

Interim Report 2012



Industry leader

***Engineered
for growth***

Highlights

31 July 2012

Robust revenue and profit growth

Inchcape plc, a leading international automotive distributor and retailer, announces its half year results for the six months ended 30 June 2012.

Operational and strategic highlights:

- Robust revenue and profit growth driven by broad geographic spread and unique portfolio of leading automotive brands in the premium and luxury segments
- Over two-thirds of trading profit generated from Asia Pacific and the Emerging Markets
- Strong operational discipline on cost and cash
- Strategic investments in Asia Pacific and Emerging Markets on track

Financial highlights:

- Reported sales £3.1bn (2011 H1: £2.9bn), up 6.1% in actual currency and up 7.0% in constant currency
- Underlying operating profit £138.4m, up 10.1%* in actual currency and 10.0% in constant currency
- Underlying operating margin 4.5% (2011 H1: 4.3%*)
- Reported PBT £134.2m (2011 H1: £126.8m), up 5.8% in actual currency
- Reported EPS 20.9p (2011 H1: 19.6p), up 6.6%
- Net cash position: £227.7m (2011 H1: £188.6m)
- Interim dividend of 4.0p (2011 H1: 3.6p)

* In 2011 H1, central costs included a £6.1m one off benefit from the settlement of certain liabilities in one of the Group's pension schemes.

André Lacroix, Group CEO of Inchcape plc, commented:

"We have delivered a robust performance in the first half of the year, growing revenue by 6.1% and underlying operating profit by 10.1%. This is a testament to the strength of Inchcape's unique business model and the effectiveness of our differentiated Customer 1st strategy. We have made further progress on our Top Five Priorities of growing market share, growing aftersales, improving margin, controlling working capital and selective capital expenditure investment.

"The Group started 2012 well with a performance ahead of expectations in the first quarter; in the second quarter we have benefited from strong growth in the premium and luxury segments in the UK and across Asia Pacific and the Emerging Markets. This, combined with our operational discipline, has enabled us to deliver growth in profit before tax of 5.8% and earnings per share growth of 6.6%.

"The Group operates in the right economies, with the right brands and trades in the right categories given our scale presence in Asia Pacific and the Emerging Markets, our focus on premium and luxury brands and our diversified profit streams.

"We believe Inchcape is engineered for growth and we expect the Group to deliver a robust performance in 2012."

Group Chief Executive statement

We are pleased to announce that during the first half of 2012 the Group has again delivered a robust revenue and profit performance. We continue to make progress on executing our Top Five Priorities of growing market share, growing aftersales, improving margin, controlling working capital and selective capital expenditure investment. This has been achieved as a result of our commitment to our differentiated Customer 1st strategy, supported by the proprietary operating processes of our Inchcape Advantage programme.

The Group delivered revenue of £3.1bn in the first half, up by 6.1% on the previous year. Our strong operational leverage driven by our unique business model and continuing cost discipline generated an operating profit of £138.4m, an increase of 5.0% from the first half of 2011, with return on sales at 4.5%. Profit before tax of £134.2m was up 5.8% on the previous year.

In the first half of 2011, our central costs included a £6.1m one-off benefit from the settlement of certain liabilities in one of the Group's pension schemes. After adjusting for this benefit, we delivered an underlying operating profit increase of 10.1%.

Reported earnings per share (EPS) were 20.9p, up 6.6% (2011 H1:19.6p).

Given this performance and our strong financial position, the Board is pleased to declare an interim dividend of 4.0p (2011 H1: 3.6p), an increase of 11.1% and in line with our progressive dividend policy.

In the first half of 2012, trading profit in our distribution segment increased by 11.9% in constant currency terms and was up by 12.5% at actual rates of exchange to £98.7m, with solid performances in North Asia, South Asia, Australasia and Emerging Markets.

Our retail segment delivered trading profit of £51.6m, up 1.6% in constant currency and 1.0% at actual rates of exchange as we benefited from a better than expected performance in the UK and Australasia.

We have delivered a good cash flow performance and have ended the first half year with a net cash position of £227.7m (2011 H1: £188.6m).

The fundamentals of the Group remain strong and our differentiated Customer 1st strategy, balanced between commercial and cash initiatives, has resulted in revenue ahead of our competitors and seen profits and operating cash flow grow faster than revenue.

We have a focused portfolio of luxury and premium brands, based on our long-standing, global relationships with six leading OEMs that represent c.90% of our trading profit. Our strategic investments to increase retail and aftersales capacity in Russia, Poland, South America and China remain on track. We operate in the right economies with the right brands and we target the right customers in the profitable premium and luxury segments. Looking to the future, we see exciting prospects across all our value drivers. This is an industry with considerable growth prospects. The global market for new vehicle sales is forecast to grow by 28% between 2012 and 2017 (Source: IHS Automotive) and the global car parc (the total number of cars on the road and the fundamental driver of aftermarket value) is forecast to grow by 22% during the same period (Source: LMC Automotive).

Given our long-standing scale relationships with our leading OEM brand partners, our strong balance sheet and our track record, the Group is well positioned to take advantage of attractive external growth opportunities in the Asia Pacific and Emerging Market geographies as and when they arise.

Notes:

"Trading profit" is defined as operating profit before exceptional items and unallocated central costs. Unless otherwise stated, all numbers are in actual exchange rates.

Business update

Top Five Priorities

Growing market share

In the first half of 2012, our revenue from new vehicle sales grew strongly due to the effectiveness of our differentiated Customer 1st strategy and strong portfolio of brands operating in the strongest economies and the fastest growing premium and luxury segments.

We also had a solid first half performance in our used vehicles business with stable margin performance against last year.

In our distribution businesses, our marketing focus is on driving customer traffic into our showrooms with high impact campaigns promoting core models with strong product and value-for-money propositions as demonstrated, for example, by our cut-through launch campaign for the highly successful Subaru XV in Australia. Our teams are also increasingly harnessing the growth in online opportunities to deliver targeted marketing programmes aimed at maximising customer interest in innovative new models, model facelifts and limited editions.

In our retail operations too, we are continuing to embrace the opportunities of digital marketing to create a seamless customer experience between our online and retail centre presence. Operationally, our focus is on leveraging opportunities from our brand partners' strong new product launch programmes and on outperforming our competitors through effective customer conversion with our bespoke Inchcape Advantage processes which continue to give us a strong customer service differentiation in our local markets. Our daily data monitoring of customer traffic, customer leads, test drives and capture rate gives us a unique opportunity to drive disciplined performance management in our retail centres and our dedicated customer feedback programmes provide us with real insight to drive our tactical marketing programmes.

Growing aftersales

Our resilient aftersales business continues to deliver a robust performance and contributed approximately half of the Group's gross profit during the period.

In our distribution businesses, our teams remain focused on outperforming competitors through customer contact and retention programmes during both the warranty and post-warranty period. We continue to invest in service advisor training and promotions on spare parts and accessories to drive additional margin opportunities with all-inclusive packages and innovations.

In our retail operations, the rigorous sales processes of our continuously evolving Inchcape Advantage programme are driving performance through the daily capture of customer data, bookings, hours sold and workshop productivity. Creative aftersales initiatives are increasing transaction values and our digital vehicle health checks linked to call centre handling are helping us to capture market share ahead of our competitors. In the UK, for example, we have successfully piloted a new and innovative online service booking facility, allowing website visitors to book aftersales work in real time through a number of simple steps to a booking conclusion and confirmation. The website lets customers see the availability of courtesy cars and book additional add-on products, automatically updating the real time communication system allowing a seamless link up between customer and workshop loading, with no human intervention required.

Through our robust customer research, we collect and analyse feedback to continuously improve our service operations, to measure the effectiveness of our tactical aftersales offers and to develop programmes to increase customer retention.

Reducing costs

Our robust cost discipline remains firmly in place and our first half expenditure was in line with expectations. Our cost restructuring programmes since the start of the global economic downturn in 2008 have delivered a total cost reduction of c.£124m before inflation. In the first half of 2012 our underlying cost base was in line with last year as we were able to offset the impact of inflation with productivity improvements thanks to our restructuring in the fourth quarter of 2011.

Managing working capital

Our daily discipline on working capital and inventory management remains robust and our performance during the period was in line with expectations.

