intangible assets	**3.2**	3.4
	Impairment of goodwill	**19.5**	10.6
	(Profit) loss on sale of property, plant and equipment	**(2.1)**	0.7
	Operating lease rentals	**32.4**	28.3
(ii)	**Auditors' remuneration**		
	UK statutory audit	**0.8**	0.7
	Overseas statutory audit	**0.7**	0.7
	Non-audit fees: tax advice (UK: £0.2m, 2004 – £0.3m)	**0.4**	0.5
	tax compliance (UK: £nil, 2004 – £nil)	**0.1**	0.1
	further assurance services (UK: £0.2m, 2004 – £0.3m)*	**0.4**	0.5
	Total PricewaterhouseCoopers LLP audit and non-audit fees	**2.4**	2.5
	Audit fees – firms other than PricewaterhouseCoopers LLP	**0.1**	0.1

*Further assurance services include £0.3m (2004 – £0.5m) in respect of the Group's IFRS conversion project.

(iii)	**Staff costs**	2005 £m	2004 £m
	Wages and salaries	**242.9**	219.1
	Social security costs	**26.5**	22.6
	Other pension costs	**11.2**	11.4
		280.6	253.1

Information on Directors' emoluments and interests, which forms part of these audited Financial statements, is given in the Board report on remuneration (the auditable part).

The average number of employees are as follows:

By geographical segment	2005 Number	2004 Number
Australia	**832**	799
Belgium	**311**	324
Greece	**422**	458
Hong Kong	**1,159**	1,156
Singapore	**773**	669
UK	**4,736**	4,554
Other	**2,125**	1,820
Total operational	**10,358**	9,780
Central	**67**	64
	10,425	9,844

3 Revenue and expenses continued

By business segment	2005 Number	2004 Number
Vertically integrated import, distribution and retail	**2,895**	2,742
Import and distribution	**893**	895
Retail	**5,320**	4,796
Financial services	**270**	288
Other	**980**	1,059
Total operational	**10,358**	9,780
Central	**67**	64
	10,425	9,844

4 Share-based payments

The terms and conditions of the Group's share-based payment plans are detailed in the Board report on remuneration.

The AL Incentive Plan (referred to in the Board report on remuneration) has been included within the Deferred Bonus Plan for the purposes of the disclosures below.

The expense arising from share-based payment transactions during the year is £2.9m (2004 – £1.7m), all of which is equity settled.

The following table sets out the movements in the number of share options and awards during the year.

	Weighted average exercise price*		Executive Share Option Plan		Save As You Earn Plan		Deferred Bonus Plan	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
Outstanding at 1 January	**£9.76**	£5.63	**1,813,740**	1,869,870	**581,267**	512,060	**187,752**	222,371
Granted during the year	**£19.78**	£14.64	**576,636**	685,796	**151,090**	273,430	**92,536**	63,935
Exercised during the year	**£6.51**	£4.02	**(566,035)**	(711,838)	**(167,276)**	(124,757)	**(62,257)**	(96,729)
Lapsed during the year	**£13.03**	£7.45	**(222,276)**	(30,088)	**(91,251)**	(79,466)	**(30,900)**	(1,825)
Outstanding at 31 December	**£13.96**	£9.76	**1,602,065**	1,813,740	**473,830**	581,267	**187,131**	187,752

* The weighted average exercise price excludes awards made under the Deferred Bonus Plan as there is no exercise price attached to these share awards.

Included in the table above are 174,626 (2004 – 889,422) share options outstanding at 31 December granted before 7 November 2002 which have been excluded from the share-based payments charge in accordance with the IFRS 2 transitional provisions.

The weighted average remaining contractual life for the share options outstanding at 31 December 2005 is 519 days (2004 – 543 days).

The range of exercise prices for options outstanding at the end of the year was £2.84 to £21.48 (2004 – £2.84 to £15.72). See note 24 for further details.

The fair value of equity-settled share options granted is estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the main inputs to the model for shares granted during the years ended 31 December 2005 and 31 December 2004:

	Executive Share Option Plan		Save As You Earn Plan		Deferred Bonus Plan	
	2005	2004	**2005**	2004	**2005**	2004
Weighted average share price at grant date	**£20.69**	£15.71	**£20.41**	£14.96	**£19.96**	£16.07
Weighted average exercise price	**£20.69**	£15.71	**£16.33**	£11.97	**n/a**	n/a
Vesting period	**3.0 years**	3.0 years	**3.0 years**	3.0 years	**3.0 years**	3.0 years
Expected volatility	**34.0%**	34.0%	**34.0%**	34.0%	**n/a**	n/a
Expected life of option	**4.0 years**	4.0 years	**3.2 years**	3.2 years	**3.0 years**	3.0 years
Weighted average risk free rate	**4.6%**	4.7%	**4.4%**	4.7%	**4.5%**	4.7%
Expected dividend yield	**2.5%**	2.5%	**2.5%**	2.5%	**2.5%**	2.5%
Weighted average fair value per option	**£5.63**	£4.34	**£5.30**	£3.93	**£19.96**	£16.07

The expected life and volatility of the options are based upon historical data.

5 Pensions and other post-retirement benefits

The Group operates a number of pension and post-retirement benefit schemes for its employees in a number of its subsidiaries.

The principal funds are held in the UK and are final salary defined benefit pension schemes. Most of the schemes have assets held in trust in separately administered funds although there are some minor unfunded arrangements relating to post-retirement health and medical plans in respect of past employees. There are no material defined contribution schemes in the UK.

The majority of the overseas defined benefit schemes are final salary schemes which provide a lump sum on retirement, some of which have assets held in trust in separately administered funds and others which are unfunded. The overseas defined contribution schemes are principally linked to local statutory arrangements.

a UK schemes

The UK has four main defined benefit schemes, namely the Inchcape Group (UK) Pension Scheme, the Inchcape Motors Pension Scheme, the Inchcape Overseas Pension Scheme and the TKM Group Pension Scheme. These schemes are considered below:

(i) *Open schemes*

Inchcape Group (UK) Pension Scheme

The latest triennial actuarial valuation for this scheme was carried out at 31 March 2003 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method. The majority of the scheme's liabilities are for pensioners and deferred pensioners, and therefore the investment strategy is to hold c. 45.0% of the scheme's assets in equities and c. 55.0% in bonds.

Inchcape Motors Pension Scheme

The latest triennial actuarial valuation for this scheme was carried out at 5 April 2003 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method. Whilst a majority of the scheme's members are pensioners and deferred pensioners, a sizeable portion of the membership is still accruing benefits and the investment strategy reflects this with c. 70.0% of the assets invested in equities.

Inchcape Overseas Pension Scheme

This scheme is managed from Guernsey and is therefore reported in the UK segment in this note. The latest triennial actuarial valuation for this scheme was carried out at 1 April 2003 and was determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method. A significant majority of the scheme's members are pensioners and deferred pensioners and therefore the majority of the assets are invested in bonds.

(ii) *Closed scheme*

TKM Group Pension Scheme

Following changes to pension legislation which introduced new powers to seek additional funding from the sponsoring group, the TKM Group Pension Scheme was included on the Group's balance sheet as from 31 December 2004. The latest triennial actuarial valuation for this closed scheme was carried out at 5 April 2004 on a market related basis and determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method. The scheme has a prudent investment strategy. As at 5 April 2004, the scheme had only 0.9% invested in equities with the remainder invested in bonds. Approximately half the members are pensioners and half are deferred pensioners and as such no further pension accrual arises.

b Overseas schemes

There are a number of smaller defined benefit schemes overseas, the most significant being the Inchcape Motors Limited Retirement Scheme in Hong Kong. In general these schemes offer a lump sum on retirement with no further obligation to the employee. These schemes are typically subject to triennial valuations.

c Defined contribution plans

The total expense recognised in the income statement is £2.4m (2004 – £2.1m). Outstanding contributions to defined contribution schemes are £nil (2004 – £0.1m).

5 Pensions and other post-retirement benefits continued

d Defined benefit plans

As the Group's principal defined benefit schemes are in the UK, these have been reported separately to the overseas schemes. For the purposes of reporting, actuarial updates have been obtained for the Group's material schemes and these updates are reflected in the amounts reported below.

The principal weighted average assumptions used by the actuaries were:

	United Kingdom		Overseas	
	2005 %	2004 %	**2005 %**	2004 %
Rate of increase in salaries	**4.7**	4.7	**4.7**	4.7
Rate of increase in pensions	**2.7**	2.7	**1.7**	1.6
Discount rate	**4.8**	5.3	**4.4**	3.9
Inflation	**2.7**	2.7	**0.7**	0.7
Expected return on plan assets	**5.4**	5.6	**6.3**	6.5

The rate of increase in healthcare cost is 4.5% (2004 – 4.7%) per annum but with higher increases in the first ten years.

Assumptions regarding future mortality experience are set based on published statistics and experience. For the UK schemes, the average life expectancy of a pensioner retiring at age 65 is 20.5 years (2004 – 19.9 years) for current pensioners and 22.0 years (2004 – 20.5 years) for current non pensioners. Most of the overseas schemes only offer a lump sum on retirement and therefore mortality assumptions are not applicable.

The expected return on plan assets is based on the weighted average expected return on each type of asset (principally equities and bonds). The overall expected return on plan assets is determined based on expected real rates of return on equities and expected yields on bonds applicable to the period over which the obligation is to be settled.

The liability recognised in the balance sheet is determined as follows:

	United Kingdom		Overseas		Total	
	2005 £m	2004 £m	**2005 £m**	2004 £m	**2005 £m**	2004 £m
Present value of funded obligations	**(717.4)**	(618.7)	**(27.5)**	(24.2)	**(744.9)**	(642.9)
Fair value of plan assets	**653.9**	592.7	**25.6**	20.5	**679.5**	613.2
Deficit in funded obligations	**(63.5)**	(26.0)	**(1.9)**	(3.7)	**(65.4)**	(29.7)
Irrecoverable surplus	**–**	(24.3)	**(0.3)**	(0.2)	**(0.3)**	(24.5)
Net deficit in funded obligations	**(63.5)**	(50.3)	**(2.2)**	(3.9)	**(65.7)**	(54.2)
Present value of unfunded obligations	**(2.5)**	(3.5)	**(1.2)**	(1.2)	**(3.7)**	(4.7)
	(66.0)	(53.8)	**(3.4)**	(5.1)	**(69.4)**	(58.9)

The amounts recognised in the income statement are as follows:

	United Kingdom		Overseas		Total	
	2005 £m	2004 £m	**2005 £m**	2004 £m	**2005 £m**	2004 £m
Current service cost	**(6.0)**	(6.8)	**(2.3)**	(2.1)	**(8.3)**	(8.9)
Past service cost	**(0.5)**	(0.4)	**–**	–	**(0.5)**	(0.4)
Interest expense on plan liabilities	**(32.4)**	(20.2)	**(1.0)**	(1.0)	**(33.4)**	(21.2)
Expected return on plan assets	**32.4**	20.4	**1.4**	1.3	**33.8**	21.7
	(6.5)	(7.0)	**(1.9)**	(1.8)	**(8.4)**	(8.8)

The actual return on plan assets amounts to £79.9m (2004 – £29.6m).

Notes to the accounts continued

5 Pensions and other post-retirement benefits continued

The totals in the previous table were included in the following income statement lines:

	Cost of sales		Distribution costs		Administrative expenses		Total	
	2005 £m	2004 £m	**2005 £m**	2004 £m	**2005 £m**	2004 £m	**2005 £m**	2004 £m
Current service cost	**(0.4)**	(0.3)	**(0.8)**	(0.7)	**(7.1)**	(7.9)	**(8.3)**	(8.9)
Past service cost	**–**	–	**–**	–	**(0.5)**	(0.4)	**(0.5)**	(0.4)
	(0.4)	(0.3)	**(0.8)**	(0.7)	**(7.6)**	(8.3)	**(8.8)**	(9.3)
Interest expense on plan liabilities							**(33.4)**	(21.2)
Expected return on plan assets							**33.8**	21.7
							(8.4)	(8.8)

The amounts recognised in the statement of recognised income and expense (SORIE) are as follows:

	United Kingdom		Overseas		Total	
	2005 £m	2004 £m	**2005 £m**	2004 £m	**2005 £m**	2004 £m
Actuarial gains and losses on liability:						
– Experience gains and losses	**0.3**	(0.2)	**0.1**	(0.5)	**0.4**	(0.7)
– Changes in assumptions	**(87.2)**	(16.6)	**1.1**	(0.7)	**(86.1)**	(17.3)
Actuarial gains and losses on assets:						
– Experience gains and losses	**45.7**	6.8	**0.4**	1.1	**46.1**	7.9
Reversal of irrecoverable surplus	**24.3**	–	**–**	–	**24.3**	–
	(16.9)	(10.0)	**1.6**	(0.1)	**(15.3)**	(10.1)

Analysis of the movement in the balance sheet net liability:

	United Kingdom		Overseas		Total	
	2005 £m	2004 £m	**2005 £m**	2004 £m	**2005 £m**	2004 £m
At 1 January	**(29.5)**	(42.5)	**(4.9)**	(5.5)	**(34.4)**	(48.0)
Amount recognised in income statement	**(6.5)**	(7.0)	**(1.9)**	(1.8)	**(8.4)**	(8.8)
Contributions by employer	**11.6**	6.1	**2.1**	2.2	**13.7**	8.3
Actuarial gains and losses recognised in SORIE	**(16.9)**	(10.0)	**1.6**	(0.1)	**(15.3)**	(10.1)
Recognition of TKM Group Pension Scheme	**–**	24.3	**–**	–	**–**	24.3
Unwinding of surplus	**(24.3)**	–	**–**	–	**(24.3)**	–
Other movements	**(0.4)**	(0.4)	**–**	–	**(0.4)**	(0.4)
Effect of foreign exchange rate changes	**–**	–	**–**	0.3	**–**	0.3
At 31 December	**(66.0)**	(29.5)	**(3.1)**	(4.9)	**(69.1)**	(34.4)
Irrecoverable surplus	**–**	(24.3)	**(0.3)**	(0.2)	**(0.3)**	(24.5)
	(66.0)	(53.8)	**(3.4)**	(5.1)	**(69.4)**	(58.9)

