Inchcape

Industry leader

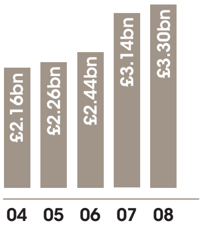
Half-yearly Report 2008

A formula for success

Inchcape's robust business model has delivered a strong half year performance

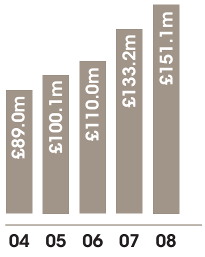
Financial highlights

Revenue



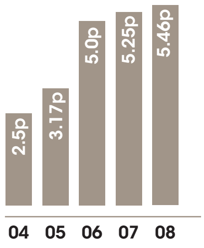
£3.3bn
+5.1%

Operating profit
before exceptional items



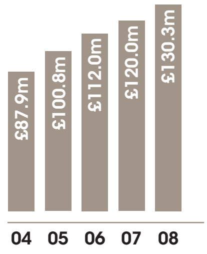
£151.1m
+13.4%

Dividend paid and proposed
per ordinary share



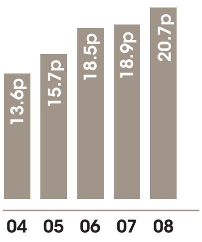
5.46p
+4.0%

Headline profit before tax
before exceptional items



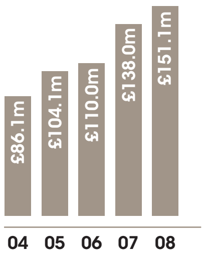
£130.3m
+8.6%

Headline earnings per share
before exceptional items



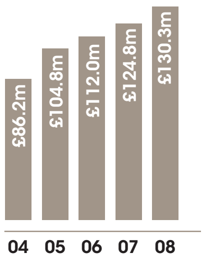
20.7p
+9.5%

Operating profit



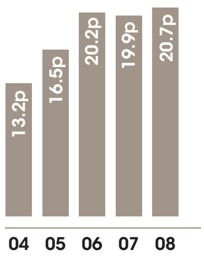
£151.1m
+9.5%

Profit before tax



£130.3m
+4.4%

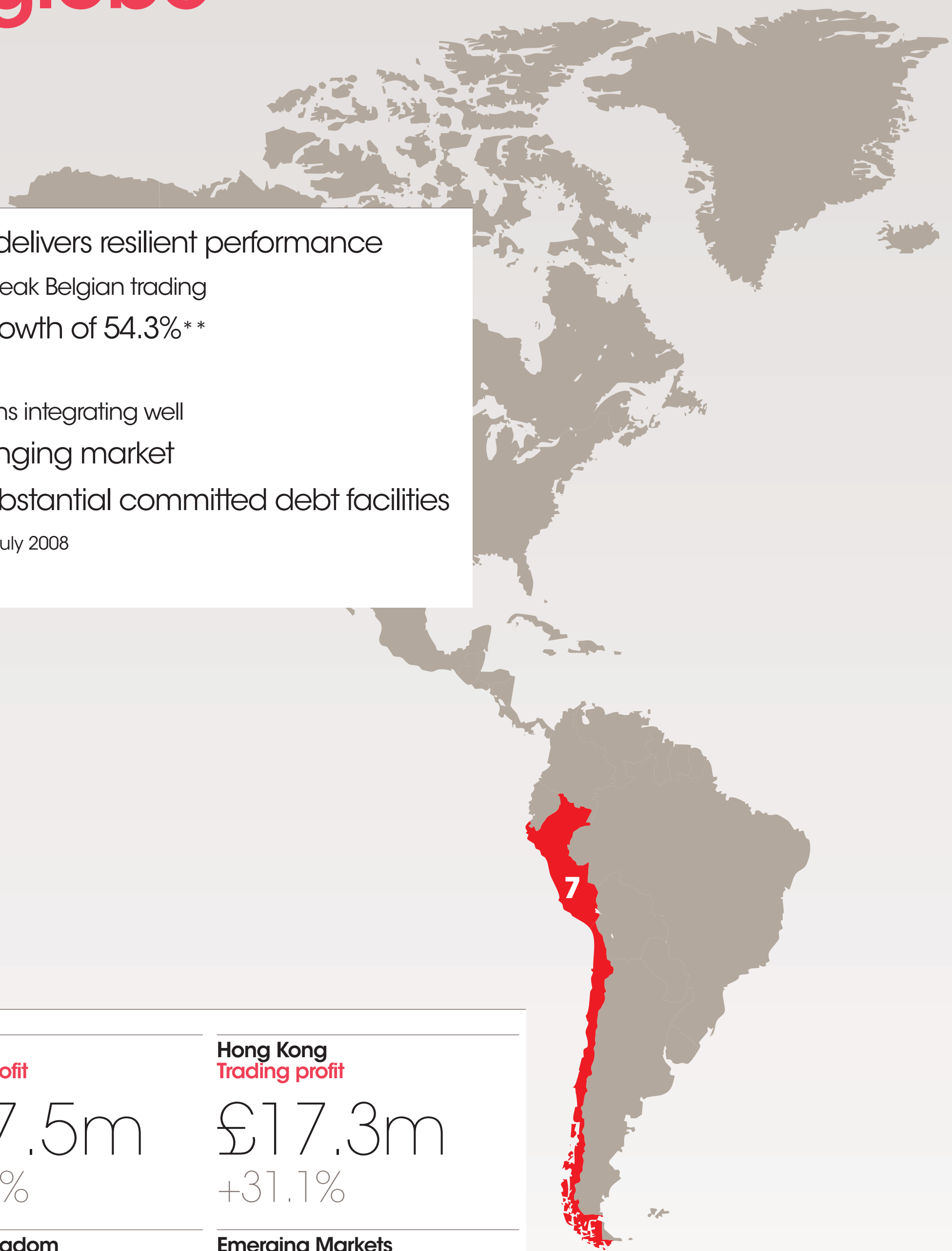
Earnings per share



20.7p
+4.0%

Contents

Strong management across the globe



Operational highlights

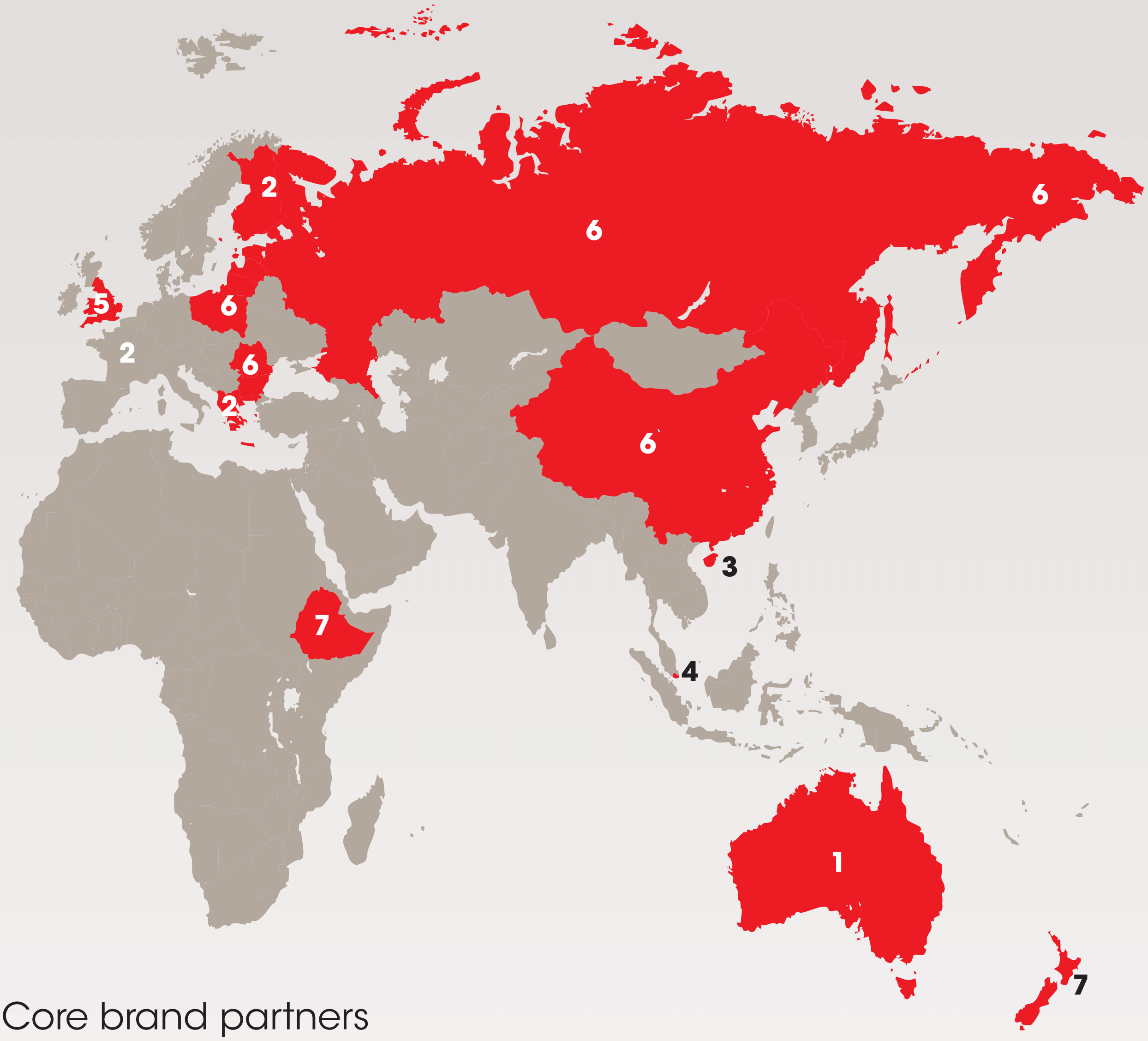
- Diverse geographic portfolio delivers resilient performance
  - Strong Asian performance offsets weak Belgian trading
- Emerging Markets revenue growth of 54.3%**
  - Scale acquisition in Moscow*
  - St Petersburg and Baltics acquisitions integrating well
- UK: outperforming in a challenging market
- Strong balance sheet and substantial committed debt facilities

