Half year 1999

Inchcape

Interim report

Contents

The restructuring and divestment programme

Business stream	Action
Bottling Russia	Sold to the Coca-Cola Company for US$87m in October 1998
Marketing Asia-Pacific	Sold to Li & Fung Distribution for £93m in January 1999
Bottling South America	Sold to Embotelladora Arica SA for US$750m in February 1999
Shipping	Sold to Electra Fleming for up to £47.5m in February 1999
Marketing Middle East	Sold to Cupola Investments Limited for US$116m in April 1999
Office Automation	The Group is currently in negotiations to sell this business
Group	Special dividend 100p per share paid 9 July 1999
Group	1 for 6 share consolidation 12 July 1999

Chairman's statement

The first half of 1999 was a period of change for the Group as our transformation into a Motors-only company continued apace. The divestment programme is now effectively complete, and £530m returned to shareholders.

First half turnover for the Group as a whole (including our share of joint ventures and associates) fell by 15.4%, from £2,844.0m to £2,407.1m. Discontinued businesses accounted for substantially all of this decline. Profit before tax was £276.1m, compared to £69.1m in the same period last year. Net exceptional profit was £235.2m arising substantially through the divestment programme. Headline profit before tax fell by 31.8% from £60.0m to £40.9m.

Motors operating review

Operating profit for the Motors business fell by 19.5% from £65.8m to £53.0m. The 1998 figure has been restated by £4.0m for a change in allocation in central costs. This will provide a more meaningful comparison for the business in the future. Foreign exchange movements had no material impact on Motors operating profit.

Profit contribution from the UK and Europe increased from 48% to 54%. Despite the problems in Asia, the region still contributed 30% of operating profit, proportionally a small increase on last year. Our other markets slipped, mainly as a result of the downturn in South America and lower margins in Australia.

Import & Distribution

Import & Distribution operating profit fell by 22.4% from £49.9m to £38.7m. Turnover for the segment was stable at £1,617.2m.

In the UK, Toyota (GB) was impacted by costs associated not only with the launches of the Yaris and the Lexus IS200 but also the separation of the Lexus and Toyota dealerships. Mazda margins came under pressure due to a change in sales mix and the contribution from Chrysler Jeep was down mainly as a result of the run out of the Grand Cherokee and Neon models. Daihatsu benefited from reduced marketing costs, and again Ferrari made a strong contribution.

We incurred start up costs in the UK for Autobytel, the Internet-based car retailing service. A charge of £1.7m has been included in the first half of the year and we anticipate that a similar amount will be incurred in the second half. Following the successful flotation earlier this year of Autobytel in the USA, we have written back a £3.0m provision against this investment (originally provided for in 1997).

In Continental Europe, we experienced mixed fortunes. We saw an excellent performance in Greece, where our Toyota operation outperformed a strongly growing market, and further advances were made by Mazda in France.

Chairman's statement continued

However, in Belgium, Toyota sales continued to be impacted by the lack of a full range of diesel models and severe price competition. Aggressive pricing by European-based manufacturers made trading conditions difficult for Mazda in Finland.

The Hong Kong market experienced continuing deterioration in volumes throughout the period, although we are now seeing some slowing in this decline. In a fiercely competitive environment, we maintained our dominant position with almost 40% of the market. In a rising market in Singapore we increased our market share to 23%. However, trading remains highly competitive, creating pressure on margins.

In Australia, Subaru continued to build market share with a 26% increase in volume, although we have not been able to sustain the strong margins we saw in early 1998. We were delighted to secure a long-term relationship with Subaru by signing a ten-year distribution contract in May.

Chile and Peru, our main markets in South America, both experienced substantial declines in demand during the first half of the year. We have reduced stocks to an appropriate level, but margins were affected by this.

Retail

Operating profit declined by 30.5% from £5.9m to £4.1m. This was on turnover of £416.5m.

In the UK, which accounts for the bulk of our Retail operations, the disruption impact of the property refurbishment programme continued to be felt. However, the programme will be completed by the end of the summer, resulting in a modern, efficient network with first class sales and service facilities. We are confident that we will see an improvement in returns in the second half.

Financial Services

Operating profit increased by 2% to £10.2m.

In Europe, our Financial Services operations improved their profitability, due to a combination of encouraging sales growth and the maturing loan profile. Asia held steady despite the unfavourable economic environment. In the UK however, profits fell partly due to a reduced contribution from UK leasing, which was affected by the decline in the residual values of used cars.

