

Interim report 2006



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



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Financial highlights

For the six months ended 30 June

Sales £2.44bn
+8.1%

Trading profit
(before central costs and
exceptional items) £120.4m
+10.4%

Dividend
per ordinary share 5.0p
+56.3%

Headline profit before tax
before exceptional items £112.0m
+11.1%

Headline earnings per share
before exceptional items 18.5p
+17.8%

Operating profit £110.0m
+5.7%

Profit before tax £112.0m
+6.9%

Earnings per share 20.2p
+22.4%

*Our vision is to be the world's most
customer centric automotive retail group.*

Chairman's statement

Headline profit before tax

£112.0m

£m	2006	2005
Profit before tax	112.0	104.8
Exceptional items	–	(4.0)
Headline profit before tax	112.0	100.8

Results overview

Inchcape has delivered strong progress in the first half of 2006. This reflects the success of our strategy and the benefits of a broad geographic spread.

UK, Australia, Greece and Belgium all achieved record profits in the first six months of 2006. In the face of easing consumer demand and a decline in the passenger car market, our UK Retail business grew trading profits by 49.1%, achieving a record trading margin of 2.8%. The Group regained market leadership for Toyota in Greece in the period.

Hong Kong and Singapore suffered challenging trading conditions and the run out of several core models. Nonetheless we retained substantial market leadership for Toyota in both these markets. In Australia, Subaru's market share continued to grow, achieving a record 3.9%.

Overall sales increased by 8.1% to £2,440.6m, a 6.4% increase at constant currency. Headline profit before tax increased by 11.1% to £112.0m, representing 7.2% growth at constant currency. Headline earnings per share rose 178% to 18.5p, some 13.3% at constant currency. Strong cash generation is a key attribute of our business model as demonstrated by the operating cash flow of £142.3m in the first six months of 2006, 129.4% of operating profit.

The Group has successfully concluded its £65.0m share buy back programme through the purchase of 17.9m shares, now held in treasury, at an average price of £3.64 per share.

As a result of this continued strong performance, the Board has declared an interim dividend of 5.0p per share, an increase of 56.3% on 2005. This uplift reflects our continuing confidence in the business and its future and is consistent with our aim of maintaining a progressive approach to dividends and capital returns to shareholders.

The interim dividend will be paid on 11 September 2006 to shareholders on the register at 11 August 2006.

Strategy update

Our key strategic goals are to strengthen our core businesses and to develop expansion opportunities in existing and new markets.

We are developing initiatives in a number of areas to increase both our like for like sales and productivity in order to strengthen the existing businesses.

Inchcape's strong operating cash flow qualities and the strength of our balance sheet leave us well placed to play a leading role in the industry consolidation happening around the world. Also, it enables us to expand where we can achieve scale operations in fast growing markets. Our strategy is to increase our scale geographical spread from six to ten core markets over the next five years. We are building a strong pipeline of investment opportunities to achieve this.

Initially the strategic expansion in our core markets is focused on the UK, Australia and Eastern Europe. The pace of consolidation in the UK and Australia, and expansion in Eastern Europe, should provide significant opportunities for us.



In February 2006 the Group acquired Keystar Motors Pty Limited (Keystar) in Australia for £9.1m. It represents Subaru, Hyundai, Kia and Mitsubishi in the Brisbane area 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 Queensland.

In March we announced our intention to enter the Russian market by developing a partnership with the Independence Group of Companies, one of Moscow's leading independent car retailers. This partnership will establish two Toyota retail and service centres in Moscow. These will be newly constructed and are due to be open towards the end of 2007. The joint venture will initially invest US\$35.0m in the construction and fit out of the new facilities.

The purchase of the Lind Automotive Group Holdings Limited (Lind) in the UK for £110.4m was completed on 4 July 2006. It is a significant step in our strategic development. This sizeable acquisition enhances our geographic coverage in the south and east of England. It develops further our partnership with BMW/MINI, Volkswagen and Land Rover. It also renews our partnership in the UK with Audi and establishes an important new partnership with Honda.

We continue to invest in our operations in the high growth Eastern European markets. In June 2006 we opened a new flagship Toyota retail centre in Bucharest, Romania.

In addition, we invested in the Lexus brand in Europe and in March 2006 we opened a new Lexus showroom in the Greater Brussels area.

Operational review

Inchcape reports its results in the Financial statements on a statutory basis using actual rates of exchange. To enhance comparability, the Operational review reports results in a form that isolates the impact of currency movements from period to period by applying the June 2005 exchange rates to both period's results (constant currency). It also adjusts for the impact of exceptional items. Where exceptional items and central costs are excluded from operating profit the results are referred to as trading profit.

Australia

	2006	2005	% change on 2005	% change on 2005 (constant currency)
Sales	£335.3m	£312.4m	+73%	+6.5%
Trading profit	£18.8m	£16.1m	+16.8%	+15.5%

In Australia the vehicle market in the first half of 2006 remained fundamentally strong at 483,160 units, albeit slightly down on the record 2005. This slowdown was in line with our expectations following the softening of the market in the second half of 2005. Higher petrol prices continue to shift consumer preference towards the light and small vehicle segments which is benefiting Subaru, particularly the Impreza model.