Selective capital expenditure investment

Our strong financial position is enabling us to maintain our strategic capital investment programme to increase our retail and aftersales capacity in Russia, Poland, South America and China while maintaining our facilities in line with OEM standards and investing to upgrade our IT infrastructure. We now expect capex spending this year to be £100m, reflecting cost savings and deferral of several projects.

Business update continued

People

We believe that our people are central to our success. I would like to express my sincere thanks to colleagues across the Group for their ongoing commitment and dedication to creating the ultimate customer experience for our brand partners.

Dividend

Given the strong financial position of the Group, the Board has declared an interim dividend of 4.0p, in line with our progressive dividend policy and up by 11.1% year on year. The interim dividend will be paid on Tuesday 4 September 2012 to shareholders who are on the register at close of business on Friday 10 August 2012.

Outlook

The Group is well positioned in the global automotive market, benefiting from a strong geographic footprint as we operate in the right economies and target the right customers with the right brand partners; we expect the Group to deliver a robust performance in 2012.

We expect demand for premium and luxury vehicles to remain strong in the UK which will continue to outperform the industry.

In Europe, we expect demand for new cars to remain weak and we do not expect trading conditions to improve in the short term given the level of consumer confidence and challenging economic conditions.

In Asia Pacific and the Emerging Markets, we expect growth to continue, albeit at a slower rate, as retail customers are becoming more concerned about the state of the global economy. The demand for new cars in Australia is expected to remain robust given the strong fundamentals of the economy.

We remain cautious on new vehicle margin given the level of competitive activity we are seeing in the UK and Europe, the increased level of price activity in the emerging markets and the strength of the Yen.

We will leverage our aftersales business which continues to perform well and represents around 50% of our gross profit. Our discipline on cost and cash remains firmly in place.

We believe that the Group is engineered for growth: we are extremely well placed to take advantage of the exciting structural growth opportunities in our industry given our solid track record, financial strength, differentiated customer service strategy, partnership with the world's leading premium and luxury automotive brands and our scale position in the fast growing economies of Asia Pacific and the Emerging Markets.

André Lacroix

Group Chief Executive

30 July 2012

Operational review

Group Overview

Group key performance indicators*

	Six months to 30 Jun 12 £m	Six months to 30 Jun 11 £m
Sales	3,108.7	2,929.9
Like for like sales growth / (decline) (%)	6.8	(5.0)
Trading profit	150.3	138.8
Like for like trading profit growth (%)	6.5	5.4
Trading margins (%)	4.8	4.7
Cash generated from operating activities	77.2	73.0

Business analysis*

	Six months to 30 Jun 12 £m	Six months to 30 Jun 11 £m	% change	% change in constant currency
Sales				
- Distribution	1,274.8	1,168.7	9.1	9.9
- Retail	1,833.9	1,761.2	4.1	5.0
Trading profit				
- Distribution	98.7	87.7	12.5	11.9
- Retail	51.6	51.1	1.0	1.6

Regional analysis*

	2012 Operating profit £m	2012 Exceptional items £m	2012 Trading profit £m	2011 Operating profit £m	2011 Exceptional items £m	2011 Trading profit £m
Australasia	35.1	-	35.1	33.9	-	33.9
Europe	10.3	-	10.3	10.9	-	10.9
North Asia	25.6	-	25.6	19.0	-	19.0
South Asia	17.5	-	17.5	13.6	-	13.6
United Kingdom	37.2	-	37.2	35.5	-	35.5
Russia and Emerging Markets	24.6	-	24.6	25.9	-	25.9
Trading profit	150.3	-	150.3	138.8	-	138.8
Central costs	(11.9)	-		(7.0)	-	
Operating profit	138.4	-		131.8	-	

* At actual exchange rates

The Group reports its results in the condensed set of consolidated financial information using actual rates of exchange. The operational review reports results at actual rates of exchange, but to enhance comparability they are also shown in a form that isolates the impact of currency movements from period to period by applying the June 2012 exchange rates to both periods' results (constant currency). The results are also adjusted for the impact of exceptional items to provide additional information regarding the Group's underlying performance. Where exceptional items and unallocated central costs are excluded from operating profit the results are referred to as "trading profit".

Unless otherwise stated, variances from the previous year are stated in constant currency.

Like for like sales and trading profit exclude the impact of acquisitions from the date of acquisition until the 13th month of ownership, and businesses that are sold or closed. It further removes the impact of retail centres that are relocated. This is from the date of opening until the 13th month of trading in the new location.

Operating cash flow, or cash generated from operations, is defined as trading profit adjusted for depreciation, amortisation and other non-cash items plus the change in working capital and provisions.

Australasia

Key performance indicators*

	Six months to 30 Jun 12 £m	Six months to 30 Jun 11 £m	% change	% change in constant currency
Sales	618.3	521.7	18.5	16.1
– Distribution	400.1	326.4	22.6	20.1
– Retail	218.2	195.3	11.7	9.6
Like for like sales	618.3	518.6	19.2	16.8
– Distribution	400.1	326.4	22.6	20.1
– Retail	218.2	192.2	13.5	11.3
Trading profit	35.1	33.9	3.5	1.4
– Distribution	26.1	26.9	(3.0)	(4.8)
– Retail	9.0	7.0	28.6	25.3
Like for like trading profit	35.2	34.1	3.2	1.1
– Distribution	26.1	26.9	(3.0)	(4.8)
– Retail	9.1	7.2	26.4	23.0
Trading margins (%)	5.7	6.5	(0.8ppts)	(0.8ppts)
– Distribution	6.5	8.2	(1.7ppts)	(1.7ppts)
– Retail	4.1	3.6	0.5ppts	0.5ppts

* At actual exchange rates

The Australasia segment contains the Group's operations in Australia and New Zealand.

In the first half of 2012, the Australian new car market grew by 10.4% versus last year, partly driven by the recovery after supply constraints caused by the Japanese tsunami in March 2011. Sports utility vehicles (SUVs) continue to be the fastest growing segment (+33%) with Compact SUVs growing by 46% year on year, as Australian motorists are attracted to the space, comfort, ride height and ground clearance that these vehicles offer.

Our Australasian business has delivered a revenue and operating profit performance ahead of expectations, resulting in a trading profit of £35.1m, up 1.4% year on year. This strong trading profit in H1 2012 was a record on an underlying basis, excluding the benefit of a property disposal in 2010.

Subaru Australia delivered a record volume performance following the launch of the Subaru XV (SUV) and the Subaru Impreza. The XV launch has been highly successful and has helped to drive Subaru's market share to 3.9% (2011: 3.8%). As expected, the margin in our distribution business was below 2011 in the first half of the year due to the strength of the Japanese Yen.

Our retail business also performed well, leveraging the strong market growth and Subaru's strong share to deliver a record trading margin of 4.1% in our retail business, up 50 BPS year on year.

Motor vehicle sales are expected to increase in each quarter for the remainder of 2012 with a forecast total market volume now expected to be some 1.08m vehicles, up 8% year on year.

Given the strong fundamentals of the Australian economy and our normalised supply base, we expect Inchcape Australasia to deliver a strong performance in 2012.

Europe

Key performance indicators*

	Six months to 30 Jun 12 £m	Six months to 30 Jun 11 £m	% change	% change in constant currency
Sales	341.2	414.9	(17.8)	(12.8)
- Distribution	271.5	339.4	(20.0)	(15.1)
- Retail	69.7	75.5	(7.7)	(2.1)
Like for like sales	340.0	413.4	(17.8)	(12.7)
- Distribution	271.5	339.4	(20.0)	(15.1)
- Retail	68.5	74.0	(7.4)	(1.7)
Trading profit	10.3	10.9	(5.5)	(0.2)
- Distribution	10.4	11.0	(5.5)	(0.1)
- Retail	(0.1)	(0.1)	-	(10.1)
Like for like trading profit	10.4	11.0	(5.5)	0.5
- Distribution	10.4	11.0	(5.5)	(0.1)
- Retail	-	-	-	-
Trading margins (%)	3.0	2.6	0.4ppts	0.4ppts
- Distribution	3.8	3.2	0.6ppts	0.6ppts
- Retail	(0.1)	(0.1)	-	-

* At actual exchange rates

The Europe segment includes Belgium, Luxembourg, Greece and Finland.