Central costs

Central costs for the Group decreased from £12.0m to £10.2m in the first half of 1999. We incurred £3.5m of non-recurring central costs in the first half as a result of the divestment programme.

Looking ahead

In the near future we expect to announce the details of the disposal of our 50% interest in Inchcape NRG.

Inchcape is becoming a more customer-focused organisation. This is illustrated both in the way we are developing our existing operations and in the type of new business ventures we are establishing. We are increasingly vertically integrating our Import & Distribution businesses into retail, as our experience has shown that this offers more sustainable returns.

Our financial products and leasing businesses are developing to offer a wider choice of consumer products, such as flexible financing and personal leasing packages.

We have identified electronic commerce as an important area for future expansion and it is our intention to be at the forefront of developments. This is reflected in our relationship with Autobytel USA and our successful launch of Autobytel UK on 30 April 1999. Since launch, www.autobytel.co.uk has attracted around 350,000 unique visitors, and has already become one of the most visited automotive websites in Britain.

Financial review

New accounting standards

The Group has adopted FRS12 'Provisions, Contingent Liabilities and Contingent Assets' and FRS15 'Tangible Fixed Assets'.

Restructuring programme

The financial results of disposed operations have been reclassified as 'discontinued' within the financial statements.

Last year's central cost comparatives have been restated to include £4.0m previously allocated to the Motors segment.

The financial results include a net exceptional profit of £235.2m, primarily relating to the divestment programme. Of this £279.3m relates to the disposal of South American Bottling.

Cash flow, interest and financing

The timing of disposal receipts from discontinued operations has significantly impacted on the Group's closing net debt position. The balance sheet includes £614.6m of cash, partly offset by £281.2m of borrowings, to give a net cash position of £333.4m. This compares with net debt on 30 June 1998 of £180.7m. On 9 July, the Group paid a special dividend of £530m from the cash balances.

Chairman's statement continued

Net capital expenditure of £29.9m for the six months to 30 June 1999 compares to £46.1m for the same period last year. £20.2m net relates to ongoing Motors operations. In turn, £9.9m net has been invested in the UK Retail operations as part of the property refurbishment programme.

Working capital decreased by £51.7m for the six months to 30 June 1999. Underlying this improvement was a significant reduction in Motors Import & Distribution stock levels.

The Group's interest charge, at £8.5m, includes £1.2m relating to associates and joint ventures. A lower average debt position resulted from improved Motors cash generation and disposal proceeds. This, allied to a lower interest rate environment, reduced the charge from the £14.2m reported in the same period last year.

Exchange effects

Movements in exchange rates have not materially affected the Group's financial results. Headline profit before tax during the first half would have been £0.8m lower if translated at the average exchange rates prevailing in the comparable period.

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

Tax

The Headline tax rate for the half year is 36%. This is higher than the underlying Motors tax rate of circa 33% due to unrelieved losses arising in some of the businesses disposed of. It is anticipated that the full year charge will be closer to the underlying Motors tax rate. This compares with 36% reported in the first half of last year and 32% for the full year.

Dividends

As was mentioned in the preliminary results announcement of 8 March 1999, dividends will now be based on the earnings from the new Motors-only Group. The Board anticipates that these dividends will be covered 2.5 times by earnings and that the interim dividend will comprise about one third of the total for the year.

Accordingly, the Board has decided to pay an interim dividend of 7.0p per share. This follows the 100p per share special dividend (equivalent to 600p per share, after adjusting for the share consolidation) paid on 9 July 1999 following the effective completion of the disposal programme. Last year's interim dividend of 4.6p per share (equivalent to 27.6p per share, after adjusting for the share consolidation) was based on the Group as it was then constituted.

This year's interim dividend payment will be made to all shareholders on the register as at 20 August 1999 and will be paid on 23 September 1999 which is a significant acceleration from last year's payment date of 26 November 1998.

Year 2000

A Group-wide programme has been running since mid-1997 to address the impact of Year 2000. Based upon current plans, our ongoing businesses will have completed their Year 2000 programmes by the end of October 1999, and all are subject to independent post-implementation reviews.

The diverse nature of our operations means there is no single system that is critical to the business as a whole. The most significant risk posed by the Year 2000 is in our dependency on third party suppliers. Inchcape has sought assurances from all major suppliers, but it is not feasible for the Group to test independently their Year 2000 programmes. The risk of potential disruption to operations as a result of non-compliance by third parties continues to be assessed and contingency plans have been substantially developed and are being implemented.