Subaru outperformed the market and achieved a record market share of 3.9%. This was assisted by special edition variants across all models and record Impreza sales. Our Subaru Distribution business enjoyed very good trading profit progression in the face of a competitive market.

Like for like sales growth in the Retail business was up 2.6% over the first half of 2005, despite a softening market. The continuous focus on improving operational performance and customer service in Melbourne and Sydney Retail has generated like for like trading profit growth of 272% and has improved trading margins. This, coupled with the benefit from the exit of the underperforming retail centres in Sydney during 2005, and with the acquisition of Keystar in Brisbane, has resulted in overall trading profits increasing by 60.2% in our Australian Retail business during the first half of 2006.

We continued to invest in AutoNexus, our parts and logistics operation, in response to increased consumer demand. This expansion, together with the benefit of securing several new refurbishment contracts, increased sales by 13.5% in the first half of 2006.

Overall, Australia enjoyed an outstanding first half in 2006. Sales were up by 6.5% and trading profit increased by 15.5%. Trading margins progressed well in the period to 5.6%.

“Inchcape has delivered strong progress in the first half of 2006.”

Chairman's statement continued

Belgium

	2006	2005	% change on 2005	% change on 2005 (constant currency)
Sales	£300.3m	£257.5m	+16.6%	+16.6%
Trading profit	£9.2m	£8.3m	+10.8%	+10.8%

Consumer confidence and demand in Belgium strengthened in the first half of 2006, with the vehicle market stimulated by the biennial Brussels Motor Show. Overall passenger car registrations were 325,611 units in the period, some 13.7% up on June 2005. Demand was stimulated by the launch of several new Toyota/Lexus models in Europe in the first quarter of 2006, together with the broadening of the Toyota model range with the Aygo, and Corolla special edition variants. Customer orders for over 9,000 units were secured in January, assisted by the Brussels Motor Show. However, constrained supply has held back sales and market share growth in the period. Despite this, our passenger car market share at 5.6% showed an improvement of 0.2ppts compared to June 2005.

Sales and trading profit were up by 16.6% and 10.8% respectively in the first half of 2006. An increase in vehicle sales by the Distribution business more than compensated for a slightly weaker vehicle margin due to a shift in mix towards sales of smaller models. In Belgium, where we are the dominant Lexus retailer, the new generation of Lexus cars, including the IS220 diesel, contributed to a strong performance in Belgium Retail in the first half of 2006.

Greece

	2006	2005	% change on 2005	% change on 2005 (constant currency)
Sales	£187.6m	£156.8m	+19.6%	+19.6%
Trading profit	£9.2m	£7.8m	+17.9%	+17.9%

In the first half of 2006 the Greece passenger car market was almost in line with last year at 152,658 units. The recent release of several new Toyota/Lexus models

has been well received. This, allied with the benefits of an investment programme by the dealer network upgrading operational facilities, has stimulated demand. Toyota regained market leadership in the first half of 2006.

In June, the passenger car market share reached 9.7%, an improvement of 1.6ppts over last year. Distribution in Greece experienced strong sales progression due to increased vehicle and parts sales.

The performances of our Athens and Salonica Retail businesses are improving. Like for like sales were up 24.6% benefiting from strong vehicle and service sales. We expect to build on this in the second half and continue the improvement of these businesses.

Overall in Greece, the trading profit was 17.9% up on 2005.

Hong Kong

	2006	2005	% change on 2005	% change on 2005 (constant currency)
Sales	£106.0m	£114.4m	-7.3%	-12.2%
Trading profit	£10.1m	£13.0m	-22.3%	-26.2%

This year is Crown Motors' fortieth anniversary of selling Toyota vehicles in Hong Kong. Our outstanding customer experience, retail excellence and innovation has led to it securing the Toyota Triple Crown Award for fourteen consecutive years. It is the only distributor worldwide to have achieved this.

The Hong Kong vehicle market overall remained soft in the first six months of 2006, declining by 4.0% year on year.

In the face of a challenging market Crown Motors, our Toyota/Lexus business, maintained its strong market leadership with a 32.2% market share at June 2006. This was 2.2ppts down from 2005. Consumer demand in the period was affected by the run out of several core models whilst competitors launched new products, initial supply constraints for the new models, and lower public bus sales.

Overall, sales and trading profit in Hong Kong were 12.2% and 26.2% lower respectively in the first half of 2006.



Balkans – New flagship retail centre, Romania

One key area of growth for Inchcape is the expansion of our retail presence in emerging markets, particularly in the Balkans. In June 2006 Inchcape opened a new Toyota/Lexus flagship retail centre in Romania, specifically in the high growth area of northern Bucharest.

