



Interim Report 2011

Industry leader

Three stylized globes, each composed of a grid of white and red dots, are arranged in a triangular pattern against a black background. The globes are slightly tilted and appear to be floating or rotating.

Powering ahead
worldwide

Inchcape plc 2011 Interim Report

28th July 2011

Highlights

Good earnings growth and robust cash generation

Inchcape plc, a leading international automotive distributor and retailer, announces its half year results for the period ended 30 June 2011.

Operational & strategic highlights:

- Resilient revenue performance due to strength of international portfolio and diversified revenue streams
- Tight controls on overheads: costs reduced by 8.6%
- Two thirds of trading profit generated from Asia Pacific and the Emerging Markets
- Underlying operating margin progression with return on sales up 50bps to 4.5%
- Good cash conversion: £188.6m of net cash at period end

Financial highlights:

- Reported sales £2.9bn (2010: £3.1bn), down 5.3% in actual currency and down 6.7% in constant currency
- Reported PBT £126.8m (2010: £115.2m), up 10.1%
- Reported EPS 19.6p (2010: 17.2p), up 14.0%
- Operating cash flow £73.0m (2010: £104.5m)
- Interim dividend of 3.6p (2010: nil)

André Lacroix, CEO of Inchcape plc, commented:

"We have delivered a good performance in the first half of the year which is a testament to the strength of Inchcape's unique business model and differentiated Customer 1st strategy.

"We have benefited from increased consumer demand for premium and luxury vehicles in Russia and the Emerging Markets and our operational discipline on both commercial and cash initiatives has enabled us to deliver a healthy growth in profit before tax of 10.1% and earnings per share growth of 14.0%.

"Our competitive position continues to improve through our strategic commitment to superior customer service and our operational focus on our 'Top Five Priorities' of growing market share, growing aftersales, improving margin, controlling working capital and selective capital expenditure investment.

"While in some of our markets we will continue to experience a temporary supply restriction on new cars as a result of the earthquake in Japan, we believe the Group will deliver a solid performance for 2011, in line with our expectations. We have taken cost actions to offset the supply impact and the Group will continue to benefit from its broad geographic spread, strong portfolio of the world's leading brands in the premium and luxury segment as well as from its strong aftersales business which represents around 50% of Group gross profit.

"More broadly, we expect the uneven global economic recovery will continue as inflationary pressure and government austerity measures will affect consumer confidence, particularly in the UK and Europe. However, Inchcape is uniquely positioned worldwide as a leading international automotive distributor and retailer with two thirds of our trading profit coming from Asia Pacific and the Emerging Markets."

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Notes to editors

About Inchcape:

Inchcape is a leading, independent international automotive distributor and retailer operating in 26 markets. Inchcape has diversified multi-channel revenue streams including sale of new and used vehicles, parts, service, finance and insurance.

Inchcape's vision is to be the world's most customer-centric automotive retail group and represents some of the world's leading automotive brands, including Audi, BMW, Jaguar, Land Rover, Lexus, Mercedes-Benz, Porsche, Subaru, Toyota and Volkswagen.

Inchcape, which has been listed on the London Stock Exchange since 1958, is headquartered in London and employs around 13,900 people.

www.inchcape.com

Group Chief Executive statement

I am pleased to announce good results for the Group for the first half of 2011, reflecting our commitment to our Customer 1st strategy and our operational focus on executing our Top Five Priorities of growing market share, growing aftersales, improving margin, controlling working capital and selective capital expenditure investment.

Overall, the Group delivered revenue of £2.9bn in the first half of 2011, which, due to the supply shortage following the earthquake in Japan and the continuation of an uneven global recovery, was down by 5.3% on the previous year. However, strong operational leverage driven by our unique business model and continuing cost discipline generated an operating profit in the first half of 2011 of £131.8m, an increase of 6.5% from the first half of 2010, with return on sales up 50bps to 4.5%. Profit before tax of £126.8m was up 10.1% on the previous year.

Reported earnings per share (EPS) were 19.6p, up 14.0% (June 2010: 17.2p).

Given our solid performance and strong financial position, the Board is pleased to declare an interim dividend of 3.6p (June 2010: nil), in line with our progressive dividend policy.

In the first half of 2011, trading profit in our distribution segment decreased by 5.0% in constant currency terms and was down by 3.8% at actual rates of exchange to £87.7m, with solid performances in North Asia, Australasia and Emerging Markets.

Our retail segment delivered trading profit of £51.1m, up 23.5% in constant currency and 25.9% at actual rates of exchange. We performed better than we expected in the UK while our Russia and Emerging Markets segment delivered strong trading profit growth.

We have delivered a good cash flow performance and have ended the first half year with a net cash position of £188.6m (2010: £84.9m).

Our results for the first half of 2011 again demonstrate the strength of our unique business model, our unwavering commitment to our Customer 1st strategy supported by the proprietary processes of our Inchcape Advantage programme and the discipline of our decentralised and empowered organisation.

Operationally, we continue to drive a strong focus on commercial initiatives to grow revenue ahead of our competitors alongside cost and cash initiatives to deliver profit and operating cash faster than revenue. The fundamentals of the Group remain strong and our strategic direction is clear with a balanced focus between commercial and cash initiatives.

We continue to leverage our strong relationships with our brand partners and we have won several retail contracts in the first half of 2011, enabling us to expand in the high growth and high margin segments of our industry. Indeed, during the second half of 2011 we are expanding in the premium and luxury segment in China with Jaguar, Land Rover and Porsche.

Looking to the future, we see exciting growth prospects across all our value drivers. This is an industry with considerable structural growth ahead. The global market for new vehicle sales is forecast to grow by 33% between 2010 and 2015 (Source: Global Insight) 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 17% during the same period (Source: JD Power).

Given these considerable growth prospects, our primary focus remains organic growth. Over time, the Group is well positioned to take advantage of attractive external growth opportunities in the Asia Pacific and Emerging Market geographies when they arise, due to the depth of our brand partner relationships, our solid track record and the strength of our balance sheet.

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 quarter of the year, new vehicle sales were better than our expectations due to the strong performance of our premium and luxury brands in the UK and the increase in demand for premium and luxury vehicles in Hong Kong, Russia and the Emerging Markets.

During the second quarter, our revenue declined in a number of our core markets due to the impact of the Japanese earthquake on new vehicle supply. Nevertheless, we continue to protect the pricing power of our premium brands and we have delivered robust margins on new car sales.

We had a solid first half year performance in our used vehicles business with moderate revenue growth against last year. We expect demand to remain robust but moving forward we foresee some margin erosion, especially in the UK.

In our distribution businesses, we continue to drive customer traffic into our showrooms with high impact campaigns focused behind core models with strong product and value-for-money propositions. Our teams are harnessing the growth in online opportunities to deliver targeted marketing programmes aimed at maximising customer interest in innovative new models, facelifts and limited editions.

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

Growing aftersales

Our resilient aftersales business contributed approximately half of the Group's gross profit during the period.

In distribution, our teams are 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 Inchcape Advantage programme are driving performance through the daily capture of customer data, bookings, hours sold and workshop productivity and initiatives like our oil and tyre programmes are increasing aftersales transaction values. New concepts, like our digital vehicle health check linked to call centre handling are increasing our share of the aftersales market. Further, through our robust customer service 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 remained firmly in place as our first half year expenditure was slightly lower than expected, down 8.6% overall including a one off pension credit. Return on sales was 4.5%, up 50bps on last year.