The costs directly associated with Year 2000 compliance amounted to £1.6m in the first half of 1999 (£14.6m prior to 1999), of which £0.5m has been capitalised in accordance with the Group's policy for such expenditure (£7.4m prior to 1999). The total cost of the programme is expected to be £17.0m.

Prospects

The markets in Asia and South America are stabilising. New models launched in many of our markets in the first half of the year and the completion of the UK Retail property refurbishment programme will impact positively in the second half.

Lord Marshall of Knightsbridge
9 August 1999

Consolidated profit and loss account

for the six months ended 30 June 1999

	Continuing operations Six months to 30.6.99 £m	Discontinued operations Six months to 30.6.99 £m	Total Six months to 30.6.99 £m	Six months to 30.6.98 £m	Year to 31.12.98 £m
Turnover including share of joint ventures and associates	**2,143.5**	**263.6**	**2,407.1**	2,844.0	5,506.4
Less:					
– share of joint ventures	**(63.5)**	**(37.4)**	**(100.9)**	(159.5)	(286.6)
– share of associates	**(423.5)**	**(12.5)**	**(436.0)**	(446.6)	(962.8)
Group subsidiaries' turnover	**1,656.5**	**213.7**	**1,870.2**	2,237.9	4,257.0
Operating profit before exceptional operating expenses	**31.3**	**–**	**31.3**	45.7	74.3
Exceptional operating expenses	**–**	**–**	**–**	–	(131.3)
Operating profit (loss) after exceptional operating expenses	**31.3**	**–**	**31.3**	45.7	(57.0)
Share of profits of joint ventures	**5.3**	**3.8**	**9.1**	11.5	22.3
Share of profits of associates	**8.7**	**0.3**	**9.0**	17.0	38.6
Total operating profit	**45.3**	**4.1**	**49.4**	74.2	3.9
Net profit on disposal of properties and investments	**0.2**	**1.7**	**1.9**	0.3	4.1
Net profit (loss) including provisions on sale and termination of operations	**–**	**239.1**	**239.1**	8.8	(265.9)
Costs of fundamental reorganisation	**–**	**(5.8)**	**(5.8)**	–	(10.6)
Profit (loss) on ordinary activities before net interest	**45.5**	**239.1**	**284.6**	83.3	(268.5)
Net interest:					
Subsidiaries			**(7.3)**	(11.9)	(28.7)
Share of joint ventures			**(0.5)**	(0.9)	(1.5)
Share of associates			**(0.7)**	(1.4)	1.1
Total			**(8.5)**	(14.2)	(29.1)
Profit (loss) on ordinary activities before taxation			**276.1**	69.1	(297.6)
Tax on profit on ordinary activities			**(31.6)**	(21.9)	(61.4)
Profit (loss) on ordinary activities after taxation			**244.5**	47.2	(359.0)
Minority interests			**(2.0)**	(5.9)	(6.5)
Profit (loss) for the financial period			**242.5**	41.3	(365.5)
Dividends – note 7			**(535.5)**	(24.4)	(59.4)
Retained (loss) profit for the financial period			**(293.0)**	16.9	(424.9)
Headline profit before tax (£m)			**40.9**	60.0	106.1
Headline earnings per share*			**27.1p**	36.8p	50.2p
FRS3 profit (loss) before tax (£m)			**276.1**	69.1	(297.6)
Basic and diluted earnings (loss) per share*			**274.9p**	46.8p	(414.3)p

* Adjusted for share consolidation - note 8

Statement of total recognised gains and losses

for the six months ended 30 June 1999

	Six months to 30.6.99 £m	Six months to 30.6.98 £m	Year to 31.12.98 £m
Profit (loss) for the period	**242.5**	41.3	(365.5)
Effect of foreign exchange rate changes:			
– results for the period	**3.9**	(1.0)	(0.5)
– foreign currency net investments	**(7.8)**	(18.0)	9.5
Unrealised (deficit) on impairment of revalued properties	**–**	–	(10.0)
Total recognised gains and (losses) for the period	**238.6**	22.3	(366.5)

Reconciliation of movements in shareholders' funds

for the six months ended 30 June 1999

Profit (loss) for the financial period	**242.5**	41.3	(365.5)
Dividends	**(535.5)**	(24.4)	(59.4)
	(293.0)	16.9	(424.9)
Effect of foreign exchange rate changes	**(3.9)**	(19.0)	9.0
New share capital issued	**–**	–	0.2
Goodwill on disposals and written off	**54.2**	1.1	189.7
Deficit on impairment of revalued properties	**–**	–	(10.0)
Net change in shareholders' funds	**(242.7)**	(1.0)	(236.0)
Opening balance	**554.3**	790.3	790.3
Closing balance	**311.6**	789.3	554.3