The site, which covers some 10,000 square metres, will house separate areas for showrooms, service centres, body and paint, pre-delivery inspection, spare parts and training and warranty rooms for both Toyota and Lexus. We expect the new retail centre to sell c. 2,000 cars per annum.

Singapore

	2006	2005	% change on 2005	% change on 2005 (constant currency)
Sales	£358.2m	£366.3m	-2.2%	-9.2%
Trading profit	£33.8m	£34.6m	-2.3%	-9.2%

Between 2001 and 2005 the Singapore market enjoyed an annual average growth of 12.4% per annum. This was stimulated by a change in fiscal policy in May 2002 which, coupled with the declining price of the Certificate of Entitlement (COE), encouraged consumers to replace their cars before the expiry of the ten year COE term. The vehicle population entitled to the attractive rebates under the old policy is now depleted substantially. We expect, therefore, the annual vehicles sales to slow down over the next few years.

Toyota/Lexus retained a dominant market leadership in the period. Borneo Motors sales were down 11.2% in the period impacted by the discontinuance of the Liteace commercial vehicle, the run out of the Camry, lower taxi sales and higher parallel imports.

Lower sales volumes, together with continued margin pressure in a competitive market, have affected our profitability. We continue to broaden the base of our Toyota/Lexus sales in Singapore with like for like aftersales growth up 19.7% year on year.

Our Suzuki franchise enjoyed an excellent performance in the first half of the year benefiting from the new Swift model.

Overall, strong Suzuki trading profit progression partly mitigated a softer Toyota/Lexus performance. In aggregate Singapore generated a trading profit 9.2% lower than the first half of last year.

Looking forward to 2007, new emission regulations will result in the absence of Singapore taxi sales and impact profit by around £3.0m in 2007.

United Kingdom

	2006	2005	% change on 2005	% change on 2005 (constant currency)
Sales	£783.0m	£744.1m	+5.2%	+5.2%
Trading profit	£23.2m	£15.0m	+54.7%	+54.7%

The UK vehicle market continued to soften in the first half of 2006. Manufacturer new retail vehicle sales for the franchises represented by UK Retail fell by 4.7%. However, in the face of these challenging market conditions, UK Retail's like for like sales increased by 3.4% in the first half of 2006 to £663.4m. This was due to improved used car and aftersales performance and new car sales declining at a lesser rate than the market. Like for like trading profit increased by 37.3%.

These performances were achieved through the success of our focus on process improvements, operational excellence and customer initiatives. The strengthening of the core business, together with the full year impact of the acquisition of Mercedes-Benz retail centres in the north west of England, generated sales up by 6.1% to £727.8m for the first half of 2006. UK Retail's trading profit rose by 49.1% to £20.6m. This was due to strong performances, in particular from BMW, Mercedes-Benz, Lexus and Volkswagen. Trading margin improved an outstanding 0.8ppts to 2.8% in the first half of 2006.

Inchcape Automotive has benefited from the actions taken in 2005 to improve production efficiency. The business broke even for the first half of 2006, which represents a £2.2m improvement in profitability over the first half of 2005.

Inchcape Fleet Solutions achieved a growth of 12.9% in trading profit assisted by increased rental and fleet management income together with tight overhead control.

Overall, our UK businesses achieved an excellent 5.2% growth in sales to £783.0m in the first six months of 2006. Furthermore, outstanding trading margin progression in the period, led by an impressive UK Retail performance and a turnaround in the Inchcape Automotive business, has delivered UK trading profit improvements of 54.7% to £23.2m at June 2006.



Belgium – Waterloo retail centre in Brussels

In March 2006, Inchcape opened its prestigious Lexus Waterloo retail centre situated in the Greater Brussels area.

The site, which is some 2,828 square metres, was designed and built as a state of the art Lexus retail centre in Europe.

This new centre will offer sales of new and used vehicles, aftersales and workshop services as well as spare parts sales. When the Lexus vehicle range is fully developed, we expect the Waterloo site to sell some 220 vehicles per annum.

The opening of this flagship site underpins Inchcape's strategy of delivering an outstanding customer experience in each retail site.

Chairman's statement continued

Other

	2006	2005	% change on 2005	% change on 2005 (constant currency)
Sales	£370.2m	£305.5m	+21.2%	+19.2%
Trading profit	£16.1m	£14.3m	+12.6%	+8.4%

Market conditions in Finland are in line with prior year. Focused marketing activity enabled our Mazda Distribution business to increase its market share to 3.3% in the period. Overall the trading profit delivered by Finland increased by c.70.0% in the period to £2.3m.

The Baltic markets of Estonia, Latvia and Lithuania continue to experience a significant period of growth, with a combined year to date market increase of 34.5%. Our businesses in these countries outperformed the markets, improving market share from 5.4% in the first half of 2005 to 6.0% in 2006. This resulted in trading profits increasing by 97.0%.

Our Balkans businesses in Bulgaria and Romania continue to thrive in the high growth markets experienced in these countries. The business should benefit in the second half of the year from the opening in June of our new flagship facility in Bucharest. In Bulgaria our business improved market share to 9.3%, and increased vehicle volumes by 28.0%. Overall Balkans trading profit grew by 21.6%.