* Musa Motors Group acquisition completed 8 July 2008

**Constant currency

Regional highlights

Australia Trading profit £22.2m +8.3%	**Europe** Trading profit £27.5m +13.2%	**Hong Kong** Trading profit £17.3m +31.1%
Singapore Trading profit £27.3m +6.6%	**United Kingdom** Trading profit £32.7m -8.7%	**Emerging Markets** Trading profit £17.8m +43.5%
Rest of World Trading profit £14.2m +15.4%		



Core brand partners

1 Australia

2 Europe

3 Hong Kong

4 Singapore

5 United Kingdom

6 Emerging Markets

7 Rest of World

*Musa Motors Group acquisition completed on 8 July 2008

Chairman's statement

Our robust business model enables us to adapt to changing market conditions

I am pleased to report another set of strong results from the Group, demonstrating the continued successful execution of our strategy and the commitment of our people to deliver outstanding Customer service.

Overall sales grew by 5.1% to £3.3bn and profit before tax and exceptional items increased by 8.6% to £130.3m.

Earnings per share (EPS) before exceptional items rose by 9.5% and basic EPS, which includes exceptional items rose by 4.0%. The Board has declared an interim dividend of 5.46p per share, an increase of 4.0% on 2007.

When reviewing the performance of our business units, trading profit is a key measure and is defined as operating profit excluding the impact of exceptional items and central costs.

The retail segment delivered trading profit of £45.3m, flat in constant currency terms and was up 2.0% at actual rates of exchange. Strong growth in our Emerging Markets businesses has compensated for the worsening trading conditions in the UK and Belgium towards the end of the second quarter.

Trading profit in the first half in our Distribution segment grew by £4.6m, up 4.2% in constant currency terms, and was up £14.0m, 14.0% at actual rates of exchange. Performances in our Hong Kong and Singapore markets have been ahead of expectations and these, together with continued strong trading profit growth in the Emerging Markets, have compensated for a softer performance in Belgium.

In the first six months, we have benefited from the strengthening of a number of currencies against sterling, particularly the Euro and Australian dollar, which have added £11.1m to trading profit.

Strategy update

Vision

To be the world's most Customer-centric automotive Retail group

Strategic priorities

- Strengthen existing core businesses
  > By focusing on execution of our strategy in every site in every market
- Expand in developed and emerging markets
  > By identifying the right growth opportunities for the Group and applying a disciplined approach to capital allocation

www.inchcape.com/aboutus

Strategy update

As we have previously stated, our strategy is to strengthen our existing businesses and to expand in Emerging Markets.

To strengthen the business we have focused on deriving full benefit from our multiple value drivers (vehicle sales, finance and insurance, parts and service), particularly the highly profitable aftersales segment, as well as the roll out of Customer service retail initiatives and the sharing of Gold Standard best practices across the Group. Moreover, we have benefited in some of our markets from new model introductions. The ongoing improvements we are making are reflected in the like for like sales and profit growth achieved in the first half of 2008, resulting in a solid margin improvement.

Our expansion strategy is also progressing well with £60m invested in acquisitions and greenfield projects over the first half of 2008.

In addition, we have initiated a five year global IT programme to implement SAP across the Group to increase productivity and enable our people to spend more time on Customer related initiatives.

In the UK, we have made further progress with the disposal of non core businesses. We have sold five Vauxhall retail centres for a total consideration of £14.3m. We are also announcing today the decision to retain our Jaguar and Land Rover retail centres in the UK, now that these marques have a stable ownership. These businesses have continued to perform well in the first half of 2008 and we welcome Tata Motors' ownership as the investment committed to the development of these brands will strengthen their position in the premium segment. Our strategy in the UK remains to focus on the premium segment of the market, which has over time consistently outperformed the rest of the new car market.

In the first half of 2008, we acquired the remaining 24.9% stake in our St Petersburg business for a total cash consideration of £27.7m. As a result, Inchcape now has 100% ownership of one of the largest automotive retail businesses in St Petersburg, the second largest city in Russia, where the car market has grown by 47% in the first half of the year.

In April, we announced our intention to acquire an initial 75.1% shareholding in Musa Motors Group, another of the largest car retailing groups operating in Russia, for an initial consideration of £100.3m with additional potential consideration payable based on Musa Motors' performance in 2008. The acquisition, which was completed on 8th July provides Inchcape with a significant scale position in Moscow with multiple brand partners and complements our existing operations in St Petersburg. Inchcape has entered into an agreement to purchase the remaining 24.9% in 2011.

In addition, we have committed £32m to greenfield expansion with new retail centres in Eastern Europe, Russia, China and South America. In China, the second largest car market in the world, we opened our second retail centre in January 2008. We now have one Toyota and one Lexus retail centre and have plans to open a third, which will retail Lexus in Shanghai, by the end of this year.

In Emerging Markets, following the acquisition of Musa Motors Group, we expect our 2008 revenues to be approaching £1bn.

Finally, in line with the Group's strategy to focus on markets where we can develop a scale position with core brand partners, we announce the sale of our French operation to the current management team for a total expected consideration of £25m, satisfied by a pre-completion reduction in capital of £18m and disposal proceeds of £7m.

We intend to continue to invest in the fast growing Emerging Markets, where acquisitions to date are integrating well. We have a strong balance sheet with debt/ebitda of 0.9x and sufficient committed debt facilities, at competitive rates, to support our growth plans.