The cost restructuring programme announced in the fourth quarter of 2010 has been completed and 15 underperforming sites closed or disposed of by the end of June 2011. We have reduced our variable expenditure by £10m to reflect the product supply disruption in those markets affected by the Japan earthquake and we have benefited from a one off pension gain of £6.1m following the settlement of certain liabilities in one of the Group's pension schemes.

Managing working capital

Following an unusually low working capital position at the end of 2010, our position normalised, as expected, in the first half of 2011. Our working capital and inventory are in line with our expectations as our tight controls have kept our stock cover ratio stable at our stated target of 1.5 months across the Group.

Selective capital expenditure investment

Our strong financial position has enabled us to maintain our investment programme in strategic sites to take advantage of growth opportunities in the premium and luxury segments in Asia Pacific and the Emerging Markets. We continue to progress investments to increase our retail and aftersales capacity in Russia, Poland, South America and China.

Moreover, in the first half of the year of 2011 we have been awarded the Porsche retail franchise for Nanchang, China. We have also been awarded two prestigious retail contracts in the UK, the West London franchise for Volkswagen and a second Porsche franchise for the south coast.

In June 2011 we completed the purchase of Musa Motors, with its scale retail portfolio of premium and luxury brands in Moscow, for £19.6m.

Business update continued

Japan earthquake

First and foremost, the earthquake which took place in March has been a human tragedy and our thoughts are with the people of Japan. Inchcape has very close ties with Japan and given the scale and severity of the disaster has made a donation of over £120,000 to the Red Cross 'Japan Tsunami appeal'. This donation was funded in part by the Group, but also by Inchcape colleagues, franchise dealers, suppliers and advisors.

Our manufacturer brand partners in Japan continue to make good progress on rebuilding production capacity. For example, Toyota's production in Japan and Europe is already back to pre-earthquake levels.

Nevertheless, the impact of the earthquake has created temporary supply restrictions in several of our distribution businesses whereby we now need to rebuild our supply position, country by country and model by model and we consequently expect some sales reductions in 2011. As previously communicated, we are planning for a loss of new vehicle sales of one month in Europe, one and a half months in Singapore, two months in North Asia and three months in Australasia. We started seeing the impact of this supply restriction on our revenue in the second quarter but, due to the time lag between production and customer delivery, we expect two-thirds of the full year supply restriction to impact the Group's performance in the second half of the year. We expect the supply situation to be back to normal in most markets in the fourth quarter.

We will continue to benefit from our diversified revenue streams, as typically 50% of the Group's gross profit comes from our strong aftersales operations that are not expected to be impacted by the temporary supply setback and we have a resilient used car business.

Moreover, we are taking cost actions to offset the supply restrictions by reducing our variable expenditure in the affected markets.

People

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, which will enable us to take full advantage of the economic recovery that is starting in several of our markets.

Dividend

Given the strong financial position of the Group, the Board has declared an interim dividend of 3.6p, in line with our progressive dividend policy. The interim dividend will be paid on Monday, 5 September 2011, to shareholders who are on the register at the close of business on Friday, 5 August 2011.

Outlook

For the rest of the year, we anticipate the continuation of an uneven global recovery with inflationary pressure and government austerity measures affecting consumer confidence, particularly in the UK and Europe.

Demand for luxury and premium brands will remain strong in Russia and the Emerging Markets but we expect a weaker second half year due to the effect of the Japanese earthquake on our new vehicle supply in Asia, Australia and Europe, together with challenging market conditions in Greece and the UK.

We are taking action on costs to mitigate the impact on profits of lower new car sales. We have reduced our variable expenditure given the temporary shortage of vehicles in several of our markets and the successful implementation of our restructuring programme will deliver savings slightly greater than previously anticipated.

We expect used car demand to remain robust but margins will normalise following record levels in 2009 and 2010.

Aftersales will remain resilient and our controls on margin, costs and cash will remain firmly in place.

We therefore remain well positioned to deliver a solid performance in 2011, in line with our expectations.

Moving forward, the Group is extremely well placed to take advantage of the exciting structural growth opportunities in our industry given our solid track record, our financial strength, our superior customer service strategy, our 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

27 July 2011

Operational review

Group Overview

Group key performance indicators*

	Six months to 30 Jun 11 £m	Six months to 30 Jun 10 £m
Sales	2,929.9	3,095.2
Like for like sales (decline) / growth (%)	(5.0)	12.6
Trading profit	138.8	131.8
Like for like trading profit growth (%)	5.4	36.7
Trading margins (%)	4.7	4.3
Cash generated from operating activities	73.0	104.5

Business analysis*

	Six months to 30 Jun 11 £m	Six months to 30 Jun 10 £m	% change	% change in constant currency
Sales				
– Distribution	1,168.7	1,355.7	(13.8)	(15.6)
– Retail	1,761.2	1,739.5	1.2	0.2
Trading profit				
– Distribution	87.7	91.2	(3.8)	(5.0)
– Retail	51.1	40.6	25.9	23.5

Regional analysis*

	2011 Operating profit £m	2011 Exceptional items £m	2011 Trading profit £m	2010 Operating profit £m	2010 Exceptional items £m	2010 Trading profit £m
Australasia	33.9	–	33.9	37.4	–	37.4
Europe	10.9	–	10.9	18.8	–	18.8
North Asia	19.0	–	19.0	18.5	–	18.5
South Asia	13.6	–	13.6	17.3	–	17.3
United Kingdom	35.5	–	35.5	31.2	–	31.2
Russia and Emerging Markets	25.9	–	25.9	8.6	–	8.6
Trading profit	138.8	–	138.8	131.8	–	131.8
Central costs	(7.0)	–		(8.1)	–	
Operating profit	131.8	–		123.7	–	

*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 2011 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 to 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 11 £m	Six months to 30 Jun 10 £m	% change	% change in constant currency
Sales	521.7	551.2	(5.4)	(14.0)
– Distribution	326.4	360.9	(9.6)	(17.8)
– Retail	195.3	190.3	2.6	(6.9)
Like for like sales	510.7	544.6	(6.2)	(14.8)
– Distribution	326.4	360.9	(9.6)	(17.8)
– Retail	184.3	183.7	0.3	(9.0)
Trading profit	33.9	37.4	(9.4)	(17.8)
– Distribution	26.9	29.7	(9.4)	(17.9)
– Retail	7.0	7.7	(9.1)	(17.2)
Like for like trading profit	33.9	37.3	(9.1)	(17.6)
– Distribution	26.9	29.7	(9.4)	(17.9)
– Retail	7.0	7.6	(7.9)	(16.2)
Trading margins (%)	6.5	6.8	(0.3)ppt	(0.3)ppt
– Distribution	8.2	8.2	-ppt	-ppt
– Retail	3.6	4.0	(0.4)ppt	(0.4)ppt

*At actual exchange rates

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

The new car market in Australia in the first half was down 5.3% versus last year, impacted by supply constraints on Japanese brands following the March earthquake, with reductions on most vehicle segments with the exception of the Compact SUV which grew by 4.8%, and where Inchcape holds a strong competitive position with the Forester and Outback models.

Although the first half performance in our Australasian distribution business has been impacted by the temporary supply constraints from Japan, the decline in wholesale volumes was partly mitigated by a successful run out of the Impreza R special edition. We successfully managed our vehicle mix to optimise gross margin while reducing our variable expenses due to limited supply. We enjoyed a good momentum on the sale of spare parts.