Our business in Ethiopia continues to achieve strong results. An increase in vehicle sales and an improvement in spare parts sales generated trading profits up by 26.9% to £4.1m.

In France, we have decided to focus our operations on the south west region in the market areas of Bordeaux, Toulouse and Montpellier. We are undertaking a restructuring programme to exit from non-core businesses.

In Poland the start up of our BMW/MINI operations is slower than anticipated. This, together with challenging market conditions, has resulted in a trading loss in the period.

Central costs are £10.4m for the period, £1.4m higher than June 2005. This increase is primarily due to our investment in new management, systems and processes to facilitate the next phase of growth for the Group.

Financial review

Cash flow, interest and finance

The Group's tight control of working capital has resulted in a reduction in the period of £76.9m. This, together with strong operating profits, generated net cash from operating activities of £142.3m for the first half of 2006. This represents 129.4% of operating profit and demonstrates the Group's excellent cash generating capabilities.

During the period the Group returned £63.6m to shareholders, £34.0m by way of the share buy back programme and £29.6m in respect of the final 2005 dividend.

The Group maintained its policy of investing to improve the quality and operating standards of its retail centres. Net capital expenditure of £16.3m was made in the period principally in UK Retail and Romania.

The impressive operating cash flow more than funded the capital expenditure and acquisitions during the period with the Group strengthening its net cash position to £189.2m at 30 June 2006. Adjusting for the Lind acquisition which completed on 4 July 2006 the pro-forma cash position at 30 June was £78.8m.

The net finance charge of £0.6m in the first half of 2006 is £1.8m lower than June 2005. This improvement has been generated by the strong cash balances held by the Group during the period. The finance charge also has benefited from an improvement in notional pension interest income.

In July 2006, the Group extended its syndicated five year revolving credit facility of £275.0m for a further year. The facility expires on 13 July 2011.



UK – Acquisition of Lind

In May 2006 Inchcape agreed to acquire Lind, one of the largest independent automotive retailers in the UK, increasing our geographic coverage in the south and east of England with the addition of twenty-one retail centres; representing BMW/MINI, Volkswagen, Audi, Honda, Land Rover and Mitsubishi.

Following the acquisition, Inchcape is now the largest operator of BMW and MINI retail centres in the UK. It also renews our partnership with Audi in the UK and creates our first with Honda. Both are brands that have demonstrated strong market share growth over the last ten years.

We are delighted with the acquisition of Lind, which we expect will increase our total units sold by 20,000 per annum, further strengthening Inchcape's position as a leading automotive retailer in the UK.

Pensions

In March 2006, in advance of the triennial valuation for two of the Group's UK defined benefit pension schemes, the Group agreed a funding programme to address the deficits associated with these schemes. This programme included making a one off contribution totalling £32.0m to the schemes in March 2006. It is anticipated that additional contributions of c.£55.0m will be made over the following five years. These payments together with an increase in long term interest rates since year end, have significantly reduced the net pension deficit from £69.4m at 31 December 2005 to £11.0m at 30 June 2006.

Tax

The subsidiaries Headline tax rate for the first half of 2006 is 21.7% compared to 25.5% for the full year 2005. The reduction benefits from a number of one off items. These include the satisfactory outcome of a tax audit in Greece, settlements of UK prior year tax computations and tax allowances exceeding depreciation in the UK.

In 2006 we have determined that it is now appropriate to recognise a net deferred tax asset of £11.6m in the UK. This mainly relates to the future corporate tax deductions associated with payments to the UK defined benefit pension schemes.

Exceptional items

The exceptional tax credit of £8.0m reflects the favourable settlement in 2006 of the corporation tax treatment of the VAT recovery and associated interest income received by the Group in 2003 and 2004.

Exchange rates

The first half 2006 operating profit at June 2006 average exchange rates was £110.0m. If June 2005 exchange rates had prevailed operating profit would have been £106.2m. The £3.8m exchange difference primarily arose due to the impact of the weaker Hong Kong and Singapore dollar.

Share split

In May 2006 we carried out a six for one share split. Our equity was trading at more than £29.00 per share, which is a comparatively high price for shares traded on the London Stock Exchange. We felt that many shareholders would prefer to deal at a lower price per share and therefore sub-divided each existing ordinary share into six new ordinary shares. This further increased liquidity in the stock.

People

The success of Inchcape is above all else due to the commitment, passion and dedication of our people. My sincere thanks go to all our employees. I hope that, like me, they feel proud of what we have been able to achieve together.

Outlook

In the second half we will benefit from our continued focus on customer service, the introduction of new models, improved vehicle supply and the Lind acquisition. As a result, although market conditions remain challenging, we are well placed to deliver another year of growth in 2006.