Achievements in H1 2008

- Focus on multiple value drivers and Customer service
- Continued like for like sales and profit growth

- £60m invested in acquisitions and greenfield projects
- Further expansion in high growth Russian market
- Second retail centre opened in China

Focus for H2 2008

Strengthen

- Drive like for like growth with new models and Customer service initiatives
- Accelerate growth of highly profitable aftersales
- Drive margin improvement in growth markets and protect margin in challenging markets

Expand

- Integration of recent acquisitions
- Further expansion in Emerging Markets
- Strong pipeline for future growth

Chairman's statement continued

Operational review

Group key performance indicators*

	Six months to 30.06.08 £m	Six months to 30.06.07 £m
Sales	3,297.9	3,136.5
Like for like sales growth (%)	6.7	0.5
Trading profit	159.0	144.1
Like for like trading profit growth (%)	9.7	2.0

Regional analysis*

	2008 Operating profit £m	2008 Exceptional items £m	2008 Trading profit £m	2007 Operating profit £m	2007 Exceptional items £m	2007 Trading profit £m
Australia	22.2	–	22.2	20.5	–	20.5
Europe	27.5	–	27.5	24.3	–	24.3
Hong Kong	17.3	–	17.3	25.2	(12.0)	13.2
Singapore	27.3	–	27.3	25.6	–	25.6
United Kingdom	32.7	–	32.7	28.6	7.2	35.8
Emerging Markets	17.8	–	17.8	12.4	–	12.4
Rest of World	14.2	–	14.2	12.3	–	12.3
Central Costs	(7.9)			(10.9)		
Operating profit	151.1			138.0		

* At actual exchange rates

Inchcape reports its results in the Condensed financial statements on a statutory basis using actual rates of exchange. To enhance comparability, the Operational review reports results in a form that isolates the impact of currency movements from period to period by applying the June 2008 exchange rates to both periods' results (constant currency). It also adjusts for the impact of exceptional items. Where exceptional items and central costs are excluded from operating profit the results are referred to as trading profit. Unless otherwise stated, all sales and trading profit figures in the Operational review commentary are provided in constant currency.

Like for like sales and trading profit excludes the impact of acquisitions from the date of acquisition until the thirteenth 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 thirteenth month of trading in the new location.

Australia

Key performance indicators

	Six months to 30.06.08 £m	Six months to 30.06.07 £m	% change	% change in constant currency
Sales	380.6	326.9	16.4	2.1
Like for like sales	371.6	321.4	15.6	1.5
Trading profit	22.2	20.5	8.3	(5.5)
Like for like trading profit	22.4	21.0	6.7	(6.7)

In Australia, the market grew by 3.5% in the first six months. Trading remains competitive with numerous consumer offers available across brands, supported by continued high levels of sales support and marketing activities.

We have improved market share in the first half with the launch of new models. Overall sales grew by 2.1% compared to last year, but with the marketing costs to support new model launches, overall trading profits were down by 5.5% in the first half. The new Subaru Impreza model has performed in line with expectations and the new Forester model, launched in March, has also performed well.

We expect the market to remain competitive for the rest of 2008. We expect to benefit in the second half from the marketing investment we made in the first six months behind the launch of the new Forester model and the ongoing marketing of the Impreza launched towards the end of 2007. We will also launch the new Impreza Sedan in the second half of 2008.

Europe

Key performance indicators

	Six months to 30.06.08 £m	Six months to 30.06.07 £m	% change	% change in constant currency
Sales	711.4	662.2	7.4	(5.6)
Like for like sales	711.4	657.6	8.2	(5.0)
Trading profit	27.5	24.3	13.2	(0.7)
Like for like trading profit	27.5	24.5	12.2	(1.8)

In an increasingly challenging trading environment, our strategy remains in place, to drive organic growth in our Distribution business and to continue the turnaround plan for Retail.

In Greece the market was flat while in Belgium the impact of the biennial Motor Show has been lower than expected, however the market grew by 7.2% in the first six months. In Finland the expected growth following the tax changes introduced in January has materialised, although it has been slightly lower than anticipated.

Our European Retail businesses have continued to demonstrate the success of the turnaround plan, delivering trading profit growth of 126% versus 2007. Greece in particular has delivered excellent results, turning a significant first half loss last year into breakeven in the first half of 2008. In Finland, we have turned a first half loss last year to a profit in 2008, improving trading margins by 1.4ppts. In Belgium, the lack of new models has resulted in trading profits being down versus last year.

In Greece, our Distribution business has held share and retained its market leadership, improving trading margins by 1.7ppts and delivering trading profit growth of 19.0%. In our Finnish Distribution business we have achieved a 2.7ppts growth in trading margins to deliver trading profit growth of 19.2%. In Belgium, extremely competitive pricing has impacted share and trading margins and as a result trading profit declined by 45% versus 2007.

We expect demand to weaken in Continental European markets in the second half based on lower consumer confidence. In Greece, we are well placed to maintain market leadership. In Finland, we should benefit from the impact of the new Mazda6, whilst in Belgium, we expect the lack of new Toyota models until 2009 to continue to impact performance in the second half.

Chairman's statement continued

Hong Kong

Key performance indicators

	Six months to 30.06.08 £m	Six months to 30.06.07 £m	% change	% change in constant currency
Sales	140.6	110.3	27.5	27.9
Like for like sales	134.1	96.3	39.3	39.7
Trading profit	17.3	13.2	31.1	32.1
Like for like trading profit	15.9	12.1	31.4	31.4

The economic recovery in Hong Kong has driven significant growth in the market with total registrations up by 30% versus 2007. The luxury and Multi Purpose Vehicle (MPV) segments were the key drivers of the growth.

Our focus continues to be on the luxury segment and we are increasing our offering in the MPV segment which now accounts for 22% of the market. We also continue to drive aftersales s a key element of growth.

Like for likes sales growth in the first half has been excellent, up 40% versus 2007, and with trading profit margins 0.4 ppts ahead of last year, trading profits grew by 32%. Our Lexus range has performed very well with trading profits growing by 60%. The new Toyota Corolla, launched last year continues to perform well.

We expect the overall market growth to continue in the second half and the MPV segment to be a key growth driver. We will launch the new Toyota Alphard and Noah models to leverage growth in this segment and will continue to drive share and margin in the luxury segment with upgraded Lexus models.

Singapore

Key performance indicators

	Six months to 30.06.08 £m	Six months to 30.06.07 £m	% change	% change in constant currency
Sales	229.7	269.1	(14.6)	(22.0)
Like for like sales	229.6	268.1	(14.4)	(21.7)
Trading profit	27.3	25.6	6.6	(2.8)
Like for like trading profit	27.2	25.2	7.9	(1.4)

The total market has declined, as expected, in the first six months by 12.6% versus 2007 and within this parallel imports now account for 26% of the market.

Despite this, we have delivered a better than expected performance as we focus on the retention of market leadership with healthy margins. We have supported this with the launch of the new Toyota Corolla Altis and strong commercial vehicle registrations.

The development of other revenue streams continues to be a core initiative and we have supported aftersales and finance penetration with specific marketing activities in the first half.

Sales in Singapore were 22% below last year. However, this has been mitigated by better trading margins, which have improved by 2.3ppts, resulting in trading profits which were down 2.8% on a constant currency basis and 6.6% up on actual rates of exchange. Commercial vehicle margins have been a key contributor to this performance.

We expect the market to continue to track below last year for the remainder of 2008. With the new Altis, the launch of the Toyota Wish and a continuing strong performance from commercial vehicles, we expect the second half to be similar to the first in Singapore.

UK

Key performance indicators

	Six months to 30.06.08 £m	Six months to 30.06.07 £m	% change	% change in constant currency
Sales	1,334.1	1,440.8	(7.4)	(7.4)
Like for like sales	1,258.4	1,243.9	1.2	1.2
Trading profit	32.7	35.8	(8.7)	(8.7)
Like for like trading profit	32.4	34.4	(5.8)	(5.8)

The UK vehicle market slowed significantly in the latter part of May and through June, resulting in new car sales in the first half being 1.6% down on 2007, with both private cars and business registrations impacted. Our strategy in the UK remains to focus on the premium segment of the market which has, over time, consistently outperformed the rest of the new car market.

Our UK Retail business has delivered a performance ahead of the market with like for like sales of £1,247m, 1.5% up on 2007.

We have continued to see significant pressure on used car margins; however overall like for like trading margins have declined only twenty basis points from 2.6% to 2.4%. Total trading profits in the Retail business declined versus 2007 by 8.6%.

Our UK Distribution segment comprising Inchcape Fleet Solutions saw trading profits improve versus 2007 as we begin to see the benefits of new contract hire business written in 2007.

We expect market conditions to continue to soften in the second half with the new car market falling further. We will focus on all our value drivers to mitigate the impact of this fall and continue to outperform the overall market.