Despite challenging economic conditions for our businesses in Europe, we delivered a resilient financial performance in the first half of the year in line with expectations.

Our European business saw a decline in revenue of 12.8% yet managed to enhance overall trading margin by 0.4 ppts through strong cost controls and margin management.

Our European distribution business reported a trading profit of £10.4m, some 0.1% below last year with a trading margin at 3.8%. Like for like sales were some 15.1% below last year.

Our European retail business reported a sales decline of 2.1% but managed to remain broadly even at the trading profit level through strong cost controls.

In Belgium, the size of the new vehicle market was impacted by the discontinuation of the government's CO₂ incentives at the beginning of the year causing the market to contract by 14.6% compared to last year. Fleet sales fell by 5.2% and private car sales by 20.5% year on year for the first six months.

The Greek economy remains weak and the new vehicle market contracted by 41.3%. Our Greek business remains profitable due in large part to the resilience and fortitude of our Greek colleagues who have driven a higher aftersales margin, favourable value driver mix and strong cost controls.

For the remainder of the year we expect a continuation of the challenging economic environment in Greece and Belgium.

In the second half of the year, our businesses in Europe will benefit from the launch of the new Toyota GT86, the Yaris HSD and the Lexus GS450h and will leverage Toyota's unique product offering in the market as the manufacturer with the widest availability of power trains to suit individual customers' needs.

Our European businesses face a challenging trading environment but we continue to expect to deliver a resilient financial performance in 2012.

North Asia

Key performance indicators*

Distribution	Six months to 30 Jun 12 £m	Six months to 30 Jun 11 £m	% change	% change in constant currency
Sales	251.1	195.9	28.2	24.8
Like for like sales	214.0	178.8	19.7	16.5
Trading profit	25.6	19.0	34.7	31.0
Like for like trading profit	23.1	18.7	23.5	20.1
Trading margins (%)	10.2	9.7	0.5ppts	0.5ppts

* At actual exchange rates

The North Asia segment contains the Group's vertically integrated operations in Hong Kong, Macau, Guam and Saipan.

The new vehicle market in Hong Kong grew 6% compared to the same period last year driven by the recovery in supply of Japanese brands after the March 2011 tsunami and also the ageing of the car parc.

Following 20 consecutive years' market leadership, we strengthened our market leading position and delivered market share growth of 3.7ppts over last year as we benefited from improved supply and the launch of the new Toyota Prius C, Prius V, New Camy and Auris HV. The Group began sales of Land Rover in December 2011 and demand for the new Range Rover Evoque has been particularly strong.

We delivered a trading profit of £25.6m in the first half of the year, which was a record, and a 0.5ppts improvement in trading margin through leveraging the pricing power of our brands, a stronger sales mix, margin accretive activities in aftersales as well as rigorous cost controls.

We expect the industry to grow in the second half of 2012 but at a slightly slower rate than in the first half as affluent buyers in Hong Kong are increasingly mindful of the impact that the Euro debt crisis and the US slowdown could have on the Chinese economy.

Given our good first half performance, we expect to deliver a strong performance in North Asia in 2012, benefiting from the launch in the second half of the year of many new products including the Toyota Corolla, Toyota Mark X, Lexus LS and Jaguar XF Sportsbrake.

South Asia

Key performance indicators*

Distribution	Six months to 30 Jun 12 £m	Six months to 30 Jun 11 £m	% change	% change in constant currency
Sales	172.2	146.6	17.5	15.7
Like for like sales	172.0	144.7	18.9	17.1
Trading profit	17.5	13.6	28.7	26.7
Like for like trading profit	17.6	13.8	27.5	26.0
Trading margins (%)	10.2	9.3	0.9ppts	0.9ppts

* At actual exchange rates

The South Asia segment contains the Group's vertically integrated operations in Singapore and Brunei.

Total Industry Volume in Singapore was, as expected, slightly down 7.1% for the first six months and the existing car parc continues to age – reaching an average of five years in May 2012.

We grew our revenue in South Asia by 15.7% in the first half of the year, ahead of expectations, due to the fast recovery in the supply situation as well as successful new product launches such as the Lexus GS Sedan, the Toyota Prius C and GT86. We continued to protect the pricing power of our brands despite fierce competition due to high Certificates of Entitlement ("COE") prices and we made progress in the second quarter in terms of market share performance. In aftersales, we outperformed the market through utilising our efficiently run call centre to maximise bookings, driving customer retention through extended warranty and customer points programmes as well as encouraging upselling towards premium offerings.

Our strong revenue growth combined with a healthy margin performance and tight cost controls enabled us to deliver a stronger than expected trading profit of £17.5m, up 26.7% year on year, and a trading margin of 10.2%, up 0.9ppts year on year.

The level of deregistration has been lower than expected since Q4 2011 as affluent buyers in Singapore are mindful of the impact of a slowdown in Europe, China and US on their economies and have been holding on to their cars for longer than expected, given the high price of COEs. The transport authority has injected additional COEs for 2012 to offset the lower than expected deregistrations in the first half of the year. On a full-year basis we expect the Total Industry Volume to be down by 7.5% compared to 2011.

In the second half of the year, our business will benefit from exciting new product launches including the Toyota RAV4, the Lexus LS Sedan as well as facelifts for the Lexus IS and CT200h. In aftersales, we will maintain our momentum through strengthening our proficiency to improve retention rates with enhanced value-for-money offerings.

We expect our South Asia business to deliver a strong performance in 2012.

United Kingdom

Key performance indicators

	Six months to 30 Jun 12 £m	Six months to 30 Jun 11 £m	% change	% change in constant currency
Sales	1,085.8	1,086.1	-	-
- Distribution	17.6	17.6	-	-
- Retail	1,068.2	1,068.5	-	-
Like for like sales	1,081.9	1,051.1	2.9	2.9
- Distribution	17.6	17.6	-	-
- Retail	1,064.3	1,033.5	3.0	3.0
Trading profit	37.2	35.5	4.8	4.8
- Distribution	3.4	3.1	9.7	9.7
- Retail	33.8	32.4	4.3	4.3
Like for like trading profit	37.0	35.7	3.6	3.6
- Distribution	3.4	3.1	9.7	9.7
- Retail	33.6	32.6	3.1	3.1
Trading margins (%)	3.4	3.3	0.1ppts	0.1ppts
- Distribution	19.3	17.6	1.7ppts	1.7ppts
- Retail	3.2	3.0	0.2ppts	0.2ppts

The United Kingdom segment contains our UK retail business and our fleet leasing business, Inchcape Fleet Solutions.

In the first half of 2012 the UK's new vehicle market grew by 2.7% and the luxury and premium brands continued to outperform the industry.

The Group's share of the total UK market is up 0.1ppts to 3.3% and we have achieved a like for like revenue growth of 2.9%. This was driven by strong new product launches including the Audi A1 Sportback, Audi Q3, BMW 3 series and 6 series GT, Mercedes-Benz B Class, Lexus GS, the MINI Roadster, the new Porsche Boxster and 911, the Toyota Yaris Hybrid, the VW Beetle, Passat Coupe and Up!

In the Used car market, our vehicle margin was broadly in line with last year and our aftersales business continued to perform well.

In the first half of the year our UK retail business has delivered a strong trading profit of £33.8m, up 4.3% year on year enabling us to deliver a record trading margin of 3.2%.

Inchcape Fleet Solutions, our distribution business, delivered a very strong first half to the year with trading profit up 9.7% through strong cost controls and tight gross margin management enabling us to deliver a record return on sales of 19.3%, up 1.7 ppts year on year.

Given the stronger than expected industry performance in the first half year, particularly in the premium and luxury segments, we are revising our full year industry estimate to 1.98 million units, up 2% year on year.

We are well placed to continue to gain market share in the UK by leveraging the strong pipeline of new product launches including the Audi A2, A3 and A6 Avant, Jaguar XF Sportsbrake, Lexus RX 450h, Mercedes' new A Class and Toyota's GT86 and Prius+. Finance and Insurance remains a key driver for margin growth and we intend to increase the strong penetration rates that were achieved in the first half.

We expect our UK business to deliver a robust performance in 2012.