5 **Pensions and other post-retirement benefits** continued

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

	United Kingdom		Overseas		Total	
	2005 £m	2004 £m	**2005 £m**	2004 £m	**2005 £m**	2004 £m
At 1 January	**(622.2)**	(376.7)	**(25.4)**	(22.8)	**(647.6)**	(399.5)
Current service cost	**(6.0)**	(6.8)	**(2.3)**	(2.1)	**(8.3)**	(8.9)
Past service cost	**(0.5)**	(0.4)	**–**	–	**(0.5)**	(0.4)
Interest expense on plan liabilities	**(32.4)**	(20.2)	**(1.0)**	(1.0)	**(33.4)**	(21.2)
Actuarial gains and losses:						
– Experience gains and losses	**0.3**	(0.2)	**0.1**	(0.5)	**0.4**	(0.7)
– Changes in assumptions	**(87.2)**	(16.6)	**1.1**	(0.7)	**(86.1)**	(17.3)
Contributions by employees	**(2.0)**	(2.2)	**(0.1)**	(0.1)	**(2.1)**	(2.3)
Benefits paid	**30.5**	16.2	**1.1**	0.5	**31.6**	16.7
Recognition of TKM Group Pension Scheme	**–**	(214.9)	**–**	–	**–**	(214.9)
Other movements	**(0.4)**	(0.4)	**–**	–	**(0.4)**	(0.4)
Effect of foreign exchange rate changes	**–**	–	**(2.2)**	1.3	**(2.2)**	1.3
At 31 December	**(719.9)**	(622.2)	**(28.7)**	(25.4)	**(748.6)**	(647.6)

Changes in the fair value of the defined benefit asset are as follows:

	United Kingdom		Overseas		Total	
	2005 £m	2004 £m	**2005 £m**	2004 £m	**2005 £m**	2004 £m
At 1 January	**592.7**	334.2	**20.5**	17.3	**613.2**	351.5
Expected return on plan assets	**32.4**	20.4	**1.4**	1.3	**33.8**	21.7
Actuarial gains and losses:						
– Experience gains and losses	**45.7**	6.8	**0.4**	1.1	**46.1**	7.9
Contributions by employer	**11.6**	6.1	**2.1**	2.2	**13.7**	8.3
Contributions by employees	**2.0**	2.2	**0.1**	0.1	**2.1**	2.3
Benefits paid	**(30.5)**	(16.2)	**(1.1)**	(0.5)	**(31.6)**	(16.7)
Recognition of TKM Group Pension Scheme	**–**	239.2	**–**	–	**–**	239.2
Effect of foreign exchange rate changes	**–**	–	**2.2**	(1.0)	**2.2**	(1.0)
At 31 December	**653.9**	592.7	**25.6**	20.5	**679.5**	613.2
Irrecoverable surplus	**–**	(24.3)	**(0.3)**	(0.2)	**(0.3)**	(24.5)
Revised value at 31 December	**653.9**	568.4	**25.3**	20.3	**679.2**	588.7

At the balance sheet date, the percentage of the plan assets by category had been invested as follows:

	United Kingdom		Overseas		Total	
	2005 %	2004 %	**2005 %**	2004 %	**2005 %**	2004 %
Equities	**31.7**	29.2	**63.6**	64.4	**33.0**	30.4
Corporate bonds	**25.8**	27.5	**18.4**	21.0	**25.5**	27.3
Government bonds	**36.7**	39.3	**–**	0.5	**35.3**	38.0
Other	**5.8**	4.0	**18.0**	14.1	**6.2**	4.3
	100.0	100.0	**100.0**	100.0	**100.0**	100.0

Notes to the accounts continued

5 Pensions and other post-retirement benefits continued

The history of the plans for the current and previous year is as follows:

	United Kingdom		Overseas		Total	
	2005 £m	2004 £m	**2005 £m**	2004 £m	**2005 £m**	2004 £m
Present value of defined benefit obligation	**(719.9)**	(622.2)	**(28.7)**	(25.4)	**(748.6)**	(647.6)
Fair value of plan assets	**653.9**	592.7	**25.6**	20.5	**679.5**	613.2
Deficit	**(66.0)**	(29.5)	**(3.1)**	(4.9)	**(69.1)**	(34.4)
Irrecoverable surplus	**–**	(24.3)	**(0.3)**	(0.2)	**(0.3)**	(24.5)
Revised deficit	**(66.0)**	(53.8)	**(3.4)**	(5.1)	**(69.4)**	(58.9)
Experience adjustments on plan liabilities	**0.3**	(0.2)	**0.1**	(0.5)	**0.4**	(0.7)
Experience adjustments on plan assets	**45.7**	6.8	**0.4**	1.1	**46.1**	7.9

The cumulative actuarial gains and losses arising since 1 January 2004 recognised in shareholders' equity amounted to a £25.4m loss at 31 December 2005 (2004 – £10.1m loss).

The Group has agreed to pay c. £12.4m to its defined benefit plans in 2006, although funding discussions are ongoing with the trustees of a number of the Group's main schemes regarding the level of further contributions.

6 Finance income

	2005 £m	2004 £m
Bank interest receivable	**6.5**	4.1
Expected return on post-retirement plan assets	**33.8**	21.7
Other interest receivable	**4.4**	1.2
Finance income before exceptional finance income	**44.7**	27.0
Exceptional finance income – VAT recovery	**–**	4.2
Total finance income	**44.7**	31.2

7 Finance costs

	2005 £m	2004 £m
Bank interest payable	**2.8**	0.3
Stock holding interest	**8.7**	7.2
Interest expense on post-retirement plan liabilities	**33.4**	21.2
Other interest payable	**5.1**	8.6
Total finance costs	**50.0**	37.3

8 Tax

Analysis of tax charge for the year	2005 £m	2004 £m
Current tax:		
– UK corporation tax	**9.8**	12.4
– Double tax relief	**(8.7)**	(7.7)
	1.1	4.7
Overseas tax	**47.2**	44.6
	48.3	49.3
Adjustments to prior year liabilities:		
– UK	**0.2**	(0.1)
– Overseas	**(1.0)**	(0.6)
Current tax	**47.5**	48.6
Deferred tax (note 16)	**(0.6)**	(5.0)
Total tax charge	**46.9**	43.6

The tax charge for the year includes £nil in respect of exceptional items (2004 – £0.5m).

The effective tax rate for the year of 26.5% (2004 – 26.7%) is higher than the standard rate of tax as explained below. The standard rate comprises the average statutory rates across the Group, weighted in proportion to accounting profits.

	2005 £m	2004 £m
Profit before tax	**177.3**	163.2
Profit before tax multiplied by the standard rate of tax of 23.9% (2004 – 24.1%)	**42.4**	39.4
Effects of:		
– Untaxed provision releases	**(4.3)**	(2.8)
– Tax on goodwill	**5.4**	3.4
– Losses brought forward utilised in the year	**(0.6)**	(1.8)
– Unrelieved losses	**2.8**	2.4
– Permanent disallowable items	**3.1**	5.7
– Prior year items	**(0.8)**	(0.7)
– Withholding tax	**0.4**	0.3
– Other items	**–**	(1.1)
– Tax on share of profit of joint ventures and associates	**(1.5)**	(1.2)
Total tax charge	**46.9**	43.6

The subsidiaries Headline tax rate, defined as tax on profit before exceptional items and excluding the Group's share of profit after tax of joint ventures and associates, for the year is 25.5% (2004 – 26.6%).

Notes to the accounts continued

9 Earnings per share

	2005 £m	2004 £m
Profit for the year	**130.4**	119.6
Minority interests	**(3.8)**	(3.2)
Basic earnings	**126.6**	116.4
Exceptional items:		
– Group	**13.0**	10.6
– Joint ventures and associates	**–**	(1.2)
Exceptional finance income	**–**	(4.2)
Tax on exceptional items	**–**	0.5
Headline earnings	**139.6**	122.1
Basic earnings per share	**161.9p**	148.5p
Diluted earnings per share	**160.6p**	146.6p
Basic Headline earnings per share	**178.5p**	155.7p
Diluted Headline earnings per share	**177.1p**	153.7p

	2005 Number	2004 Number
Weighted average number of fully paid ordinary shares in issue during the year	**79,843,416**	79,241,664
Weighted average number of fully paid ordinary shares in issue during the year:		
– Held by the ESOP Trust	**(519,301)**	(840,828)
– Repurchased as part of the share buy back programme	**(1,114,068)**	–
Weighted average number of fully paid ordinary shares for the purposes of basic earnings per share	**78,210,047**	78,400,836
Dilutive effect of potential ordinary shares	**604,148**	1,019,268
Adjusted weighted average number of fully paid ordinary shares in issue during the year for the purposes of diluted earnings per share	**78,814,195**	79,420,104

Basic earnings per share is calculated by dividing the basic earnings for the year by the weighted average number of fully paid ordinary shares in issue during the year, less those shares held by the ESOP Trust and those repurchased as part of the share buy back programme.

Diluted earnings per share is calculated on the same basis as the basic earnings per share with a further adjustment to the weighted average number of fully paid ordinary shares to reflect the effect of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise share options and deferred bonus plan awards.

Headline earnings (which excludes exceptional items and any material impact on profits of not achieving hedge effectiveness under IAS 39) is adopted to assist the reader in understanding the underlying performance of the Group. Headline earnings per share is calculated by dividing the Headline earnings for the year by the weighted average number of fully paid ordinary shares in issue during the year, less those shares held by the ESOP Trust and those repurchased as part of the share buy back programme.

Diluted Headline earnings per share is calculated on the same basis as the basic Headline earnings per share with a further adjustment to the weighted average number of fully paid ordinary shares to reflect the effect of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise share options and deferred bonus plan awards.

10 Dividends

The following dividends were paid by the Group:

	2005 £m	2004 £m
Interim dividend for the six months ended 30 June 2005 of 19.0p per share (2004 – 15.0p per share)	**14.8**	11.8
Final dividend for the year ended 31 December 2004 of 35.0p per share (2003 – 26.0p per share)	**27.2**	20.4
	42.0	32.2

The final proposed dividend for the year ended 31 December 2005 of 38.0p per share has not been included as a liability as at 31 December 2005.

Dividends paid above exclude £1.2m (2004 – £0.4m) payable on treasury shares and shares held by the ESOP Trust.

11 Intangible assets

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1 January 2004	60.9	20.5	81.4
Businesses acquired	–	0.8	0.8
Additions	23.2	3.3	26.5
Disposals	(1.6)	(0.5)	(2.1)
Effect of foreign exchange rate changes	(0.4)	–	(0.4)
At 1 January 2005	**82.1**	**24.1**	**106.2**
Businesses acquired	**–**	**0.5**	**0.5**
Additions	**10.3**	**2.2**	**12.5**
Effect of foreign exchange rate changes	**1.2**	**0.1**	**1.3**
At 31 December 2005	**93.6**	**26.9**	**120.5**
Amortisation and impairment			
At 1 January 2004	–	(14.3)	(14.3)
Disposals	–	0.2	0.2
Amortisation charge for the year	–	(3.4)	(3.4)
Impairment charge for the year	(10.6)	–	(10.6)
Effect of foreign exchange rate changes	–	(0.1)	(0.1)
At 1 January 2005	**(10.6)**	**(17.6)**	**(28.2)**
Amortisation charge for the year	**–**	**(3.2)**	**(3.2)**
Impairment charge for the year	**(19.5)**	**–**	**(19.5)**
Effect of foreign exchange rate changes	**–**	**(0.1)**	**(0.1)**
At 31 December 2005	**(30.1)**	**(20.9)**	**(51.0)**
Net book value at 31 December 2005	**63.5**	**6.0**	**69.5**
Net book value at 31 December 2004	71.5	6.5	78.0

11 **Intangible assets** continued

Goodwill

Goodwill acquired in a business combination is allocated to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	2005 £m	2004 £m
UK Retail	**43.5**	34.6
Singapore	**14.2**	13.0
Inchcape Automotive Limited	**–**	19.5
Other	**5.8**	4.4
	63.5	71.5

Goodwill additions in 2005 arise mainly from the acquisition of six Mercedes-Benz dealerships in the UK (note 27).

Goodwill is now subject to impairment testing at least annually, or more frequently where there are indications that the goodwill may be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates, expected changes to costs and selling prices during the period and the continuing relationship with key brand partners. Management estimates discount rates using the weighted average cost of capital of the Group, adjusted for any risks specific to the CGUs. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial plans approved by management for the next three years. Cash flows beyond this period are extrapolated based on estimated growth rates that do not exceed the long term growth rate for the relevant market.

UK Retail

UK Retail CGUs are defined as contiguous territories by marque. Forecast cash flows for UK Retail, discounted at a pre-tax rate of 11.5%, are based on growth rates generally in excess of 4.5% for the first three years, and thereafter are based on the long term growth rate of the local economy of 2.6%.

Singapore

In Singapore, forecast cash flows reflect the anticipated softening of the vehicle market to more normalised levels level driven by reducing fiscal incentives in the region. The cash flows, discounted at a pre-tax rate of 10.8%, are still however substantially in excess of the carrying amount of the assets of the business. The long term growth rate applied is based upon the long term growth rate of the local economy of 2.0%.