Summarised consolidated balance sheet

as at 30 June 1999

	As at 30.6.99 £m	As at 30.6.98 £m	As at 31.12.98 £m
Fixed assets:			
Intangible assets	**3.6**	39.5	40.7
Tangible assets	**266.4**	559.3	450.9
Investments:			
– joint ventures: share of gross assets	**568.7**	517.2	579.2
share of gross liabilities	**(532.1)**	(471.7)	(533.1)
share of net assets	**36.6**	45.5	46.1
– associates	**85.8**	107.5	112.3
– other investments	**3.6**	12.9	11.1
	396.0	764.7	661.1
Current assets:			
Stocks	**582.8**	825.0	778.2
Debtors	**374.0**	665.9	567.8
Investments	**22.0**	–	16.2
Cash at bank and in hand	**614.6**	190.3	252.3
	1,593.4	1,681.2	1,614.5
Creditors – amounts falling due within one year:			
Borrowings	**(219.5)**	(245.6)	(271.8)
Other	**(1,086.1)**	(908.7)	(926.6)
Net current assets	**287.8**	526.9	416.1
Total assets less current liabilities	**683.8**	1,291.6	1,077.2
Creditors – amounts falling due after more than one year:			
Borrowings	**(61.7)**	(125.4)	(123.9)
Other	**(103.1)**	(96.4)	(100.8)
	(164.8)	(221.8)	(224.7)
Provisions for liabilities and charges	**(160.5)**	(143.3)	(162.0)
Net assets	**358.5**	926.5	690.5
Shareholders' funds	**311.6**	789.3	554.3
Minority interests	**46.9**	137.2	136.2
	358.5	926.5	690.5

Summarised consolidated cash flow statement

for the six months ended
30 June 1999

Reconciliation of operating profit to operating cash flows

	Six months to 30.6.99 £m	Six months to 30.6.98 £m	Year to 31.12.98 £m
Operating profit before exceptional operating items	**31.3**	45.7	74.3
Amortisation and depreciation	**20.0**	24.9	54.2
(Profit) on sale of tangible fixed assets other than property	**(0.2)**	(0.9)	–
Decrease (increase) in working capital	**51.7**	(25.9)	(4.4)
Net payments in respect of exceptional operating items	**(3.8)**	(10.1)	(19.1)
Payments in respect of termination of operations	**(3.1)**	–	(15.6)
Other items	**0.7**	(9.7)	(8.2)
Net cash inflow from operating activities	**96.6**	24.0	81.2

Consolidated cash flow statement

Net cash inflow from operating activities	**96.6**	24.0	81.2
Dividends from joint ventures	**2.8**	13.5	23.5
Dividends from associates	**8.5**	4.2	14.3
Returns on investments and servicing of finance	**(10.0)**	(19.5)	(33.9)
Taxation	**(20.4)**	(14.3)	(40.8)
Capital expenditure and financial investment	**(29.9)**	(46.1)	(89.3)
	47.6	(38.2)	(45.0)
Acquisitions and disposals	**541.9**	(2.2)	73.3
Equity dividends paid	**(35.0)**	(35.0)	(59.4)
Net cash inflow (outflow) before use of liquid resources and financing	**554.5**	(75.4)	(31.1)
Net cash (outflow) inflow from the management of liquid resources	**(508.7)**	101.4	3.1
Net cash (outflow) from financing	**(119.5)**	(191.7)	(155.8)
Net (decrease) in cash	**(73.7)**	(165.7)	(183.8)

Reconciliation of net cash flow to movement in net funds and debt

Net (decrease) in cash	**(73.7)**	(165.7)	(183.8)
Net cash outflow from movements in debt and lease financing	**121.5**	191.9	156.0
Net cash outflow (inflow) from the management of liquid resources	**508.7**	(101.4)	(3.1)
Change in net debt and funds resulting from cash flows	**556.5**	(75.2)	(30.9)
Effect of foreign exchange rate changes on net debt and funds	**(0.1)**	1.2	4.0
Inception of finance lease contracts	**–**	(0.5)	(1.5)
Net loans and finance leases of subsidiaries acquired and sold	**25.7**	(9.8)	(8.6)
Liquid resources of subsidiaries sold	**(105.3)**	(0.3)	(10.4)
Movement in net funds and debt	**476.8**	(84.6)	(47.4)
Opening net (debt)	**(143.4)**	(96.0)	(96.0)
Closing net funds (debt)	**333.4**	(180.6)	(143.4)

Notes to the accounts

1 Segmental analysis

Our Office Automation businesses, which are all associates, operate in the Far East, South East Asia and Australasia.