Our Australasian distribution business delivered a solid underlying trading profit growth of 8.9% (excluding a property gain of £7.3m in 2010), due to improvements in the overall gross margin as a result of mix effect and further overhead cost savings despite a revenue decline of 17.8% due to restricted supply from Japan.

In Australia retail, as a result of the reduced new car sales driven by the supply shortages, we focused on the sale of used cars with the establishment of a dedicated iLead Team to manage and convert web enquiries; this led to a significant increase in used car volumes. In aftersales, the further development in capacity in the retail call centre led to a growth in hours sold compared to last year.

Our expectation for the Australian new car market for the second half of 2011 remains unchanged with a full year total industry volume outlook of 940,000 units, 9% lower than 2010, as the supply chain continues to feel the effects of the Japan earthquake.

Our distribution business will leverage the growth in Compact SUVs with some special edition model extensions (the Columbian range) and in the fourth quarter will begin pre-sales activity for the new Subaru Impreza and the new XV. Our aftersales business will roll out a new service retention tool to the Subaru retail network.

Our retail business, which will also benefit from the new Subaru special edition model extensions, will additionally benefit from new and face-lifted VW models and a new Kia Rio. There will be a further roll-out of the iLead used car programme; including an improved system to aid the buying of good quality used vehicle stock. Further, we will continue to focus on opportunities for finance and insurance penetration.

Europe

Key performance indicators*

	Six months to 30 Jun 11 £m	Six months to 30 Jun 10 £m	% change	% change in constant currency
Sales	414.9	550.7	(24.7)	(24.7)
- Distribution	339.4	446.7	(24.0)	(24.0)
- Retail	75.5	104.0	(27.4)	(27.4)
Like for like sales	414.9	550.7	(24.7)	(24.7)
- Distribution	339.4	446.7	(24.0)	(24.0)
- Retail	75.5	104.0	(27.4)	(27.4)
Trading profit	10.9	18.8	(42.0)	(42.0)
- Distribution	11.0	17.9	(38.5)	(38.5)
- Retail	(0.1)	0.9	(111.1)	(111.1)
Like for like trading profit	10.9	18.8	(42.0)	(42.0)
- Distribution	11.0	17.9	(38.5)	(38.5)
- Retail	(0.1)	0.9	(111.1)	(111.1)
Trading margins (%)	2.6	3.4	(0.8)ppt	(0.8)ppt
- Distribution	3.2	4.0	(0.8)ppt	(0.8)ppt
- Retail	(0.1)	0.9	(1.0)ppt	(1.0)ppt

* At actual exchange rates

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

Our European businesses have delivered a resilient performance despite the temporary supply restrictions felt across the region following the earthquake in Japan and the challenging economic conditions due to weak consumer confidence, particularly in Greece.

Despite a revenue decline of 24.7%, our European business delivered a solid trading margin of 2.6%, down 80bps year on year, as we benefited from tight margin management and cost control.

Our European distribution business reported a trading profit of £11.0m, 38.5% below last year, with a trading margin down 80bps compared to 2010. Like for like sales were 24.0% below last year.

Our European retail operations delivered a sales decline of 27.4% but remained broadly breakeven in trading profit thanks to our effective margin management and tight cost controls.

In Belgium, although the new vehicle market grew by 15% in the first six months of 2011, this was driven by an increase in fleet sales, with private car volumes down 2% versus last year, in the absence of the bi-annual motor show. Our new vehicle sales decreased due to the supply shortages in the second quarter, while our aftersales business remained resilient.

In Greece, the challenging state of the economy and the impact on supply of Japanese brands in quarter two has resulted in a 44% decline in total industry volume and within this we have seen a shift in remaining consumer demand towards smaller vehicles and smaller engine sizes. Our business remained profitable as we retained market leadership, defended the pricing power of our brands, leveraged our aftersales strengths and reduced our cost base.

For the remainder of the year, we expect the trading environment to become more challenging in Greece and the trading momentum to improve in Belgium with better supply.

In Belgium we will continue to build on our strong momentum in both the Hybrid and 4x4 segments and we will leverage the launch of the new generation Toyota Yaris in September. We will drive aftersales service retention with vehicle health checks, winter check-ups and winter tyre programmes and enhance customer service in our network through our Inchcape Advantage programmes.

In Greece we will focus resources behind the launch of new generation Yaris, capitalise on the extensive facelift of the Hilux compact pickup truck and launch the 'Go Toyota' VISA credit card to boost upselling opportunities and aftersales customer retention. We will also further develop programmes to gain market share in the high-margin aftersales parts market.

North Asia

Key performance indicators*

Distribution	Six months to 30 Jun 11 £m	Six months to 30 Jun 10 £m	% change	% change in constant currency
Sales	195.9	209.9	(6.7)	(0.9)
Like for like sales	193.0	209.9	(8.1)	(2.4)
Trading profit	19.0	18.5	2.7	9.2
Like for like trading profit	19.4	18.5	4.9	11.5
Trading margins (%)	9.7	8.8	0.9ppt	0.9ppt

* At actual exchange rates

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

The Hong Kong new vehicle market grew faster than expected in the first quarter of the year but the market declined in the second quarter due to the impact on Japanese brand supplies following the earthquake. Despite these supply constraints, our North Asia segment had a good start to the year with a solid margin progression over the same period last year.

The Group gained market share in Hong Kong in the first quarter, driven by successful marketing campaigns and face-lifted model launches for Mazda and Lexus, but due to restricted supply our vehicle sales decreased in the second quarter.

We continued our growth momentum in aftersales through innovative added-value marketing programmes and location focused promotions.

Following a strong first quarter performance, revenue for the half-year was down by 0.9% on 2010 due to the effects of the temporary supply restriction. However margin was up by 90bps due to good cost control, focused margin management and good momentum in aftersales.

We expect the market in Hong Kong to be impacted in the second half by restricted supply from Toyota as Japanese brands represent 50% of the market. We expect supply to normalise in the fourth quarter and we plan to leverage the launch of several new products in the third quarter.

We will benefit from new product launches and special editions in the Hatchback segment (Yaris, Ractis, Auris), defend high margin MPV segment shares with refreshed product offerings (Alphard, Vellfire), grow market share in the sedan segment with a new Toyota model range (Mark X, Camry) and leverage our pioneer position in the Hybrid segment with strong campaigns and new product launches (Alphard HV, Camry HV, Prius C).

South Asia

Key performance indicators*

Distribution	Six months to 30 Jun 11 £m	Six months to 30 Jun 10 £m	% change	% change in constant currency
Sales	146.6	198.9	(26.3)	(30.1)
Like for like sales	146.6	198.9	(26.3)	(30.1)
Trading profit	13.6	17.3	(21.4)	(25.2)
Like for like trading profit	13.6	17.3	(21.4)	(25.2)
Trading margins (%)	9.3	8.7	0.6ppt	0.6ppt

* At actual exchange rates

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

The first half of 2011 has seen a continuation of economic growth in Singapore, with the first quarter of 2011 GDP 22.5% ahead of the fourth quarter of 2010. However, as expected, the new vehicle market remained challenging due to the reduction in the number of Certificate of Entitlements (COEs). Total industry volume was down by 32% in the first six months compared to last year, with de-registrations (the number of cars taken off the road) down by 20% year on year.

Despite a like for like revenue decline of 30.1% we have continued to deliver a resilient operating margin performance and maintained our market leadership position and as a result our South Asia business in total has delivered a healthy trading margin of 9.3%, 60bps ahead of last year. We successfully defended the pricing power of our brands through leveraging the market shift towards premium and luxury segments and creating added value through, for example, unlimited mileage extended warranty, full five year maintenance, guaranteed body care packages and service loyalty awards.