Emerging markets

Key performance indicators

	Six months to 30.06.08 £m	Six months to 30.06.07 £m	% change	% change in constant currency
Sales	362.5	209.0	73.4	54.3
Like for like sales	266.4	209.0	27.5	13.4
Trading profit	17.8	12.4	43.5	28.1
Like for like trading profit	15.9	12.4	28.2	13.6

Overall we continue to see outstanding growth in the Emerging Markets, with the exception of Estonia and Latvia, in the Baltics, which have experienced a slowdown.

In Russia we continue to build scale in a market which grew by 47% in the first six months of the year. Total sales growth of 33% has been achieved in the face of some supply constraints from Toyota, while trading profit increased by 14.0%. Margins were below the exceptionally high levels achieved last year but were still above our medium term expectations.

In the Balkans, we continue to focus on market share growth in Romania and expansion of our Retail presence in Bulgaria, whilst in the Baltics, recent acquisitions are integrating well. We delivered trading profit growth of 27% in the Balkans and 123% in the Baltics, including acquisitions.

In China, we are actively pursuing further growth in a market which grew by 18.0% in the first six months. We continue to trade slightly ahead of expectations in this market and have delivered a smaller loss than expected.

The Emerging Markets will continue to be a key source of growth for the Group and will represent an increasing proportion of the Group's earnings. Growth continues in most Eastern European countries and in Russia we will benefit in the second half from the contribution of the Musa Motors Group acquisition and from the expected easing of supply constraints from Toyota.

Rest of world

Key performance indicators

	Six months to 30.06.08 £m	Six months to 30.06.07 £m	% change	% change in constant currency
Sales	139.0	118.2	17.6	13.7
Like for like sales	139.0	118.2	17.6	13.7
Trading profit	14.2	12.3	15.4	14.5
Like for like trading profit	14.2	12.3	15.4	14.5

In the Rest of the World, we continue to focus on operational excellence whilst continuing to grow through acquisitions where opportunities arise.

We have seen good growth in most of the markets in which we trade. South America was up by 16.7%. The Brunei and New Zealand markets also recorded growth. In Ethiopia, the market declined due to inflation and currency restrictions, leading to trading profits being 1.1% down on last year. In South America, better trading margins and market growth have delivered a 57% growth in trading profits and we remain confident of a good performance from South America for the rest of the year. The Ethiopian market, together with Guam, will continue to be challenging in 2008.

Principal risks and uncertainties

The Group has set out in its annual report a number of business and financial risks which could impact the performance of the Group.

Inchcape applies an effective system of risk management to identify risks and monitor actions to mitigate these risks. Risks are categorised as follows: performance, competition, fraud, regulatory, environmental, organisation and capability, technology, capital and external factors such as changing economic and political conditions.

The Board has recently reviewed the principal risks and confirm that they remain valid for the rest of the year.

On a short term, forward looking basis over the remainder of the year, the main area of potential risk and uncertainty centres on the impact on profitability of deteriorating economic conditions and overall consumer demand in some of our markets.

Further details of the Group risks and risk management process can be found on pages 34-37 and page 56 of the Annual Report and Accounts 2007.

Refer to the Annual Report and Accounts 2007 for full reference

Financial review

Net financing costs

The net financing cost of £21.9m was £7.0m higher than 2007 and is a reflection of our expansion strategy in 2007 and 2008. The majority of the cost increase relates to acquisitions in the second half of 2007 (Lithuania / Latvia, and the Audi / Peugeot business in Russia) along with the acquisition of the minority share of our St Petersburg business in March 2008.

Tax

The effective tax rate for the Group was 25%, in line with the prior year and our expectations.

Minority interests

Profits attributable to minority interests increased to £3.1m in 2008 from £3.0m in 2007. This was impacted by the inclusion of the 33% minority in our Lithuanian business acquired in July 2007, and only three months profits from our St Petersburg business following the purchase of the minority share in March 2008.

Cash flow and financing

The Group generated £49.0m of cash from operating activities in the first half. Funding of net capital expenditure amounted to £56.2m and for net acquisitions was £5.7m.

In July, the Group increased its committed banking facilities by £225m with a tenure of three years at competitive rates, in order to provide the Group with further flexibility going forward.

Dividends

The 2007 final dividend of £48.1m was paid in June. The interim dividend will be paid on 4th September 2008 to shareholders on the register at 8th August 2008.

Pensions

During the first half and in line with the funding programme agreed with the Trustees, the Group made additional cash contributions to the UK defined benefit schemes amounting to £11.0m. These payments, together with changes in the long term interest rates, have contributed to the net pension surplus of £46.6m at 30th June 2008.

People

The success of Inchcape is, above all else, due to the passion and dedication of our people. I would like, on behalf of the Board, to express our thanks to our colleagues across the Group for their ongoing commitment to delivering an outstanding Customer service and on the delivery of another set of strong results.

Outlook

The execution of our strategy remains on track as we benefit from an increased exposure to Emerging Markets following the acquisition of Musa Motors Group in Russia. We continue to focus on creating a differentiated Customer experience for our brand partners in all of our markets.

We have a robust business model with an excellent geographic portfolio diversification and scale relationships with our brand partners. We also have a strong balance sheet and sufficient facilities in place to support our growth plans.

Despite deteriorating economic conditions in a number of our markets, we expect our results to be broadly in line with 2007.

Peter Johnson
Chairman
28 July 2008

Statement of Directors' responsibilities

Introduction

The Directors confirm that the Condensed financial statements in the Half-yearly Report have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union and that the Interim management report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7 and 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the Condensed financial statements;
- 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 are listed in the Annual Report and Accounts 2007, with the exception of the appointment of Mr Graham Pimlott as a Non-executive Director on 25 March 2008.

By order of the Board

André Lacroix
28 July 2008
Group Chief Executive

Barbara Richmond
28 July 2008
Group Finance Director

Independent review report to Inchcape plc

Introduction
We have been engaged by the Company to review the Condensed financial statements in the Half-yearly Report for the six months ended 30 June 2008 which comprises the Consolidated income statement, the Consolidated statement of recognised income and expense, the Consolidated balance sheet, the Consolidated cash flow statement and the related notes. We have read the other information contained in the Half-yearly Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Condensed financial statements. The information comprises only the Interim management report, the Statement of Directors' responsibilities and the Company details.

Directors' responsibilities
The Half-yearly Report is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the Half-yearly 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 Half-yearly 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 financial statements in the Half-yearly 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 financial statements in the Half-yearly Report for the six months ended 30 June 2008 are 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
28 July 2008

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 Half-yearly 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.

Consolidated income statement (unaudited)

For the six months ended 30 June 2008

	Notes	**Six months to 30.06.08 £m**	Six months to 30.06.07 £m	Year to 31.12.07 £m
Revenue	2	**3,297.9**	3,136.5	6,056.8
Cost of sales		**(2,815.2)**	(2,696.5)	(5,174.3)
Gross profit		**482.7**	440.0	882.5
Net operating expenses before exceptional items		**(331.6)**	(306.8)	(617.5)
Exceptional items	3	**–**	4.8	4.9
Total net operating expenses		**(331.6)**	(302.0)	(612.6)
Operating profit	2	**151.1**	138.0	269.9
Share of profit after tax of joint ventures and associates		**1.1**	1.7	3.5
Profit before finance and tax		**152.2**	139.7	273.4
Finance income	4	**34.5**	26.7	57.3
Finance costs	5	**(56.4)**	(41.6)	(90.7)
Profit before tax		**130.3**	124.8	240.0
Tax	6	**(32.3)**	(29.5)	(57.9)
Profit for the period		**98.0**	95.3	182.1
Attributable to:				
– Equity holders of the parent		**94.9**	92.3	176.4
– Minority interests		**3.1**	3.0	5.7
		98.0	95.3	182.1
Basic earnings per share (pence)	7	**20.7p**	19.9p	38.0p
Diluted earnings per share (pence)	7	**20.6p**	19.8p	37.8p

Consolidated statement of recognised income and expense (unaudited)