Peter Johnson Chairman
2 August 2006



Australia – Acquisition of Keystar

As part of our strategy to grow our Retail portfolio in Australia, and build on our excellent brand partnerships in a third market, Inchcape acquired two multi-franchise retail centres in the Brisbane area; representing Subaru, Hyundai, Kia and Mitsubishi.

Inchcape's strategy to date has been focused on expanding within existing markets such as Melbourne and Sydney. Keystar enables Inchcape to enter the important high growth market of Brisbane, and will allow us to build a strong platform from which to expand in that region over time.

Consolidated income statement (unaudited)

For the six months ended 30 June 2006

	Notes	Six months to 30.6.06 £m	Six months to 30.6.05 £m	Year to 31.12.05 £m
Revenue	2	2,440.6	2,257.0	4,488.1
Cost of sales		(2,086.2)	(1,937.4)	(3,847.4)
Gross profit		354.4	319.6	640.7
Operating expenses before exceptional items		(244.4)	(219.5)	(451.3)
Exceptional items	3	–	4.0	(13.0)
Total operating expenses		(244.4)	(215.5)	(464.3)
Operating profit	2	110.0	104.1	176.4
Share of profit after tax of joint ventures and associates		2.6	3.1	6.2
Profit before finance and tax		112.6	107.2	182.6
Finance income	4	25.3	21.5	44.7
Finance costs	5	(25.9)	(23.9)	(50.0)
Profit before tax		112.0	104.8	177.3
Tax before exceptional tax – UK		1.1	(0.4)	(0.3)
– Overseas		(24.8)	(24.5)	(46.6)
Exceptional tax – UK	3	8.0	–	–
Total tax	6	(15.7)	(24.9)	(46.9)
Profit for the period		96.3	79.9	130.4
Attributable to:				
– Equity holders of the parent		94.4	77.8	126.6
– Minority interests		1.9	2.1	3.8
		96.3	79.9	130.4
Basic earnings per share (pence)	7	20.2p	16.5p	27.0p
Diluted earnings per share (pence)	7	20.1p	16.3p	26.8p
Proposed dividend per share (pence)	8	5.0p	3.2p	6.3p
Paid dividend per share (pence)	8	6.3p	5.8p	9.0p

Consolidated statement of recognised income and expense (unaudited)

For the six months ended 30 June 2006

	Six months to 30.6.06 £m	Six months to 30.6.05 £m	Year to 31.12.05 £m
Cash flow hedges (net of tax)	5.1	0.8	0.6
Fair value (losses) gains on available for sale financial assets	(1.4)	0.5	2.3
Effect of foreign exchange rate changes	(20.8)	13.6	30.4
Actuarial gains (losses) on defined benefit pension schemes (net of tax)	13.8	(3.6)	(15.3)
Net (losses) gains recognised directly in shareholders' equity	(3.3)	11.3	18.0
Profit for the period	96.3	79.9	130.4
Total recognised income and expense for the period	93.0	91.2	148.4
Attributable to:			
– Equity holders of the parent	91.4	89.0	144.2
– Minority interests	1.6	2.2	4.2
	93.0	91.2	148.4
Adoption of IAS 32 and IAS 39	–	(4.5)	(4.5)

Consolidated balance sheet (unaudited)

As at 30 June 2006

	As at 30.6.06 £m	As at 30.6.05 £m	As at 31.12.05 £m
Non-current assets			
Intangible assets	74.2	88.4	69.5
Property, plant and equipment	354.4	337.0	346.7
Investments in joint ventures and associates	44.4	47.6	44.7
Available for sale financial assets	12.5	11.9	15.0
Trade and other receivables	21.5	22.8	22.4
Deferred tax assets	35.4	21.4	23.4
	542.4	529.1	521.7
Current assets			
Inventories	536.1	541.5	615.8
Trade and other receivables	222.0	226.3	221.1
Available for sale financial assets	2.8	2.3	2.4
Derivative financial instruments	–	–	2.1
Current tax assets	3.2	1.6	1.0
Cash and cash equivalents	348.7	262.3	309.0
	1,112.8	1,034.0	1,151.4
Total assets	1,655.2	1,563.1	1,673.1
Current liabilities			
Trade and other payables	(696.0)	(645.4)	(688.2)
Derivative financial instruments	(2.3)	(12.7)	(12.6)
Current tax liabilities	(39.0)	(41.9)	(43.8)
Provisions	(22.3)	(27.2)	(22.5)
Borrowings	(152.9)	(137.1)	(145.4)
	(912.5)	(864.3)	(912.5)
Non-current liabilities			
Trade and other payables	(38.6)	(36.2)	(45.3)
Provisions	(35.1)	(33.7)	(35.6)
Deferred tax liabilities	(13.4)	(17.2)	(13.5)
Borrowings	(6.6)	(5.4)	(5.6)
Retirement benefit liability	(11.0)	(60.6)	(69.4)
	(104.7)	(153.1)	(169.4)
Total liabilities	(1,017.2)	(1,017.4)	(1,081.9)
Net assets	638.0	545.7	591.2
Shareholders' equity			
Share capital	120.3	119.8	120.1
Share premium	113.4	111.6	112.5
Capital redemption reserve	16.4	16.4	16.4
Other reserves	(3.8)	(5.0)	13.1
Retained earnings	385.1	293.8	319.6
Equity attributable to equity holders of the parent	631.4	536.6	581.7
Minority interests	6.6	9.1	9.5
Total shareholders' equity	638.0	545.7	591.2