The split of geographical markets has been adjusted to reflect Motors-only activities. Australasia is now shown separately and The Americas and Middle East are now included in Rest of World.

Comparatives have been adjusted to reflect the refinement in the method of allocation of general management costs.

Discontinued operations in the six months to 30 June 1999 comprised primarily Bottling South America, Marketing and Shipping. Discontinued operations in 1998 also included Bottling Russia.

	Group turnover plus share of joint ventures and associates			Total operating profit		
	Six months to 30.6.99	Six months to 30.6.98 restated	Year to 31.12.98 restated	**Six months to 30.6.99**	Six months to 30.6.98 restated	Year to 31.12.98 restated
By activity:	**£m**	£m	£m	**£m**	£m	£m
Motors:						
Import & Distribution	**1,617.2**	1,617.6	3,190.2	**38.7**	49.9	98.5
Retail	**416.5**	427.2	847.0	**4.1**	5.9	9.2
Financial Services	**66.3**	69.9	119.7	**10.2**	10.0	16.7
Total Motors	**2,100.0**	2,114.7	4,156.9	**53.0**	65.8	124.4
Office Automation	**43.5**	41.3	80.0	**2.5**	2.9	5.8
	2,143.5	2,156.0	4,236.9	**55.5**	68.7	130.2
Central costs	**–**	–	–	**(10.2)**	(12.0)	(24.0)
Total continuing	**2,143.5**	2,156.0	4,236.9	**45.3**	56.7	106.2
Discontinued	**263.6**	688.0	1,269.5	**4.1**	17.5	29.0
	2,407.1	2,844.0	5,506.4	**49.4**	74.2	135.2
Exceptional operating items				**–**	–	(131.3)
Total operating profit				**49.4**	74.2	3.9
By geographical market:						
Europe:						
– United Kingdom	**1,009.4**	1,017.4	2,078.6	**16.9**	23.4	47.0
– Continent	**485.7**	467.9	877.3	**11.6**	8.4	17.2
Australasia	**244.1**	233.3	417.7	**8.8**	13.1	14.3
Far East	**178.1**	228.2	431.6	**8.9**	9.5	27.2
South East Asia	**131.5**	112.5	227.8	**6.8**	7.9	13.1
Rest of World	**51.2**	55.4	123.9	**–**	3.5	5.6
Total Motors	**2,100.0**	2,114.7	4,156.9	**53.0**	65.8	124.4
Office Automation	**43.5**	41.3	80.0	**2.5**	2.9	5.8
	2,143.5	2,156.0	4,236.9	**55.5**	68.7	130.2
Central costs	**–**	–	–	**(10.2)**	(12.0)	(24.0)
Total continuing	**2,143.5**	2,156.0	4,236.9	**45.3**	56.7	106.2
Discontinued	**263.6**	688.0	1,269.5	**4.1**	17.5	29.0
	2,407.1	2,844.0	5,506.4	**49.4**	74.2	135.2

2 Analysis of turnover and total operating profit

	Turnover			Total operating profit		
	Six months to 30.6.99 £m	Six months to 30.6.98 £m	Year to 31.12.98 £m	**Six months to 30.6.99 £m**	Six months to 30.6.98 £m	Year to 31.12.98 £m
Continuing:						
The Company and its subsidiaries	**1,656.5**	1,680.3	3,235.4	**31.3**	37.6	64.2
Joint ventures	**63.5**	65.6	106.7	**5.3**	3.5	7.1
Associates	**423.5**	410.1	894.8	**8.7**	15.6	34.9
Exceptional operating items	**–**	–	–	**–**	–	(124.7)
Total continuing	**2,143.5**	2,156.0	4,236.9	**45.3**	56.7	(18.5)
Discontinued:						
The Company and its subsidiaries	**213.7**	557.6	1,021.6	**–**	8.1	10.1
Joint ventures	**37.4**	93.9	179.9	**3.8**	8.0	15.2
Associates	**12.5**	36.5	68.0	**0.3**	1.4	3.7
Exceptional operating items	**–**	–	–	**–**	–	(6.6)
Total discontinued	**263.6**	688.0	1,269.5	**4.1**	17.5	22.4
	2,407.1	2,844.0	5,506.4	**49.4**	74.2	3.9