We gained maximum benefit from new product launches (Lexus CT200h, Suzuki Swift) and deepened our segment penetration with new model variants (Lexus RX270) and special editions (Toyota Camry Sportivo).

We outperformed the aftersales market through an expansion of customer contact activities to grow enquires and capture rate, strengthened our member benefits programme and increased upselling opportunities with the introduction of new service packages and parts offerings.

Cost controls remained firmly in place, despite strong inflationary pressure, together with tight inventory management.

We expect the Singapore market to remain difficult in the second half, with further announced reductions in quota sizes due to lower past de-registrations and a continuation of the upward trend on the price of COEs which will result in a challenging trading environment. Our full year forecast for the market therefore remains 24% lower than 2010.

Our strategy will remain focused on margin protection in the new car market, supplemented by the launch of the new Toyota Camry and Lexus GS sedan and facelifts on a number of models and on growing aftersales with improved value for money propositions on differentiated Toyota warranty/service/loyalty offerings.

We will focus on our proven Inchcape Advantage processes to improve the customer experience, drive aftersales service retention by extending our successful first half programmes on extended warranty, membership and promotional campaigns and extend these to our parts business. Further, we will continue to control operating costs tightly.

United Kingdom

Key performance indicators

	Six months to 30 Jun 11 £m	Six months to 30 Jun 10 £m	% change	% change in constant currency
Sales	1,086.1	1,108.5	(2.0)	(2.0)
– Distribution	17.6	19.8	(11.1)	(11.1)
– Retail	1,068.5	1,088.7	(1.9)	(1.9)
Like for like sales	1,055.5	1,044.2	1.1	1.1
– Distribution	17.6	19.8	(11.1)	(11.1)
– Retail	1,037.9	1,024.4	1.3	1.3
Trading profit	35.5	31.2	13.8	13.8
– Distribution	3.1	2.7	14.8	14.8
– Retail	32.4	28.5	13.7	13.7
Like for like trading profit	35.8	30.6	17.0	17.0
– Distribution	3.1	2.7	14.8	14.8
– Retail	32.7	27.9	17.2	17.2
Trading margins (%)	3.3	2.8	0.5ppt	0.5ppt
– Distribution	17.6	13.6	4.0ppt	4.0ppt
– Retail	3.0	2.6	0.4ppt	0.4ppt

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

In the first half of 2011, the new vehicle market has declined by 7.1% compared to last year; however this includes the impact of the scrappage scheme from last year. Underlying performance, excluding scrappage sales, shows a 2.8% growth, with the premium and luxury market performing better than the volume market and a solid performance in corporate fleet activities. The Group's share of the premium and luxury retail market grew in the first half of 2011 compared to last year as we benefited from our strong focus on superior customer service. Overall, our UK retail business outperformed the market as our like for like revenues increased by 1.3% in a market that was down.

Our retail business has delivered a very strong first half trading profit performance, 13.7% ahead of last year, driven by solid margin management on all value drivers and resulting in a trading margin that has grown by 40bps to 3.0% in the first six months, a record for the first half.

We continued to grow our market share, capitalising on strong new product launches (Audi A1/A6/A7, BMW 6 series Cabrio, Lexus CT200h, Mercedes-Benz CLS/CLK/SLK and VW Passat), upgraded web sites and our superior Inchcape Advantage Customer 1st processes.

In the used car segment, we enjoyed moderate growth in revenue with robust margins in the first quarter but as expected, we saw a softer margin per unit in the second quarter.

In the aftersales segment, we benefited from moderate growth by increasing up-sell activities in the warranty segment and by improving our service retention, aided by an expanded contact centre. Further, we improved our gross margins through strong new finance and insurance products and optimal pricing.

We have maintained our significant prior year achievements in working capital through tight stock control and we have completed our site rationalisation programme.

Our distribution business, Inchcape Fleet Solutions, has delivered a very solid first half result with the improved fleet market and lower operating costs, trading profit has increased by 14.8% compared to 2010.

We anticipate that trading conditions will be challenging in the second half with consumer confidence continuing to come under pressure. Our market estimate for the full year of 1.9m vehicle sales, 6% down on the previous year, remains unchanged.

Our focus for the second half will be to continue to outperform the industry through capitalising on strong new product launches (Audi Q3, BMW 1 series, Range Rover Evoque and VW Golf Cabrio); to increase capture rate through rigorous performance management and sales training; and to maintain momentum on increasing finance and insurance penetration with new products.

In terms of used vehicles, we expect demand to remain resilient but for margins to decline as used car profitability normalises following the record seen in 2009 and 2010.

We will further develop our aftersales business with Inchcape Advantage programmes focused on our customer contact strategy, electronic vehicle health check and upselling opportunities.

In terms of our UK retail portfolio, we are delighted to have been awarded two further franchises in the luxury and premium segment: a second Porsche retail centre in Portsmouth which is under construction and will open in 2012 and the West London franchise for Volkswagen which will open in 2015.

Russia and Emerging Markets

Key performance indicators*

	Six months to 30 Jun 11 £m	Six months to 30 Jun 10 £m	% change	% change in constant currency
Sales	564.7	476.0	18.6	20.5
- Distribution	142.8	119.5	19.5	25.5
- Retail	421.9	356.5	18.3	18.9
Like for like sales	548.4	470.2	16.6	18.6
- Distribution	142.8	119.5	19.5	25.5
- Retail	405.6	350.7	15.7	16.4
Trading profit	25.9	8.6	201.2	276.6
- Distribution	14.1	5.1	176.5	320.1
- Retail	11.8	3.5	237.1	235.3
Like for like trading profit	24.5	8.5	188.2	263.7
- Distribution	14.1	5.1	176.5	329.6
- Retail	10.4	3.4	205.9	201.0
Trading margins (%)	4.6	1.8	2.8ppt	3.1ppt
- Distribution	9.9	4.3	5.6ppt	6.9ppt
- Retail	2.8	1.0	1.8ppt	1.8ppt

*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.

Overall, our Russia and Emerging Markets segment has seen a significant improvement in both revenue, which was up 20.5%, and trading profit, which was up 276.6% delivering a trading margin of 4.6%, 310bps up year on year. Excluding the property impairment of £7.5m in 2010, the trading margin increased 150bps on last year.

In Russia, there has been a continuation of the market recovery that we saw in the second half of 2010. The car market has increased by c.60% in the first half of 2011 and foreign brand sales have increased by c.72%, with the regions growing faster than the major cities. Our strong performance has been due to effectively leveraging a significant number of new product launches, enabling us to optimise our model mix to grow margin, together with disciplined Inchcape Advantage KPI management and best practice sharing. Further, we have grown our used car business with 'Approved' programmes and effective sales training and grown our aftersales retention through a focus on our reminder call program and offering every visitor a full range of products via our vehicle health check.

We delivered a first half trading profit of £10.1m in Russia, a year on year increase of 83.6%, with a return on sales of 3.2%, an increase year on year of 110bps. In June 2011, we completed the purchase of Musa Motors, with its scale retail portfolio of premium and luxury brands in Moscow for a final payment of £19.6m. In the second half of the year we will expand our capacity in Moscow with new sites for Jaguar, Land Rover and BMW.

