Inchcape

2010 Interim Report

## Industry leader

# Uniquely positioned worldwide...

# Inchcape plc
# 2010 Interim Report

29th July 2010

## Highlights

## Robust recovery of the Group's earnings with 76%* PBT growth

Inchcape plc, a leading international automotive distributor and retailer, announces its half year results for the period ended 30 June 2010.

**Operational & strategic highlights:**
- Solid revenue growth due to strength of international portfolio and diversified revenue streams
- Trading profit growth of 45.2% driven by progress in most regions
- 62% of trading profit from Asia Pacific and the Emerging Markets
- Strong operational leverage delivers a trading margin of 4.3%,100bps ahead of last year
- Good cash conversion: £84.9m of net cash at period end

**Financial highlights:**
- Reported sales £3.1bn (2009: £2.8bn), up 11.1% in actual currency and up 7.9% in constant currency
- Pre exceptional PBT £115.2m (2009: £65.4m), up 76.1% in actual currency and up 67.7% in constant currency
- Reported PBT £115.2m (2009: £47.0m)
- Adjusted EPS* 17.2p (2009: 12.7p), up 35.4%
- Reported EPS 17.2p (2009: 7.3p), up 135.6%
- Operating cash flow £104.5m (2009: £272.0m)

* before exceptional items

**André Lacroix, CEO of Inchcape plc, commented:**
"We have delivered a robust recovery with PBT* up 76% in the first half of the year, which is a testament to the strength of Inchcape's broad geographic portfolio and diversified revenue streams. We benefited from the positive impact of operational leverage with strong vehicle revenues driven by industry growth and market share gains in many of our markets and good momentum in our Aftersales business which represents half of the Group's gross profit.

"Inchcape's competitive position continues to improve through our strategic commitment to superior customer service enabled by our operational focus on our Top Five Priorities of growing market share, growing Aftersales, reducing costs, managing working capital and selective capital expenditure investment.

"The Group has started to benefit from the industry recovery in several of its markets. We expect the continuation of an uneven global recovery and so remain cautious for the second half of 2010. Austerity measures implemented by a number of European governments including the UK may affect consumer confidence and slow down the global recovery that is being driven by strong growth in Asia Pacific and the Emerging Markets. Nonetheless, we currently expect the Group will deliver another strong performance in 2010.

"Given our trading performance and the strong financial position of the Group, the Board intends to recommend a final dividend for the current financial year.

"We are uniquely positioned worldwide as a leading international automotive distributor and retailer, operating in strong economies around the world with 62% of our trading profit coming from Asia Pacific and the Emerging Markets."

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**Notes to editors**
About Inchcape:

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

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

Inchcape, which has been listed on the London Stock Exchange since 1958, is headquartered in London and employs around 14,300 people.

www.inchcape.com

# Group CEO Statement

I am pleased to announce another set of strong results for the Group for the first half of the year, reflecting our commitment to our Customer 1st strategy and our operational focus on executing our Top Five Priorities of growing market share, growing Aftersales, reducing costs, managing working capital and selective capital expenditure investment.

Overall the Group delivered solid revenue growth with sales of £3.1bn in the first half year, an increase of 11.1%. The Group generated an operating profit before exceptional items in the first half year of £123.7m, an increase of 41.5% from the first half of 2009. Our unique business model and continuing cost discipline have driven strong operational leverage, with a return on sales before exceptional items up 90bps to 4.0%. Profit before tax and exceptional items of £115.2m was up 76.1% on the year.

Adjusted earnings per share (EPS) which excludes exceptional items were 17.2p (June 2009: 12.7p) and basic EPS, which includes exceptional items, were 17.2p (June 2009: 7.3p). These have been adjusted for the share consolidation carried out on 17 May 2010.

Given the encouraging results and strong financial position of the Group, the Board intends to recommend the payment of a final dividend for the current financial year. Notwithstanding the encouraging results for the first half of 2010, the Board remain cautious regarding the outlook and will determine the appropriate dividend policy and the level of payment in light of the full year trading outcome and prospects for 2011. The proposed 2010 final dividend, subject to shareholder approval, will be included in the preliminary results announcement in early March 2011.

Whilst we are experiencing an uneven global recovery, Inchcape has started to benefit from an upturn in a number of its markets. The strength of our international portfolio together with our diversified revenue streams has led to solid revenue growth in the first half of 2010. We have continued to gain market share in many of our markets and have benefited from good momentum in our Aftersales business. Margins on Used cars have remained resilient and above expectations.

Most of our regions have contributed to a solid operational leverage performance. Our scale position in local markets means that we are uniquely positioned to benefit from strong operational gearing opportunities during a recovery period.

