Interim Report 2000

Inchcape

Mission Statement

Our mission is to be a world leader in automotive services. We will offer value, choice, convenience, quality and dependability to our customers; excellence of service to our principals and partners; and enhanced value to our stakeholders.

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Chairman's Statement

"I have joined Inchcape at an exciting time of change for the automotive industry. Inchcape fully intends to remain at the heart of this change."

I succeeded Lord Marshall as Chairman of Inchcape on 15 June and have been encouraged by the Group's first half performance.

Profits in our three main trading activities grew 3.2% to £54.1m, despite highly competitive markets in Europe, particularly the UK. Due to our investment in Autobytel UK, our online car purchasing business, and in developing additional products and channels to market, continuing operating profit declined £3.4m to £40.1m. The strong recovery in Asia in the first six months was very encouraging and contributed significantly to the results.

On 31 July, we announced the sale of our 49.0% share in Toyota (GB) to Toyota Motor Corporation for £42.1m, an agreement that provides Inchcape with additional funds to invest in our core businesses whilst giving Toyota 100% ownership in one of its key markets. Inchcape remains Toyota's largest independent distributor, representing them in 14 markets – including Greece, Belgium, Hong Kong and Singapore – and selling around 90,000 vehicles a year. We both look forward to further developing that relationship.

OPERATING REVIEW

First half turnover for the Group (including our share of joint ventures and associates) fell 15.9% to £2,025.4m following the disposal of our non-Motors businesses. Continuing turnover was 8.1% or £150.2m higher than the prior period.

Operating profit was £40.4m compared to £49.4m in the same period last year, but £5.6m of the shortfall related to discontinued businesses. Net exceptional items in the first half of 2000 were a loss of £0.1m. This compares to exceptional gains of £235.2m in the same period last year which arose primarily from the sale of Bottling South America.

IMPORT, DISTRIBUTION & RETAIL

Continuing operating profit grew from £38.2m to £40.3m. This was despite the pricing pressure in the UK market and its impact on our two associates, Toyota (GB) and MCL Group (the Mazda and Kia distributor). Growth was principally driven by the strong recovery in Asia.

In the climate of uncertainty surrounding the Competition Commission inquiry into new car pricing, the UK market grew 2.3% in the first half, with Inchcape volumes increasing 6.0%. Toyota (GB) increased sales by 11.3%, but margins suffered due to the highly competitive marketplace. Mazda volumes declined 8.1%. Together, these two associates achieved operating profit of £1.0m, a fall of 76.1% compared to the first half of 1999.

Our Ferrari and Maserati businesses continue to perform well with volumes and turnover increasing. The re-launch of Maserati, one of the world's most exciting high performance marques, backed by Ferrari's acknowledged pedigree in manufacturing and engineering excellence, provides significant potential for this business.

In Greece, we retained market leadership, but our Toyota volumes were down 4.2% and competitive pressure drove down margins. In Belgium, whilst Toyota sales increased, margins were held back by a very competitive marketplace.

Our Australian business goes from strength to strength. In a market that declined 12.5%, Inchcape volumes increased by 2.8%, although the strong yen impacted on margins leaving profits only slightly ahead of the first half of 1999.

Asian markets continued their recovery, particularly in Hong Kong and Singapore where we increased our volumes by 32.0% and 39.1% respectively. In Hong Kong, we retained our dominant market share of 38.8%, whilst, in Singapore, we achieved 20.6% market share. Operating profits from our Asian operations increased 67.2% from £11.9m to £19.9m.

Looking to our Other markets, South America remains difficult, but losses have been significantly reduced. However, this improvement was offset by a decline in both volumes and margin in the Mazda businesses in France and Finland, which were adversely affected by the strong yen – a situation that is aggravated by Mazda's lack of a European production base. The return on net operating assets from our Other markets is at an unacceptably low level and we continue to critically review our options for these businesses, including disposal.

UK RETAIL

During the past three years, we have restructured our UK Retail business to produce a better balance between volume and prestige marques. Our extensive dealership refurbishment programme is complete and the positive impact of this is now being felt. During the first half of 2000, operating profit increased 40.0% to £5.6m. Against a market increase of 2.3%, our new car sales grew 18.5% in the retail sector and our fleet sales were up 56.6%. This was an encouraging performance in such an extremely competitive marketplace.