Consolidated cash flow statement (unaudited)

For the six months ended 30 June 2006

	Notes	Six months to 30.6.06 £m	Six months to 30.6.05 £m	Year to 31.12.05 £m
Cash generated from operating activities				
Cash generated from operations	9a	169.8	114.8	195.4
Tax paid		(26.5)	(30.9)	(51.4)
Interest received		6.2	8.5	13.9
Interest paid		(7.2)	(7.4)	(16.8)
Net cash generated from operating activities		142.3	85.0	141.1
Cash flows from investing activities				
Acquisition of businesses, net of cash and overdrafts acquired		(17.7)	(28.5)	(29.9)
Net cash inflow (outflow) from sale of businesses		0.2	(5.5)	(5.5)
Purchase of property, plant and equipment		(18.6)	(39.3)	(63.5)
Purchase of intangible assets		(0.7)	(0.8)	(2.2)
Proceeds from disposal of property, plant and equipment		3.0	5.0	17.6
Net disposal (purchase) of available for sale financial assets		1.1	0.9	(0.5)
Dividends received from joint ventures and associates		0.8	1.2	9.7
Net cash used in investing activities		(31.9)	(67.0)	(74.3)
Cash flows from financing activities				
Proceeds from issue of ordinary shares		1.1	1.2	2.4
Share buy back programme		(34.0)	(31.0)	(31.0)
Net (purchase) disposal of own shares by ESOP Trust		(0.5)	1.0	0.1
Net cash outflow from borrowings		(2.2)	(2.7)	(2.3)
Payment of capital element of finance leases		(0.2)	(0.2)	(0.2)
Equity dividends paid		(29.6)	(27.2)	(42.0)
Minority dividends paid		(3.7)	(1.8)	(3.0)
Net cash used in financing activities		(69.1)	(60.7)	(76.0)
Net increase (decrease) in cash and cash equivalents	9b	41.3	(42.7)	(9.2)
Cash and cash equivalents at beginning of the period		165.9	158.8	158.8
Effect of foreign exchange rate changes		(10.5)	10.8	16.3
Cash and cash equivalents at end of the period		196.7	126.9	165.9
Cash and cash equivalents consist of:				
– Cash and cash equivalents		348.7	262.3	309.0
– Bank overdrafts		(152.0)	(135.4)	(143.1)
		196.7	126.9	165.9

Notes to the accounts (unaudited)

1 Basis of preparation

The results for the periods to 30 June have been prepared on the basis of the accounting policies set out in the Annual report and accounts 2005, which were prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union and implemented in the UK and with the parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The Group adopted IAS 32 Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement with effect from 1 January 2005. This decreased shareholders' equity by £4.5m at 1 January 2005.

These interim financial statements are unaudited but have been reviewed by the external auditors. They do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The Group's published financial statements for the year ended 31 December 2005 have been reported on by the Group's auditors and filed with the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

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

	Average rates			Period end rates		
	30.6.06	30.6.05	31.12.05	30.6.06	30.6.05	31.12.05
Australian dollar	2.40	2.42	2.38	2.49	2.35	2.34
Euro	1.45	1.45	1.46	1.45	1.48	1.46
Hong Kong dollar	13.84	14.62	14.16	14.37	13.93	13.31
Singapore dollar	2.87	3.09	3.02	2.92	3.02	2.85

2 Segmental analysis

The Group's primary reporting format is by geographical segments.

	Six months to 30.6.06 £m	Six months to 30.6.05 £m	Revenue Year to 31.12.05 £m
Australia	335.3	312.4	612.7
Belgium	300.3	257.5	450.8
Greece	187.6	156.8	300.4
Hong Kong	106.0	114.4	242.3
Singapore	358.2	366.3	719.6
UK	783.0	744.1	1,530.3
Other	370.2	305.5	632.0
	2,440.6	2,257.0	4,488.1

	Operating profit before exceptional items			Exceptional items			Operating profit after exceptional items		
	Six months to 30.6.06 £m	Six months to 30.6.05 £m	Year to 31.12.05 £m	Six months to 30.6.06 £m	Six months to 30.6.05 £m	Year to 31.12.05 £m	Six months to 30.6.06 £m	Six months to 30.6.05 £m	Year to 31.12.05 £m
Australia	18.8	16.1	31.9	–	–	–	18.8	16.1	31.9
Belgium	9.2	8.3	14.0	–	–	–	9.2	8.3	14.0
Greece	9.2	7.8	13.8	–	–	–	9.2	7.8	13.8
Hong Kong	10.1	13.0	28.8	–	–	–	10.1	13.0	28.8
Singapore	33.8	34.6	62.1	–	–	–	33.8	34.6	62.1
UK	23.2	15.0	29.2	–	–	(19.5)	23.2	15.0	9.7
Other	16.1	14.3	28.4	–	–	–	16.1	14.3	28.4
	120.4	109.1	208.2	–	–	(19.5)	120.4	109.1	188.7
Central costs	(10.4)	(9.0)	(18.8)	–	4.0	6.5	(10.4)	(5.0)	(12.3)
	110.0	100.1	189.4	–	4.0	(13.0)	110.0	104.1	176.4