Inchcape Automotive Limited

The forecast cash flows for the business show limited growth due to the continuing challenging market conditions and industry over capacity. These cash flows at 31 December 2005, which have been discounted at a pre-tax rate of 11.5%, did not support the carrying amount of the goodwill held by the Group and the full balance has been written off. The impairment charge of £19.5m is included within exceptional items in the income statement.

Other intangible assets

Other intangible assets principally comprise computer software. The amortisation charge is largely included within administrative expenses in the income statement.

Other intangible assets also include customer contracts and back orders recognised on the acquisition of a business.
These intangible assets are recognised at the fair value attributable to them on acquisition, and are amortised on a straight line basis over their useful life (usually up to one year).

12 Property, plant and equipment

	Freehold land and freehold and leasehold buildings £m	Plant, machinery and equipment £m	Subtotal £m	Vehicles subject to residual value commitments £m	Total £m
Cost					
At 1 January 2004	206.3	130.0	336.3	90.1	426.4
Businesses acquired	5.9	1.3	7.2	–	7.2
Businesses sold	(1.3)	(2.1)	(3.4)	–	(3.4)
Additions	15.2	24.9	40.1	30.8	70.9
Disposals	(3.6)	(16.3)	(19.9)	(46.7)	(66.6)
Effect of foreign exchange rate changes	(3.1)	(2.5)	(5.6)	0.6	(5.0)
At 1 January 2005	**219.4**	**135.3**	**354.7**	**74.8**	**429.5**
Businesses acquired	**15.3**	**2.3**	**17.6**	**0.2**	**17.8**
Businesses sold	**(1.8)**	**(0.4)**	**(2.2)**	**–**	**(2.2)**
Additions	**36.7**	**26.8**	**63.5**	**35.4**	**98.9**
Disposals	**(9.0)**	**(15.9)**	**(24.9)**	**(29.8)**	**(54.7)**
Transfer to joint venture	**–**	**(0.9)**	**(0.9)**	**–**	**(0.9)**
Effect of foreign exchange rate changes	**6.1**	**3.3**	**9.4**	**(0.7)**	**8.7**
At 31 December 2005	**266.7**	**150.5**	**417.2**	**79.9**	**497.1**
Depreciation					
At 1 January 2004	(24.4)	(81.9)	(106.3)	(27.9)	(134.2)
Businesses sold	0.1	1.5	1.6	–	1.6
Depreciation charge for the year	(4.8)	(16.4)	(21.2)	(15.8)	(37.0)
Disposals	2.3	11.5	13.8	20.2	34.0
Effect of foreign exchange rate changes	0.7	1.6	2.3	(0.3)	2.0
At 1 January 2005	**(26.1)**	**(83.7)**	**(109.8)**	**(23.8)**	**(133.6)**
Businesses sold	**0.4**	**0.3**	**0.7**	**–**	**0.7**
Depreciation charge for the year	**(6.6)**	**(16.2)**	**(22.8)**	**(15.1)**	**(37.9)**
Disposals	**1.0**	**8.4**	**9.4**	**14.1**	**23.5**
Transfer to joint venture	**–**	**0.4**	**0.4**	**–**	**0.4**
Effect of foreign exchange rate changes	**(1.2)**	**(2.3)**	**(3.5)**	**–**	**(3.5)**
At 31 December 2005	**(32.5)**	**(93.1)**	**(125.6)**	**(24.8)**	**(150.4)**
Net book value at 31 December 2005	**234.2**	**57.4**	**291.6**	**55.1**	**346.7**
Net book value at 31 December 2004	193.3	51.6	244.9	51.0	295.9

Certain subsidiaries have an obligation to repurchase, at a guaranteed residual value, vehicles which have been legally sold for leasing contracts. These assets are included in vehicles subject to residual value commitments in the table above.

Notes to the accounts continued

12 Property, plant and equipment continued

Assets held under finance leases have the following net book values:

	2005 £m	2004 £m
Leasehold buildings	**4.8**	1.7
Plant, machinery and equipment	**0.6**	0.4
	5.4	2.1

The book value of land and buildings is analysed between:

	2005 £m	2004 £m
Freehold	**186.3**	151.1
Leasehold with over fifty years unexpired	**14.6**	12.4
Short leasehold	**33.3**	29.8
	234.2	193.3

13 Investments in joint ventures and associates

Group's share of net assets of joint ventures and associates

	Joint ventures		Associates		Total	
	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m
Non-current assets	**174.0**	178.6	**14.8**	9.0	**188.8**	187.6
Current assets	**183.3**	115.3	**36.6**	41.9	**219.9**	157.2
Group's share of gross assets	**357.3**	293.9	**51.4**	50.9	**408.7**	344.8
Current liabilities	**(172.8)**	(136.3)	**(36.9)**	(39.2)	**(209.7)**	(175.5)
Non-current liabilities	**(144.2)**	(118.6)	**(10.1)**	(8.5)	**(154.3)**	(127.1)
Group's share of gross liabilities	**(317.0)**	(254.9)	**(47.0)**	(47.7)	**(364.0)**	(302.6)
Group's share of net assets	**40.3**	39.0	**4.4**	3.2	**44.7**	42.2
Group's share of results of joint ventures and associates						
Revenue	**20.0**	18.1	**3.9**	30.7	**23.9**	48.8
Expenses	**(13.6)**	(11.1)	**(2.7)**	(30.0)	**(16.3)**	(41.1)
Exceptional items	**–**	–	**–**	1.2	**–**	1.2
Net finance income	**–**	–	**–**	0.1	**–**	0.1
Profit before tax	**6.4**	7.0	**1.2**	2.0	**7.6**	9.0
Tax	**(1.1)**	(1.6)	**(0.3)**	0.4	**(1.4)**	(1.2)
Share of profit after tax of joint ventures and associates	**5.3**	5.4	**0.9**	2.4	**6.2**	7.8

Guarantees provided in respect of joint ventures and associates borrowings amount to £0.8m (2004 – £0.3m).

14 Other investments and available for sale financial assets

	Other investments £m	Available for sale financial assets £m	Total £m
Cost less provisions at 1 January 2004	14.5	–	14.5
Additions	4.5	–	4.5
Disposals	(5.1)	–	(5.1)
Reversal of provision	0.7	–	0.7
Cost less provisions at 31 December 2004	14.6	–	14.6
Reclassification on adoption of IAS 32 and IAS 39	(14.6)	14.6	–
Revaluation on adoption of IAS 32 and IAS 39	–	0.8	0.8
At 1 January 2005	**–**	**15.4**	**15.4**
Additions	**–**	**6.7**	**6.7**
Disposals	**–**	**(6.2)**	**(6.2)**
Net fair value gain transferred to shareholders' equity	**–**	**2.3**	**2.3**
Effect of foreign exchange rate changes	**–**	**(0.8)**	**(0.8)**
At 31 December 2005	**–**	**17.4**	**17.4**

Analysed as:

	Other investments		Available for sale financial assets	
	2005 £m	2004 £m	**2005 £m**	2004 £m
Non-current	**–**	11.9	**15.0**	–
Current	**–**	2.7	**2.4**	–
	–	14.6	**17.4**	–

Assets held are analysed as follows:

	Other investments £m	Available for sale financial assets £m	Total £m
Bonds	13.1	–	13.1
Other	1.5	–	1.5
At 31 December 2004	14.6	–	14.6
Bonds	**–**	**13.6**	**13.6**
Other	**–**	**3.8**	**3.8**
At 31 December 2005	**–**	**17.4**	**17.4**

At 31 December 2005 the bonds attracted a weighted average fixed interest rate of 5.4% and had a face value of £12.6m. The bonds are traded on active markets with coupons generally paid on an annual basis.

Other, includes equity securities and debentures that are not subject to interest rates and do not have fixed maturity dates. These are valued by reference to traded market values.

In accordance with IAS 32 and IAS 39, from 1 January 2005 available for sale financial assets are carried at fair value.

14 Other investments and available for sale financial assets continued

At 31 December 2005, available for sale financial assets subject to fixed interest rates are aged by maturity date as follows:

	Less than one year £m	Between one and two years £m	Between two and three years £m	Between three and four years £m	Between four and five years £m	Greater than five years £m	Total interest bearing £m
Available for sale financial assets	**1.3**	**1.5**	**0.5**	**0.6**	**0.3**	**9.4**	**13.6**

In certain jurisdictions, management holds bonds to offset future vehicle warranty obligations. To meet this requirement, management purchases and sells bonds regularly and does not usually hold the bonds to maturity. Accordingly, the maturity profile of the bonds is not necessarily an indication of when management intends to realise the associated future cash flows.

15 Trade and other receivables

	Current		Non-current	
	2005 £m	2004 £m	**2005 £m**	2004 £m
Trade receivables	**133.1**	111.2	**–**	–
Less: provision for impairment of trade receivables	**(4.7)**	(4.2)	**–**	–
Net trade receivables	**128.4**	107.0	**–**	–
Amounts receivable from related parties	**6.6**	6.9	**4.8**	5.4
Prepayments and accrued income	**50.6**	34.5	**0.2**	0.4
Other receivables	**35.5**	49.9	**17.4**	13.8
	221.1	198.3	**22.4**	19.6

Trade receivables are non-interest bearing and are generally on credit terms of thirty to sixty days.

Management considers the carrying amount of trade and other receivables to approximate to their fair value. Long term receivables have been discounted where the time value of money is considered to be material.

Concentration of credit risk with respect to trade receivables is very limited due to the Group's broad customer base.

16 Deferred tax

Deferred tax assets	Accelerated tax depreciation £m	Cash flow hedges £m	Tax losses £m	Provisions and other timing differences £m	Total £m
At 1 January 2005	0.3	–	1.7	18.8	20.8
Businesses acquired	–	–	–	(0.1)	(0.1)
Credited (charged) to the income statement	2.9	–	(0.3)	(0.6)	2.0
Credited to shareholders' equity	–	3.6	–	3.2	6.8
Reclassification from deferred tax liability	–	–	–	(6.3)	(6.3)
Effect of foreign exchange rate changes	–	–	–	0.2	0.2
At 31 December 2005	3.2	3.6	1.4	15.2	23.4

Deferred tax liabilities	Accelerated tax depreciation £m	Cash flow hedges £m	Tax losses £m	Provisions and other timing differences £m	Total £m
At 1 January 2005	–	–	–	14.8	14.8
Businesses acquired	–	–	–	1.9	1.9
Charged (credited) to the income statement	4.9	–	–	(3.5)	1.4
Charged to shareholders' equity	–	1.5	–	–	1.5
Reclassification to deferred tax asset	–	–	–	(6.3)	(6.3)
Effect of foreign exchange rate changes	–	–	–	0.2	0.2
At 31 December 2005	4.9	1.5	–	7.1	13.5

The deferred tax credited to shareholders' equity during the year comprised £2.1m in respect of cash flow hedges and £3.2m in respect of share-based payment transactions.

The Group has unrecognised deferred tax assets of £25.6m (2004 – £25.0m) that may improve the tax rate in future years. The majority of these relate to losses, mainly arising in the UK, with the balance relating to accelerated capital allowances and other short term timing differences. These assets are not recognised because they arise in statutory entities that are currently not forecast to make taxable profits. There are further potential deferred tax assets, relating to losses, of £14.0m (2004 – £14.0m) that are not recognised and are not considered to have any impact on the future tax charge because the possibility of accessing them is considered remote. These assets will only become recognisable if the relevant companies which hold them generate sufficient taxable profits. Of the unrecognised deferred tax assets that relate to tax losses, £6.5m (2004 – £5.5m) relate to restricted tax losses, the majority of which will not expire until after 2010.

The Group has unrecognised deferred tax assets of £69.0m (2004 – £69.0m) in relation to capital losses in addition to the unrecognised deferred tax assets relating to the tax losses noted above.

There are also losses in Belgium for which an asset of £1.4m (2004 – £1.7m) has been recognised, based on current forecast profits. A further asset of £nil (2004 – £0.4m) will only become recognisable if the relevant company which holds the losses generates sufficient taxable profits.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and joint ventures. The Group continually reinvests the earnings, or has plans to remit them and no tax is expected to be payable on them in the foreseeable future. If the earnings were remitted, tax of £20.3m (2004 – £16.5m) would be payable.

Notes to the accounts continued

17 Inventories

	2005 £m	2004 £m
Raw materials and work in progress	**3.0**	2.0
Finished goods and merchandise	**612.8**	575.1
	615.8	577.1

Vehicles held on consignment which are in substance assets of the Group amount to £68.7m (2004 – £49.2m). These have been included in finished goods and merchandise with the corresponding liability included within trade and other payables. Payment becomes due when title passes to the Group, which is generally the earlier of six months from delivery or the date of sale.

An amount of £22.2m (2004 – £22.0m) has been provided against the gross cost of inventory at the year end. The cost of inventories recognised as an expense in the year is £3,301.0m (2004 – £3,167.0m).

18 Derivative financial instruments

The Group has elected to apply the exemption available under IFRS 1 not to present comparative information, and to apply IAS 32 and IAS 39 prospectively from 1 January 2005. Accordingly, the 2004 comparatives have been presented in accordance with the UK GAAP standard FRS 13 Derivatives and Other Financial Instruments: Disclosures (note 23).

An outline of the objectives, policies and strategies pursued by the Group in relation to financial instruments in general is set out in the Treasury management and policy section of the Financial review.

The Group's derivative financial instruments comprise the following:

At 31 December 2005	**Assets £m**	**Liabilities £m**
Forward foreign exchange contracts	**2.1**	**12.6**

The Group principally uses forward foreign exchange contracts to hedge purchases in a non-functional currency against movements in exchange rates. The cash flows relating to these contracts are generally expected to occur within twelve months of the balance sheet date.

The nominal principal amounts of the outstanding forward foreign exchange contracts relating to transactional exposures at 31 December 2005 are £569.1m.

Net fair value gains and losses recognised in the hedging reserve in shareholders' equity (note 25) on forward foreign exchange contracts as at 31 December 2005 are expected to be released to the income statement within twelve months of the balance sheet date.