FINANCIAL SERVICES

Operating profit has decreased from £10.2m to £8.2m. This decrease is totally attributable to the performance within our UK Leasing business, which, in line with the rest of the market, has been impacted by the continuing decline in used car values. In Asia, the profits from our Finance businesses grew 19.3% to £4.9m.

E-COMMERCE

We are fully committed to exploiting the new channels to market that e-commerce provides and have continued

“We are fully committed to exploiting the new channels to market that e-commerce provides and have continued to successfully build the Autobytel brand in the UK.”

to successfully build the Autobytel brand in the UK. Our continued investment in Autobytel UK, our wholly owned subsidiary, resulted in a loss of £4.0m in the first half of 2000 compared to a profit of £1.3m in the same period last year. The 1999 figure benefited from the release of a £3.0m provision, previously held against the Group's investment in Autobytel.com, without which Autobytel UK would have made a loss of £1.7m.

Since launch in April 1999, Autobytel UK has attracted almost three million unique visitors and generated over 42,000 purchase requests. The conversion rate from purchase request to sales is currently around 14%, which compares very favourably with Autobytel's early experience in the United States. In terms of brand recognition, Autobytel has recently been ranked amongst the top 20 UK websites.

CENTRAL COSTS

Central costs for the period were £10.0m, including £3.0m relating to the research and development of new products and channels to market. This compares with central costs for the same period last year of £10.2m, of which £3.5m related to costs occurring from the non-Motors divestment programme. On a like for like basis, central costs were materially the same as last year.

FINANCIAL REVIEW

SEGMENTAL REPORTING

The Group has revised the segmental reporting format during the period. All prior year comparatives have been restated accordingly.

The new geographical analysis has been constructed so that key material markets are highlighted.

The new activity analysis splits out our E-commerce and pure UK Retail businesses. The separation of our E-commerce activity ensures that our investment and performance in this area is explicitly disclosed. This was previously included as part of the old Import & Distribution activity, now renamed Import, Distribution & Retail. The UK Retail business is the only material stand-alone retail operation. Separately analysing its performance and asset base allows direct comparison with our major UK competitors. The other small retail businesses have been reclassified into Import, Distribution & Retail. This activity includes our pure import and distribution businesses and those that have vertically integrated into retail. The retail element within this activity cannot be meaningfully separated out from the import and distribution results.

NEW ACCOUNTING STANDARDS

As noted in the Annual Report & Accounts 1999, the Group has already adopted FRS15 ‘Tangible Fixed Assets’ and FRS16 ‘Current Tax’.

DISPOSALS & ACQUISITIONS

The Group continues to review its portfolio of businesses and has already announced the sale of Daihatsu (UK) and Inchcape Peugeot Japan. Along with other minor Motors disposals, a net profit of £0.9m was recorded. The Group has also sold or closed its Timberland businesses and the loss associated with these transactions was fully provided for in 1998. A net loss of £0.9m has been recorded on other non-Motors disposals. Overall, these transactions have resulted in a zero net exceptional item.

During the period, the Group announced that, as part of its strategic drive into e-commerce services, it has made an investment of US$10.0m for a 7.3% equity interest in Autobytel Europe. This has been treated as a fixed asset investment held at cost.

As previously announced on 31 July 2000, the Group has disposed of its 49.0% equity holding in Toyota (GB) for a sum of £42.1m. As the disposal is conditional on European Commission approval, the results are not shown as discontinued in this period. The associate investment value at 30 June 2000 was £28.4m. On this basis, a profit of £13.7m, subject to costs, would have been recorded had the transaction been completed during the period under review, and no tax is payable on this disposal. No historical goodwill is attached to this transaction. The results for the period include a loss before tax of £1.7m (first six months of 1999 profit £2.1m; full year 1999 profit £5.0m).

The Daihatsu (UK), Inchcape Peugeot Japan and Autobytel Europe transactions were previously noted in the Annual Report & Accounts 1999.