Russia and Emerging Markets

Key performance indicators*

	Six months to 30 Jun 12 £m	Six months to 30 Jun 11 £m	% change	% change in constant currency
Sales	640.1	564.7	13.4	17.2
- Distribution	162.3	142.8	13.7	16.5
- Retail	477.8	421.9	13.2	17.4
Like for like sales	640.1	563.4	13.6	17.5
- Distribution	162.3	142.8	13.7	16.5
- Retail	477.8	420.6	13.6	17.8
Trading profit	24.6	25.9	(5.0)	(2.2)
- Distribution	15.7	14.1	11.3	13.3
- Retail	8.9	11.8	(24.6)	(21.2)
Like for like trading profit	25.0	26.0	(3.8)	(1.1)
- Distribution	15.7	14.1	11.3	13.3
- Retail	9.3	11.9	(21.8)	(18.5)
Trading margins (%)	3.8	4.6	(0.8ppts)	(0.8ppts)
- Distribution	9.7	9.9	(0.2ppts)	(0.3ppts)
- Retail	1.9	2.8	(0.9ppts)	(0.6ppts)

* At actual exchange rates

The Russia and Emerging Markets segment contains the Group's operations in Russia, China, Poland, the Balkans, the Baltics, South America and Africa.

Following a strong first quarter with a revenue increase of 20.5% year on year, conditions became slightly more difficult in May and June in all Emerging Markets but Africa. We have seen a slowdown of demand as affluent buyers are increasingly concerned about the impact of the Euro crisis and the US slowdown on their economies.

Our Russian and Emerging Markets businesses have shown overall good growth in revenue, up 17.2% on last year. Trading profit is at £24.6m, some 2.2% down on the same period last year, affected by competitive pressure caused by weakening demand in Q2 and by increased pressure on new car margin; like for like trading profit was flat on last year.

In Russia we delivered an operating profit of £9.1m in the first half year, down by £1.0m versus last year at actual currency and by £0.6m at constant currency. Our return on sales at 2.6% was down by 0.6 ppts compared to last year.

In China, the demand for luxury vehicles remained strong in the first half year. Our Nanchang Porsche centre is set to be opened in December and our new Jiujiang Mercedes-Benz centre will be opened early in 2013.

In the Baltics we saw a slowdown of demand and increased pressure on pricing in the second quarter affecting margin and profitability. In the Balkans, demand remains fragile and was down year on year.

In South America, demand for luxury vehicles remains up year on year but we have also witnessed a slowdown in the second quarter.

Our African business delivered a strong first half performance, better than expected, as we continue to benefit from a strong aftersales market in an economy that has remained robust.

All in all we expect our Russia and Emerging Market segment to deliver a solid performance in 2012. Our businesses are well positioned to take advantage from an improvement in consumer sentiment in the premium/luxury segments once affluent buyers become less concerned about the state of the global economy. The structural growth prospects in these markets remain highly attractive as we will benefit from population growth, an increase in car penetration and a further premiumisation of demand given the expected wealth creation with the growth in the middle classes.

Financial review

Net financing costs

Net financing costs have increased from £3.9m in 2011 to £4.0m in 2012. Included within this are a loss of £1.0m on the mark to market of Greek Government Bonds, interest receivable on tax refunds and a gain of £2.3m (2011: a gain of £0.5m) in our mark to market reporting of the hedges for the US loan notes.

Tax

The pre exceptional effective tax rate for the Group is 26% in 2012 (2011: 26%), which is expected to reflect the full rate for the year.

Exceptional items

No exceptional items have been booked in the first half of this year, which is consistent with the first half of 2011.

Non controlling interests

Profits attributable to non controlling interests were £3.1m in the first half of 2012 (2011: £3.8m). These were primarily attributable to the Group's operations in Australia and Ethiopia.

Dividends

The 2011 final dividend of 7.4p per share was paid out to shareholders on Tuesday 12 June 2012. The Board has declared an interim dividend of 4.0p per share, which will be paid on Tuesday 4 September 2012 to shareholders who are on the register at close of business on Friday 10 August 2012.

Pensions

At 30 June 2012, the IAS 19 net post-retirement benefit deficit was £41.0m (31 December 2011: £14.9m). In the first half of the year and in line with the funding programme agreed with the Trustees, the Group made additional cash contributions to the UK pension schemes amounting to £16.8m (2011: £13.0).

Disposals

During the period, the Group disposed of its interest in a retail centre in Russia at book value, generating disposal proceeds of £2.9m.

During the same period last year, the Group disposed of a small number of dealerships and operations at book value, generating disposal proceeds of £5.3m.

Capital expenditure

Net capital expenditure in the first half of 2012 was £26.5m (2011: £22.1m).

Cash flow and net debt

The Group's operations have continued to deliver strong operational cash flow even though working capital normalised as expected following an unusually low position at the end of 2011. At 30 June 2012 the Group had £227.7m of net funds (31 December 2011: £243.5m).

Funding

The Group has refinanced its committed banking facilities and has entered into syndicated facilities of £500m with a five year term.

Financial review continued

Principal business risks

The Board set out in the Annual Report and Accounts 2011, a number of principal business risks which could impact the performance of the Group and these remain unchanged for this Interim Report and the remaining six months of 2012. The key risks comprise, inter alia, prevailing market conditions, brand partner relationships, legal compliance and reputation and treasury risks which include: currency, funding and liquidity, interest rate and counterparty risks.

The most significant current risks remain linked to the impact of continuing difficult economic conditions on revenues and margins as well as foreign exchange volatility.

After the roll out of the Inchcape Peace of Mind (iPOM) programme, the iPOM Committee succeeded the former Risk Management Strategy Group. It continues to have responsibility for: tracking, monitoring of systemic risk management at market/group level; challenging local risk, systemic footprint and quality of mitigation plans; determining dynamic risk footprint for the Group and action plans; and identifying emerging risks and mitigation plans. The iPOM Committee has met three times in the first half of the year.

Currency, funding and liquidity, interest rate and counterparty risks

Transactional foreign exchange exposures are hedged using forward contracts. Counterparties and limits are approved for cash deposits. These are monitored closely in view of the difficult economic conditions. The Group continues to hedge its US Dollar loan notes with cross currency interest rate swaps.

Funding and liquidity risk is actively managed through strict controls on inventory and the use of supplier credit to fund the largest cash outflows of the Group. The Group also maintains significant committed funding facilities with a blended maturity profile.

Further details of the Group's principal risks and risk management process can be found on pages 32-33 and 44-46 of the Annual Report and Accounts 2011.

Going concern

The Group has significant financial resources and the Directors, having reviewed the Group's operating budgets, investment plans and financing arrangements have assessed the future funding requirements of the Group and compared this to the level of committed facilities and cash resources.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing this interim condensed consolidated financial information.

Consolidated income statement (unaudited)

For the six months ended 30 June 2012

	Notes	Six months to 30 Jun 2012 £m	Six months to 30 Jun 2011 £m	Year to 31 Dec 2011 £m
Revenue	2	3,108.7	2,929.9	5,826.3
Cost of sales		(2,660.9)	(2,494.4)	(4,970.2)
Gross profit		447.8	435.5	856.1
Net operating expenses		(309.4)	(303.7)	(625.1)
Operating profit	2	138.4	131.8	231.0
Operating profit before exceptional items		138.4	131.8	244.4
Operating exceptional items	3	-	-	(13.4)
Share of loss after tax of joint ventures and associates		(0.2)	(1.1)	(3.0)
Profit before finance and tax		138.2	130.7	228.0
Finance income	4	31.0	28.1	57.3
Finance costs	5	(35.0)	(32.0)	(81.9)
Finance costs before exceptional items		(35.0)	(32.0)	(71.0)
Finance exceptional items	3	-	-	(10.9)
Profit before tax		134.2	126.8	203.4
Tax	6	(34.9)	(33.0)	(55.6)
Profit for the period		99.3	93.8	147.8
Profit attributable to:				
- Owners of the parent		96.2	90.0	142.2
- Non controlling interests		3.1	3.8	5.6
		99.3	93.8	147.8
Basic earnings per share (pence)	7	20.9p	19.6p	31.0p
Diluted earnings per share (pence)	7	20.5p	19.3p	30.5p

The notes on pages 19 to 27 are an integral part of these condensed interim financial statements.