Derivative financial instruments are carried at their fair values. The fair value of forward foreign exchange contracts and foreign exchange swaps represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the spot rates of exchange prevailing at 31 December 2005.

19 Cash and cash equivalents

	2005 £m	2004 £m
Cash at bank and in hand	**217.5**	70.2
Short term bank deposits	**91.5**	101.0
	309.0	171.2

In 2004 the UK cash balance was reported net of bank overdrafts where the legal right of offset existed. On adoption of IAS 32, netting can only occur to the extent that there is both the legal ability and intention to settle net. Therefore although the UK cash balances are managed on a pooled basis and interest is charged or earned on a net basis, as there is no intention to settle net, this has resulted in a gross up of cash and cash equivalents and borrowings in 2005.

Cash and cash equivalents are generally subject to floating interest rates determined by reference to short term benchmark rates applicable in the relevant currency or market (primarily LIBOR or the local equivalent). At 31 December 2005 the weighted average floating rate was 4.0%.

At 31 December 2005, short term bank deposits have a weighted average period to maturity of twenty-seven days.

20 Trade and other payables

	Current		Non-current	
	2005 £m	2004 £m	2005 £m	2004 £m
Trade payables: payments received on account	**38.1**	34.1	**0.1**	0.1
other	**496.7**	485.0	**43.0**	30.7
Other taxation and social security payable	**17.4**	14.6	**1.2**	0.4
Accruals and deferred income	**125.7**	113.2	**0.9**	0.5
Amounts payable to related parties	**1.9**	1.6	**–**	–
Other payables	**8.4**	8.8	**0.1**	0.1
	688.2	657.3	**45.3**	31.8

At 31 December 2005, trade payables – other includes £292.4m of creditors where payment is made on deferred terms and is subject to a weighted average floating interest rate of 3.7%. This balance is expected to be settled within twelve months of the balance sheet date.

Management considers the carrying amount of trade and other payables to approximate to their fair value. Long term payables have been discounted where the time value of money is considered to be material.

Notes to the accounts continued

21 Provisions

	Product warranty £m	Motors business exits £m	Non-motors business exits £m	Vacant leasehold £m	Other £m	Total £m
At 1 January 2005	**38.8**	**4.7**	**16.7**	**5.0**	**11.3**	**76.5**
Charged to the income statement	**18.5**	**0.5**	**–**	**0.6**	**1.4**	**21.0**
Released to the income statement	**(5.3)**	**–**	**(6.5)**	**(0.3)**	**(2.8)**	**(14.9)**
Effect of unwinding of discount factor	**0.4**	**–**	**–**	**0.2**	**–**	**0.6**
Utilised during the year	**(13.6)**	**(3.2)**	**(7.2)**	**(0.1)**	**(1.3)**	**(25.4)**
Effect of foreign exchange rate changes	**0.5**	**–**	**–**	**–**	**(0.2)**	**0.3**
At 31 December 2005	**39.3**	**2.0**	**3.0**	**5.4**	**8.4**	**58.1**

Analysed as:

	2005 £m	2004 £m
Current	**22.5**	24.6
Non-current	**35.6**	51.9
	58.1	76.5

Product warranty

Certain Group companies provide self-insured extended warranties beyond those provided by the manufacturer, as part of the sale of the car. These are not separable products. The warranty periods covered are up to six years and/or specific mileage limits. Provision is made for the expected cost of labour and parts based on historical claims experience and expected future trends. These assumptions are reviewed regularly.

Motors business exits

This provision relates to business exits that are expected to be largely completed over the next two years.

Non-motors business exits

Provision has been made for warranties, indemnities and other litigation issues in relation to these exits, based on expected outcomes. During the year the Group came to a final settlement of the legal claims made by AON Corporation under an indemnity given in connection with the sale of Bain Hogg Limited in 1996.

Any detailed disclosure of the Group's outstanding claims could seriously prejudice negotiations. Accordingly, no information is given in regard to the likely timing or cash impact as normally required under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Vacant leasehold

The Group is committed to certain leasehold premises for which it no longer has a commercial use. These are principally located in the UK. Provision has been made to the extent of the estimated future net cost. This includes taking into account existing subtenant arrangements. The expected utilisation period of these provisions is generally over the next ten years.

Other

This category includes provision for the cost of implementing new European Block Exemption contracts throughout the dealer network in Belgium and a number of litigation provisions in respect of the exit of certain motor business dealerships. These are generally expected to be settled within the next three years.

22 Borrowings

	Floating rate £m	Floating rate Weighted average effective interest rate %	Fixed rate £m	Fixed rate Weighted average effective interest rate %	Total interest bearing £m	On which no interest is paid £m	2005 Total £m	2004 Total £m
Current								
Bank overdrafts	**143.1**	**5.2**	–	–	**143.1**	–	**143.1**	12.4
Bank loans	**1.8**	**4.8**	–	–	**1.8**	**0.1**	**1.9**	0.8
Loan notes	–	–	–	–	–	–	–	2.2
Finance leases	**0.2**	**5.1**	**0.2**	**9.2**	**0.4**	–	**0.4**	0.2
	145.1	**5.2**	**0.2**	**9.2**	**145.3**	**0.1**	**145.4**	15.6
Non-current								
Bank loans	–	–	–	–	–	**0.9**	**0.9**	1.4
Finance leases	**2.3**	**5.3**	**2.4**	**7.0**	**4.7**	–	**4.7**	2.3
	2.3	**5.3**	**2.4**	**7.0**	**4.7**	**0.9**	**5.6**	3.7
Total borrowings	**147.4**	**5.2**	**2.6**	**7.2**	**150.0**	**1.0**	**151.0**	19.3

In 2004, the UK bank overdrafts were reported net of cash where the legal right of offset existed. On adoption of IAS 32, netting can only occur to the extent that there is both the legal ability and intention to settle net. Therefore, although the UK cash balances are managed on a pooled basis and interest is charged or earned on a net basis, as there is no intention to settle net, this has resulted in a gross up of cash and cash equivalents and borrowings.

Interest payments on floating rate financial liabilities are determined by reference to short term benchmark rates applicable in the relevant currency or market (primarily LIBOR or the local equivalent).

The fair values of the Group's borrowings are not considered to be materially different from their book value.

As in 2004, the Group's borrowings are unsecured.

In July 2005, the Group amended its principal committed borrowing facility of £250.0m with a syndicated committed borrowing facility of £275.0m. The maturity of this facility has been extended for a further five years to 2010, with the option of a further extension to 2012. As at year end there were no drawings made under this facility. In addition, the relationship banks have made available uncommitted borrowing facilities, which are used for liquidity management purposes.

The table below sets out the maturity profile at 31 December 2005 of the Group's borrowings that are exposed to interest rate risk.

Fixed rate	Less than one year £m	Between one and two years £m	Between two and three years £m	Between three and four years £m	Between four and five years £m	Greater than five years £m	Total interest bearing £m
Finance leases	**0.2**	**0.1**	**0.1**	**0.1**	**0.1**	**2.0**	**2.6**
Floating rate							
Bank overdrafts	**143.1**	–	–	–	–	–	**143.1**
Bank loans	**1.8**	–	–	–	–	–	**1.8**
Finance leases	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**1.5**	**2.5**

Notes to the accounts continued

23 Financial instruments (2004 disclosures in accordance with UK GAAP)

Financial instruments are accounted for in accordance with IAS 32 and IAS 39 as from 1 January 2005. The transitional provisions of IFRS 1 require the presentation of one year of comparative information, but this information need not comply with IAS 32 and IAS 39. The information disclosed below is therefore presented under the UK GAAP standard FRS 13, although the underlying numbers have been adjusted from those previously reported under UK GAAP to comply with all IFRS applicable for 2004.

The main adjustments that would be required to give effect to IAS 32 and IAS 39 would be the recognition of a number of assets and liabilites (including derivatives) at their fair value on the balance sheet and the removal of the short term receivables and payables exemption that was permitted under FRS 13.

For the purposes of the disclosures which follow in this note, short term receivables and payables which arise directly from the Group's operations have been excluded as permitted under the terms of FRS 13. The disclosures therefore focus on those financial instruments which play a significant medium to long term role in the financial risk profile of the Group.

a Interest rate management

(i) The interest rate profile of the financial liabilities of the Group at 31 December 2004 is set out in the table below:

					Fixed rate	
Currency	Floating rate £m	Fixed rate £m	On which no interest is paid £m	Total £m	Weighted average interest rate %	Weighted average period for which rate is fixed Years
Sterling	10.5	2.4	14.9	27.8	7.5	80
Euro	0.4	0.1	10.3	10.8	7.0	4
Other	4.2	–	2.4	6.6	–	–
	15.1	2.5	27.6	45.2	7.5	77

Interest payments on floating rate financial liabilities are determined by reference to short term benchmark rates applicable in the relevant currency or market (primarily LIBOR and the euro).

The financial liabilities on which no interest is paid mainly comprise £15.6m of residual buy back commitments which have a weighted average period to maturity of twenty-two months and £4.7m of vacant leasehold property provisions which have a weighted average period to maturity of six years.

(ii) The interest rate profile of the financial assets of the Group at 31 December 2004 is set out in the table below:

					Fixed rate	
Currency	Floating rate £m	Fixed rate £m	On which no interest is paid £m	Total £m	Weighted average interest rate %	Weighted average period for which rate is fixed Years
Sterling	66.0	–	6.5	72.5	–	–
Euro	33.8	13.1	1.9	48.8	5.7	4
Singapore dollar	26.9	–	1.4	28.3	–	–
Hong Kong dollar	7.6	–	0.8	8.4	–	–
Other	26.3	–	9.4	35.7	–	–
	160.6	13.1	20.0	193.7	5.7	4

Interest receipts on floating rate financial assets are determined by reference to short term benchmark rates applicable in the relevant currency or market (primarily LIBOR and the euro and Singapore equivalents).

The financial assets on which no interest is paid mainly comprise £10.6m of short term bank deposits and £5.3m of rental income due on contracts in progress in UK leasing businesses which have a weighted average period to maturity of thirteen months.

23 Financial instruments (2004 disclosures in accordance with UK GAAP) continued

b Exchange risk management

There were no material unhedged monetary assets or liabilities that are not denominated in the functional currency of the relevant operating company within the Group.

c Fair values

There were no material differences between the book value and fair value of the Group's assets and liabilities other than the forward foreign exchange contracts on transactional exposures which had a book value of £nil and a fair value liability of £8.3m, and other investments which had a book value of £14.6m and a fair value of £15.4m at 31 December 2004.

The fair value of forward foreign exchange contracts of £8.3m represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the spot rates of exchange prevailing at 31 December 2004. At 31 December 2004 the Group had nominal amounts outstanding of £419.6m for these contracts, used principally to hedge future purchases in foreign currency.

The fair value of other investments is based upon their traded market value.

d Maturity of financial liabilities

	Borrowings and finance leases £m	Other financial liabilities £m	Total £m
Repayable within one year	15.6	1.9	17.5
Repayable over one year and up to two years	1.1	13.6	14.7
Repayable over two years and up to five years	0.8	8.2	9.0
Repayable beyond five years	1.8	2.2	4.0
Total financial liabilities	19.3	25.9	45.2

e Hedges

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on instruments used for hedging, and the movements therein, are as follows:

Unrecognised gains and losses on hedges	Gains £m	Losses £m	Net gains (losses) £m
Gains and losses on hedges at 1 January 2004	3.5	(17.9)	(14.4)
Gains and losses arising before 1 January 2004 that were recognised in 2004	(3.5)	17.9	14.4
Gains and losses arising in 2004 that were not recognised in that year	4.4	(12.7)	(8.3)
Gains and losses on hedges at 31 December 2004	4.4	(12.7)	(8.3)
Gains and losses expected to be recognised in 2005	4.4	(12.7)	(8.3)

24 Share capital

a Authorised

	Number of shares		Ordinary share capital	
	2005 Number	2004 Number	**2005 £m**	2004 £m
Ordinary share capital (150.0p per share)	**131,000,000**	131,000,000	**196.5**	196.5

b Allotted, called up and fully paid up

	Number of shares		Ordinary share capital	
	2005 Number	2004 Number	**2005 £m**	2004 £m
Ordinary shares of 150.0p each				
At 1 January	**79,656,577**	78,893,237	**119.5**	118.4
Allotted under share option schemes	**379,541**	763,340	**0.6**	1.1
At 31 December	**80,036,118**	79,656,577	**120.1**	119.5

c Substantial shareholdings

Details of substantial interests in the Company's issued ordinary share capital received by the Company at 5 March 2006 under the provisions of the Companies Act 1985 have been disclosed in the substantial shareholdings section of the Directors' report.

d Share buy back programme

During the year, the Group acquired 1,681,338 of its own shares through purchases on the London Stock Exchange. The total consideration paid was £31.0m and this has been deducted from the retained earnings reserve. The shares are held as treasury shares and may either be cancelled or used to satisfy share options at a later date.