In the first half of 2010, trading profit in our Distribution segment increased by 36.7% in constant currency terms and was up by 42.1% at actual rates of exchange to £91.2m. Like for like sales grew 6.5% in constant currency. We gained market share in Hong Kong, saw significant growth in volumes in Australia and defended our New car margin in a declining market in Singapore. Trading conditions in Eastern Europe remain challenging. In our Toyota businesses, following the product recall programmes, we are successfully rebuilding trust with buyers through a brand communication programme and we are preparing to fully benefit from the launch of the new Auris Hybrid.

Our Retail segment delivered trading profit of £40.6m, up 43.1% in constant currency and 52.6% at actual rates of exchange. On a like for like, constant currency basis, sales were up 11.6%. The better than expected trading conditions in the UK and Australia, together with the strength of our large retail facilities and resilient Aftersales business have helped to compensate for the challenging trading conditions in Russia, the Baltics and Balkans.

We have delivered a good cash flow performance and have ended the first half with a net cash position of £84.9m (2009: net debt £28.1m).

Note: Trading profit is defined as operating profit before exceptional items and unallocated central costs

# Business update

Our performance in the first half of 2010 has again demonstrated the qualities of our resilient business model, our unwavering Customer 1st strategy supported by our unique Inchcape Advantage programme and the strengths of our decentralised organisation.

Operationally, we continue to drive a strong focus on cost and cash flow initiatives alongside a relentless approach to deliver outstanding customer service and growing market share in both Vehicle sales and Aftersales. The fundamentals of the Group remain solid and our strategic direction is clear. Our focus on our Top Five Priorities will remain firmly in place to further improve Inchcape's competitive position.

**Top Five Priorities**

*Growing market share*
During the first half year we have increased our share in many of our markets.

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

In our Retail operations, our focus is on outperforming the industry through effective conversion of customer traffic with our bespoke Inchcape Advantage processes that give us a strong customer service differentiation in our local markets. Our daily data gathering of customer traffic, leads, test drives and capture rate gives us a unique opportunity to drive disciplined performance management and our own customer feedback programmes provide us with insight to drive our tactical marketing offers.

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

In Distribution, our teams are focused on outperforming the Aftersales market through customer contact programmes to attract and retain existing customers – both through the warranty period and post-warranty. We continue to invest in Service Advisor training and Parts and Accessories promotions to drive additional margin opportunities with all-inclusive packages and innovations like 'Express Service'.

In our Retail operations, the rigorous sales processes from our Inchcape Advantage programme are driving performance through the daily capture of customer data, bookings, hours sold and workshop productivity. Moreover, initiatives like Vehicle Health Check, Oil and Tyre programmes are increasing the Aftersales transaction values. Our customer service measurement system collects feedback which we use to continuously drive improvement in our operations and measure the effectiveness of our tactical offers.

*Reducing costs*
The cost restructuring initiatives, started in the fourth quarter of 2008 continue to have a positive impact on margin. In 2009 our restructuring achieved a like for like constant currency cost savings of £70m and we have kept a strong discipline in place to drive productivity further as we were able to deliver 7.9% of revenue growth at constant currency with a cost base that remains flat year on year at constant currency. As a result, trading margin was 4.3%, up 100bps on last year.

*Managing working capital*
We have continued to manage working capital tightly across the Group and as markets start to recover our focus on inventory remains high on our agenda.

*Selective capital expenditure investment*
Thanks to a strengthening of our financial position, we have been able to maintain our investment programme in strategic sites to take advantage of representation opportunities in the Emerging Markets. Moving forward, we remain committed to growth in these markets.

**Toyota recall**
There are 1.1 million Toyota vehicles in the Inchcape car parc world-wide and we have had 122,000 vehicles affected by the Toyota recall programme, predominantly in Europe. To date we have repaired 80% of the vehicles covered by the recall at no cost for Inchcape.

We have treated the programme as an opportunity to refresh our database and exhibit outstanding customer service. Moving forward, we will continue to monitor the effects of the recall but our operational focus will be on the launch of the Auris Hybrid, which has been voted the greenest car of the year in the UK, while strengthening the image of the brand with new buyers.

**People**
I would like to express my sincere thanks to our colleagues across the Group for their responsiveness and resilience to the unprecedented conditions we have been facing during the downturn. I would especially like to recognise their ongoing commitment and dedication to creating the ultimate customer experience for our brand partners which enables us to take full advantage of the recovery that is starting in several of our markets.

Business update continued

**Dividend**
Given the encouraging results and strong financial position of the Group, the Board intends to recommend the payment of a final dividend for the current financial year. Notwithstanding the encouraging results for the first half of 2010, the Board remain cautious regarding the outlook and will determine the appropriate dividend policy and the level of payment in light of the full year trading outcome and prospects for 2011. The proposed 2010 final dividend, subject to shareholder approval, will be included in the preliminary results announcement in early March 2011.