CASH FLOW, INTEREST AND FINANCING

Net debt at the end of the period was £86.0m, compared to £149.0m at 31 December 1999 and £195.9m at 30 June 1999 (net of the special dividend of £529.3m paid on 9 July 1999). The net debt decrease of £63.0m was driven by strong cash generation from working capital reductions of £44.7m.

During the period, net capital expenditure (capital expenditure net of depreciation and disposal proceeds) of £0.7m was incurred. Cash received from disposals amounted to £20.4m and cash spent on acquisitions amounted to £10.6m.

In May 2000, the Group repaid US$100.0m of loan notes as required, leaving the balance of the loan notes, US$72.0m, falling due in May 2002. In part replacement of this facility, a £30.0m term loan was put in place with a relationship bank.

The Group net interest charge of £10.4m can be analysed between subsidiary net interest of £6.7m and associates and joint ventures net interest of £3.7m. This compares to a net interest charge in the same period last year of £8.5m which can be split £7.3m net interest for subsidiaries and £1.2m net interest relating to associates and joint ventures. The first half of 1999 benefited from holding the disposal proceeds prior to the payment of the special dividend.

The Group continues to review its gross cash and debt position in order to achieve fiscal efficiency. Significant funds (£105.2m) are currently held in Dutch guilders earning interest at Euro rates, primarily as a result of the non-Motors disposal programme in 1999. Solutions to the mismatch with our UK debt position are being actively explored.

"The sale of our shareholding in Toyota (GB), the likelihood of additional proceeds from other divestments, along with strong operational cash flow provides Inchcape with significant balance sheet strength. This will enable us to fund our growth strategy."

EXCHANGE EFFECTS

Headline profit before tax during the first half would have been £0.5m greater if translated at the average exchange rates prevailing in the comparable period.

The Group continues to operate a prudent policy of hedging transactions and, where appropriate, pre-transaction exposures.

TAX

The Headline tax charge for the half year is £9.8m and represents an effective tax rate of 32.7%. There is no tax arising on the exceptional items for the period.

DIVIDENDS

The Board has decided to pay an interim dividend of 7.3p per share. This represents an increase of 4.3% on last year's interim dividend. The interim dividend payment will be made to shareholders on the register as at 18 August 2000 and will be paid on 21 September 2000.

PROSPECTS

The sale of our interest in Toyota (GB) provides us with a strong balance sheet, but clearly we will lose the contribution from this business in the second half of the year.

We expect a solution to the current uncertainty in the UK market to be forthcoming in the next few months. Greece and Belgium will remain highly competitive throughout 2000. The strong recovery in Asia is continuing and Australia should see growth in the second half.

LOOKING AHEAD

I have joined Inchcape at an exciting time of change for the automotive industry. Inchcape fully intends to remain at the heart of this change.

We will continue to concentrate on developing our core businesses in the UK, Greece, Belgium, Australia, Hong Kong and Singapore.

The dynamics of the UK market post the Competition Commission inquiry and the review of European Block Exemption rules should present considerable opportunities for Inchcape. We will use our bulk purchasing power to give value to our customers. We will provide alternative channels to market, backed up by our ability to offer total customer fulfilment – from the purchase, financing and delivery of the vehicle to the on-going after-sales service.

The sale of our shareholding in Toyota (GB), the likelihood of additional proceeds from other divestments, along with strong operational cash flow provides Inchcape with significant balance sheet strength. This will enable us to fund our growth strategy.