The China car market has continued to grow and was up by 12% in the first half of the year. We achieved strong revenue and market share performance in Shanghai and Shaoxing, despite the supply shortage following the Japan earthquake. We have leveraged car shows and lifestyle events to drive quality customer traffic and implemented Inchcape Advantage processes to improve capture rates and aftersales customer retention programmes. Further, we have a scale centre for Jaguar and Land Rover under construction in Shaoxing which is due for completion in the fourth quarter and have been awarded the Porsche franchise for Nanchang for which we are building a retail centre due to complete during the first half of 2012.

In Poland, demand for luxury vehicles remained strong and we have delivered an excellent trading margin through leveraging new product launches from BMW and increasing our aftersales performance with a unique 'door to door' service and online service booking.

The markets in the Balkans continue to be challenging and have been impacted by the supply restrictions during the second quarter. However we delivered a breakeven result in the first half of the year through effective leverage of the scrappage campaign in Romania and innovative leasing programmes and value for money marketing activities driving traffic in Bulgaria.

In the Baltics, we have started to see signs of recovery with the markets up year on year and we have improved our financial performance, delivering a solid trading profit in the first half of the year through a focused marketing strategy on best offer in every segment; active participation in public tenders; and disciplined KPI management through our Inchcape Advantage processes.

Our South America businesses have had a good first half this year, building on significant market growth, particularly in the luxury segment. Strong revenue and margin growth has been achieved from an increased marketing effort with new product launches; high margin aftersales growth has been achieved through our Inchcape Advantage processes; as a result, profitability continues to grow.

Our Ethiopian business continues to perform well, delivering strong year on year profit improvements with our sizable and effective aftersales operations being the key driver of performance, increasing penetration and building on a strong Toyota car parc.

Financial review

Net financing costs

Net financing costs have decreased from £8.5m in 2010 to £3.9m in 2011 reflecting the continued strong cash generation and a gain of £0.5m (2010: a loss of £2.5m) in our mark to market reporting of the hedges for the US loan notes.

Tax

The pre exceptional effective tax rate for the Group decreased from 29% in 2010 to 26% in 2011, which is expected to reflect the full rate for the year. This is due to the impact of reducing tax rates in certain countries and the successful conclusion of overseas territories audits.

Exceptional items

No exceptional items have been booked in the first half of this year, which is consistent with the first half of 2010.

Non controlling interests

Profit attributable to non controlling interests were £3.8m in the first half of 2011 (2010: £3.0m). These were primarily attributable to the Group's operations in Australia and Ethiopia.

Dividends

The 2010 final dividend of 6.6p per share was paid out to shareholders on 14 June 2011. The Board has declared an interim dividend of 3.6p per share, which will be paid on Monday 5 September 2011 to shareholders who are on the register at close of business on Friday 5 August 2011.

Pensions

At 30 June 2011, the IAS 19 net post-retirement benefit deficit was £6.1m (31 December 2010: £22.2m). 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 £13.0m. In addition, the Group has recorded a one-off gain of £6.1m following the settlement of certain liabilities in one of the Group's pension schemes.

Acquisitions and disposals

In June 2011, the Group completed the purchase of Musa Motors for a final cash consideration payment of \$32m (£19.6m). The Group also realised £5.3m from the disposal of underperforming sites which were identified as part of the restructuring exercise conducted in the fourth quarter of 2010.

Capital expenditure

Net capital expenditure in the first half of 2011 was £22.1m, with a focus on new developments in Russia and capacity expansion in other markets.

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 2010. At 30 June 2011 the Group had £188.6m of net cash.

Principal business risks

The Board set out in the Annual Report and Accounts 2010, 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 2011. 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.

Financial review continued

Currency, funding and liquidity, interest rate and counterparty risks

The Group continues to hedge interest rate risk through cross currency interest rate swaps. 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.

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.

Further details of the Group's principal risks and risk management process can be found on pages 22-23 and 33-36 of the Annual Report and Accounts 2010.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern for the foreseeable future. As such, the Group continues 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 2011

	Notes	Six months to 30 Jun 2011 £m	Six months to 30 Jun 2010 £m	Year to 31 Dec 2010 £m
Revenue	2	2,929.9	3,095.2	5,885.4
Cost of sales		(2,494.4)	(2,639.3)	(5,004.5)
Gross profit		435.5	455.9	880.9
Net operating expenses		(303.7)	(332.2)	(677.3)
Operating profit	2	131.8	123.7	203.6
Operating profit before exceptional items		131.8	123.7	225.5
Exceptional items	3	-	-	(21.9)
Share of loss after tax of joint ventures and associates		(1.1)	-	(1.7)
Profit before finance and tax		130.7	123.7	201.9
Finance income	4	28.1	28.2	58.6
Finance costs	5	(32.0)	(36.7)	(68.4)
Profit before tax		126.8	115.2	192.1
Tax	6	(33.0)	(33.3)	(59.1)
Profit for the period		93.8	81.9	133.0
Profit attributable to:				
- Owners of the parent		90.0	78.9	127.9
- Non controlling interests		3.8	3.0	5.1
		93.8	81.9	133.0
Basic earnings per share (pence)	7	19.6p	17.2p	27.9p
Diluted earnings per share (pence)	7	19.3p	17.1p	27.6p

Consolidated statement of comprehensive income (unaudited)

For the six months ended 30 June 2011

	Six months to 30 Jun 2011 £m	Six months to 30 Jun 2010 £m	Year to 31 Dec 2010 £m
Profit for the period	93.8	81.9	133.0
Other comprehensive income:			
Cash flow hedges	(2.4)	35.3	0.3
Fair value losses on available for sale financial assets	(0.8)	(3.0)	(3.6)
Effect of foreign exchange rate changes	28.2	21.8	37.2
Net actuarial (losses) / gains on defined benefit pension schemes	(4.0)	42.6	64.9
Irrecoverable element of pension surplus	1.0	(34.0)	(36.3)
Current tax recognised directly in shareholders' equity	3.4	3.2	14.7
Deferred tax recognised directly in shareholders' equity	(1.4)	(14.5)	(15.2)
Other comprehensive income for the period, net of tax	24.0	51.4	62.0
Total comprehensive income for the period	117.8	133.3	195.0
Total comprehensive income attributable to:			
- Owners of the parent	113.4	130.3	188.7
- Non controlling interests	4.4	3.0	6.3
	117.8	133.3	195.0

Consolidated statement of financial position (unaudited)