24 **Share capital** continued

e **Share options**

At 31 December 2005, options to acquire ordinary shares of 150.0p each in the Company up to the following numbers under the schemes below were outstanding as follows:

Number of ordinary shares at 150.0p each	Exercisable until	Option price	Number of ordinary shares of 150.0p each	Exercisable until	Option price
The Inchcape 1999 Share Option Plan – approved (Part II – UK)			**The Inchcape SAYE Share Option Scheme – approved**		
119	9 August 2010	284.0p	124,298	1 December 2006	610.0p
2,604	21 March 2011	384.0p	131,104	1 December 2007	1171.0p
2,916	17 March 2012	685.0p	79,091	1 May 2008	1336.0p
4,477	15 October 2012	670.0p	77,397	1 December 2008	1645.0p
75,120	19 March 2013	762.0p	61,940	1 May 2009	1695.0p
2,688	7 August 2013	1116.0p			
4,874	31 August 2013	1231.0p			
73,751	20 May 2014	1572.0p			
14,146	29 September 2014	1555.0p			
53,801	6 March 2015	2056.0p			
10,233	11 September 2015	2148.0p			
– unapproved (Part I – UK)					
2,919	17 March 2012	685.0p			
92,537	15 October 2012	670.0p			
136,612	19 March 2013	762.0p			
896	7 August 2013	1116.0p			
2,436	31 August 2013	1231.0p			
250,467	20 May 2014	1572.0p			
7,458	29 September 2014	1555.0p			
223,324	6 March 2015	2056.0p			
70,529	11 September 2015	2148.0p			
– unapproved overseas (Part I – Overseas)					
2,577	7 September 2009	388.0p			
5,280	9 August 2010	284.0p			
29,946	21 March 2011	384.0p			
31,251	17 March 2012	685.0p			
129,348	19 March 2013	762.0p			
1,218	31 August 2013	1231.0p			
203,477	20 May 2014	1572.0p			
167,061	6 March 2015	2056.0p			

Included within the retained earnings reserve are 468,362 (2004 – 791,471) of own ordinary shares held by the ESOP Trust, a general discretionary trust whose beneficiaries include current and former employees of the Group and their dependants. The book value of these shares at 31 December 2005 was £5.3m (2004 – £5.4m). The market value of these shares at 31 December 2005 was £10.7m and at 3 March 2006 was £11.8m (31 December 2004 – £15.5m, 28 February 2005 – £16.3m).

Notes to the accounts continued

25 Reserves

a Consolidated statement of changes in equity

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Equity attributable to equity holders of the parent £m	Minority interest £m	Total shareholders' equity £m
At 1 January 2004	118.4	109.1	16.4	–	198.9	442.8	6.8	449.6
Total recognised income and expense for the year	–	–	–	(15.2)	106.5	91.3	3.0	94.3
Share-based payments charge	–	–	–	–	1.7	1.7	–	1.7
Net disposal of own shares by ESOP Trust	–	–	–	–	0.1	0.1	–	0.1
Dividends:								
– Equity holders of the parent	–	–	–	–	(32.2)	(32.2)	–	(32.2)
– Minority interests	–	–	–	–	–	–	(1.5)	(1.5)
Issue of ordinary share capital	1.1	1.6	–	–	–	2.7	–	2.7
At 31 December 2004	119.5	110.7	16.4	(15.2)	275.0	506.4	8.3	514.7
Adoption of IAS 32 and IAS 39	–	–	–	(5.0)	0.5	(4.5)	–	(4.5)
At 1 January 2005	**119.5**	**110.7**	**16.4**	**(20.2)**	**275.5**	**501.9**	**8.3**	**510.2**
Total recognised income and expense for the year	**–**	**–**	**–**	**33.3**	**110.9**	**144.2**	**4.2**	**148.4**
Share-based payments charge	**–**	**–**	**–**	**–**	**2.9**	**2.9**	**–**	**2.9**
Net disposal of own shares by ESOP Trust	**–**	**–**	**–**	**–**	**0.1**	**0.1**	**–**	**0.1**
Share buy back programme	**–**	**–**	**–**	**–**	**(31.0)**	**(31.0)**	**–**	**(31.0)**
Dividends:								
– Equity holders of the parent	**–**	**–**	**–**	**–**	**(42.0)**	**(42.0)**	**–**	**(42.0)**
– Minority interests	**–**	**–**	**–**	**–**	**–**	**–**	**(3.0)**	**(3.0)**
Issue of ordinary share capital	**0.6**	**1.8**	**–**	**–**	**–**	**2.4**	**–**	**2.4**
Tax on transactions with equity holders	**–**	**–**	**–**	**–**	**3.2**	**3.2**	**–**	**3.2**
At 31 December 2005	**120.1**	**112.5**	**16.4**	**13.1**	**319.6**	**581.7**	**9.5**	**591.2**

Cumulative goodwill of £108.1m (2004 – £108.1m) has been written off against the retained earnings reserve. In addition, the retained earnings reserve includes non-distributable reserves of £1.4m (2004 – £4.0m).

The principal impact of adopting IAS 32 and IAS 39 at 1 January 2005 relates to the accounting for derivative financial instruments. Under UK GAAP, derivatives taken out to hedge foreign currency exposures generally remained off balance sheet with the associated liability being booked at the forward contract rate. Under IFRS, the liability is booked at the spot rate and the derivative is initially recognised at fair value and subsequently remeasured to fair value with any movement being taken to the income statement unless designated and documented as being a hedge of a highly probable forecast transaction or commitment (cash flow hedge), in which case the gain or loss is taken to shareholders' equity until the hedged firm commitment affects the income statement.

The impact of these standards has been to reduce shareholders' equity by £4.5m at 1 January 2005.

25 **Reserves** continued

b **Other reserves**

	Available for sale reserve £m	Translation reserve £m	Hedging reserve £m	Total other reserves £m
At 1 January 2004	–	–	–	–
Effect of foreign exchange rate changes	–	(15.2)	–	(15.2)
At 31 December 2004	–	(15.2)	–	(15.2)
Adoption of IAS 32 and IAS 39	0.5	–	(5.5)	(5.0)
At 1 January 2005	**0.5**	**(15.2)**	**(5.5)**	**(20.2)**
Cash flow hedges:				
– Fair value losses	**–**	**–**	**(7.2)**	**(7.2)**
– Reclassified and reported in inventories	**–**	**–**	**5.7**	**5.7**
– Tax on cash flow hedges	**–**	**–**	**2.1**	**2.1**
Fair value gains on available for sale financial assets	**2.3**	**–**	**–**	**2.3**
Effect of foreign exchange rate changes	**–**	**30.4**	**–**	**30.4**
At 31 December 2005	**2.8**	**15.2**	**(4.9)**	**13.1**

Available for sale reserve

Gains and losses on available for sale financial assets are recognised in the available for sale reserve until the investment is sold or is considered to be impaired, at which time the cumulative gain or loss is included in the income statement.

Translation reserve

The foreign currency translation reserve is used to record exchange differences relating to the translation of the results of foreign subsidiaries arising after 1 January 2004. It is also used to record exchange differences arising on long term foreign currency borrowings used to finance or hedge foreign currency investments.

Hedging reserve

For cash flow hedges that meet the conditions for hedge accounting, the portion of the gains or losses on the hedging instrument that are determined to be an effective hedge are recognised directly in shareholders' equity. When the hedged firm commitment results in the recognition of a non-financial asset or liability then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in shareholders' equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

26 Notes to the cash flow statement

a Reconciliation of cash generated from operations

	2005 £m	2004 £m
Cash flows from operating activities		
Operating profit	**176.4**	161.5
Exceptional items	**13.0**	10.6
Amortisation (including non-exceptional impairment of intangible assets)	**3.2**	4.6
Depreciation	**22.8**	21.2
(Profit) loss on disposal of property, plant and equipment	**(2.1)**	0.7
Share-based payments charge	**2.9**	1.7
Increase in inventories	**(15.7)**	(38.0)
(Increase) decrease in trade receivables	**(17.6)**	11.0
Increase (decrease) in trade payables	**5.3**	(3.5)
Decrease in vehicles subject to residual value commitments	**4.5**	4.7
Payment in respect of termination of operations	**(1.3)**	(1.5)
Other items*	**4.0**	14.2
Cash generated from operations	**195.4**	187.2

*Net cash inflows for the year include £5.4m in respect of the exceptional VAT recovery (notes 2 and 6). Of this total, £1.8m is reported within Other items (2004 – £15.5m) and £3.6m is reported within Interest received shown on the face of the cash flow statement (2004 – £21.5m).

There were no cash flows associated with the current year exceptional items.

b Reconciliation of net cash flow to movement in net funds

	2005 £m	2004 £m
Net (decrease) increase in cash and cash equivalents	**(9.2)**	76.9
Net cash outflow from borrowings and finance leases	**2.5**	18.4
Change in net cash and debt resulting from cash flows	**(6.7)**	95.3
Effect of foreign exchange rate changes on net cash and debt	**16.3**	(13.1)
Net loans and finance leases relating to acquisitions	**(4.4)**	(7.4)
Movement in net funds	**5.2**	74.8
Opening net funds	**151.9**	77.1
Adoption of IAS 32 and IAS 39	**0.9**	–
Closing net funds	**158.0**	151.9

27 Acquisitions and disposals

Acquisitions

The Group acquired a number of businesses during the year, none of which was individually material. The consideration paid for these businesses was £23.9m (of which £0.9m is deferred). The provisional fair value of the total net assets acquired was £13.6m, with goodwill arising on these acquisitions of £10.3m. The consideration paid on acquisition of these businesses reported in the cash flow statement is net of cash and overdrafts acquired of £5.0m.

In addition, during the year the Group paid £0.7m deferred consideration on prior year acquisitions and £1.2m in respect of investments in joint ventures and associates.

Disposals

The Group disposed of a number of businesses during the year, none of which was individually material. The net disposal proceeds were £0.8m, which equalled the book value of the total net assets disposed of.

In addition, the Group paid a net £6.3m relating to prior year business disposals. The net cash outflow principally reflects payments made in respect of the non-motor business exits referred to in note 21.

28 Guarantees and contingencies

	2005 £m	2004 £m
Guarantees, performance bonds and contingent liabilities	**6.5**	7.0

The Group also has, in the ordinary course of business, commitments under foreign exchange instruments relating to the hedging of transactional exposures (note 18).

In September 2000, the European Parliament passed Directive 2000/53/EC which deals with the collection and disposal of vehicles at the end of their life. The Directive includes a retrospective liability for vehicles put on the road prior to July 2002. Member states were required to enact legislation by 21 April 2002. Legislation has now been enacted in all the Group's core markets in the EU, including the UK. In Belgium, Finland and Greece there are self-funding arrangements in place with independent companies which will result in a no cost solution for importers. Accordingly, having reviewed this matter and, based on the information currently available, the Directors consider that the implementation of the Directive will not have a material impact on the financial position of the Group.

29 Commitments

a Capital commitments

Contracts placed for future capital expenditure at the balance sheet date but not yet incurred are as follows:

	2005 £m	2004 £m
Property, plant and equipment	**14.9**	7.5
Vehicles subject to residual value commitments*	**65.3**	66.4
Intangible assets	**0.4**	0.5

*Residual value commitments comprise the total repurchase liability on all vehicles sold subject to a residual value commitment, of which £27.4m (2004 – £30.6m) has been included within trade and other payables.

29 Commitments continued

b Lease commitments

(i) Operating lease commitments – Group as lessee

The Group has entered into non-cancellable operating leases for various offices, warehouses and dealerships. These leases have varying terms, escalation clauses and renewal rights.

Future minimum lease payments under non-cancellable operating leases are as follows:

	2005 £m	2004 £m
Within one year	**30.0**	29.8
In two to five years	**67.3**	53.6
After five years	**76.4**	74.6
	173.7	158.0

(ii) Operating lease commitments – Group as lessor

The Group has entered into non-cancellable operating leases on a number of its vehicles. These leases have varying terms, escalation clauses and renewal rights.

Future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2005 £m	2004 £m
Within one year	**2.1**	2.2
In two to five years	**2.9**	2.8
After five years	**0.9**	2.1
	5.9	7.1

(iii) Finance leases and hire purchase contracts

The Group has finance leases and hire purchase contracts for various items of property, plant and equipment. These leases have varying terms, escalation clauses and renewal rights. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments (included within borrowings) are as follows:

	2005 £m	2004 £m
Minimum lease payments:		
– Within one year	**0.8**	0.4
– In two to five years	**2.0**	0.9
– After five years	**7.7**	3.6
Total minimum lease payments	**10.5**	4.9
Less: future finance charges	**(5.4)**	(2.4)
Present value of finance lease liabilities	**5.1**	2.5

30 Related party disclosures

a Principal subsidiaries and joint ventures

The consolidated Financial statements include the principal subsidiaries and joint ventures listed below:

	Country of incorporation	Shareholding	Description
Subsidiary			
Subaru (Australia) Pty Limited	Australia	90.0%	Import and distribution
Toyota Belgium NV/SA	Belgium	100.0%	Import and distribution
The Motor & Engineering Company of Ethiopia Ltd S.C.	Ethiopia	94.1%	Vertically integrated import, distribution and retail
Inchcape Motors Finland OY	Finland	100.0%	Import and distribution
Toyota Hellas SA	Greece	100.0%	Import and distribution
Crown Motors Limited	Hong Kong	100.0%	Vertically integrated import, distribution and retail
Borneo Motors (Singapore) Pte Ltd	Singapore	100.0%	Vertically integrated import, distribution and retail
Inchcape Automotive Limited	United Kingdom	100.0%	Vehicle logistics and refurbishments*
Inchcape Finance plc	United Kingdom	100.0%	Central treasury company**
Inchcape Fleet Solutions Limited	United Kingdom	100.0%	Financial services
Inchcape International Holdings Limited	United Kingdom	100.0%	Intermediate holding company**
Inchcape Retail Limited	United Kingdom	100.0%	Retail
The Cooper Group Limited	United Kingdom	100.0%	Retail
Joint venture			
Inchroy Credit Corporation Limited	Hong Kong	50.0%	Financial services

The ultimate parent company of the Group is Inchcape plc, a company incorporated in the UK and listed on the London Stock Exchange.

All shareholdings represent the ultimate interest of the Group in the respective company's ordinary shares, except for Inchroy Credit Corporation Limited, where the Group holds 50.0% of the company's non-voting deferred shares.