SIR JOHN EGAN

7 AUGUST 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30 JUNE 2000	**Six months to 30.6.00 £m**	Six months to 30.6.99 £m	Year to 31.12.99 £m
Turnover including share of joint ventures and associates	**2,025.4**	2,407.1	4,450.0
Less:			
– share of joint ventures	**(35.6)**	(100.9)	(164.3)
– share of associates	**(427.1)**	(436.0)	(823.2)
Group subsidiaries' turnover	**1,562.7**	1,870.2	3,462.5
Operating profit	**30.9**	31.3	69.1
Share of profits of joint ventures	**6.6**	9.1	12.5
Share of profits of associates	**2.9**	9.0	19.4
Total operating profit	**40.4**	49.4	101.0
Net (loss) profit on disposal of properties and investments	**(0.1)**	1.9	1.8
Net (loss) profit including provisions on sale and termination of operations	**(15.4)**	112.7	91.0
Utilisation of provision for net loss on sale of operations	**15.4**	126.4	126.4
	–	239.1	217.4
Costs of fundamental reorganisation	**–**	(5.8)	(5.2)
Profit on ordinary activities before net interest	**40.3**	284.6	315.0
Net interest:			
Subsidiaries	**(6.7)**	(7.3)	(12.9)
Share of joint ventures	**(0.3)**	(0.5)	(0.7)
Share of associates	**(3.4)**	(0.7)	(2.1)
Total	**(10.4)**	(8.5)	(15.7)
Profit on ordinary activities before taxation	**29.9**	276.1	299.3
Tax on profit on ordinary activities	**(9.8)**	(31.6)	(27.1)
Profit on ordinary activities after taxation	**20.1**	244.5	272.2
Minority interests	**(3.8)**	(2.0)	(5.4)
Profit for the financial period	**16.3**	242.5	266.8
Dividends	**(6.4)**	(535.5)	(547.9)
Retained profit (loss) for the financial period	**9.9**	(293.0)	(281.1)
Headline profit before tax (£m)	**30.0**	40.9	85.3
Headline earnings per share*	**18.6p**	27.1p	60.0p
FRS3 profit before tax (£m)	**29.9**	276.1	299.3
Basic and diluted earnings per share*	**18.5p**	274.9p	302.4p

* Adjusted for share consolidation – note 7

Details of the results of operations discontinued in 1999 are given in note 1.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE SIX MONTHS ENDED 30 JUNE 2000	**Six months to 30.6.00 £m**	Six months to 30.6.99 £m	Year to 31.12.99 £m
Profit for the period	**16.3**	242.5	266.8
Effect of foreign exchange rate changes:			
– results for the period	**0.6**	3.9	(14.3)
– foreign currency net investments	**15.4**	(7.8)	(9.9)
Total recognised gains	**32.3**	238.6	242.6

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE SIX MONTHS ENDED 30 JUNE 2000	**Six months to 30.6.00 £m**	Six months to 30.6.99 £m	Year to 31.12.99 £m
Profit for the financial period	**16.3**	242.5	266.8
Dividends	**(6.4)**	(535.5)	(547.9)
	9.9	(293.0)	(281.1)
Effect of foreign exchange rate changes	**16.0**	(3.9)	(24.2)
Goodwill on disposals and written off	**–**	54.2	71.1
Net change in shareholders' funds	**25.9**	(242.7)	(234.2)
Opening balance	**320.1**	554.3	554.3
Closing balance	**346.0**	311.6	320.1

SUMMARISED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2000	**As at 30.6.00 £m**	As at 30.6.99 £m	As at 31.12.99 £m
Fixed assets:			
Intangible assets	**4.1**	3.6	4.7
Tangible assets	**264.8**	266.4	260.4
Investments:			
– joint ventures: share of gross assets	**555.3**	568.7	564.7
share of gross liabilities	**(510.1)**	(532.1)	(528.0)
share of net assets	**45.2**	36.6	36.7
– associates	**59.4**	85.8	58.9
– other investments	**9.8**	3.6	3.6
	383.3	396.0	364.3
Current assets:			
Stocks	**501.4**	582.8	573.5
Debtors	**315.8**	374.0	299.9
Investments	**9.9**	22.0	21.3
Cash at bank and in hand	**152.9**	614.6	142.5
	980.0	1,593.4	1,037.2
Creditors – amounts falling due within one year:			
Borrowings	**(146.0)**	(219.5)	(228.3)
Other	**(521.2)**	(1,086.1)	(515.9)
Net current assets	**312.8**	287.8	293.0
Total assets less current liabilities	**696.1**	683.8	657.3
Creditors – amounts falling due after more than one year:			
Borrowings	**(92.9)**	(61.7)	(63.2)
Other	**(73.0)**	(103.1)	(88.9)
	(165.9)	(164.8)	(152.1)
Provisions for liabilities and charges	**(133.4)**	(160.5)	(138.9)
Net assets	**396.8**	358.5	366.3
Equity shareholders' funds	**346.0**	311.6	320.1
Minority interests	**50.8**	46.9	46.2
	396.8	358.5	366.3