For the six months ended 30 June 2008

	Six months to 30.06.08 £m	Six months to 30.06.07 £m	Year to 31.12.07 £m
Cash flow hedges	**(13.6)**	(19.6)	33.0
Net investment hedge	**–**	0.5	–
Fair value losses on available for sale financial assets	**(0.3)**	(0.3)	(0.2)
Effect of foreign exchange rate changes	**39.5**	(2.9)	30.3
Actuarial gains on defined benefit pension schemes	**3.6**	31.2	32.1
Tax recognised directly in shareholders' equity	**6.8**	(7.0)	(22.2)
Net gains recognised directly in shareholders' equity	**36.0**	1.9	73.0
Profit for the period	**98.0**	95.3	182.1
Total recognised income and expense for the period	**134.0**	97.2	255.1
Attributable to:			
– Equity holders of the parent	**129.5**	94.2	248.4
– Minority interests	**4.5**	3.0	6.7
	134.0	97.2	255.1

Consolidated balance sheet (unaudited)

As at 30 June 2008

	Notes	**As at 30.06.08 £m**	As at 30.06.07 £m	As at 31.12.07 £m
Non-current assets				
Intangible assets		**444.0**	324.5	400.5
Property, plant and equipment		**601.5**	444.7	519.3
Investments in joint ventures and associates		**16.7**	14.1	15.3
Available for sale financial assets		**16.3**	14.1	15.6
Trade and other receivables		**24.5**	22.7	24.2
Deferred tax assets		**15.2**	17.8	10.2
Retirement benefit assets		**52.8**	51.6	51.9
		1,171.0	889.5	1,037.0
Current assets				
Inventories		**956.7**	663.2	797.5
Trade and other receivables		**306.4**	264.9	262.6
Available for sale financial assets		**0.5**	1.1	1.1
Derivative financial instruments		**5.1**	–	12.9
Current tax assets		**1.6**	1.3	2.9
Cash and cash equivalents		**455.0**	367.7	343.4
		1,725.3	1,298.2	1,420.4
Assets held for sale and disposal group	11	**58.9**	203.6	168.6
		1,784.2	1,501.8	1,589.0
Total assets		**2,955.2**	2,391.3	2,626.0
Current liabilities				
Trade and other payables		**(1,077.4)**	(841.3)	(940.2)
Derivative financial instruments		**(19.1)**	(70.5)	(8.3)
Current tax liabilities		**(49.1)**	(43.6)	(42.2)
Provisions		**(28.4)**	(24.0)	(31.3)
Borrowings		**(244.6)**	(205.2)	(155.3)
		(1,418.6)	(1,184.6)	(1,177.3)
Non-current liabilities				
Trade and other payables		**(46.9)**	(36.6)	(41.4)
Derivative financial instruments		**–**	(13.4)	–
Provisions		**(42.5)**	(36.8)	(39.4)
Deferred tax liabilities		**(22.5)**	(2.8)	(18.5)
Borrowings		**(488.2)**	(279.0)	(409.6)
Retirement benefit liabilities		**(6.2)**	(31.7)	(23.4)
		(606.3)	(400.3)	(532.3)
Liabilities directly associated with the disposal group	11	**(29.9)**	(97.4)	(78.6)
Total liabilities		**(2,054.8)**	(1,682.3)	(1,788.2)
Net assets		**900.4**	709.0	837.8
Shareholders' equity				
Share capital	8	**121.9**	121.2	121.6
Share premium	8	**126.0**	121.6	123.4
Capital redemption reserve	8	**16.4**	16.4	16.4
Other reserves	8	**40.7**	(54.7)	12.7
Retained earnings	8	**576.2**	493.2	539.5
Equity attributable to equity holders of the parent		**881.2**	697.7	813.6
Minority interests	8	**19.2**	11.3	24.2
Total shareholders' equity		**900.4**	709.0	837.8

Consolidated cash flow statement (unaudited)

For the six months ended 30 June 2008

	Notes	**Six months to 30.06.08 £m**	Six months to 30.06.07 £m	Year to 31.12.07 £m
Cash generated from operating activities				
Cash generated from operations	9a	**98.1**	176.7	293.0
Tax paid		**(24.9)**	(22.2)	(49.8)
Interest received		**9.8**	5.9	12.4
Interest paid		**(34.0)**	(18.8)	(49.5)
Net cash generated from operating activities		**49.0**	141.6	206.1
Cash flows from investing activities				
Acquisition of businesses, net of cash and overdrafts acquired		**(25.7)**	(256.6)	(329.6)
Net cash inflow from sale of businesses		**20.0**	70.6	85.5
Purchase of tangible and intangible assets		**(63.8)**	(33.7)	(80.1)
Proceeds from disposal of property, plant and equipment		**7.6**	11.3	47.3
Net disposal of available for sale financial assets		**0.5**	–	–
Dividends received from joint ventures and associates		**–**	1.5	2.6
Net cash used in investing activities		**(61.4)**	(206.9)	(274.3)
Cash flows from financing activities				
Proceeds from issue of ordinary shares		**2.9**	6.3	8.5
Share buy back programme		**(16.0)**	–	(18.5)
Net purchase of own shares by ESOP Trust		**(3.0)**	(2.1)	(2.0)
Cash inflow from Private Placement		**–**	277.1	277.1
Net cash inflow (outflow) from borrowings other than Private Placement		**77.7**	(174.5)	(95.5)
Payment of capital element of finance leases		**(0.1)**	(0.1)	(0.6)
Settlement of derivatives		**8.3**	1.0	(4.3)
Equity dividends paid		**(48.1)**	(46.6)	(71.1)
Minority dividends paid		**(2.1)**	(1.6)	(1.8)
Net cash from financing activities		**19.6**	59.5	91.8
Net increase (decrease) in cash and cash equivalents	9b	**7.2**	(5.8)	23.6
Cash and cash equivalents at beginning of the period		**198.6**	166.2	166.2
Effect of foreign exchange rate changes		**14.4**	2.1	8.8
Cash and cash equivalents at end of the period		**220.2**	162.5	198.6
Cash and cash equivalents consist of:				
– Cash and cash equivalents		**328.2**	270.8	273.0
– Short-term bank deposits		**126.8**	96.9	70.4
– Bank overdrafts		**(234.8)**	(205.2)	(144.8)
		220.2	162.5	198.6

Notes (unaudited)

1 Basis of preparation and accounting policies

Basis of preparation

The Half-yearly Report for the period ended 30 June 2008 has been prepared 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 Half-yearly Report should be read in conjunction with the Annual Report and Accounts 2007, which have been prepared in accordance with IFRSs as adopted by the European Union.

These interim Condensed financial statements are unaudited, but have been reviewed by the external auditors. They do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The Group's published Financial statements for the year ended 31 December 2007 were approved by the Board of Directors on 26 February 2008 and filed with 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 237 (2) or (3) of the Companies Act 1985. The Condensed financial statements on pages 14 to 27 were approved by the Board of Directors on 28 July 2008.

Significant accounting policies

The accounting policies adopted in the preparation of the Condensed financial statements are consistent with those of the Group's Annual Report and Accounts 2007, other than the adoption, with effect from 1 January 2008, of the amendment to IAS 23 'Borrowing Costs' and the IFRIC interpretations noted below.

The amendment to IAS 23 removes the option of immediately expensing borrowing costs that are directly attributable to a qualifying asset, and such costs are required to be capitalised as part of the cost of the relevant asset. The Group has adopted the amended standard on a prospective basis from 1 January 2008. The impact of adoption on the results for the half year ended 30 June 2008 is not material.

IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' has been adopted with effect from 1 January 2008. This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 'Employee Benefits'. The application of this Standard has not had a material impact on the Group.

IFRS 8 'Operating Segments' replaces IAS 14 'Segmental Reporting' and requires operating segments to be disclosed on the same basis as that used for internal reporting. It is required to be implemented by the Group from 1 January 2009 and will not have an impact on the results or financial position of the Group.

In addition IFRIC 11 'Group and Treasury Share Transactions' and IFRIC 12 'Service Concession Arrangements' are effective, but have not had a material impact on the results or financial position of the Group.

At the balance sheet date, a number of IFRSs and IFRIC interpretations were in issue but not yet effective. These include IAS 27 (Revised) 'Consolidated and Separate Financial Statements' and IFRS 3 (Revised) 'Business Combinations'. These revised standards have not been early adopted by the Group, and will be applied for the Group's financial years commencing on or after 1 January 2010.