*Included within Other in business segmental analysis.
**Included within Central in business segmental analysis.

b Trading transactions

Intra-Group transactions have been eliminated on consolidation and are not disclosed in this note. Details of transaction between the Group and other related parties are disclosed below:

	Transactions		Amounts outstanding	
	2005	2004	**2005**	2004
Vehicles purchased from joint ventures and associates	**54.1**	56.8	**1.0**	1.0
Vehicles sold to joint ventures and associates	**354.5**	397.2	**2.2**	0.1
Other income paid to joint ventures and associates	**2.7**	2.5	**0.9**	0.6
Other income received from joint ventures and associates	**13.8**	11.1	**9.2**	12.7

All of the transactions arise in the ordinary course of business and are on an arm's length basis.

The amounts outstanding are unsecured and will be settled in cash. There have been no guarantees provided or received for any related party receivables. The Group has not raised any provision for doubtful debts relating to amounts owed by related parties (2004 – £nil).

Notes to the accounts continued

30 Related party disclosures continued

c Compensation of key management personnel

The remuneration of the Directors and other members of key management during the year was as follows:

	2005 £m	2004 £m
Short term employment benefits	**4.8**	5.2
Post-retirement benefits	**1.4**	1.0
Share-based payments	**2.1**	1.0
	8.3	7.2

The remuneration of the Directors and other key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends. Further details of emoluments paid to the Directors are included in the Board report on remuneration.

31 Foreign currency translation

The main exchange rates used for translation purposes are as follows:

	Average rates		Year end rates	
	2005	2004	**2005**	2004
Australian dollar	**2.38**	2.48	**2.34**	2.45
Euro	**1.46**	1.47	**1.46**	1.41
Hong Kong dollar	**14.16**	14.22	**13.31**	14.92
Singapore dollar	**3.02**	3.09	**2.85**	3.13

32 Events after the balance sheet date

On 22 February 2006, the Group announced the acquisition of Keystar Motors Pty Ltd to extend the Group's retail presence in Australia. The total cash consideration paid for the business was c. £8.8m.

On 6 March 2006, the Group announced its entry into the Russian market through a joint venture with the Independence Group of Companies for the retail and service of Toyota vehicles.

33 Reconciliations of UK GAAP to IFRS

The principal changes as a result of the transition to IFRS and of adopting the IFRS Group accounting policies are set out in the following reconciliations and described in the Impact of Transition.

The following tables show the impact of transition from UK GAAP to IFRS, and reconcile the balance sheet position as at the date of transition to IFRS (1 January 2004), and the income statement and balance sheet at the date of the last annual Financial statements reported under UK GAAP (31 December 2004).

33 Reconciliations of UK GAAP to IFRS continued

Balance sheet reconciliations

As at the date of transition to IFRS (1 January 2004)

	Reported under UK GAAP £m	Other intangible assets £m	Pensions £m	Contract hire £m	Property leases £m	Tax £m	Dividends £m	Other £m	Reported under IFRS £m
Non-current assets									
Goodwill	60.9	–	–	–	–	–	–	–	60.9
Other intangible assets	–	6.2	–	–	–	–	–	–	6.2
Property, plant and equipment	272.9	(6.2)	–	51.2	(26.6)	–	–	0.9	292.2
Investments:									
– Joint ventures and associates	66.6	–	–	–	–	–	–	0.2	66.8
– Other	11.9	–	–	–	–	–	–	–	11.9
Trade and other receivables	8.9	–	–	(0.8)	14.5	–	–	–	22.6
Deferred tax assets	2.4	–	–	–	–	14.3	–	–	16.7
	423.6	**–**	**–**	**50.4**	**(12.1)**	**14.3**	**–**	**1.1**	**477.3**
Current assets									
Inventories	597.8	–	–	(74.9)	–	–	–	–	522.9
Trade and other receivables	235.0	–	–	–	0.3	0.2	–	0.2	235.7
Investments – other	2.7	–	–	–	–	–	–	–	2.7
Cash and cash equivalents	102.9	–	–	–	–	–	–	–	102.9
	938.4	**–**	**–**	**(74.9)**	**0.3**	**0.2**	**–**	**0.2**	**864.2**
Total assets	**1,362.0**	**–**	**–**	**(24.5)**	**(11.8)**	**14.5**	**–**	**1.3**	**1,341.5**
Current liabilities									
Borrowings	(23.2)	–	–	–	–	–	–	–	(23.2)
Trade and other payables	(709.1)	–	–	47.9	–	(0.2)	20.5	0.2	(640.7)
Provisions	(20.0)	–	–	(0.7)	–	–	–	–	(20.7)
	(752.3)	**–**	**–**	**47.2**	**–**	**(0.2)**	**20.5**	**0.2**	**(684.6)**
Non-current liabilities									
Borrowings	(0.6)	–	–	–	–	–	–	(2.0)	(2.6)
Trade and other payables	(56.5)	–	–	(23.3)	–	–	–	(0.5)	(80.3)
Provisions	(67.0)	–	7.3	(1.5)	–	–	–	(0.1)	(61.3)
Deferred tax liabilities	–	–	–	–	–	(15.1)	–	–	(15.1)
Retirement benefit liability	–	–	(48.0)	–	–	–	–	–	(48.0)
	(124.1)	**–**	**(40.7)**	**(24.8)**	**–**	**(15.1)**	**–**	**(2.6)**	**(207.3)**
Total liabilities	**(876.4)**	**–**	**(40.7)**	**22.4**	**–**	**(15.3)**	**20.5**	**(2.4)**	**(891.9)**
Net assets	**485.6**	**–**	**(40.7)**	**(2.1)**	**(11.8)**	**(0.8)**	**20.5**	**(1.1)**	**449.6**
Shareholders' equity									
Share capital	118.4	–	–	–	–	–	–	–	118.4
Reserves	360.6	–	(40.7)	(2.1)	(11.8)	(0.8)	20.3	(1.1)	324.4
	479.0	**–**	**(40.7)**	**(2.1)**	**(11.8)**	**(0.8)**	**20.3**	**(1.1)**	**442.8**
Minority interests	6.6	–	–	–	–	–	0.2	–	6.8
	485.6	**–**	**(40.7)**	**(2.1)**	**(11.8)**	**(0.8)**	**20.5**	**(1.1)**	**449.6**

Notes to the accounts continued

33 Reconciliations of UK GAAP to IFRS continued

As at the date reported in the last annual Financial statements prepared under UK GAAP (31 December 2004)

	Reported under UK GAAP £m	Goodwill £m	Other intangible assets £m	Pensions £m	Contract hire £m	Property leases £m	Tax £m	Dividends £m	Other £m	Reported under IFRS £m
Non-current assets										
Goodwill	67.6	4.2	(0.8)	–	–	–	0.5	–	–	71.5
Other intangible assets	–	–	6.5	–	–	–	–	–	–	6.5
Property, plant and equipment	281.7	–	(6.3)	–	44.7	(25.1)	–	–	0.9	295.9
Investments:										
– Joint ventures and associates	41.0	–	–	–	–	–	–	1.1	0.1	42.2
– Other	11.9	–	–	–	–	–	–	–	–	11.9
Trade and other receivables	8.9	–	–	–	(0.6)	11.3	–	–	–	19.6
Deferred tax assets	9.3	–	–	–	–	–	11.5	–	–	20.8
	420.4	**4.2**	**(0.6)**	**–**	**44.1**	**(13.8)**	**12.0**	**1.1**	**1.0**	**468.4**
Current assets										
Inventories	643.6	–	–	–	(66.4)	–	–	–	(0.1)	577.1
Trade and other receivables	197.3	–	–	–	–	2.6	–	(1.1)	–	198.8
Investments – other	2.7	–	–	–	–	–	–	–	–	2.7
Cash and cash equivalents	171.2	–	–	–	–	–	–	–	–	171.2
	1,014.8	**–**	**–**	**–**	**(66.4)**	**2.6**	**–**	**(1.1)**	**(0.1)**	**949.8**
Total assets	**1,435.2**	**4.2**	**(0.6)**	**–**	**(22.3)**	**(11.2)**	**12.0**	**–**	**0.9**	**1,418.2**
Current liabilities										
Borrowings	(15.6)	–	–	–	–	–	–	–	–	(15.6)
Trade and other payables	(739.3)	–	–	–	8.8	–	–	28.2	0.1	(702.2)
Provisions	(24.1)	–	–	–	(0.5)	–	–	–	–	(24.6)
	(779.0)	**–**	**–**	**–**	**8.3**	**–**	**–**	**28.2**	**0.1**	**(742.4)**
Non-current liabilities										
Borrowings	(1.8)	–	–	–	–	–	–	–	(1.9)	(3.7)
Trade and other payables	(45.0)	–	–	–	13.3	–	–	–	(0.1)	(31.8)
Provisions	(58.2)	–	–	7.3	(1.1)	–	–	–	0.1	(51.9)
Deferred tax liabilities	–	–	–	–	–	–	(14.8)	–	–	(14.8)
Retirement benefit liability	–	–	–	(58.9)	–	–	–	–	–	(58.9)
	(105.0)	**–**	**–**	**(51.6)**	**12.2**	**–**	**(14.8)**	**–**	**(1.9)**	**(161.1)**
Total liabilities	**(884.0)**	**–**	**–**	**(51.6)**	**20.5**	**–**	**(14.8)**	**28.2**	**(1.8)**	**(903.5)**
Net assets	**551.2**	**4.2**	**(0.6)**	**(51.6)**	**(1.8)**	**(11.2)**	**(2.8)**	**28.2**	**(0.9)**	**514.7**
Shareholders' equity										
Share capital	119.5	–	–	–	–	–	–	–	–	119.5
Reserves	424.0	4.2	(0.6)	(51.6)	(1.8)	(11.2)	(2.8)	27.6	(0.9)	386.9
	543.5	**4.2**	**(0.6)**	**(51.6)**	**(1.8)**	**(11.2)**	**(2.8)**	**27.6**	**(0.9)**	**506.4**
Minority interests	7.7	–	–	–	–	–	–	0.6	–	8.3
	551.2	**4.2**	**(0.6)**	**(51.6)**	**(1.8)**	**(11.2)**	**(2.8)**	**28.2**	**(0.9)**	**514.7**

33 Reconciliations of UK GAAP to IFRS continued

Income statement reconciliation

As for the year reported in the last annual Financial statements prepared under UK GAAP (31 December 2004)

	Reported under UK GAAP £m	Share-based payments £m	Goodwill £m	Other intangible assets £m	Pensions £m	Contract hire £m	Property leases £m	Stock holding interest £m	Tax £m	Other £m	Reported under IFRS £m
Revenue (excluding joint ventures and associates)	**4,122.7**	**–**	**–**	**–**	**–**	**(3.1)**	**–**	**–**	**–**	**(0.1)**	**4,119.5**
Operating expenses	(3,959.8)	(0.1)	4.2	(0.6)	(1.3)	2.7	0.3	7.2	–	–	(3,947.4)
Exceptional items	(16.6)	–	6.0	–	–	–	–	–	–	–	(10.6)
Operating profit	**146.3**	**(0.1)**	**10.2**	**(0.6)**	**(1.3)**	**(0.4)**	**0.3**	**7.2**	**–**	**(0.1)**	**161.5**
Share of profit after tax of joint ventures and associates	7.9	–	–	–	–	–	–	–	–	(0.1)	7.8
Profit before finance and tax	**154.2**	**(0.1)**	**10.2**	**(0.6)**	**(1.3)**	**(0.4)**	**0.3**	**7.2**	**–**	**(0.2)**	**169.3**
Net finance costs	(0.1)	–	–	–	0.5	0.8	–	(7.2)	–	(0.1)	(6.1)
Profit before tax	**154.1**	**(0.1)**	**10.2**	**(0.6)**	**(0.8)**	**0.4**	**0.3**	**–**	**–**	**(0.3)**	**163.2**
Tax	(41.6)	–	–	–	–	–	–	–	(2.0)	–	(43.6)
Profit for the year	**112.5**	**(0.1)**	**10.2**	**(0.6)**	**(0.8)**	**0.4**	**0.3**	**–**	**(2.0)**	**(0.3)**	**119.6**

Reconciliation of UK GAAP presentation of joint ventures and associates to IFRS presentation

	£m
Share of operating profit of joint ventures	7.1
Share of operating profit of associates	0.7
	7.8
Share of exceptional item of associates	1.2
Share of net finance income of associates	0.1
Share of tax of joint ventures and associates	(1.2)
Share of profit after tax of joint ventures and associates	7.9

33 Reconciliations of UK GAAP to IFRS continued

Impact of transition

Share-based payments

Under UK GAAP, a charge was only incurred in respect of the deferred bonus plan. Under IFRS 2 and the transitional exemption permitted by IFRS 1, the Group has recognised a charge reflecting the fair value of all outstanding equity settled share-based awards granted to employees after 7 November 2002. The fair value has been calculated using an option pricing model and is charged to the income statement over the relevant option vesting period.

The impact of this change has been to increase the charge to operating profit by £0.1m for the year ended 31 December 2004. The limited impact of IFRS 2 in 2004 is largely a consequence of the different period over which the deferred bonus plan charge is spread under IFRS versus UK GAAP and the fact that only options granted after 7 November 2002 give rise to a charge under IFRS 2. The 2004 charge is not necessarily representative of the ongoing impact under IFRS 2.

Goodwill

Under UK GAAP, capitalised goodwill was amortised over its useful economic life of up to twenty years and goodwill previously written off to shareholders' equity was recycled in the income statement as part of the profit or loss on disposal of a business.

Under IFRS, capitalised goodwill is not amortised but is instead tested at least annually for impairment. Of the £5.5m amortisation charge for the year ended 31 December 2004 under UK GAAP, £4.2m has been reversed under IFRS with the balance of £1.3m being treated as an impairment of goodwill.

A goodwill impairment charge of £9.4m was charged in the year ended 31 December 2004 as an exceptional item under UK GAAP. This has been treated in the same way under IFRS.