Consolidated statement of comprehensive income (unaudited)

For the six months ended 30 June 2012

	Six months to 30 Jun 2012 £m	Six months to 30 Jun 2011 £m	Year to 31 Dec 2011 £m
Profit for the period	99.3	93.8	147.8
Other comprehensive income:			
Cash flow hedges	0.1	(2.4)	5.7
Fair value gains / (losses) on available for sale financial assets	0.1	(0.8)	(6.5)
Impairment losses on available for sale financial assets transferred to consolidated income statement	-	-	10.9
Effect of foreign exchange rate changes	(16.9)	28.2	(26.5)
Net actuarial (losses) / gains on defined benefit pension schemes	(54.9)	(4.0)	18.0
Change in the irrecoverable element of pension surplus	10.7	1.0	(36.7)
Current tax recognised directly in shareholders' equity	0.1	3.4	7.0
Deferred tax recognised directly in shareholders' equity	9.0	(1.4)	(8.4)
Other comprehensive income for the period, net of tax	(51.8)	24.0	(36.5)
Total comprehensive income for the period	47.5	117.8	111.3
Total comprehensive income attributable to:			
- Owners of the parent	44.7	113.4	105.7
- Non controlling interests	2.8	4.4	5.6
	47.5	117.8	111.3

The notes on pages 19 to 27 are an integral part of these condensed interim financial statements.

Consolidated statement of financial position (unaudited)

As at 30 June 2012

	Notes	As at 30 Jun 2012 £m	As at 30 Jun 2011 £m	As at 31 Dec 2011 £m
Non-current assets				
Intangible assets		540.9	568.6	542.6
Property, plant and equipment		643.0	636.5	647.6
Investments in joint ventures and associates		30.4	32.2	29.5
Available for sale financial assets	11	4.7	11.1	5.6
Trade and other receivables		33.7	29.3	34.4
Deferred tax assets		24.6	30.3	43.0
Retirement benefit asset		29.2	21.9	47.3
		1,306.5	1,329.9	1,350.0
Current assets				
Inventories		977.1	819.0	905.5
Trade and other receivables		296.9	278.9	251.5
Available for sale financial assets	11	1.5	1.2	0.5
Derivative financial instruments	11	129.2	102.6	139.7
Current tax assets		2.3	1.8	2.2
Cash and cash equivalents	9b	524.0	538.6	558.9
		1,931.0	1,742.1	1,858.3
Assets held for sale and disposal group	12	2.9	2.8	5.7
		1,933.9	1,744.9	1,864.0
Total assets		3,240.4	3,074.8	3,214.0
Current liabilities				
Trade and other payables		(1,196.0)	(1,016.7)	(1,140.6)
Derivative financial instruments	11	(10.9)	(9.4)	(7.4)
Current tax liabilities		(44.4)	(39.9)	(45.1)
Provisions		(30.3)	(35.1)	(36.8)
Borrowings	9b	(85.4)	(138.8)	(101.9)
		(1,367.0)	(1,239.9)	(1,331.8)
Non-current liabilities				
Trade and other payables		(23.4)	(34.0)	(29.6)
Provisions		(50.4)	(58.7)	(54.1)
Deferred tax liabilities		(22.7)	(24.0)	(40.2)
Borrowings	9b	(335.1)	(312.9)	(338.6)
Retirement benefit liability		(70.2)	(28.0)	(62.2)
		(501.8)	(457.6)	(524.7)
Total liabilities		(1,868.8)	(1,697.5)	(1,856.5)
Net assets		1,371.6	1,377.3	1,357.5
Shareholders' equity				
Share capital	8	46.6	46.4	46.4
Share premium	8	129.2	126.5	126.9
Capital redemption reserve		133.3	133.3	133.3
Other reserves		110.4	170.4	126.8
Retained earnings		925.7	873.2	895.7
Equity attributable to owners of the parent		1,345.2	1,349.8	1,329.1
Non controlling interests		26.4	27.5	28.4
Total shareholders' equity		1,371.6	1,377.3	1,357.5

The notes on pages 19 to 27 are an integral part of these condensed interim financial statements.

Consolidated statement of changes in equity (unaudited)

For the six months ended 30 June 2012

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Equity attributable to equity owners of the parent £m	Non controlling interests £m	Total shareholders' equity £m
At 1 January 2011	46.4	126.3	133.3	145.2	811.9	1,263.1	26.2	1,289.3
Total comprehensive income for the period ended 30 June 2011	-	-	-	25.2	88.2	113.4	4.4	117.8
Share-based payments, net of tax	-	-	-	-	3.4	3.4	-	3.4
Issue of ordinary share capital	-	0.2	-	-	-	0.2	-	0.2
Dividends:								
- Owners of the parent	-	-	-	-	(30.3)	(30.3)	-	(30.3)
- Non controlling interests	-	-	-	-	-	-	(3.1)	(3.1)
At 30 June 2011	46.4	126.5	133.3	170.4	873.2	1,349.8	27.5	1,377.3
At 1 January 2011	46.4	126.3	133.3	145.2	811.9	1,263.1	26.2	1,289.3
Total comprehensive income for the year	-	-	-	(18.4)	124.1	105.7	5.6	111.3
Share-based payments, net of tax	-	-	-	-	6.7	6.7	-	6.7
Net purchase of own shares by ESOP Trust	-	-	-	-	(0.2)	(0.2)	-	(0.2)
Issue of ordinary share capital	-	0.6	-	-	-	0.6	-	0.6
Dividends:								
- Owners of the parent	-	-	-	-	(46.8)	(46.8)	-	(46.8)
- Non controlling interests	-	-	-	-	-	-	(3.4)	(3.4)
At 1 January 2012	46.4	126.9	133.3	126.8	895.7	1,329.1	28.4	1,357.5
Total comprehensive income for the period ended 30 June 2012	-	-	-	(16.4)	61.1	44.7	2.8	47.5
Share-based payments, net of tax	-	-	-	-	4.5	4.5	-	4.5
Net purchase of own shares by ESOP Trust	-	-	-	-	(1.6)	(1.6)	-	(1.6)
Issue of ordinary share capital	0.2	2.3	-	-	-	2.5	-	2.5
Dividends:								
- Owners of the parent	-	-	-	-	(34.0)	(34.0)	-	(34.0)
- Non controlling interests	-	-	-	-	-	-	(3.0)	(3.0)
Disposal of businesses	-	-	-	-	-	-	(1.8)	(1.8)
At 30 June 2012	46.6	129.2	133.3	110.4	925.7	1,345.2	26.4	1,371.6

The notes on pages 19 to 27 are an integral part of these condensed interim financial statements.

Consolidated statement of cash flows (unaudited)

For the six months ended 30 June 2012

	Notes	Six months to 30 Jun 2012 £m	Six months to 30 Jun 2011 £m	Year to 31 Dec 2011 £m
Cash generated from operating activities				
Cash generated from operations	9a	77.2	73.0	244.7
Tax paid		(26.0)	(26.7)	(45.2)
Interest received		5.8	5.3	10.9
Interest paid		(15.5)	(7.6)	(20.4)
Net cash generated from operating activities		41.5	44.0	190.0
Cash flows from investing activities				
Acquisition of businesses, net of cash and overdrafts acquired	10	-	(19.6)	(20.2)
Net cash inflow from sale of businesses	10	2.9	5.3	5.5
Purchase of property, plant and equipment		(26.4)	(18.1)	(80.7)
Purchase of intangible assets		(6.0)	(5.7)	(14.3)
Proceeds from disposal of property, plant and equipment		5.9	1.7	6.5
Net (purchase) / sale of available for sale financial assets		(1.0)	1.6	2.4
Net cash used in investing activities		(24.6)	(34.8)	(100.8)
Cash flows from financing activities				
Proceeds from issue of ordinary shares	8a	2.5	0.2	0.6
Net purchase of own shares by ESOP Trust		(1.6)	-	(0.2)
Net cash (outflow) / inflow from borrowings	9b	(3.3)	(1.1)	1.5
Payment of capital element of finance leases	9b	(0.2)	(0.5)	(0.8)
Loans (advanced to) / repaid by joint ventures		(1.6)	0.9	0.3
Settlement of derivatives		3.1	0.4	4.7
Equity dividends paid	8b	(34.0)	(30.3)	(46.8)
Dividends paid to non controlling interests		(3.0)	(3.1)	(3.4)
Net cash from financing activities		(38.1)	(33.5)	(44.1)
Net (decrease) / increase in cash and cash equivalents	9b	(21.2)	(24.3)	45.1
Cash and cash equivalents at beginning of the period		461.3	419.6	419.6
Effect of foreign exchange rate changes		(0.8)	5.9	(3.4)
Cash and cash equivalents at end of the period		439.3	401.2	461.3
Cash and cash equivalents consist of:				
- Cash at bank and in hand		336.3	334.3	385.6
- Short term bank deposits		187.7	204.3	173.3
- Bank overdrafts		(84.7)	(137.4)	(97.6)
		439.3	401.2	461.3

The notes on pages 19 to 27 are an integral part of these condensed interim financial statements.