As at 30 June 2011

	Notes	As at 30 Jun 2011 £m	As at 30 Jun 2010 £m	As at 31 Dec 2010 £m
Non-current assets				
Intangible assets		568.6	556.2	551.2
Property, plant and equipment		636.5	629.1	632.3
Investments in joint ventures and associates		32.2	21.8	33.1
Available for sale financial assets	11	11.1	12.7	12.4
Trade and other receivables		29.3	30.3	28.8
Deferred tax assets		30.3	21.3	31.4
Retirement benefit asset		21.9	3.9	22.0
		1,329.9	1,275.3	1,311.2
Current assets				
Inventories		819.0	804.7	844.1
Trade and other receivables		278.9	273.8	232.7
Available for sale financial assets	11	1.2	1.6	1.7
Derivative financial instruments	11	102.6	171.1	122.1
Current tax assets		1.8	2.5	5.1
Cash and cash equivalents		538.6	440.9	561.6
		1,742.1	1,694.6	1,767.3
Assets held for sale and disposal group	12	2.8	-	23.4
		1,744.9	1,694.6	1,790.7
Total assets		3,074.8	2,969.9	3,101.9
Current liabilities				
Trade and other payables		(1,016.7)	(999.7)	(1,080.9)
Derivative financial instruments	11	(9.4)	(5.8)	(9.0)
Current tax liabilities		(39.9)	(43.7)	(46.6)
Provisions		(35.1)	(44.2)	(36.1)
Borrowings		(138.8)	(139.0)	(144.2)
		(1,239.9)	(1,232.4)	(1,316.8)
Non-current liabilities				
Trade and other payables		(34.0)	(54.6)	(34.6)
Provisions		(58.7)	(48.5)	(58.8)
Deferred tax liabilities		(24.0)	(14.6)	(18.1)
Borrowings		(312.9)	(342.5)	(320.5)
Retirement benefit liability		(28.0)	(53.0)	(44.2)
		(457.6)	(513.2)	(476.2)
Liabilities directly associated with the disposal group	12	-	-	(19.6)
Total liabilities		(1,697.5)	(1,745.6)	(1,812.6)
Net assets		1,377.3	1,224.3	1,289.3
Shareholders' equity				
Share capital	8	46.4	46.4	46.4
Share premium	8	126.5	126.1	126.3
Capital redemption reserve		133.3	133.3	133.3
Other reserves		170.4	156.1	145.2
Retained earnings		873.2	739.4	811.9
Equity attributable to owners of the parent		1,349.8	1,201.3	1,263.1
Non controlling interests		27.5	23.0	26.2
Total shareholders' equity		1,377.3	1,224.3	1,289.3

Consolidated statement of changes in equity (unaudited)

For the six months ended 30 June 2011

	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 2010	163.3	126.1	16.4	112.4	649.5	1,067.7	22.0	1,089.7
Total comprehensive income for the period ended 30 June 2010	-	-	-	43.7	86.6	130.3	3.0	133.3
Share-based payments, net of tax	-	-	-	-	3.4	3.4	-	3.4
Share Consolidation	(116.9)	-	116.9	-	(0.1)	(0.1)	-	(0.1)
Dividends:								
- Non controlling interests	-	-	-	-	-	-	(2.0)	(2.0)
At 30 June 2010	46.4	126.1	133.3	156.1	739.4	1,201.3	23.0	1,224.3
At 1 January 2010	163.3	126.1	16.4	112.4	649.5	1,067.7	22.0	1,089.7
Total comprehensive income for the year	-	-	-	32.8	155.9	188.7	6.3	195.0
Share-based payments, net of tax	-	-	-	-	7.2	7.2	-	7.2
Net purchase of own shares by ESOP Trust	-	-	-	-	(0.6)	(0.6)	-	(0.6)
Share Consolidation	(116.9)	-	116.9	-	(0.1)	(0.1)	-	(0.1)
Issue of ordinary shares	-	0.2	-	-	-	0.2	-	0.2
Dividends:								
- Non controlling interests	-	-	-	-	-	-	(2.5)	(2.5)
Acquisition of businesses	-	-	-	-	-	-	0.4	0.4
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

Consolidated statement of cash flows (unaudited)

For the six months ended 30 June 2011

	Notes	Six months to 30 Jun 2011 £m	Six months to 30 Jun 2010 £m	Year to 31 Dec 2010 £m
Cash generated from operating activities				
Cash generated from operations	9a	73.0	104.5	274.3
Tax paid		(26.7)	(30.4)	(49.2)
Interest received		5.3	4.7	10.6
Interest paid		(7.6)	(9.5)	(20.8)
Net cash generated from operating activities		44.0	69.3	214.9
Cash flows from investing activities				
Acquisition of businesses, net of cash and overdrafts acquired	10	(19.6)	-	(12.9)
Net cash inflow from sale of businesses	10	5.3	-	1.6
Purchase of property, plant and equipment		(18.1)	(13.4)	(36.9)
Purchase of intangible assets		(5.7)	(5.3)	(7.4)
Proceeds from disposal of property, plant and equipment		1.7	21.0	24.8
Net disposal of available for sale financial assets		1.6	0.4	0.3
Dividends received from joint ventures and associates		-	-	1.5
Net cash (used in)/generated from investing activities		(34.8)	2.7	(29.0)
Cash flows from financing activities				
Proceeds from issue of ordinary shares	8a	0.2	-	0.2
Net purchase of own shares by ESOP Trust		-	-	(0.6)
Net cash outflow from borrowings		(1.1)	(37.2)	(39.4)
Payment of capital element of finance leases		(0.5)	(0.8)	(1.3)
Loans repaid by/(advanced to) joint ventures		0.9	(0.7)	(3.8)
Settlement of derivatives		0.4	17.2	17.8
Equity dividends paid	8b	(30.3)	-	-
Dividends paid to non controlling interests		(3.1)	(2.0)	(2.5)
Net cash from financing activities		(33.5)	(23.5)	(29.6)
Net (decrease)/increase in cash and cash equivalents	9b	(24.3)	48.5	156.3
Cash and cash equivalents at beginning of the period		419.6	257.2	257.2
Effect of foreign exchange rate changes		5.9	-	6.1
Cash and cash equivalents at end of the period		401.2	305.7	419.6
Cash and cash equivalents consist of:				
- Cash at bank and in hand		334.3	366.8	376.5
- Short term bank deposits		204.3	74.1	185.1
- Bank overdrafts		(137.4)	(135.2)	(142.0)
		401.2	305.7	419.6

Notes (unaudited)

1 Basis of preparation and accounting policies

Basis of preparation

The interim report for the period ended 30 June 2011 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 2010, 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 2010 were approved by the Board of Directors on 7 March 2011 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 27 July 2011.

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 2010 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 2011 but have not had a material impact on the results or financial position of the Group:

- IAS 24 (revised), 'Related party disclosures'
- Amendment to IAS 32, 'Classification of rights issue'
- Amendment to IFRIC 14, 'Prepayments of a minimum funding requirement'
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'

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 2012:

- IAS 1, 'Amendments to IAS 1 Presentation of financial statements: Other comprehensive income'
- IAS 12, 'Amendments to IAS 12 Income taxes: Deferred taxes'
- IAS 19 (revised), 'Employee benefits'
- IAS 27 (revised), 'Separate financial statements'
- IAS 28 (revised), 'Associates and joint ventures'
- IFRS 7, 'Amendments to IFRS 7 Financial instruments: Disclosures'
- 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 2011	30 Jun 2010	31 Dec 2010	30 Jun 2011	30 Jun 2010	31 Dec 2010
Australian dollar	1.56	1.72	1.69	1.50	1.77	1.53
Euro	1.15	1.15	1.17	1.11	1.22	1.17
Hong Kong dollar	12.62	11.88	12.00	12.50	11.65	12.14
Singapore dollar	2.03	2.14	2.11	1.97	2.09	2.00

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
Six months to 30 June 2011	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
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 before finance and tax	26.9	10.6	19.0	13.6	3.1	14.1	87.3

							Distribution
Six months to 30 June 2010	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
Revenue from third parties	360.9	446.7	209.9	198.9	19.8	119.5	1,355.7
Results							
Segment result	29.7	17.9	18.5	17.3	2.7	5.1	91.2
Exceptional items	-	-	-	-	-	-	-
Operating profit after exceptional items	29.7	17.9	18.5	17.3	2.7	5.1	91.2
Share of profit / (loss) after tax of joint ventures and associates	-	(0.3)	-	-	-	-	(0.3)
Profit before finance and tax	29.7	17.6	18.5	17.3	2.7	5.1	90.9

The segment result for Distribution includes a profit of £7.3m related to the sale of a property in Australasia and an impairment charge of £7.5m for land in Russia and Emerging Markets.