In addition, goodwill arising on business combinations on or before 31 December 1997 has been deducted from shareholders' equity. This amounted to £114.4m at 1 January 2004 and will not be recycled through the income statement on disposal. As such, goodwill of £6.0m previously recycled to the income statement on disposal has been reversed for the year ended 31 December 2004.

As permitted by IFRS 1, the Group has chosen to apply IFRS 3 prospectively from 1 January 2004 and has not restated previous business combinations. Goodwill is therefore stated at 1 January 2004 at its UK GAAP carrying value of £60.9m.

Other intangible assets

IAS 38 Intangible Assets requires computer software to be shown as an intangible asset rather than as property, plant and equipment as under UK GAAP. This has had no impact on the measurement of the asset and the same amortisation policy applies. This has resulted in a reclassification of £6.2m from property, plant and equipment to intangible assets at 1 January 2004 and £6.3m at 31 December 2004.

IAS 38 and IFRS 3 require intangible assets acquired as part of a business combination to be separately identified from goodwill. During 2004, the Group acquired various UK dealerships which gave rise to such intangible assets, and this has resulted in a reclassification of £0.8m from goodwill to other intangible assets. Of this balance, £0.6m had been amortised by 31 December 2004.

Pension and other post-retirement benefits

Under UK GAAP, post-retirement benefit schemes were accounted for in line with SSAP 24 Accounting for Pension Costs which required defined benefit scheme costs to be included within operating expenses, with variations from the regular cost spread over the expected remaining service lives of employees.

FRS 17 Retirement Benefits disclosures were provided in the Financial statements for the Group's major defined benefit schemes, namely those in the UK and Hong Kong. FRS 17 is broadly similar to IAS 19.

IAS 19 requires separate recognition of the operating and financing costs of defined benefit pension schemes in the income statement and permits a number of options for the recognition of actuarial gains and losses. The Group has adopted the IFRS 1 transitional exemption and recognised the full actuarial pension deficit in shareholders' equity at the date of transition.

The Group has recognised actuarial gains and losses immediately in the statement of recognised income and expense following the amendment made to IAS 19.

The impact of this policy is to recognise an additional pension liability, net of deferred tax, of £40.7m in the Group's IFRS opening balance sheet at 1 January 2004 and £51.6m at 31 December 2004.

The impact of the policy on operating profit for the year ended 31 December 2004 is a reduction of £1.3m, with a £0.5m decrease in net finance costs, giving a net charge of £0.8m in the income statement.

33 Reconciliations of UK GAAP to IFRS continued

Contract hire

Under UK GAAP, the profit on the initial sale of vehicles to a leasing company where the Group retained a residual value commitment to the leasing company was recognised immediately. All vehicles (whether they were sourced from within or outside the Group) where a residual value commitment existed were included in inventories at the guaranteed repurchase price with the corresponding repurchase liability included in trade and other payables.

Under IAS 18 Revenue, profits arising on the sale of vehicles, sourced from within the Group, for which a Group company retains a residual value commitment, are recognised over the term of the lease. These vehicles are disclosed as a separate category of asset within property, plant and equipment in the balance sheet with the corresponding liability included in trade and other payables. This has resulted in a decrease in net assets of £1.3m at 1 January 2004 and £1.2m at 31 December 2004, and an increase in operating profit of £0.1m for the year ended 31 December 2004.

In addition, under UK GAAP, rental income earned from the leasing business which was receivable at the end of the lease was not discounted whereas IFRS requires the time value of money to be reflected in the amount recorded. This has given rise to a reduction in revenue of £0.5m for the year ended 31 December 2004, offset by the unwind of the discount of £0.8m. This has resulted in a net credit to the income statement of £0.3m for the year ended 31 December 2004. The associated decrease in trade and other receivables was £0.8m at 1 January 2004 and £0.6m at 31 December 2004.

Property leases

Under UK GAAP, property leases covering both land and buildings were treated as a single lease. Under IAS 17 Leases, the land and buildings element of each lease must be separated with the land element generally treated as an operating lease as it is considered to have an infinite life. Leasehold land has therefore been reclassified, at historic cost, from property, plant and equipment to trade and other receivables with a reversal of any associated historic revaluation. This has resulted in a decrease in net assets of £11.8m at 1 January 2004 and £11.2m at 31 December 2004.

The adjustment has decreased the charge to operating profit by £0.3m for the year ended 31 December 2004, reflecting the reduced depreciation charge following the reversal of the revalued element of the asset.

Stock holding interest

Under UK GAAP, the cost of supplier related credit is included within operating expenses. Under IAS 2 Inventories, the cost has been reclassified from operating expenses to finance costs in the income statement. The amount reclassified was £7.2m for the year ended 31 December 2004.

Tax

The current tax charge in the income statement and current tax assets and liabilities in the balance sheet are unaffected by IFRS, as the tax payable was based on the relevant local GAAP.

The deferred tax charge in the income statement and deferred tax assets and liabilities in the balance sheet are principally affected by properties that do not qualify for tax allowances, acquired as part of a business combination, and revaluations of property. The overall impact on the income statement is an increase in the tax charge of £2.0m for the year ended 31 December 2004. The overall impact on the balance sheet is a decrease in net assets of £0.8m and £2.8m at 1 January 2004 and 31 December 2004 respectively.

Dividends

Under UK GAAP, proposed dividends were recognised as an adjusting post balance sheet event. Under IFRS a dividend is only recognised when the shareholder's right to receive the payment is established, which in the case of the final dividend is not until they have been approved by the shareholders at the Annual General Meeting. Interim dividends are recognised when they are paid.

Therefore under IFRS, the Group will no longer accrue unapproved dividends at period ends. This has resulted in an increase in net assets of £20.5m at 1 January 2004 and £28.2m at 31 December 2004.

Other

The other column in the reconciliations contains a number of minor adjustments none of which is individually material.

33 Reconciliations of UK GAAP to IFRS continued

Explanation of material adjustments to the cash flow statement

The definition of cash and cash equivalents under IFRS is broader than under UK GAAP, including not only cash at bank and in hand and bank overdrafts, but also short term deposits. The latter were treated as liquid resources under UK GAAP.

The application of IFRS has also changed the presentation of the cash flow statement which now classifies cash flows as arising under only three activities – operating, investing and financing. The following are the most significant consequent reclassifications of cash flows under IFRS:

– Income taxes paid are classified as operating cash flows under IFRS, but were included in a separate category of tax cash flows under UK GAAP.

– Interest paid and interest received are both shown under operating activities, but were included in a separate category of returns on investments and servicing of finance cash flows under UK GAAP.

Presentation

The main presentational differences between IFRS and UK GAAP are the following:

– Under UK GAAP, the share of joint ventures and associates revenue, operating profit, exceptional items, finance costs and tax were included within the relevant categories of the Group's income statement. Under IFRS, the results of joint ventures and associates are presented post-tax as a single line item in the income statement.

– Under UK GAAP, exceptional items that were disclosed as non-operating under the criteria set out in FRS 3 Reporting Financial Performance were charged after operating profit in the income statement. Under IFRS, these items have been charged before arriving at operating profit.

– Under IFRS all assets and liabilities on the balance sheet are disclosed as being either current or non-current in nature.

Five year record

The information presented in the table below is prepared in accordance with IFRS for 2004 and 2005. However 2001, 2002 and 2003 are prepared in accordance with the UK GAAP standards effective as at 31 December 2004, and have not been restated other than to be consistent with the IFRS format as explained in the Presentation section of note 33.

The main adjustments which would be required to make the information in 2001, 2002 and 2003 comply with IFRS would be similar to those noted in the adjustments made on the transition to IFRS as set out in note 33.

Income statement	**IFRS 2005 £m**	IFRS 2004 £m	UK GAAP 2003 £m	UK GAAP 2002 £m	UK GAAP 2001 £m
Revenue	**4,488.1**	4,119.5	3,793.2	3,413.8	3,113.0
Operating profit before exceptional items	**189.4**	172.1	124.4	101.9	87.3
Exceptional items	**(13.0)**	(10.6)	15.5	2.1	(36.9)
Operating profit	**176.4**	161.5	139.9	104.0	50.4
Share of profit after tax of joint ventures and associates	**6.2**	7.8	9.3	6.8	8.5
Profit before finance and tax	**182.6**	169.3	149.2	110.8	58.9
Net finance costs before exceptional finance income	**(5.3)**	(10.3)	(5.2)	(5.3)	(2.5)
Exceptional finance income	**–**	4.2	22.2	–	–
Profit before tax	**177.3**	163.2	166.2	105.5	56.4
Tax	**(46.9)**	(43.6)	(37.2)	(25.8)	(24.7)
Profit for the year	**130.4**	119.6	129.0	79.7	31.7
Basic:					
– Profit before tax	**177.3**	163.2	168.3	108.6	61.0
– Earnings per share (pence)	**161.9p**	148.5p	164.8p	100.1p	29.3p
Headline (before exceptional items and any material impact on profits of not achieving hedge effectiveness under IAS 39):					
– Profit before tax	**190.3**	168.4	135.8	112.1	99.7
– Earnings per share (pence)	**178.5p**	155.7p	132.4p	104.5p	79.7p
Dividends per share – interim paid and final proposed (pence)	**57.0p**	50.0p	38.0p	31.0p	27.0p
Balance sheet					
Non-current assets	**521.7**	468.4	401.2	415.6	406.4
Other assets less (liabilities) excluding cash (borrowings)	**(88.5)**	(105.6)	5.3	(37.5)	(28.1)
	433.2	362.8	406.5	378.1	378.3
Net funds	**158.0**	151.9	79.1	16.6	17.5
Net assets	**591.2**	514.7	485.6	394.7	395.8
Equity attributable to equity holders of the parent	**581.7**	506.4	479.0	388.9	349.9
Minority interests	**9.5**	8.3	6.6	5.8	45.9
Total shareholders' equity	**591.2**	514.7	485.6	394.7	395.8

Report of the Auditors

Independent Auditors' report to the members of Inchcape plc

We have audited the parent Company Financial statements of Inchcape plc for the year ended 31 December 2005 which comprise the balance sheet and the related notes to the accounts. These parent Company Financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Board report on remuneration that is described as having been audited.

We have reported separately on the Group Financial statements of Inchcape plc for the year ended 31 December 2005.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual report, the Board report on remuneration and the parent Company Financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the parent Company Financial statements and the part of the Board report on remuneration to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 parent Company Financial statements give a true and fair view and whether the parent Company Financial statements and the part of the Board report on remuneration to be audited 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 parent Company 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 other transactions is not disclosed.

We read other information contained in the Annual report and consider whether it is consistent with the audited Financial statements. The other information comprises the Chairman's statement, the Operating and financial review, the Corporate social responsibility section, the Board of Directors, the Directors' report, the Corporate governance report, the unaudited part of the Board report on remuneration, the Directors' responsibilities, the Five year record and Company details. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent Company Financial statements and the part of the Board report on remuneration to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the parent Company 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 parent Company Financial statements and the part of the Board report on remuneration to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent Company Financial statements and the part of the Board report on remuneration to be audited.

Opinion

In our opinion:

- the parent Company Financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005; and
- the parent Company Financial statements and the part of the Board report on remuneration to be audited have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
6 March 2006

Company balance sheet

As at 31 December 2005

	Notes	2005 £m	2004 Restated £m
Fixed assets			
Investment in subsidiaries	4	**1,168.1**	1,183.2
Current assets			
Debtors:			
– Amounts due within one year	5	**8.0**	4.3
– Amounts due after more than one year	5	**128.0**	155.5
Cash at bank and in hand	6	**25.5**	16.4
		161.5	176.2
Creditors – amounts falling due within one year:			
Borrowings	7a	**–**	(2.2)
Other	7b	**(1.4)**	(5.5)
		(1.4)	(7.7)
Net current assets		**160.1**	168.5
Total assets less current liabilities		**1,328.2**	1,351.7
Creditors – amounts falling due after more than one year	8	**(655.2)**	(639.8)
Provisions for liabilities and charges	10	**(2.8)**	(16.5)
Net assets		**670.2**	695.4
Capital and reserves			
Share capital	12,14	**120.1**	119.5
Share premium	14	**112.5**	110.7
Capital redemption reserve	14	**16.4**	16.4
Profit and loss account	14	**421.2**	448.8
Total shareholders' funds		**670.2**	695.4

The financial statements on pages 101 to 108 were approved by the Board of Directors on 6 March 2006 and were signed on its behalf by:

Peter Johnson, Director **André Lacroix,** Director

Accounting policies

As at 31 December 2005

Basis of preparation

These Financial statements are prepared for Inchcape plc (the Company) for the year ended 31 December 2005. The Company is the ultimate parent entity of the Inchcape Group (the Group).

Accounting convention

These Financial statements have been prepared on the historical cost basis in accordance with the Companies Act 1985 and applicable UK accounting standards. As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented for the Company. In addition, the Company is not required to prepare a cash flow statement under the terms of FRS 1 Cash Flow Statements (revised).

Changes in accounting policies

FRS 20 Share-based Payments and FRS 21 Events After the Balance Sheet Date have been adopted with effect from 1 January 2005 and prior year comparatives have been restated accordingly.

In addition, the Company has adopted FRS 23 The Effects of Changes in Foreign Exchange Rates, FRS 25 Financial Instruments: Disclosure and Presentation and FRS 26 Financial Instruments: Measurement, from 1 January 2005. The adoption of these standards by the Company has had no material impact on its result or financial position and no restatement has been required. Further, the Company is exempt from the disclosure requirements in FRS 25 as it is included in the consolidated Financial statements of the Group, which include the required disclosures.

Details of the effect of the prior year adjustments are given in note 1.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at closing rates of exchange.