Notes (unaudited)

1 Basis of preparation and accounting policies

Basis of preparation

The interim report for the period ended 30 June 2012 has been prepared on a going concern basis in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union, and the Disclosure and Transparency Rules of the Financial Services Authority. The interim report should be read in conjunction with the Annual Report and Accounts 2011, which have been prepared in accordance with IFRSs as adopted by the European Union, and International Financial Reporting Interpretation Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The interim report is unaudited, but has been reviewed by the external auditors. The condensed set of consolidated financial information in the interim report does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's published consolidated financial statements for the year ended 31 December 2011 were approved by the Board of Directors on 12 March 2012 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain an emphasis of matter paragraph or a statement under section 498 of the Companies Act 2006. The condensed set of consolidated financial information on pages 14 to 29 was approved by the Board of Directors on 30 July 2012.

Significant accounting policies

The accounting policies adopted in the preparation of the condensed set of consolidated financial information are consistent with those of the Group's Annual Report and Accounts 2011 other than taxes on income which are accrued using the tax rate that is expected to be applicable for the full financial year.

The following new standards are effective for accounting periods beginning 1 January 2012 but have not had a material impact on the results or financial position of the Group:

- IAS 12, 'Amendments to IAS 12 Income taxes: Deferred taxes'
- IFRS 7, 'Amendments to IFRS 7 Financial instruments: Disclosures'

The following standards were in issue but were not yet effective at the balance sheet date. These standards have not yet been early adopted by the Group, and will be applied for the Group's financial years commencing on or after 1 January 2013:

- IAS 1, 'Amendments to IAS 1 Presentation of financial statements: Other comprehensive income'
- IAS 19 (revised), 'Employee benefits'
- IAS 27 (revised), 'Separate financial statements'
- IAS 28 (revised), 'Associates and joint ventures'
- IAS 32, 'Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities'
- IFRS 7, 'Amendments to IFRS 7 Financial instruments: Disclosures - Offsetting financial assets and financial liabilities'
- IFRS 9, 'Financial instruments'
- IFRS 10, 'Consolidated financial statements'
- IFRS 11, 'Joint arrangements'
- IFRS 12, 'Disclosure of interests in other entities'
- IFRS 13, 'Fair value measurement'

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

	Average rates			Period end rates		
	30 Jun 2012	30 Jun 2011	31 Dec 2011	30 Jun 2012	30 Jun 2011	31 Dec 2011
Australian dollar	1.53	1.56	1.54	1.53	1.50	1.52
Euro	1.22	1.15	1.15	1.24	1.11	1.20
Hong Kong dollar	12.28	12.62	12.53	12.18	12.50	12.07
Singapore dollar	2.00	2.03	2.02	1.99	1.97	2.01
Russian rouble	48.44	46.38	47.11	50.85	44.77	49.88

Notes (unaudited) continued

2 Segmental analysis

The Group has determined that the chief operating decision maker is the Executive Committee.

Emerging markets are those countries in which the Group operates that have started to grow but have yet to reach a mature stage of development and accordingly were in, and are expected to return to, the growth phase of the development cycle. These currently comprise China, the Balkans, the Baltics, Poland, South America and Africa.

The Group's reported 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.

Distribution comprises Vertically Integrated Retail businesses as well as Financial Services and other businesses.

							Distribution
	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
Six months to 30 June 2012							
Revenue from third parties	400.1	271.5	251.1	172.2	17.6	162.3	1,274.8
Results							
Segment result	26.1	10.4	25.6	17.5	3.4	15.7	98.7
Exceptional items	-	-	-	-	-	-	-
Operating profit after exceptional items	26.1	10.4	25.6	17.5	3.4	15.7	98.7
Share of profit / (loss) after tax of joint ventures and associates	-	-	-	-	-	-	-
Profit / (loss) before finance and tax	26.1	10.4	25.6	17.5	3.4	15.7	98.7

							Distribution
	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
Six months to 30 June 2011							
Revenue from third parties	326.4	339.4	195.9	146.6	17.6	142.8	1,168.7
Results							
Segment result	26.9	11.0	19.0	13.6	3.1	14.1	87.7
Exceptional items	-	-	-	-	-	-	-
Operating profit after exceptional items	26.9	11.0	19.0	13.6	3.1	14.1	87.7
Share of profit / (loss) after tax of joint ventures and associates	-	(0.4)	-	-	-	-	(0.4)
Profit / (loss) before finance and tax	26.9	10.6	19.0	13.6	3.1	14.1	87.3

							Distribution
	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
Year to 31 December 2011							
Revenue from third parties	621.4	658.5	433.3	296.2	36.1	311.9	2,357.4
Results							
Segment result	42.7	24.3	42.0	26.0	6.9	30.1	172.0
Exceptional items	(0.3)	(2.7)	(0.1)	-	-	(0.3)	(3.4)
Operating profit after exceptional items	42.4	21.6	41.9	26.0	6.9	29.8	168.6
Share of profit / (loss) after tax of joint ventures and associates	-	(1.3)	-	-	0.1	-	(1.2)
Profit / (loss) before finance and tax	42.4	20.3	41.9	26.0	7.0	29.8	167.4

Financial statements

2 Segmental analysis continued

	Retail							
	Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
Six months to 30 June 2012								
Revenue from third parties	218.2	69.7	1,068.2	477.8	1,833.9	3,108.7	-	3,108.7
Results								
Segment result	9.0	(0.1)	33.8	8.9	51.6	150.3	(11.9)	138.4
Exceptional items	-	-	-	-	-	-	-	-
Operating profit after exceptional items	9.0	(0.1)	33.8	8.9	51.6	150.3	(11.9)	138.4
Share of profit / (loss) after tax of joint ventures and associates	-	-	-	(0.2)	(0.2)	(0.2)	-	(0.2)
Profit / (loss) before finance and tax	9.0	(0.1)	33.8	8.7	51.4	150.1	(11.9)	138.2

Net finance costs of £4.0m are not allocated to individual segments.

	Retail							
	Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
Six months to 30 June 2011								
Revenue from third parties	195.3	75.5	1,068.5	421.9	1,761.2	2,929.9	-	2,929.9
Results								
Segment result	7.0	(0.1)	32.4	11.8	51.1	138.8	(7.0)	131.8
Exceptional items	-	-	-	-	-	-	-	-
Operating profit after exceptional items	7.0	(0.1)	32.4	11.8	51.1	138.8	(7.0)	131.8
Share of profit / (loss) after tax of joint ventures and associates	-	-	-	(0.7)	(0.7)	(1.1)	-	(1.1)
Profit / (loss) before finance and tax	7.0	(0.1)	32.4	11.1	50.4	137.7	(7.0)	130.7

Central costs include a post-retirement settlement gain of £6.1m.

Net finance costs of £3.9m are not allocated to individual segments.

	Retail							
	Australasia £m	Europe £m	United Kingdom £m	Russia and Emerging Markets £m	Total Retail £m	Total pre Central £m	Central £m	Total £m
Year to 31 December 2011								
Revenue from third parties	389.6	147.5	2,023.2	908.6	3,468.9	5,826.3	-	5,826.3
Results								
Segment result	12.6	(0.3)	53.5	24.0	89.8	261.8	(17.4)	244.4
Exceptional items	(0.4)	-	(7.9)	(0.1)	(8.4)	(11.8)	(1.6)	(13.4)
Operating profit after exceptional items	12.2	(0.3)	45.6	23.9	81.4	250.0	(19.0)	231.0
Share of profit / (loss) after tax of joint ventures and associates	-	-	(0.4)	(1.4)	(1.8)	(3.0)	-	(3.0)
Profit / (loss) before finance and tax	12.2	(0.3)	45.2	22.5	79.6	247.0	(19.0)	228.0

Central costs include a post-retirement settlement gain of £6.1m.