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

	Average rates			Period end rates		
	30.06.08	30.06.07	31.12.07	**30.06.08**	30.06.07	31.12.07
Australian dollar	**2.15**	2.45	2.39	**2.07**	2.36	2.27
Euro	**1.30**	1.48	1.46	**1.26**	1.49	1.36
Hong Kong dollar	**15.49**	15.43	15.63	**15.52**	15.69	15.52
Singapore dollar	**2.76**	3.02	3.02	**2.70**	3.07	2.87

Notes (unaudited) continued

2 Segmental analysis

Primary reporting format – geographical segments

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

The geographical segments disclosed align them with the risks and rewards associated with different territories. Emerging Markets, which is defined as those countries in which the Group operates that have started to grow but have yet to reach a mature stage of development and accordingly are in the growth phase of the development cycle. These currently comprise Russia, China, Balkans, Baltics and Poland.

Six months to 30.06.08	Australia £m	Europe £m	Hong Kong £m	Singapore £m	United Kingdom £m	Emerging Markets £m	Rest of World £m	Total pre Central £m	Central £m	Total £m
Revenue										
Revenue from third parties	**380.6**	**711.4**	**140.6**	**229.7**	**1,334.1**	**362.5**	**139.0**	**3,297.9**	**–**	**3,297.9**
Results										
Operating profit before exceptional items	**22.2**	**27.5**	**17.3**	**27.3**	**32.7**	**17.8**	**14.2**	**159.0**	**(7.9)**	**151.1**
Exceptional items	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Segment result	**22.2**	**27.5**	**17.3**	**27.3**	**32.7**	**17.8**	**14.2**	**159.0**	**(7.9)**	**151.1**
Share of profit after tax of joint ventures and associates	**–**	**0.9**	**–**	**–**	**0.2**	**–**	**–**	**1.1**	**–**	**1.1**
Profit before finance and tax	**22.2**	**28.4**	**17.3**	**27.3**	**32.9**	**17.8**	**14.2**	**160.1**	**(7.9)**	**152.2**

Six months to 30.06.07	Australia £m	Europe £m	Hong Kong £m	Singapore £m	United Kingdom £m	Emerging Markets £m	Rest of World £m	Total pre Central £m	Central £m	Total £m
Revenue										
Revenue from third parties	326.9	662.2	110.3	269.1	1,440.8	209.0	118.2	3,136.5	–	3,136.5
Results										
Operating profit before exceptional items	20.5	24.3	13.2	25.6	35.8	12.4	12.3	144.1	(10.9)	133.2
Exceptional items	–	–	12.0	–	(7.2)	–	–	4.8	–	4.8
Segment result	20.5	24.3	25.2	25.6	28.6	12.4	12.3	148.9	(10.9)	138.0
Share of profit after tax of joint ventures and associates	–	0.8	0.2	–	0.6	–	0.1	1.7	–	1.7
Profit before finance and tax	20.5	25.1	25.4	25.6	29.2	12.4	12.4	150.6	(10.9)	139.7

Year to 31.12.07	Australia £m	Europe £m	Hong Kong £m	Singapore £m	United Kingdom £m	Emerging Markets £m	Rest of World £m	Total pre Central £m	Central £m	Total £m
Revenue										
Revenue from third parties	657.5	1,203.9	241.5	480.3	2,713.5	518.6	241.5	6,056.8	–	6,056.8
Results										
Operating profit before exceptional items	43.8	50.1	28.3	46.0	69.6	29.6	25.1	292.5	(27.5)	265.0
Exceptional items	–	–	12.0	–	(7.1)	–	–	4.9	–	4.9
Segment result	43.8	50.1	40.3	46.0	62.5	29.6	25.1	297.4	(27.5)	269.9
Share of profit after tax of joint ventures and associates	–	1.8	0.2	–	0.9	–	0.6	3.5	–	3.5
Profit before finance and tax	43.8	51.9	40.5	46.0	63.4	29.6	25.7	300.9	(27.5)	273.4

Notes (unaudited) continued

2 Segmental analysis continued
Secondary reporting format – business segments

Six months to 30.06.08	**Australia £m**	**Europe £m**	**Hong Kong £m**	**Singapore £m**	**United Kingdom £m**	**Emerging Markets £m**	**Rest of World £m**	**Distribution Total Distribution £m**
Revenue from third parties	**235.4**	**476.4**	**140.6**	**229.7**	**11.8**	**161.1**	**135.3**	**1,390.3**
Results								
Operating profit before exceptional items	**17.7**	**25.5**	**17.3**	**27.3**	**1.6**	**10.2**	**14.1**	**113.7**
Exceptional items	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Segment result	**17.7**	**25.5**	**17.3**	**27.3**	**1.6**	**10.2**	**14.1**	**113.7**
Share of profit after tax of joint ventures and associates	**–**	**0.9**	**–**	**–**	**0.2**	**–**	**–**	**1.1**
Profit before finance and tax	**17.7**	**26.4**	**17.3**	**27.3**	**1.8**	**10.2**	**14.1**	**114.8**

Six months to 30.06.07	Australia £m	Europe £m	Hong Kong £m	Singapore £m	United Kingdom £m	Emerging Markets £m	Rest of World £m	Distribution Total Distribution £m
Revenue from third parties	206.8	458.7	110.3	269.1	43.0	88.3	116.9	1,293.1
Results								
Operating profit before exceptional items	17.0	23.5	13.2	25.6	1.8	6.3	12.3	99.7
Exceptional items	–	–	12.0	–	(6.9)	–	–	5.1
Segment result	17.0	23.5	25.2	25.6	(5.1)	6.3	12.3	104.8
Share of profit after tax of joint ventures and associates	–	0.8	0.2	–	0.6	–	0.1	1.7
Profit before finance and tax	17.0	24.3	25.4	25.6	(4.5)	6.3	12.4	106.5

Year to 31.12.07	Australia £m	Europe £m	Hong Kong £m	Singapore £m	United Kingdom £m	Emerging Markets £m	Rest of World £m	Distribution Total Distribution £m
Revenue from third parties	416.6	824.1	241.5	480.3	67.5	242.0	237.5	2,509.5
Results								
Operating profit before exceptional items	35.0	49.3	28.3	46.0	4.9	16.4	25.0	204.9
Exceptional items	–	–	12.0	–	(8.8)	–	–	3.2
Segment result	35.0	49.3	40.3	46.0	(3.9)	16.4	25.0	208.1
Share of profit after tax of joint ventures and associates	–	1.8	0.2	–	0.9	–	0.6	3.5
Profit before finance and tax	35.0	51.1	40.5	46.0	(3.0)	16.4	25.6	211.6

Notes (unaudited) continued

Six months to 30.06.08	**Australia £m**	**Europe £m**	**United Kingdom £m**	**Emerging Markets £m**	**Rest of World £m**	**Retail Total Retail £m**	**Total pre Central £m**	**Central £m**	**Total £m**
Revenue from third parties	**145.2**	**235.0**	**1,322.3**	**201.4**	**3.7**	**1,907.6**	**3,297.9**	**–**	**3,297.9**
Results									
Operating profit before exceptional items	**4.5**	**2.0**	**31.1**	**7.6**	**0.1**	**45.3**	**159.0**	**(7.9)**	**151.1**
Exceptional items	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Segment result	**4.5**	**2.0**	**31.1**	**7.6**	**0.1**	**45.3**	**159.0**	**(7.9)**	**151.1**
Share of profit after tax of joint ventures and associates	**–**	**–**	**–**	**–**	**–**	**–**	**1.1**	**–**	**1.1**
Profit before finance and tax	**4.5**	**2.0**	**31.1**	**7.6**	**0.1**	**45.3**	**160.1**	**(7.9)**	**152.2**