							Distribution
Year to 31 December 2010	Australasia £m	Europe £m	North Asia £m	South Asia £m	United Kingdom £m	Russia and Emerging Markets £m	Total Distribution £m
Revenue from third parties	657.4	701.3	430.6	371.8	36.9	257.9	2,455.9
Results							
Segment result	47.9	26.9	34.0	36.1	6.5	19.1	170.5
Exceptional items	(0.3)	(3.8)	-	(0.9)	-	(2.9)	(7.9)
Operating profit after exceptional items	47.6	23.1	34.0	35.2	6.5	16.2	162.6
Share of profit / (loss) after tax of joint ventures and associates	-	(1.3)	-	-	-	-	(1.3)
Profit before finance and tax	47.6	21.8	34.0	35.2	6.5	16.2	161.3

The segment result for Distribution includes a profit of £7.3m related to the sale of a property in Australasia and an impairment charge of £7.5m for land in Russia and Emerging Markets.

2 Segmental analysis continued

Six months to 30 June 2011	Retail							Total \$m
	Australasia \$m	Europe \$m	United Kingdom \$m	Russia and Emerging Markets \$m	Total Retail \$m	Total pre Central \$m	Central \$m	
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 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.

Six months to 30 June 2010	Retail							Total \$m
	Australasia \$m	Europe \$m	United Kingdom \$m	Russia and Emerging Markets \$m	Total Retail \$m	Total pre Central \$m	Central \$m	
Revenue from third parties	190.3	104.0	1,088.7	356.5	1,739.5	3,095.2	-	3,095.2
Results								
Segment result	7.7	0.9	28.5	3.5	40.6	131.8	(8.1)	123.7
Exceptional items	-	-	-	-	-	-	-	-
Operating profit after exceptional items	7.7	0.9	28.5	3.5	40.6	131.8	(8.1)	123.7
Share of profit / (loss) after tax of joint ventures and associates	-	-	0.1	0.2	0.3	-	-	-
Profit before finance and tax	7.7	0.9	28.6	3.7	40.9	131.8	(8.1)	123.7

Net finance costs of £8.5m are not allocated to individual segments.

Year to 31 December 2010	Retail							Total \$m
	Australasia \$m	Europe \$m	United Kingdom \$m	Russia and Emerging Markets \$m	Total Retail \$m	Total pre Central \$m	Central \$m	
Revenue from third parties	372.9	169.6	2,088.9	798.1	3,429.5	5,885.4	-	5,885.4
Results								
Segment result	14.6	0.9	49.4	12.7	77.6	248.1	(22.6)	225.5
Exceptional items	(3.8)	(0.9)	(8.4)	(0.8)	(13.9)	(21.8)	(0.1)	(21.9)
Operating profit after exceptional items	10.8	-	41.0	11.9	63.7	226.3	(22.7)	203.6
Share of profit / (loss) after tax of joint ventures and associates	-	-	0.2	(0.6)	(0.4)	(1.7)	-	(1.7)
Profit before finance and tax	10.8	-	41.2	11.3	63.3	224.6	(22.7)	201.9

Net finance costs of £9.8m are not allocated to individual segments.

Notes (unaudited) continued

3 Exceptional items

	Six months to 30 Jun 2011 £m	Six months to 30 Jun 2010 £m	Year to 31 Dec 2010 £m
Restructuring costs	-	-	(12.4)
Impairment of property, plant and equipment	-	-	(4.0)
Goodwill impairment	-	-	(5.5)
Operating exceptional items	-	-	(21.9)
Exceptional tax credit	-	-	3.1
Total exceptional items	-	-	(18.8)

In 2010, the charge for restructuring costs of £12.4m represented the cost of headcount reduction across the Group and the closure of less profitable sites in the UK, Belgium, South America and Australia. Impairment charges for goodwill (£5.5m) and property, plant and equipment (£4.0m) relate to the closure of the same sites.

The exceptional tax credit of £3.1m in 2010 represents relief on restructuring costs. No relief was available for the impairment of goodwill and property, plant and equipment.

4 Finance income

	Six months to 30 Jun 2011 £m	Six months to 30 Jun 2010 £m	Year to 31 Dec 2010 £m
Bank and other interest receivable	2.1	1.9	4.5
Expected return on post-retirement plan assets	22.5	23.3	46.9
Other finance income	3.5	3.0	7.2
Total finance income	28.1	28.2	58.6

5 Finance costs

	Six months to 30 Jun 2011 £m	Six months to 30 Jun 2010 £m	Year to 31 Dec 2010 £m
Interest payable on bank borrowings	0.9	1.1	2.8
Interest payable on Private Placement	1.8	1.6	3.7
Interest payable on other borrowings	0.1	0.3	0.6
Fair value loss / (gain) on cross-currency interest rate swaps	7.2	(40.7)	(24.2)
Fair value adjustment on Private Placement	(7.7)	43.2	22.2
Stock holding interest	6.3	7.0	13.2
Interest expense on post-retirement plan liabilities	22.1	23.1	46.2
Other finance costs	1.7	1.6	5.0
Capitalised borrowing costs	(0.4)	(0.5)	(1.1)
Total finance costs	32.0	36.7	68.4

6 Tax

		Six months to 30 Jun 2011 £m	Six months to 30 Jun 2010 £m	Year to 31 Dec 2010 £m
Current tax	- UK	5.1	3.9	19.2
	- Overseas	21.7	29.8	46.6
Adjustments to prior year liabilities	- UK	0.1	(0.2)	-
	- Overseas	(2.0)	(1.0)	(0.2)
		24.9	32.5	65.6
Deferred tax	- UK	4.1	2.3	0.9
	- Overseas	4.0	(1.5)	(4.3)
Tax before exceptional tax		33.0	33.3	62.2
Exceptional tax	- Current	-	-	(2.5)
	- Deferred	-	-	(0.6)
Total tax		33.0	33.3	59.1

The taxation charge for the six months ended 30 June 2011 is based on an estimated full year effective tax rate before exceptional items of 26% (2010 - 29%).

A number of changes to the UK Corporation Tax system were announced in the June 2010 Budget Statement and the March 2011 Budget. These changes have reduced the main rate of corporation tax from 28% to 26% from 1 April 2011, with further reductions to the main rate of 1% per annum to 23% by 1 April 2014. Only the reduction in the main rate of corporation tax from 28% to 26% has been effected in the 2011 Finance Act.

It is anticipated that the impact of these changes on the financial statements is minimal.

7 Earnings per share

	Six months to 30 Jun 2011 £m	Six months to 30 Jun 2010 £m	Year to 31 Dec 2010 £m
Profit for the period	93.8	81.9	133.0
Non controlling interests	(3.8)	(3.0)	(5.1)
Basic earnings	90.0	78.9	127.9
Exceptional items	-	-	18.8
Adjusted earnings	90.0	78.9	146.7
Basic earnings per share	19.6p	17.2p	27.9p
Diluted earnings per share	19.3p	17.1p	27.6p
Basic Adjusted earnings per share	19.6p	17.2p	32.0p
Diluted Adjusted earnings per share	19.3p	17.1p	31.7p

	Six months to 30 Jun 2011 number	Six months to 30 Jun 2010 number	Year to 31 Dec 2010 number
Weighted average number of fully paid ordinary shares in issue during the period	463,256,697	463,082,495	463,111,916
Weighted average number of fully paid ordinary shares in issue during the period:			
- Held by the ESOP Trust	(1,439,006)	(1,311,330)	(1,365,559)
- 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	459,130,131	459,083,605	459,058,797
Dilutive effect of potential ordinary shares	7,034,916	3,420,828	3,800,689
Adjusted weighted average number of fully paid ordinary shares in issue during the period for the purposes of diluted EPS	466,165,047	462,504,433	462,859,486

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 2011 £m	Six months to 30 Jun 2010 £m	Year to 31 Dec 2010 £m
Share capital	-	-	-
Share premium	0.2	-	0.2
	0.2	-	0.2

Share buy back programme

During the six months ended June 2011, the Company did not repurchase any of its own shares (June 2010 - nil). At 30 June 2011, the Company held 2,687,560 treasury shares (31 December 2010 - 2,687,560). The shares are held as treasury shares and may either be cancelled or used to satisfy share options at a later date.

b. Dividends

In June 2011, the Group paid a final dividend of 6.6p per share (£30.3m) for the year ended 31 December 2010.