3 Exceptional items

	Six months to 30.6.99 £m	Six months to 30.6.98 £m	Year to 31.12.98 £m
Net exceptional operating items	**–**	–	(131.3)
Net profit on disposal of properties and investments	**1.9**	0.3	4.1
Net profit (loss) including provisions on sale and termination of operations:			
– profit on disposal of Bottling South America	**279.3**	–	–
– net loss on other sales and terminations	**(40.2)**	(9.2)	(283.9)
– sale of 26% of the shares of Toyota (GB)	**–**	18.0	18.0
	239.1	8.8	(265.9)
Costs of fundamental reorganisation	**(5.8)**	–	(10.6)
Total exceptional items	**235.2**	9.1	(403.7)

Revisions have been made to estimates of the profit or loss on disposal of the various Group businesses as the completion processes have developed. In the case of Bottling South America the profit has increased from that envisaged in the subsequent event note 15 to the 1998 financial statements. In the cases of Marketing Asia-Pacific and Shipping losses have arisen which form a major portion of the "other" exceptional item set out above. These differences arise from foreign exchange movements, revisions to accounting estimates and adjustments to provisions made to cover certain terms in the sale contracts.

Whilst the Directors have established their best estimate of the likely final outcome the completion processes are continuing.

4 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, except for discontinued businesses where actual charge for the period to disposal has been used.

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 1998 Annual Report and Accounts, except that FRS's 12 and 15 have been adopted for the first time in these financial statements. There has been no material effect on the Group results from the implementation of these accounting standards.

The results for the year ended 31 December 1998 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		
	30.6.99	30.6.98	31.12.98	**30.6.99**	30.6.98	31.12.98
Australian dollar	**2.53**	2.52	2.63	**2.38**	2.69	2.71
Belgian franc	**60.0**	61.7	60.4	**61.7**	62.1	57.2
Chilean peso	**795**	748	763	**823**	761	787
French franc	**9.76**	10.03	9.82	**10.03**	10.09	9.29
Greek drachma	**483**	498	492	**496**	508	466
Hong Kong dollar	**12.52**	12.79	12.85	**12.23**	12.93	12.89
Japanese yen	**191**	218	218	**191**	232	188
Malaysian ringgit	**6.14**	6.36	6.47	**5.99**	6.92	6.32
Peruvian sol	**5.42**	4.66	4.86	**5.30**	4.86	5.25
Singapore dollar	**2.76**	2.73	2.77	**2.68**	2.82	2.75
US dollar	**1.62**	1.65	1.66	**1.58**	1.67	1.66

5 Earnings per ordinary share

Based on the profit for the period:	Six months to 30.6.99 £m	Six months to 30.6.98 £m	Year to 31.12.98 £m
Headline profit before tax	**40.9**	60.0	106.1
Taxation on Headline profit	**(14.9)**	(21.6)	(55.2)
Minority interests in Headline profit	**(2.1)**	(5.9)	(6.6)
Headline earnings	**23.9**	32.5	44.3
Exceptional items – note 3	**235.2**	9.1	(403.7)
Taxation on exceptional items	**(16.7)**	(0.3)	(6.2)
Minority interests in exceptional items	**0.1**	–	0.1
Earnings (loss)	**242.5**	41.3	(365.5)
Weighted average number of fully paid shares in issue during the period excluding those held by the Inchcape Employee Trust, adjusted for share consolidation – note 8 (millions)	**88.2**	88.2	88.2
Headline earnings per share	**27.1p**	36.8p	50.2p
Basic and diluted earnings (loss) per share	**274.9p**	46.8p	(414.3)p

Options have no dilutive effect on the basic earnings per share as the exercise prices of all outstanding options are greater than the average share price during the period.

6 Taxation

The charge for taxation includes the following:	Six months to 30.6.99 £m	Six months to 30.6.98 £m	Year to 31.12.98 £m
Overseas taxes	**15.1**	14.8	39.7
Joint ventures and associates	**3.4**	5.5	13.4

7 Dividends

The interim dividend of 7.0p per ordinary share (interim 1998 – 27.6p*) will be paid on 23 September 1999 to shareholders on the register on 20 August 1999.

A special dividend of 600p* per ordinary share was paid to shareholders on 9 July 1999.

*Adjusted for share consolidation – note 8

8 Share consolidation

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).

Inchcape

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