Six months to 30.06.07	Australia £m	Europe £m	United Kingdom £m	Emerging Markets £m	Rest of World £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Revenue from third parties	120.1	203.5	1,397.8	120.7	1.3	1,843.4	3,136.5	–	3,136.5
Results									
Operating profit before exceptional items	3.5	0.8	34.0	6.1	–	44.4	144.1	(10.9)	133.2
Exceptional items	–	–	(0.3)	–	–	(0.3)	4.8	–	4.8
Segment result	3.5	0.8	33.7	6.1	–	44.1	148.9	(10.9)	138.0
Share of profit after tax of joint ventures and associates	–	–	–	–	–	–	1.7	–	1.7
Profit before finance and tax	3.5	0.8	33.7	6.1	–	44.1	150.6	(10.9)	139.7

Year to 31.12.07	Australia £m	Europe £m	United Kingdom £m	Emerging Markets £m	Rest of World £m	Retail Total Retail £m	Total pre Central £m	Central £m	Total £m
Revenue from third parties	240.9	379.8	2,646.0	276.6	4.0	3,547.3	6,056.8	–	6,056.8
Results									
Operating profit before exceptional items	8.8	0.8	64.7	13.2	0.1	87.6	292.5	(27.5)	265.0
Exceptional items	–	–	1.7	–	–	1.7	4.9	–	4.9
Segment result	8.8	0.8	66.4	13.2	0.1	89.3	297.4	(27.5)	269.9
Share of profit after tax of joint ventures and associates	–	–	–	–	–	–	3.5	–	3.5
Profit before finance and tax	8.8	0.8	66.4	13.2	0.1	89.3	300.9	(27.5)	273.4

Notes (unaudited) continued

3 Exceptional items

	Six months to 30.06.08 £m	Six months to 30.06.07 £m	Year to 31.12.07 £m
Profit on disposal of Inchroy joint venture	–	12.0	12.0
Loss on disposal of Inchcape Automotive Limited	–	(6.9)	(5.8)
Loss on disposal of other UK businesses	–	(0.3)	(1.3)
Total exceptional items	–	4.8	4.9

4 Finance income

	Six months to 30.06.08 £m	Six months to 30.06.07 £m	Year to 31.12.07 £m
Bank and loan interest receivable	**8.5**	5.2	11.6
Expected return on post-retirement plan assets	**24.7**	20.6	43.8
Other interest receivable	**1.3**	0.9	1.9
Total finance income	**34.5**	26.7	57.3

5 Finance costs

	Six months to 30.06.08 £m	Six months to 30.06.07 £m	Year to 31.12.07 £m
Bank and loan interest payable	**13.7**	10.9	17.4
Private Placement interest payable	**8.5**	1.8	11.3
Fair value gains on cross currency interest rate swaps	**1.6**	13.4	(8.0)
Fair value adjustment on Private Placement	**(0.9)**	(13.1)	8.3
Stock holding interest	**9.8**	8.1	18.2
Interest expense on post-retirement plan liabilities	**21.5**	18.7	39.1
Other interest payable	**3.0**	1.8	4.4
	57.2	41.6	90.7
Less: interest capitalised	**(0.8)**	–	–
Total finance costs	**56.4**	41.6	90.7

6 Tax

	Six months to 30.06.08 £m	Six months to 30.06.07 £m	Year to 31.12.07 £m
Current tax			
– UK	**0.2**	0.6	8.9
– Overseas	**30.8**	28.3	53.7
	31.0	28.9	62.6
Deferred tax			
– UK	**1.7**	0.5	(3.5)
– Overseas	**(0.4)**	0.1	(1.2)
Total tax	**32.3**	29.5	57.9

The subsidiaries Headline tax rate, defined as tax on profit before exceptional items and excluding the Group's share of profit after tax of joint ventures and associates, for the first half of 2008 is 25.0% (2007 – 25.0%). As noted in the Annual Report and Accounts 2007, the Group expects to recognise an exceptional tax charge of £6.0m for the full year ending 31 December 2008 as a result of the changes proposed in the 2007 Finance Bill. The new legislation was substantively enacted on 2 July 2008 and hence the exceptional tax will be charged in the second half of the year.

Notes (unaudited) continued

7 Earnings per share

	Six months to 30.06.08 £m	Six months to 30.06.07 £m	Year to 31.12.07 £m
Profit for the period	**98.0**	95.3	182.1
Minority interests	**(3.1)**	(3.0)	(5.7)
Basic earnings	**94.9**	92.3	176.4
Exceptional items	**–**	(4.8)	(4.9)
Headline earnings	**94.9**	87.5	171.5
Basic earnings per share	**20.7p**	19.9p	38.0p
Diluted earnings per share	**20.6p**	19.8p	37.8p
Basic Headline earnings per share	**20.7p**	18.9p	37.0p
Diluted Headline earnings per share	**20.6p**	18.8p	36.8p

	Six months to 30.06.08 number	Six months to 30.06.07 number	Year to 31.12.07 number
Weighted average number of fully paid ordinary shares in issue during the period	**486,476,096**	483,371,751	484,498,889
Weighted average number of fully paid ordinary shares in issue during the period:			
– Held by the ESOP Trust	**(1,408,423)**	(1,734,109)	(1,760,001)
– Repurchased as part of the share buy back programme	**(26,282,846)**	(17,880,606)	(18,625,305)
Weighted average number of fully paid ordinary shares for the purposes of basic EPS	**458,784,827**	463,757,036	464,113,583
Dilutive effect of potential ordinary shares	**1,039,346**	2,689,766	2,285,346
Adjusted weighted average number of fully paid ordinary shares in issue during the period for the purposes of diluted EPS	**459,824,173**	466,446,802	466,398,929

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

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

Headline earnings (which excludes exceptional items) is adopted to assist the reader in understanding the underlying performance of the Group. Headline earnings per share is calculated by dividing the Headline earnings for the period by the weighted average number of fully paid ordinary shares in issue during the period, less those shares held by the ESOP Trust and those repurchased as part of the share buy back programme.

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

Notes (unaudited) continued

8 Shareholders' equity

a. Issue of ordinary shares

	Six months to 30.06.08 £m	Six months to 30.06.07 £m	Year to 31.12.07 £m
Share capital	**0.3**	0.6	1.0
Share premium	**2.6**	5.7	7.5
	2.9	6.3	8.5

The increase in shareholders' equity during the period relates to share options exercised.

During the period, the Group repurchased 4,460,000 (June 2007 - nil) of its own shares through purchases on the London Stock Exchange. The total consideration paid was £16.0m (June 2007 - £nil) and this has been deducted from the Retained earnings reserve. The number of treasury shares held by the Group at 30 June 2008 is 26,875,606 (June 2007: 17,880,606). The shares are held as treasury shares and may either be cancelled or used to satisfy share options at a later date.

b. Dividends

The following dividends were paid by the Group:

	Six months to 30.06.08 £m	Six months to 30.06.07 £m	Year to 31.12.07 £m
Interim dividend for the six months ended 30 June 2007 of 5.25p per share	**–**	–	24.5
Final dividend for the year ended 31 December 2007 of 10.5p per share (2006 – 10.0p per share)	**48.1**	46.6	46.6
	48.1	46.6	71.1

The interim dividend for the six months ended 30 June 2008 of 5.46p per share (£25.0m) was approved by the Board on 28 July 2008 and has not been included as a liability as at 30 June 2008.