Net finance costs of £24.6m are not allocated to individual segments and include an exceptional charge of £10.9m relating to the impairment losses on Greek Government Bonds (see note 3).

Notes (unaudited) continued

3 Exceptional items

	Six months to 30 Jun 2012 £m	Six months to 30 Jun 2011 £m	Year to 31 Dec 2011 £m
Operating exceptional items			
- Restructuring costs	-	-	(13.4)
Finance exceptional items			
- Impairment of available for sale financial assets	-	-	(10.9)
Total exceptional items before tax	-	-	(24.3)
Exceptional tax credit	-	-	3.6
Total exceptional items	-	-	(20.7)

In 2011, the restructuring costs of £13.4m represented the cost of a global restructuring exercise conducted in the fourth quarter of the year. The restructuring was carried out to ensure that we continue to maintain an organisational structure and cost base that reflect trading conditions across the Group, as well as improving the cost effectiveness of our global IT strategy. Included within the restructuring costs was a £7.1m impairment of computer software costs in the UK.

The £10.9m charge on the impairment of available for sale financial assets related to the impairment losses on Greek Government Bonds to reflect market conditions.

The exceptional tax credit of £3.6m represented relief on restructuring costs and impairment of software costs. No relief was available for the impairment of available for sale financial assets.

4 Finance income

	Six months to 30 Jun 2012 £m	Six months to 30 Jun 2011 £m	Year to 31 Dec 2011 £m
Bank and other interest receivable	2.2	2.1	5.6
Expected return on post-retirement plan assets	20.7	22.5	45.1
Other finance income	8.1	3.5	6.6
Total finance income	31.0	28.1	57.3

During the period, the Group recognised £3.7m of interest relating to tax refunds which is included within Other finance income (2011 - £nil).

5 Finance costs

	Six months to 30 Jun 2012 £m	Six months to 30 Jun 2011 £m	Year to 31 Dec 2011 £m
Interest payable on bank borrowings	0.8	0.9	2.0
Interest payable on Private Placement	2.3	1.8	3.9
Interest payable on other borrowings	0.1	0.1	0.3
Fair value loss / (gain) on cross-currency interest rate swaps	0.9	7.2	(16.1)
Fair value adjustment on Private Placement	(3.2)	(7.7)	18.5
Stock holding interest	8.0	6.3	13.6
Interest expense on post-retirement plan liabilities	19.7	22.1	43.7
Loss on revaluation of available for sale financial assets	1.0	-	-
Other finance costs	5.7	1.7	5.8
Capitalised borrowing costs	(0.3)	(0.4)	(0.7)
Total finance costs before exceptional items	35.0	32.0	71.0
Exceptional items:			
- Impairment of available for sale financial assets	-	-	10.9
Total finance costs	35.0	32.0	81.9

6 Tax

		Six months to 30 Jun 2012 £m	Six months to 30 Jun 2011 £m	Year to 31 Dec 2011 £m
Current tax	- UK	-	5.1	7.0
	- Overseas	26.1	21.7	49.0
Adjustments to prior year liabilities	- UK	-	0.1	(0.3)
	- Overseas	(0.4)	(2.0)	(0.9)
		25.7	24.9	54.8
Deferred tax	- UK	9.1	4.1	3.4
	- Overseas	0.1	4.0	1.0
Tax before exceptional tax		34.9	33.0	59.2
Exceptional tax	- Current	-	-	(1.0)
	- Deferred	-	-	(2.6)
Total tax		34.9	33.0	55.6

The taxation charge for the six months ended 30 June 2012 is based on an estimated full year effective tax rate before exceptional items of 26% (2011 - 26%).

On 21 March 2012, it was announced that the main rate of corporation tax was to reduce from 26% to 24% from 1 April 2012. This change of rate became substantively enacted on 26 March 2012. The Group has measured its UK deferred tax assets and liabilities at the end of the reporting period at 24%. An announcement was also made of the intention to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 and of a further 1% reduction to 22% from 1 April 2014. These changes had not been substantively enacted at 30 June 2012. The reduction in main rate to 23% was substantively enacted in the Finance Bill 2012 on 3 July 2012; however, the impact of this change on the financial statements is not expected to be material.

7 Earnings per share

	Six months to 30 Jun 2012 £m	Six months to 30 Jun 2011 £m	Year to 31 Dec 2011 £m
Profit for the period	99.3	93.8	147.8
Non controlling interests	(3.1)	(3.8)	(5.6)
Basic earnings	96.2	90.0	142.2
Exceptional items	-	-	20.7
Adjusted earnings	96.2	90.0	162.9
Basic earnings per share	20.9p	19.6p	31.0p
Diluted earnings per share	20.5p	19.3p	30.5p
Basic Adjusted earnings per share	20.9p	19.6p	35.5p
Diluted Adjusted earnings per share	20.5p	19.3p	34.9p

	Six months to 30 Jun 2012 number	Six months to 30 Jun 2011 number	Year to 31 Dec 2011 number
Weighted average number of fully paid ordinary shares in issue during the period	464,047,111	463,256,697	463,324,543
Weighted average number of fully paid ordinary shares in issue during the period:			
- Held by the ESOP Trust	(1,393,292)	(1,439,006)	(1,372,654)
- Repurchased as part of the share buy back programme	(2,687,560)	(2,687,560)	(2,687,560)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	459,966,259	459,130,131	459,264,329
Dilutive effect of potential ordinary shares	8,328,945	7,034,916	7,193,499
Adjusted weighted average number of fully paid ordinary shares in issue during the period for the purposes of diluted EPS	468,295,204	466,165,047	466,457,828

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 other share-based awards.

Notes (unaudited) continued

7 Earnings per share continued

Adjusted earnings (which excludes exceptional items) is adopted to assist the reader in understanding the underlying performance of the Group. Adjusted earnings per share is calculated by dividing the Adjusted 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 Adjusted earnings per share is calculated on the same basis as the basic Adjusted 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 other share-based awards.

8 Shareholders' equity

a. Issue of ordinary shares

	Six months to 30 Jun 2012 £m	Six months to 30 Jun 2011 £m	Year to 31 Dec 2011 £m
Share capital	0.2	-	-
Share premium	2.3	0.2	0.6
	2.5	0.2	0.6

During the period, the Group issued £2.5m (2011 – £0.2m) of ordinary shares exercised under the Group's share options schemes.

Share buy back programme

During the six months ended June 2012, the Company did not repurchase any of its own shares (June 2011 – nil). At 30 June 2012, the Company held 2,687,560 treasury shares (31 December 2011 – 2,687,560). The shares are held as treasury shares and may be either cancelled or used to satisfy share options at a later date.

b. Dividends

The following dividends were paid by the Group:

	Six months to 30 Jun 2012 £m	Six months to 30 Jun 2011 £m	Year to 31 Dec 2011 £m
Final dividend for the year ended 31 December 2011 of 7.4p per share (2011 – 6.6p per share)	34.0	30.3	30.3
Interim dividend for the six months ended 30 June 2011 of 3.6p per share (2010 – nil per share)	-	-	16.5
	34.0	30.3	46.8

An interim dividend of 4.0p per share (£18.5m) for the period ending 30 June 2012 was approved by the Board on 30 July 2012 and will be paid on Tuesday 4 September 2012 to the shareholders who will be on the register at close of business on Friday 10 August 2012.