In 2010, there was no interim dividend paid for the period ended 30 June 2010 and no final dividend paid for the period ended 31 December 2009.

An interim dividend for the six months ended 30 June 2011 of 3.6p per share (£16.5m) was approved by the Board on 27 July 2011 and has not been included as a liability as at 30 June 2011.

9 Notes to the statement of cash flows

a. Reconciliation of cash generated from operations

	Six months to 30 Jun 2011 £m	Six months to 30 Jun 2010 £m	Year to 31 Dec 2010 £m
Cash flows from operating activities			
Operating profit	131.8	123.7	203.6
Exceptional items	-	-	21.9
Amortisation of intangible assets	2.6	2.3	5.0
Depreciation of property, plant and equipment	13.4	21.0	36.5
Profit on disposal of property, plant and equipment	(1.2)	(7.9)	(7.5)
Share-based payments charge	3.4	3.4	6.5
Decrease/(increase) in inventories	48.4	(30.8)	(64.0)
(Increase)/decrease in trade and other receivables	(38.4)	(26.5)	16.7
(Decrease)/increase in trade and other payables	(65.6)	35.4	85.9
Increase/(decrease) in provisions	0.2	1.1	(1.0)
Pension contributions in excess of the pension charge for the period*	(18.8)	(16.8)	(22.9)
Decrease/(increase) in interest in leased vehicles	0.7	0.7	(1.4)
Payment in respect of operating exceptional items	(3.5)	(1.1)	(5.0)
Cash generated from operations	73.0	104.5	274.3

* The decrease in post-retirement benefit obligations includes additional payments of £13.0m (June 2010 - £17.2m).

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

	Six months to 30 Jun 2011 £m	Six months to 30 Jun 2010 £m	Year to 31 Dec 2010 £m
Net (decrease) / increase in cash and cash equivalents	(24.3)	48.5	156.3
Net cash outflow from borrowings and lease financing	1.6	38.0	40.7
Change in net cash and debt resulting from cash flows	(22.7)	86.5	197.0
Effect of foreign exchange rate changes on net cash and debt	5.8	0.1	6.0
Funds raised from finance leases	(0.8)	-	-
Net movement in fair value	0.5	(2.5)	2.0
Movement in net funds	(17.2)	84.1	205.0
Opening net funds	205.8	0.8	0.8
Closing net funds	188.6	84.9	205.8

Net funds is analysed as follows:

	Six months to 30 Jun 2011 £m	Six months to 30 Jun 2010 £m	Year to 31 Dec 2010 £m
Cash at bank and in hand	334.3	366.8	376.5
Short term bank deposits	204.3	74.1	185.1
Bank overdrafts	(137.4)	(135.2)	(142.0)
Cash and cash equivalents	401.2	305.7	419.6
Bank loans	(310.0)	(341.7)	(318.6)
Other loans	(0.6)	(0.8)	(0.7)
Finance leases	(3.7)	(3.8)	(3.4)
	86.9	(40.6)	96.9
Fair value of cross currency interest rate swap	101.7	125.5	108.9
Net funds	188.6	84.9	205.8

Notes (unaudited) continued

10 Acquisitions and disposals

The Group acquired its interest in the Musa Motors group in July 2008. Under the terms of the original acquisition agreement, contingent deferred consideration dependent on 2010 EBITA was due in respect of 24.9% of the Musa Motors Group. During the six months ended 30 June 2011, the amount of the deferred consideration was determined and a payment of US\$32m (£19.6m) was made to the vendor to complete the Group's purchase.

During the period, the Group disposed of a small number of dealerships and operations at book value generating disposal proceeds of £5.3m (six months to 30 June 2010 - £nil; year to 31 December 2010 - £1.0m).

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 Group's business.

During the six months to 30 June 2011 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 2010.

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 2010.

b. Liquidity risk

There have been no material changes to the contractual undiscounted cashflows of the Group's liabilities during the six months to 30 June 2011.

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 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
Six months to 30 June 2010			
Assets			
Derivatives used for hedging	-	171.1	171.1
Available for sale financial assets	14.3	-	14.3
	14.3	171.1	185.4
Liabilities			
Derivatives used for hedging	-	5.8	5.8
Year to 31 December 2010			
Assets			
Derivatives used for hedging	-	122.1	122.1
Available for sale financial assets	14.1	-	14.1
	14.1	122.1	136.2
Liabilities			
Derivatives used for hedging	-	9.0	9.0

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 2010 and reflect the current economic environment.

Available for sale financial assets include £9.0m 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 £6.3m has been taken to the available for sale reserve in accordance with applicable accounting standards. In the event of a default under the terms of the bonds, then we will be required to re-cycle the mark-to-market loss through the consolidated income statement.

There have been no transfers between any levels of the fair value hierarchy during the six months ended 30 June 2011.

During the six months ended June 2011 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 2011 £m	Six months to 30 Jun 2010 £m	Year to 31 Dec 2010 £m	Six months to 30 Jun 2011 £m	Six months to 30 Jun 2010 £m	Year to 31 Dec 2010 £m
Cross currency interest rate swap	101.7	125.5	108.9	-	-	-
Forward foreign exchange contracts	0.9	45.6	13.2	(9.4)	(5.8)	(9.0)
	102.6	171.1	122.1	(9.4)	(5.8)	(9.0)

12 Assets held for sale and disposal group

	Six months to 30 Jun 2011 £m	Six months to 30 Jun 2010 £m	Year to 31 Dec 2010 £m
Assets directly associated with the disposal group	2.8	-	23.4
Assets held for sale	-	-	-
Assets held for sale and disposal group	2.8	-	23.4
Liabilities directly associated with the disposal group	-	-	(19.6)

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

	Six months to 30 Jun 2011 £m	Six months to 30 Jun 2010 £m	Year to 31 Dec 2010 £m
Property, plant & equipment	2.8	-	3.4
Inventories	-	-	16.6
Trade and other receivables	-	-	3.4
Assets directly associated with the disposal group	2.8	-	23.4
Trade and other payables	-	-	(19.6)
Liabilities directly associated with the disposal group	-	-	(19.6)

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 have been disclosed as a disposal group in the consolidated statement of financial position. During the six months ended 30 June 2011, the majority of these assets and liabilities were disposed.

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 2010.

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 2011.

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 2011 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 review 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 2011 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
27 July 2011

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 2010, except for Michael Wemms, who resigned as Non-Executive Director on 12 May 2011 and has been replaced by Kanwarpal (Vicky) Bindra, who was appointed as a non-executive director on 1 July 2011.

By order of the Board

André Lacroix

27 July 2011

Group Chief Executive