Notes (unaudited) continued

8 Shareholders' equity continued

c. Consolidated statement of changes in equity

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Equity attributable to equity holders of the parent £m	Minority interest £m	Total shareholders' equity £m
At 1 January 2007	120.6	115.9	16.4	(37.7)	428.6	643.8	7.2	651.0
Total recognised income and expense for the year	–	–	–	(17.0)	111.2	94.2	3.0	97.2
Share-based payments charge	–	–	–	–	2.1	2.1	–	2.1
Net purchase of own shares by ESOP Trust	–	–	–	–	(2.1)	(2.1)	–	(2.1)
Share buy back programme	–	–	–	–	–	–	–	–
Dividends:								
– Equity holders of the parent	–	–	–	–	(46.6)	(46.6)	–	(46.6)
– Minority interests	–	–	–	–	–	–	(1.6)	(1.6)
Issue of ordinary share capital	0.6	5.7	–	–	–	6.3	–	6.3
Acquisition of business	–	–	–	–	–	–	2.7	2.7
At 30 June 2007	121.2	121.6	16.4	(54.7)	493.2	697.7	11.3	709.0
At 1 January 2007	120.6	115.9	16.4	(37.7)	428.6	643.8	7.2	651.0
Total recognised income and expense for the year	–	–	–	50.4	198.0	248.4	6.7	255.1
Share-based payments charge	–	–	–	–	4.5	4.5	–	4.5
Net purchase of own shares by ESOP Trust	–	–	–	–	(2.0)	(2.0)	–	(2.0)
Share buy back programme	–	–	–	–	(18.5)	(18.5)	–	(18.5)
Dividends:								
– Equity holders of the parent	–	–	–	–	(71.1)	(71.1)	–	(71.1)
– Minority interests	–	–	–	–	–	–	(1.8)	(1.8)
Issue of ordinary share capital	1.0	7.5	–	–	–	8.5	–	8.5
Acquisition of business	–	–	–	–	–	–	12.1	12.1
At 1 January 2008	**121.6**	**123.4**	**16.4**	**12.7**	**539.5**	**813.6**	**24.2**	**837.8**
Total recognised income and expense for the year	**–**	**–**	**–**	**28.0**	**101.5**	**129.5**	**4.5**	**134.0**
Share-based payments charge	**–**	**–**	**–**	**–**	**2.3**	**2.3**	**–**	**2.3**
Net purchase of own shares by ESOP Trust	**–**	**–**	**–**	**–**	**(3.0)**	**(3.0)**	**–**	**(3.0)**
Share buy back programme	**–**	**–**	**–**	**–**	**(16.0)**	**(16.0)**	**–**	**(16.0)**
Dividends:								
– Equity holders of the parent	**–**	**–**	**–**	**–**	**(48.1)**	**(48.1)**	**–**	**(48.1)**
– Minority interests	**–**	**–**	**–**	**–**	**–**	**–**	**(2.1)**	**(2.1)**
Issue of ordinary share capital	**0.3**	**2.6**	**–**	**–**	**–**	**2.9**	**–**	**2.9**
Acquisition of minority interest	**–**	**–**	**–**	**–**	**–**	**–**	**(7.4)**	**(7.4)**
At 30 June 2008	**121.9**	**126.0**	**16.4**	**40.7**	**576.2**	**881.2**	**19.2**	**900.4**

Notes (unaudited) continued

9 Notes to the cash flow statement
a. Reconciliation of cash generated from operations

	Six months to 30.06.08 £m	Six months to 30.06.07 £m	Year to 31.12.07 £m
Cash flows from operating activities			
Operating profit	**151.1**	138.0	269.9
Exceptional items	**–**	(4.8)	(4.9)
Amortisation	**1.6**	3.0	6.5
Depreciation	**17.6**	14.7	27.2
Profit on disposal of property, plant and equipment	**(1.5)**	(3.2)	(9.0)
Share-based payments charge	**2.3**	2.1	4.5
(Increase) decrease in inventories	**(72.1)**	66.5	(13.9)
Increase in trade and other receivables	**(25.6)**	(46.8)	(2.3)
Increase in trade and other payables	**41.3**	18.0	30.8
(Decrease) increase in provisions	**(3.4)**	4.2	8.1
Decrease in post-retirement defined benefits	**(11.0)**	(10.4)	(15.4)
Movement in vehicles subject to residual value commitments	**(4.8)**	(2.8)	(7.0)
Other items	**2.6**	(1.8)	(1.5)
Cash generated from operations	**98.1**	176.7	293.0

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

	Six months to 30.06.08 £m	Six months to 30.06.07 £m	Year to 31.12.07 £m
Net increase (decrease) in cash and cash equivalents	**7.2**	(5.8)	23.6
Net cash outflow from borrowings and lease financing	**(77.6)**	(102.5)	(181.0)
Change in net cash and debt resulting from cash flows	**(70.4)**	(108.3)	(157.4)
Effect of foreign exchange rate changes on net cash and debt	**13.1**	2.6	8.0
Loan notes raised on acquisition	**–**	(4.5)	(4.5)
Movement in fair value	**1.0**	–	(7.5)
Net loans and finance leases relating to acquisitions	**–**	(0.7)	(41.1)
Movement in net debt	**(56.3)**	(110.9)	(202.5)
Opening net debt	**(221.5)**	(19.0)	(19.0)
Closing net debt	**(277.8)**	(129.9)	(221.5)

Net debt incorporates the Group's cash and cash equivalents and external borrowings.

10 Acquisitions and disposals
Acquisitions
On 25 March 2008 the Group announced the purchase of the remaining 24.9% stake in its St Petersburg businesses from its joint venture partner, Olimp Group. The consideration for these businesses was £27.7m, with goodwill arising on this acquisition of £20.0m.

Disposals
The Group disposed of a number of UK businesses during the period, with disposal proceeds of £14.2m before disposal costs.

Notes (unaudited) continued

11 Assets held for sale and disposal group

	Six months to 30.06.08 £m	Six months to 30.06.07 £m	Year to 31.12.07 £m
Assets directly associated with the disposal group	**54.9**	203.6	163.5
Assets held for sale	**4.0**	–	5.1
Assets held for sale and disposal group	**58.9**	203.6	168.6
Liabilities directly associated with the disposal group	**(29.9)**	(97.4)	(78.6)
The assets and liabilities in the disposal group comprise the following:			
Goodwill	**5.2**	12.0	11.1
Property, plant & equipment	**13.6**	62.1	48.6
Inventories	**24.8**	97.2	81.0
Trade and other receivables	**11.3**	32.3	22.8
Assets directly associated with the disposal group	**54.9**	203.6	163.5
Trade and other payables	**(29.9)**	(97.4)	(78.6)
Liabilities directly associated with the disposal group	**(29.9)**	(97.4)	(78.6)

Following the Group's announcement of its intention to dispose of certain non-core franchises in the UK, a number of UK business were classified in the disposal group in 2007. The disposal of these non-core business has progressed during 2008, with businesses with net assets of £12.3m disposed of in the first half. Following the acquisition of the Jaguar and Land Rover franchises by Tata, the Board has decided to retain these marques in the UK, and these businesses have been removed from the disposal group (net assets of £61.5m).

The Group has been actively marketing its businesses in France for disposal, and has subsequently disposed of these businesses since the balance sheet date. The assets and liabilities of these businesses have therefore been disclosed on the balance sheet as a disposal group in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

Assets held for sale relate to surplus properties which are being actively marketed.

12 Post balance sheet events

On 24 April 2008, the Group announced its intention to acquire 75.1% of the share capital of the Musa Motors Group for a cash consideration of c .US$200.0m (£100.3m), with additional potential consideration payable based on Musa Motors performance in 2008. The Group will acquire the remaining 24.9% of this business in 2011. This transaction significantly increases the scale of the Group's Russian operations and provides a strong platform for the Group's growth strategy in Russia.

This transaction completed on 8 July 2008. The Directors are in the process of fair valuing the assets and liabilities acquired, including the value of any acquired intangible assets. As the acquisition took place on 8 July 2008, the Directors consider it impracticable to provide the disclosures required by IFRS 3 'Business Combinations' and have therefore used the exemption available which permits non-disclosure in such instances. The full fair value table and pro-forma comparative information will be provided in the Group's Financial statements for the year ending 31 December 2008.

The Group disposed of its operations in France in July 2008 for a total expected consideration of £25m, satisfied by a pre-completion reduction in capital of £18m and disposal proceeds of £7m.

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Financial advisors
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Corporate brokers
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Merrill Lynch

Inchcape PEPS
Individual Savings Accounts (ISAs) replaced Personal Equity Plans (PEPs) as the vehicle for tax efficient savings. Existing PEPs may be retained. Inchcape PEPs are managed by The Share Centre Ltd, who can be contacted at PO Box 2000, Oxford House, Oxford Road, Aylesbury, Buckinghamshire HP21 8ZB.
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Financial calendar
Ex-dividend date for 2008 interim dividend
6 August 2008

Record date for 2008 interim dividend
8 August 2008

Interim 2008 ordinary dividend payable
4 September 2008

Brand partner information

www.audi.com
www.bmw.com
www.chrysler.com
www.daihatsu.com
www.hino.com
www.honda.com
www.hyundai.com
www.jaguar.com
www.kia.com
www.landrover.com
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