Exchange differences arising from the retranslation to closing rates of exchange of intra-Group dividends, opening net assets, long term foreign currency borrowings used to finance foreign currency investments, and foreign currency borrowings and instruments that provide a hedge against net assets are also reflected as a reserve movement. All other exchange differences are dealt with in the profit and loss account.

Investments

Fixed asset investments are stated at cost, less provisions for impairment.

Deferred tax

Deferred tax is provided in full (without discounting) based on current tax rates and law, on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax in the future except as otherwise required by FRS 19 Deferred Tax. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding commitment to sell the asset.

Provisions

Provisions are recognised when the Company has a present obligation in respect of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation and where the amount can be reliably estimated. Provisions are discounted when the time value of money is considered material.

Share capital

Ordinary shares are classified as equity. Where the Company purchases its own equity share capital (treasury shares), the consideration paid is deducted from shareholders' funds until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' funds.

Dividends

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

Notes to the accounts

As at 31 December 2005

1 Prior year adjustment and impact of new standards

The adoption of FRS 21 has resulted in an increase in shareholders' funds of £20.3m at 1 January 2004 due to the reversal of the final dividend proposed at 31 December 2003. Under the previous standard, SSAP 17 Post Balance Sheet Events, proposed dividends were recognised as an adjusting post balance sheet event. Under FRS 21 a dividend is only recognised when the shareholders' right to receive the payment is established, which in the case of the final dividend is not until they have been approved by the shareholders at the Annual General Meeting. Interim dividends are recognised when they are paid.

FRS 20 requires that equity settled share-based payment transactions should be recognised at their fair value at the date of grant and in the profit and loss account on a straight line basis over the vesting period based on an estimate of the number of shares. The corresponding entry is made to shareholders' funds and the adoption of FRS 20 has resulted in no change in shareholders' funds other than a decrease of £0.3m at 1 January 2004, reflecting the tax impact of the change in accounting policy.

2 Auditors' remuneration

The Company incurred £0.1m (2004 – £0.1m) in relation to UK statutory audit fees for the year ended 31 December 2005.

3 Directors' remuneration

No emoluments are paid directly by the Company, however information on Directors' emoluments and interests is given in the notes to the Board report on remuneration (the auditable part) in the Group's Financial statements for the year ended 31 December 2005.

4 Investment in subsidiaries

	2005 £m	2004 £m
At 1 January	**1,183.2**	1,186.2
Additions	**–**	23.0
Provisions for impairment in the year	**(15.1)**	(26.0)
At 31 December	**1,168.1**	1,183.2

The provision for impairment in the year relates to the Company's investment in Inchcape Automotive Limited, reflecting the continuing difficult trading conditions experienced by that business.

5 Debtors

	2005 £m	2004 £m
Amounts due within one year		
Other debtors	–	0.4
Corporation tax recoverable	**8.0**	3.9
Total amounts due within one year	**8.0**	4.3
Amounts due after more than one year		
Deferred tax asset (note 9)	**3.4**	–
Amounts owed by Group undertakings	**124.6**	155.5
Total amounts due after more than one year	**128.0**	155.5

6 Cash at bank and in hand

	2005 £m	2004 £m
Cash at bank and in hand	**25.5**	16.4

7 Creditors – amounts falling due within one year

a Borrowings

	2005 £m	2004 £m
Loan notes	–	2.2

b Other

	2005 £m	2004 Restated £m
Amounts owed to Group undertakings	**0.2**	0.2
Corporation tax payable	–	1.9
Other taxation and social security payable	**1.2**	3.3
Accruals and deferred income	–	0.1
Other creditors – amounts falling due within one year	**1.4**	5.5
Total creditors falling due within one year	**1.4**	7.7

8 Creditors – amounts falling due after more than one year

	2005 £m	2004 Restated £m
Deferred tax liability (note 9)	**–**	0.5
Amounts owed to Group undertakings	**654.0**	638.8
Other taxation and social security payable	**1.2**	0.5
Total creditors falling due after more than one year	**655.2**	639.8

9 Deferred tax

	2005 £m	2004 Restated £m
At 1 January	**(0.5)**	(0.3)
Charged (credited) to the profit and loss account	**0.7**	(0.2)
Charged to the profit and loss reserve	**3.2**	–
At 31 December	**3.4**	(0.5)

Deferred tax arises in respect of share-based payments.

10 Provisions for liabilities and charges

	2005 £m
At 1 January	**16.5**
Released to the profit and loss account	**(6.5)**
Utilised during the year	**(7.2)**
At 31 December	**2.8**

Provision has been made for warranties, indemnities and other litigation issues in relation to non-motors business exits, based on expected outcomes. During the year the Company came to a final settlement of the legal claims made by AON Corporation under the indemnity given in connection with the sale of Bain Hogg Limited in 1996.

Any detailed disclosure of these outstanding claims could seriously prejudice negotiations. Accordingly, no information is given in regard to the likely timing or cash impact as normally required under FRS 12 Provisions, Contingent Liabilities and Contingent Assets.

Notes to the accounts continued

11 Guarantees and contingencies

	2005 £m	2004 £m
Guarantees of various subsidiaries' borrowings (against which £nil has been drawn at year end, 2004 – £nil)	**275.0**	250.0
Other guarantees	**–**	0.2

The Company is party to composite cross guarantees between banks and its subsidiaries. The Company's contingent liability under these guarantees at 31 December 2005 was £25.5m (2004 – £16.5m).

12 Share capital

a Authorised

	Number of shares		Ordinary share capital	
	2005 Number	2004 Number	**2005 £m**	2004 £m
Ordinary share capital (150.0p per share)	**131,000,000**	131,000,000	**196.5**	196.5

b Allotted, called up and fully paid up

	Number of shares		Ordinary share capital	
	2005 Number	2004 Number	**2005 £m**	2004 £m
Ordinary shares of 150.0p each				
At 1 January	**79,656,577**	78,893,237	**119.5**	118.4
Allotted under share option schemes	**379,541**	763,340	**0.6**	1.1
At 31 December	**80,036,118**	79,656,577	**120.1**	119.5

c Substantial shareholdings

Details of substantial interests in the Company's issued ordinary share capital received by the Company at 5 March 2006 under the provisions of the Companies Act 1985 have been disclosed in the substantial shareholdings section of the Directors' report.

d Share buy back programme

During the year, the Group acquired 1,681,338 of its own shares through purchases on the London Stock Exchange. The total consideration paid was £31.0m and this has been deducted from the profit and loss reserve. The shares are held as treasury shares and may either be cancelled or used to satisfy share options at a later date.

12 **Share capital** continued

e **Share options**

At 31 December 2005, options to acquire ordinary shares of 150.0p each in the Company up to the following numbers under the schemes below were outstanding as follows:

Number of ordinary shares at 150.0p each	Exercisable until	Option price
The Inchcape 1999 Share Option Plan – approved (Part II – UK)		
119	9 August 2010	284.0p
2,604	21 March 2011	384.0p
2,916	17 March 2012	685.0p
4,477	15 October 2012	670.0p
75,120	19 March 2013	762.0p
2,688	7 August 2013	1116.0p
4,874	31 August 2013	1231.0p
73,751	20 May 2014	1572.0p
14,146	29 September 2014	1555.0p
53,801	6 March 2015	2056.0p
10,233	11 September 2015	2148.0p
– unapproved (Part I – UK)		
2,919	17 March 2012	685.0p
92,537	15 October 2012	670.0p
136,612	19 March 2013	762.0p
896	7 August 2013	1116.0p
2,436	31 August 2013	1231.0p
250,467	20 May 2014	1572.0p
7,458	29 September 2014	1555.0p
223,324	6 March 2015	2056.0p
70,529	11 September 2015	2148.0p
– unapproved overseas (Part I – Overseas)		
2,577	7 September 2009	388.0p
5,280	9 August 2010	284.0p
29,946	21 March 2011	384.0p
31,251	17 March 2012	685.0p
129,348	19 March 2013	762.0p
1,218	31 August 2013	1231.0p
203,477	20 May 2014	1572.0p
167,061	6 March 2015	2056.0p

Number of ordinary shares of 150.0p each	Exercisable until	Option price
The Inchcape SAYE Share Option Scheme – approved		
124,298	1 December 2006	610.0p
131,104	1 December 2007	1171.0p
79,091	1 May 2008	1336.0p
77,397	1 December 2008	1645.0p
61,940	1 May 2009	1695.0p

Included within the profit and loss reserve are 468,362 (2004 – 791,471) of own ordinary shares held by the ESOP Trust, a general discretionary trust whose beneficiaries include employees and former employees of the Group and their dependants. The book value of these shares at 31 December 2005 was £5.3m (2004 – £5.4m). The market value of these shares at 31 December 2005 was £10.7m and at 3 March 2006 was £11.8m (31 December 2004 – £15.5m, 28 February 2005 – £16.3m).

Notes to the accounts continued

13 Dividends

The following dividends were paid by the Company.

	2005 £m	2004 £m
Interim dividend for the six months ended 30 June 2005 of 19.0p per share (2004 – 15.0p per share)	**14.8**	11.8
Final dividend for the year ended 31 December 2004 of 35.0p per share (2003 – 26.0p per share)	**27.2**	20.4
	42.0	32.2

The final proposed dividend for the year ended 31 December 2005 of 38.0p per share has not been included as a liability as at 31 December 2005.

14 Reserves

	Share capital £m	Share premium £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 31 December 2003 as previously reported	118.4	109.1	16.4	361.9	605.8
Adoption of FRS 21	–	–	–	20.3	20.3
Adoption of FRS 20	–	–	–	(0.3)	(0.3)
At 1 January 2004	118.4	109.1	16.4	381.9	625.8
Profit for the financial year	–	–	–	97.3	97.3
Dividends	–	–	–	(32.2)	(32.2)
Issue of ordinary share capital	1.1	1.6	–	–	2.7
Net disposal of own shares by ESOP Trust	–	–	–	0.1	0.1
Share-based payments charge net of tax	–	–	–	1.7	1.7
At 1 January 2005	**119.5**	**110.7**	**16.4**	**448.8***	**695.4**
Profit for the financial year	**–**	**–**	**–**	**39.2**	**39.2**
Dividends	**–**	**–**	**–**	**(42.0)**	**(42.0)**
Issue of ordinary share capital	**0.6**	**1.8**	**–**	**–**	**2.4**
Net disposal of own shares by ESOP Trust	**–**	**–**	**–**	**0.1**	**0.1**
Share-based payments charge net of tax	**–**	**–**	**–**	**6.1**	**6.1**
Share buy back programme	**–**	**–**	**–**	**(31.0)**	**(31.0)**
At 31 December 2005	**120.1**	**112.5**	**16.4**	**421.2**	**670.2**

*The profit and loss account at 31 December 2004 was originally £421.7m before adjusting for the restatement of £27.6m relating to the reversal of the final dividend in respect of the year ended 31 December 2004 and the tax adjustment of £0.5m in relation to the share-based payments charge.

15 Principal subsidiaries at 31 December 2005

The Company is a limited company incorporated in the UK whose shares are publicly traded on the London Stock Exchange. The principal subsidiaries in which the Company holds an investment are as follows:

	Country	**Shareholding**	**Description**
Inchcape Automotive Limited	United Kingdom	100.0%	Vehicle logistics and refurbishments
Inchcape Finance plc	United Kingdom	100.0%	Central treasury company
Inchcape International Holdings Limited	United Kingdom	100.0%	Intermediate holding company

Company details

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Advisors

Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

Share Registrars
Computershare Investor Services PLC
Registrar's Department, PO Box No 82
Bristol BS99 7NH.
Tel: +44 (0) 870 702 0000

Solicitors
Slaughter and May

Stockbrokers
UBS

Inchcape PEPS

Individual Savings Accounts (ISAs) replaced Personal Equity Plans (PEPs) as the vehicle for tax efficient savings. Existing PEPs may be retained.

Inchcape PEPs are managed by The Share Centre Ltd, who can be contacted at PO Box 2000, Oxford House, Oxford Road, Aylesbury, Buckinghamshire HP21 8ZB. Tel: +44 (0) 1296 414144

Inchcape ISA

Inchcape has established a Corporate Individual Savings Account (ISA). This is managed by HSBC Trust Company (UK) Limited who may be contacted for full details at the Corporate PEP and ISA Centre, 1st floor, Courtwood House, Silver Street Head, Sheffield S1 2BH
Tel: +44 (0) 845 745 6123
Fax: +44 (0) 114 252 8116

Financial calendar

Annual General Meeting
11 May 2006

Ex-dividend date for 2005 final dividend
17 May 2006

Record date for 2005 final dividend
19 May 2006

Final 2005 ordinary dividend payable
16 June 2006

Announcement of 2006 interim results
3 August 2006

Senior executives

Group Chief Executive
André Lacroix
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Fax: +44 (0) 20 7546 0010

Group Finance Director
Barbara Richmond
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Managing Director, Inchcape UK, Europe and South America Retail
Graeme Potts
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The following executives are responsible for our key market areas:

Australia
John McConnell
Tel: +61 2 9828 9199
Fax: +61 2 9828 9120

Belgium/Greece
Martin Taylor
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Fax: +32 2 386 75 40

Hong Kong/Singapore
William Tsui
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The following executives are responsible for our key businesses in the UK:

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Inchcape Automotive
Peter Black
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Fax: +44 (0) 1832 737127

Inchcape Fleet Solutions
Terry Bartlett
Tel: +44 (0) 2392 310844
Fax: +44 (0) 8701 914455

The following executives have functional responsibilities at Group level:

Audit and Risk Management
Paul Moore

Business Development
Dale Butcher

Company Secretariat
Roy Williams

Financial Control and Taxation
Amanda Brooks

Human Resources
Nick Smith

Information Systems
Peter Wilson

Investor Relations and External Communications
Emma Woollaston

Treasury
Chris Parker

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