Share of results of joint ventures and associates

The Group's share of the results of joint ventures and associates of £2.6m for the six months ended 30 June 2006 (£3.1m for the six months ended 30 June 2005; £6.2m for the year ended 31 December 2005) arises in Hong Kong (£1.3m), the UK (£0.4m), Greece (£0.4m), Belgium (£0.4m) and Other (£0.1m).

Notes to the accounts (unaudited) continued

3 Exceptional items

	Six months to 30.6.06 £m	Six months to 30.6.05 £m	Year to 31.12.05 £m
Provision release arising from non-motors business exits	–	4.0	6.5
Goodwill impairment	–	–	(19.5)
Operating exceptional items	–	4.0	(13.0)
Exceptional tax (note 6)	8.0	–	–
Total exceptional items	8.0	4.0	(13.0)

Exceptional tax relates to the release of tax provided against the VAT recoveries in 2003 and 2004 following the favourable settlement of the corporation tax treatment.

4 Finance income

	Six months to 30.6.06 £m	Six months to 30.6.05 £m	Year to 31.12.05 £m
Bank interest receivable	4.9	2.8	6.5
Expected return on post retirement plan assets	19.0	16.6	33.8
Other interest receivable	1.4	2.1	4.4
Total finance income	25.3	21.5	44.7

5 Finance costs

	Six months to 30.6.06 £m	Six months to 30.6.05 £m	Year to 31.12.05 £m
Bank interest payable	1.9	0.8	2.8
Stock holding interest	4.8	4.4	8.7
Interest expense on post retirement plan liabilities	17.8	16.7	33.4
Other interest payable	1.4	2.0	5.1
Total finance costs	25.9	23.9	50.0

6 Tax

	Six months to 30.6.06 £m	Six months to 30.6.05 £m	Year to 31.12.05 £m
Current tax – UK	6.1	0.9	1.3
– Overseas	24.9	24.6	46.2
	31.0	25.5	47.5
Deferred tax – UK	(7.2)	(0.5)	(1.0)
– Overseas	(0.1)	(0.1)	0.4
Tax before exceptional tax	23.7	24.9	46.9
Exceptional tax (note 3)	(8.0)	–	–
Total tax	15.7	24.9	46.9

Notes to the accounts (unaudited) continued

7 Earnings per share

	Six months to 30.6.06 £m	Six months to 30.6.05 £m	Year to 31.12.05 £m
Profit for the period	96.3	79.9	130.4
Minority interests	(1.9)	(2.1)	(3.8)
Basic earnings	94.4	77.8	126.6
Exceptional items (including tax exceptional)	(8.0)	(4.0)	13.0
Headline earnings	86.4	73.8	139.6
Basic earnings per share	20.2p	16.5p	27.0p
Diluted earnings per share	20.1p	16.3p	26.8p
Basic Headline earnings per share	18.5p	15.7p	29.8p
Diluted Headline earnings per share	18.4p	15.5p	29.5p

	Six months to 30.6.06 number	Six months to 30.6.05 number	Year to 31.12.05 number
Weighted average number of fully paid ordinary shares in issue during the period	480,326,644	478,355,682	479,060,496
Weighted average number of fully paid ordinary shares in issue during the period:			
– Held by the ESOP Trust	(2,631,921)	(3,759,366)	(3,115,806)
– Repurchased as part of the share buy back programme	(11,102,862)	(3,224,358)	(6,684,408)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	466,591,861	471,371,958	469,260,282
Dilutive effect of potential ordinary shares	4,001,925	5,596,692	3,624,888
Adjusted weighted average number of fully paid ordinary shares in issue during the period for the purposes of diluted EPS	470,593,786	476,968,650	472,885,170

Following the six for one share split on 15 May 2006, the comparative number of shares have been restated and the earnings per share recalculated accordingly.

Basic earnings per share is calculated by dividing the basic earnings for the period by the weighted average number of fully paid ordinary shares in issue during the period, 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) 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 period by the weighted average number of fully paid ordinary shares in issue during the period, 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.

8 Shareholders' equity

Share buy back programme

The Group repurchased 7,792,578 of shares for £34.0m during the six months ended 30 June 2006 (10,088,028 for £31.0m for the six months ended 30 June 2005 and the year ended 31 December 2005) in relation to its share buy back programme.