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2000

RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	Six months to 30.6.00 £m	Six months to 30.6.99 £m	Year to 31.12.99 £m
Operating profit before exceptional operating items	**30.9**	31.3	69.1
Amortisation and depreciation	**12.8**	20.0	33.9
Loss (profit) on sale of tangible fixed assets other than property	**0.2**	(0.2)	(0.2)
Decrease in working capital	**44.7**	51.7	6.9
Payments in respect of exceptional operating items	**–**	(3.8)	(2.7)
Payments in respect of termination of operations	**(0.2)**	(3.1)	(33.7)
Other items	**4.1**	0.7	2.0
Net cash inflow from operating activities	**92.5**	96.6	75.3

CONSOLIDATED CASH FLOW STATEMENT

Net cash inflow from operating activities	**92.5**	96.6	75.3
Dividends from joint ventures	**5.2**	2.8	4.5
Dividends from associates	**3.2**	8.5	13.3
Returns on investments and servicing of finance	**(9.2)**	(10.0)	(15.7)
Taxation	**(8.6)**	(20.4)	(17.6)
Capital expenditure and financial investment	**(13.5)**	(29.9)	(34.3)
	69.6	47.6	25.5
Acquisitions and disposals	**9.8**	541.9	626.0
Equity dividends paid	**(12.4)**	(35.0)	(570.5)
Net cash inflow before use of liquid resources and financing	**67.0**	554.5	81.0
Net cash (outflow) from the management of liquid resources	**(9.0)**	(508.7)	(25.6)
Net cash (outflow) from financing	**(50.5)**	(119.5)	(50.7)
Net increase (decrease) in cash	**7.5**	(73.7)	4.7

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS AND DEBT

Net increase (decrease) in cash	**7.5**	(73.7)	4.7
Net cash outflow from decrease in debt and lease financing	**50.5**	121.5	50.7
Net cash outflow from the management of liquid resources	**9.0**	508.7	25.6
Change in net funds and debt resulting from cash flows	**67.0**	556.5	81.0
Effect of foreign exchange rate changes on net debt	**(2.0)**	(0.1)	(7.3)
Inception of finance lease contracts	**–**	–	(0.2)
Net loans and finance leases of subsidiaries acquired and sold	**–**	25.7	25.1
Liquid resources of subsidiaries sold	**(2.0)**	(105.3)	(104.2)
Movement in net funds (debt)	**63.0**	476.8	(5.6)
Opening net (debt)	**(149.0)**	(143.4)	(143.4)
Closing net (debt) funds	**(86.0)**	333.4	(149.0)

NOTES TO THE ACCOUNTS

1 Segmental analysis

	Group turnover plus share of joint ventures and associates			Total operating profit		
	Six months to 30.6.00	Six months to 30.6.99 restated	Year to 31.12.99 restated	**Six months to 30.6.00**	Six months to 30.6.99 restated	Year to 31.12.99 restated
By activity:	**£m**	£m	£m	**£m**	£m	£m
Import, Distribution & Retail	**1,587.9**	1,461.5	2,930.0	**40.3**	38.2	78.8
UK Retail	**352.0**	328.0	618.6	**5.6**	4.0	9.1
Financial Services	**65.0**	65.5	129.4	**8.2**	10.2	19.1
E-commerce	**0.8**	0.5	0.8	**(4.0)**	1.3	(1.4)
	2,005.7	1,855.5	3,678.8	**50.1**	53.7	105.6
Central costs	**–**	–	–	**(10.0)**	(10.2)	(17.8)
Continuing	**2,005.7**	1,855.5	3,678.8	**40.1**	43.5	87.8
Discontinued	**19.7**	551.6	771.2	**0.3**	5.9	13.2
	2,025.4	2,407.1	4,450.0	**40.4**	49.4	101.0
By geographical market:						
UK	**871.6**	794.6	1,564.5	**5.7**	16.5	31.8
Greece/Belgium	**296.2**	303.3	559.0	**8.2**	9.8	16.8
Australia/New Zealand	**289.1**	242.2	481.9	**9.4**	9.3	10.6
Hong Kong	**155.2**	123.5	275.7	**14.2**	9.0	24.1
Singapore/Brunei	**171.6**	129.6	295.3	**10.6**	7.0	15.9
Other	**222.0**	262.3	502.4	**2.0**	2.1	6.4
	2,005.7	1,855.5	3,678.8	**50.1**	53.7	105.6
Central costs	**–**	–	–	**(10.0)**	(10.2)	(17.8)
Continuing	**2,005.7**	1,855.5	3,678.8	**40.1**	43.5	87.8
Discontinued	**19.7**	551.6	771.2	**0.3**	5.9	13.2
	2,025.4	2,407.1	4,450.0	**40.4**	49.4	101.0