9 Notes to the statement of cash flows

a. Reconciliation of cash generated from operations

	Six months to 30 Jun 2012 £m	Six months to 30 Jun 2011 £m	Year to 31 Dec 2011 £m
Cash flows from operating activities			
Operating profit	138.4	131.8	231.0
Exceptional items	-	-	13.4
Amortisation of intangible assets	1.8	2.6	4.5
Depreciation of property, plant and equipment	14.6	13.4	29.0
Profit on disposal of property, plant and equipment	(0.1)	(1.2)	(0.1)
Share-based payments charge	4.5	3.4	7.3
(Increase)/decrease in inventories	(78.5)	48.4	(61.0)
(Increase) in trade and other receivables	(46.0)	(38.4)	(24.0)
Increase/(decrease) in trade and other payables	71.8	(65.6)	79.0
(Decrease)/increase in provisions	(9.1)	0.2	(1.1)
Pension contributions in excess of the pension charge for the period*	(17.0)	(18.8)	(24.8)
Decrease/(increase) in interest in leased vehicles	1.0	0.7	(1.1)
Payment in respect of operating exceptional items	(4.2)	(3.5)	(6.5)
Other items	-	-	(0.9)
Cash generated from operations	77.2	73.0	244.7

* Includes additional payments of £16.8m (June 2011 – £13.0m).

b. Reconciliation of net cash flow to movement in net funds

	Six months to 30 Jun 2012 £m	Six months to 30 Jun 2011 £m	Year to 31 Dec 2011 £m
Net (decrease) / increase in cash and cash equivalents	(21.2)	(24.3)	45.1
Net cash outflow from borrowings and lease financing	3.5	1.6	(0.7)
Change in net cash and debt resulting from cash flows	(17.7)	(22.7)	44.4
Effect of foreign exchange rate changes on net cash and debt	(0.7)	5.8	(3.5)
Funds raised from finance leases	-	(0.8)	(0.8)
Net movement in fair value	2.3	0.5	(2.4)
Net loans and finance leases relating to disposals	0.3	-	-
Movement in net funds	(15.8)	(17.2)	37.7
Opening net funds	243.5	205.8	205.8
Closing net funds	227.7	188.6	243.5

Net funds is analysed as follows:

	Six months to 30 Jun 2012 £m	Six months to 30 Jun 2011 £m	Year to 31 Dec 2011 £m
Cash at bank and in hand	336.3	334.3	385.6
Short term bank deposits	187.7	204.3	173.3
Bank overdrafts	(84.7)	(137.4)	(97.6)
Cash and cash equivalents	439.3	401.2	461.3
Bank loans	(332.6)	(310.0)	(339.1)
Other loans	-	(0.6)	(0.3)
Finance leases	(3.2)	(3.7)	(3.5)
	103.5	86.9	118.4
Fair value of cross currency interest rate swap	124.2	101.7	125.1
Net funds	227.7	188.6	243.5

Notes (unaudited) continued

10 Acquisitions and disposals

During the period, the Group disposed of its interest in a dealership in Russia at book value, generating disposal proceeds of £2.9m.

Last year, the Group disposed of a small number of dealerships and operations at book value, generating disposal proceeds of £5.3m for the period ending June 2011, and £5.5m for the full year to 31 December 2011.

In 2011, the Group completed the purchase of the Musa Motors group. Under the terms of the original acquisition agreement, contingent deferred consideration dependent on 2010 EBITA was due in respect of 24.9% of the group. In the first half of 2011, the amount of the deferred consideration was determined and a payment of US\$32m (£19.6m) was made to the vendor.

11 Financial risk management

a. Financial risk factors

Exposure to financial risks comprising market risks (currency risk and interest rate risk), funding and liquidity risk and counterparty risk arises in the normal course of the Group's business.

During the six months to 30 June 2012 the Group has continued to apply the financial risk management process and policies as detailed in the Group's principal risks and risk management process included in the Annual Report and Accounts 2011.

The interim condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements and further details can be found in the Annual Report and Accounts 2011.

b. Liquidity risk

There have been no material changes to the contractual undiscounted cash flows of the Group's liabilities during the six months to 30 June 2012.

c. Fair value measurements

In accordance with IFRS 7 disclosure is required for financial instruments that are measured in the consolidated statement of financial position at fair value. This requires disclosure of fair value measurements by level for the following fair value measurement hierarchy:

- quoted prices in active markets (level 1);
- inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (level 2); or
- inputs for the asset or liability that are not based on observable market data (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value:

	Level 1 £m	Level 2 £m	Total £m
Six months to 30 June 2012			
Assets			
Derivatives used for hedging	-	129.2	129.2
Available for sale financial assets	6.2	-	6.2
	6.2	129.2	135.4
Liabilities			
Derivatives used for hedging	-	(10.9)	(10.9)
Six months to 30 June 2011			
Assets			
Derivatives used for hedging	-	102.6	102.6
Available for sale financial assets	12.3	-	12.3
	12.3	102.6	114.9
Liabilities			
Derivatives used for hedging	-	(9.4)	(9.4)
Year to 31 December 2011			
Assets			
Derivatives used for hedging	-	139.7	139.7
Available for sale financial assets	6.1	-	6.1
	6.1	139.7	145.8
Liabilities			
Derivatives used for hedging	-	(7.4)	(7.4)

11 Financial risk management continued

Valuation techniques and assumptions applied in determining fair values of each class of asset or liability are consistent with those used as at 31 December 2011 and reflect the current economic environment.

Available for sale financial assets include £3.0m of Greek Government Bonds held by our business in Greece to back warranty liabilities. These bonds are held at fair value and the related mark to market loss of £1.0m for the period has been taken to the consolidated income statement.

There have been no transfers between any levels of the fair value hierarchy during the six months ended 30 June 2012.

During the six months ended June 2012 there were no reclassifications of financial assets as a result of a change in the purpose or use of these assets.

The Group's derivative financial instruments comprise the following:

	Assets			Liabilities		
	Six months to 30 Jun 2012 £m	Six months to 30 Jun 2011 £m	Year to 31 Dec 2011 £m	Six months to 30 Jun 2012 £m	Six months to 30 Jun 2011 £m	Year to 31 Dec 2011 £m
Cross currency interest rate swap	124.2	101.7	125.1	-	-	-
Forward foreign exchange contracts	5.0	0.9	14.6	(10.9)	(9.4)	(7.4)
	129.2	102.6	139.7	(10.9)	(9.4)	(7.4)

12 Assets held for sale and disposal group

	Six months to 30 Jun 2012 £m	Six months to 30 Jun 2011 £m	Year to 31 Dec 2011 £m
Assets directly associated with the disposal group	-	2.8	2.8
Assets held for sale	2.9	-	2.9
Assets held for sale and disposal group	2.9	2.8	5.7

The assets and liabilities in the disposal group comprise the following:

Property, plant & equipment	-	2.8	2.8
Inventories	-	-	-
Trade and other receivables	-	-	-
Assets directly associated with the disposal group	-	2.8	2.8

As at June 2012, assets held for sale relate to surplus properties being actively marketed with a view to sale.

In October 2010, the Group announced its intention to dispose of certain non-core franchises. These businesses were actively marketed with a view to sale and the corresponding assets and liabilities were disclosed as a disposal group in the consolidated statement of financial position. In the course of 2011, the majority of these assets and liabilities were disposed of.

13 Related party disclosures

There have been no material changes to the principal subsidiaries and joint ventures as listed in the Annual Report and Accounts for the year ended 31 December 2011.

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

There were no material transactions or balances between the Group and its key management personnel during the six months to 30 June 2012.

Independent review report to Inchcape plc

Introduction

We have been engaged by the Company to review the condensed set of consolidated financial information in the interim report for the six months ended 30 June 2012 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes. 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 in the condensed set of consolidated financial information.

Directors' responsibilities

The interim report is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The financial information included in this interim report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial information in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency 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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial information in the interim report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London
30 July 2012

Notes:

- (a) The maintenance and integrity of the Inchcape website is the responsibility of the Directors; 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 interim report since it was initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Statement of Directors' responsibilities

Introduction

The Directors confirm that the condensed set of consolidated financial information in the interim report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the European Union and that the interim report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7R and 4.2.8R, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of consolidated financial information;
- a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report.

The Directors and positions held during the period were as published in the Annual Report and Accounts 2011, except for David Scotland, Chairman of the CR committee, who retired on 10 May 2012 and has been replaced by Kanwarpal (Vicky) Bindra, who was appointed as a Non-Executive Director on 1 July 2011. A list of current Directors is maintained on the Inchcape plc website (www.inchcape.com).

By order of the Board

André Lacroix

30 July 2012

Group Chief Executive