Issue of ordinary shares

	Six months to 30.6.06 £m	Six months to 30.6.05 £m	Year to 31.12.05 £m
Share capital	0.2	0.3	0.6
Share premium	0.9	0.9	1.8
	1.1	1.2	2.4

Share split

On 15 May 2006, the Group effected a six for one share split reducing the nominal value of the Group's ordinary share capital from 150.0p per share to 25.0p per share and increasing the number of authorised ordinary shares from 131,000,000 to 786,000,000.

Dividends

The following dividends were paid by the Group:

	Six months to 30.6.06 £m	Six months to 30.6.05 £m	Year to 31.12.05 £m
Interim dividend for the six months ended 30 June 2005 of 3.2p per share	–	–	14.8
Final dividend for the year ended 31 December 2005 of 6.3p per share (2004 – 5.8p per share)	29.6	27.2	27.2
	29.6	27.2	42.0

The interim dividend for the six months ended 30 June 2006 of 5.0p per share (£23.0m) was approved by the Board on 2 August 2006 and has not been included as a liability as at 30 June 2006.

Following the six for one share split carried out during the period, comparative dividends per share have been restated accordingly.

Notes to the accounts (unaudited) continued

9 Notes to the cash flow statement

a Reconciliation of cash generated from operations

	Six months to 30.6.06 £m	Six months to 30.6.05 £m	Year to 31.12.05 £m
Cash flows from operating activities			
Operating profit	110.0	104.1	176.4
Exceptional items	–	(4.0)	13.0
Amortisation	1.5	1.6	3.2
Depreciation	11.0	11.7	22.8
Loss (profit) on disposal of property, plant and equipment	0.1	(1.1)	(2.1)
Share-based payments charge	1.7	1.9	2.9
Decrease (increase) in inventories	79.0	51.2	(15.7)
Increase in trade and other receivables	(1.6)	(24.9)	(15.2)
(Decrease) increase in trade and other payables	(0.5)	(24.8)	13.6
Increase (decrease) in provisions	0.2	(2.4)	(3.8)
Decrease in post retirement defined benefits*	(33.7)	(2.1)	(4.8)
Increase in vehicles subject to residual value commitments	2.9	4.3	4.5
Other items	(0.8)	(0.7)	0.6
Cash generated from operations	169.8	114.8	195.4

*The decrease in post retirement defined benefits in 2006 includes one-off payments of £32.0m.

A number of minor amendments have been made to the presentation of cash flows from operating activities, the principal changes being the separate disclosure of movements in provisions and post retirement defined benefits. Comparative information has been restated accordingly for the period ended 30 June 2005 and the year ended 31 December 2005.

b Reconciliation of net cash flow to movement in net funds

	Six months to 30.6.06 £m	Six months to 30.6.05 £m	Year to 31.12.05 £m
Net increase (decrease) in cash and cash equivalents	41.3	(42.7)	(9.2)
Net cash outflow from borrowings and lease financing	2.4	2.9	2.5
Change in net cash and debt resulting from cash flows	43.7	(39.8)	(6.7)
Effect of foreign exchange rate changes on net cash and debt	(10.5)	10.8	16.3
Net loans and finance leases relating to acquisitions	(2.0)	(4.0)	(4.4)
Movement in net funds	31.2	(33.0)	5.2
Opening net funds	158.0	151.9	151.9
Adoption of IAS 32 and IAS 39	–	0.9	0.9
Closing net funds	189.2	119.8	158.0

10 Post balance sheet events

On 4 July 2006, the Group completed its acquisition of 100.0% of the equity of Lind Automotive Group Holdings and associated UK properties for a total consideration (including debt assumed) of £110.4m.

Independent review report to Inchcape plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2006 which comprises 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. We have read the other information contained in the Interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The Interim report, including the financial information contained therein, is the responsibility of, and has been approved, by the Directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

The Interim report has been prepared in accordance with the basis set out in note 1.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

PricewaterhouseCoopers LLP

Chartered Accountants
London

2 August 2006

Company details

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Auditors
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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

Financial advisers
Dresdner Kleinwort
JPMorgan Cazenove

Corporate brokers
Dresdner Kleinwort
Merrill Lynch

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
10 May 2007

Ex-dividend date for 2006 interim dividend
9 August 2006

Record date for 2006 interim dividend
11 August 2006

Interim 2006 ordinary dividend payable
11 September 2006

Senior executives

Group Chief Executive

André Lacroix
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Group Finance Director

Barbara Richmond
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Managing Director, Inchcape UK and Europe

Graeme Potts
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The following executives are responsible for our key businesses in the UK:

Inchcape Retail

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Fax: +44 (0) 1923 800622

Inchcape Automotive

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Fax: +44 (0) 1832 737127

Inchcape Fleet Solutions

Terry Bartlett
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Fax: +44 (0) 8701 914455

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
Tel: +32 2 386 72 11
Fax: +32 2 386 75 40

Hong Kong/Singapore

William Tsui
Tel: +852 2562 2226
Fax: +852 2811 1060

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

Kate Messum

Treasury

Chris Parker

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