Segmental analyses by activity and geographical market have been redefined and accordingly all comparatives have been restated.

With regard to the change in activity definition, E-commerce, which is a UK based business, was previously included within Import & Distribution. UK Retail was previously part of Retail, which also included small scale retail activities, principally in Continental Europe. These have now been included within Import, Distribution & Retail for activity and within Other for geographical market. The retail activities within Import, Distribution & Retail predominantly relate to where the Group also acts as importer and distributor. Accordingly, the retail results of these businesses cannot be meaningfully separated from the underlying Import & Distribution business.

The principal reclassification within geographical market has been to disband the Continental Europe classification and replace this with the Greece/Belgium category. The businesses based in France and Finland have been reclassified into Other. The previous category of Far East has been disbanded to now display only Hong Kong, with the other businesses previously included being reclassified into Other. The previous categories of Australasia and South East Asia have been renamed Australia/New Zealand and Singapore/Brunei. Refer to Financial Review "Segmental Reporting".

Activities discontinued in 1999 comprised primarily Bottling South America, Marketing, Shipping, Office Automation, Timberland and the Motors businesses of Chrysler Jeep Imports UK, Inchcape Peugeot Japan and Daihatsu (UK). The current discontinued, representing turnover of £19.7m and operating profit of £0.3m, relates principally to the Motors element of these discontinued activities.

2 Analysis of turnover and total operating profit

	Turnover			Total operating profit		
	Six months to 30.6.00 £m	Six months to 30.6.99 £m	Year to 31.12.99 £m	**Six months to 30.6.00 £m**	Six months to 30.6.99 £m	Year to 31.12.99 £m
Continuing:						
The Company and its subsidiaries	**1,545.9**	1,438.3	2,848.7	**30.4**	31.2	63.1
Joint ventures	**32.7**	37.2	68.5	**6.8**	6.0	12.2
Associates	**427.1**	380.0	761.6	**2.9**	6.3	12.5
Continuing	**2,005.7**	1,855.5	3,678.8	**40.1**	43.5	87.8
Discontinued:						
The Company and its subsidiaries	**16.9**	431.9	613.8	**0.5**	0.1	6.0
Joint ventures	**2.8**	63.7	95.8	**(0.2)**	3.1	0.3
Associates	**–**	56.0	61.6	**–**	2.7	6.9
Discontinued	**19.7**	551.6	771.2	**0.3**	5.9	13.2
	2,025.4	2,407.1	4,450.0	**40.4**	49.4	101.0

3 Basis of presentation

The results for the periods to 30 June have been prepared using the discrete period approach (i.e. considering them as accounting periods in isolation). The Headline tax charge is based on the effective tax rates estimated for the full year in the Group's major countries of operation being applied to the actual profits for the first half.

These unaudited interim financial statements do not constitute statutory accounts and have been prepared on the basis of the accounting policies set out in the Annual Report & Accounts 1999.

The results for the year ended 31 December 1999 have been abridged from the Group's published financial statements, which have been reported on by the Group's auditors and filed with the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under S237 (2) or (3) of the Companies Act 1985.

The major exchange rates applied are as follows:

	Average rates			Period end rates		
	30.6.00	30.6.99	31.12.99	**30.6.00**	30.6.99	31.12.99
Australian dollar	**2.59**	2.53	2.53	**2.52**	2.38	2.46
Belgian franc	**66.3**	60.0	60.9	**63.7**	61.7	64.9
Dutch guilder	**3.62**	3.28	3.33	**3.48**	3.37	3.54
Greek drachma	**550**	483	493	**532**	496	531
Hong Kong dollar	**12.22**	12.52	12.55	**11.80**	12.23	12.53
Singapore dollar	**2.69**	2.76	2.74	**2.62**	2.68	2.69
US dollar	**1.57**	1.62	1.62	**1.51**	1.58	1.61

4 Exceptional items

	Six months to 30.6.00 £m	Six months to 30.6.99 £m	Year to 31.12.99 £m
Net (loss) profit on disposal of properties and investments	**(0.1)**	1.9	1.8
Net profit (loss) including provisions on sale and termination of operations:			
– Motors sales and terminations	**0.9**	(2.3)	(14.2)
– Non-Motors sales and terminations	**(0.9)**	(37.9)	(47.4)
– Bottling South America	**–**	279.3	279.0
	–	239.1	217.4
Costs of fundamental reorganisation	**–**	(5.8)	(5.2)
Total exceptional items	**(0.1)**	235.2	214.0

The profit of £0.9m relating to Motors sales and terminations is net of a £4.1m provision release relating to sale of operations. The original charge for the provision was made in 1999.

The loss of £0.9m relating to non-Motors sales and terminations is net of a £11.3m provision release relating to sale and termination of operations. The original charge for the provision was made in 1998.

5 Earnings per ordinary share

Based on the profit for the period:	Six months to 30.6.00 £m	Six months to 30.6.99 £m	Year to 31.12.99 £m
Headline profit before tax	**30.0**	40.9	85.3
Taxation on Headline profit	**(9.8)**	(14.9)	(26.8)
Minority interests in Headline profit	**(3.8)**	(2.1)	(5.6)
Headline earnings	**16.4**	23.9	52.9
Exceptional items – note 4	**(0.1)**	235.2	214.0
Taxation on exceptional items	**–**	(16.7)	(0.3)
Minority interests in exceptional items	**–**	0.1	0.2
Earnings	**16.3**	242.5	266.8
Headline earnings per share	**18.6p**	27.1p	60.0p
Basic and diluted earnings per share	**18.5p**	274.9p	302.4p

The weighted average number of fully paid shares in issue during the period (interim 1999 restated for share consolidation – note 7), excluding those held by the Inchcape Employee Trust, was 88,226,066 (interim 1999 & full year 1999 – 88,225,026).

The diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares for the dilution arising from the exercise of share options where the exercise price is less than the average market price of the Company's ordinary shares during the period. The adjusted weighted average number of ordinary shares was 88,226,802 (interim 1999 – 88,225,026; full year 1999 – 88,228,664).

6 Taxation

The charge for taxation includes the following:	**Six months to 30.6.00 £m**	Six months to 30.6.99 £m	Year to 31.12.99 £m
Overseas taxes	**8.6**	15.1	24.2
Joint ventures	**1.1**	1.4	2.8
Associates	**0.4**	2.0	3.4

7 Dividends

The interim dividend of 7.3p per ordinary share (interim 1999 – 7.0p) will be paid on 21 September 2000 to shareholders on the register on 18 August 2000.

A special dividend of 600p per ordinary share was paid to shareholders on 9 July 1999, as adjusted for the share consolidation noted below.

A one for six share consolidation took place on 12 July 1999. The number of shares in issue from that date has been 88,351,428 ordinary shares of 150p each (prior to consolidation – 530,108,568 shares of 25p each).

8 Post balance sheet events

On 31 July 2000 the Group announced the disposal of its 49.0% equity holding in Toyota (GB) for a sum of £42.1m. As the disposal is conditional on European Commission approval, the results are not shown as discontinued in this period. The associate investment value at 30 June 2000 is £28.4m. On this basis a profit of £13.7m, subject to costs, would have been recorded had the transaction been completed during the period under review, and no tax is payable on this disposal. No historical goodwill is attached to this transaction. The results of Toyota (GB) included within the Group results for the period include a loss before tax of £1.7m (first six months of 1999 profit £2.1m; full year 1999 profit £5.0m).

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Inchcape

Inchcape plc
Registered number 609782
33 Cavendish Square
London W1G 0PW
Telephone +44 20 7546 0022
Facsimile +44 20 7546 0010
Website www.inchcape.com