**Outlook**
Whilst the operational focus on our Top Five Priorities has enabled us to deliver robust results in the first half year, we remain cautious for the second half of 2010. We expect the continuation of an uneven global recovery as the austerity measures from a number of European governments including the UK could weaken consumer confidence, slowing down the recovery that is being driven by strong growth in Asia Pacific and the Emerging Markets.

We currently expect continued growth in Hong Kong, Australia, New Zealand, South America, Finland, Africa and the smaller Asian markets; the start of an industry recovery in Russia and in the Baltics; flat demand in Belgium but an industry decline in Greece, Singapore, the UK and the Balkans.

We remain confident that through our focus on the execution of our Top Five Priorities, the Group will deliver another strong performance in 2010 as a whole, based on the intrinsic strengths of our business and decisive cost reduction actions we have taken in 2009, together with robust margins and resilient demand for Used cars plus continuing good momentum in Aftersales.

Inchcape has a strong track record of performance delivery and has strengthened its competitive position and financial firepower during the unprecedented downturn in 2009. We have started to benefit this year from the industry recovery in several of our markets as the Group delivered a strong operational leverage on the back of good revenue growth.

Given the likely uneven profile of the global economic recovery, Inchcape's geographic footprint in many of the fastest growing economies – with 62% of the Group's trading profit generated in Asia Pacific and the Emerging Markets – will be a significant strategic differentiator for the Group. That is why we believe that Inchcape is uniquely positioned worldwide and that we will continue to benefit from exciting growth opportunities.

**André Lacroix**
Group Chief Executive
28 July 2010

# Operational review

## Group Overview

### Group key performance indicators*

| | Six months to 30.06.10 £m | Six months to 30.06.09 £m |
|---|---|---|
| Sales | **3,095.2** | 2,785.7 |
| Like for like sales growth/(decline) (%) | **12.6** | (15.4) |
| Trading profit | **131.8** | 90.8 |
| Like for like trading profit growth/(decline) (%) | **36.7** | (41.4) |
| Trading margins (%) | **4.3** | 3.3 |
| Cash generated from operating activities | **104.5** | 272.0 |

### Business analysis*

| | Six months to 30.06.10 £m | Six months to 30.06.09 £m | % change | % change in constant currency |
|---|---|---|---|---|
| **Sales** | | | | |
| – Distribution | **1,355.7** | 1,248.4 | 8.6% | 5.4% |
| – Retail | **1,739.5** | 1,537.3 | 13.2% | 10.0% |
| **Trading profit** | | | | |
| – Distribution | **91.2** | 64.2 | 42.1% | 36.7% |
| – Retail | **40.6** | 26.6 | 52.6% | 43.1% |

### Regional analysis*

| | 2010 Operating profit £m | 2010 Exceptional items £m | 2010 Trading profit £m | 2009 Operating profit £m | 2009 Exceptional items £m | 2009 Trading profit £m |
|---|---|---|---|---|---|---|
| Australasia | **37.4** | – | **37.4** | 16.6 | – | 16.6 |
| Europe | **18.8** | – | **18.8** | 11.6 | (1.8) | 13.4 |
| North Asia | **18.5** | – | **18.5** | 6.7 | – | 6.7 |
| South Asia | **17.3** | – | **17.3** | 31.1 | – | 31.1 |
| United Kingdom | **31.2** | – | **31.2** | 16.6 | (3.0) | 19.6 |
| Russia and Emerging Markets | **8.6** | – | **8.6** | (8.7) | (12.1) | 3.4 |
| **Trading profit** | **131.8** | – | **131.8** | 73.9 | (16.9) | 90.8 |
| Central costs | **(8.1)** | – | | (4.9) | (1.5) | |
| **Operating profit** | **123.7** | – | | 69.0 | (18.4) | |

* At actual exchange rates

Inchcape reports its results in the condensed set of consolidated financial information using actual rates of exchange. The Operational review reports results at actual rates of exchange, but to enhance comparability, they are also shown in a form that isolates the impact of currency movements from period to period by applying the June 2010 exchange rates to both periods' results (constant currency). It also adjusts for the impact of exceptional items. Where exceptional items and unallocated central costs are excluded from operating profit the results are referred to as trading profit.

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

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

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

# Australasia

**Key performance indicators***

| | Six months to 30.06.10 £m | Six months to 30.06.09 £m | % change | % change in constant currency |
|---|---|---|---|---|
| **Sales** | **551.2** | 357.9 | 54.0 | 25.6 |
| – Distribution | **360.9** | 218.5 | 65.2 | 34.7 |
| – Retail | **190.3** | 139.4 | 36.5 | 11.2 |
| **Like for like sales** | **551.2** | 357.9 | 54.0 | 25.6 |
| – Distribution | **360.9** | 218.5 | 65.2 | 34.7 |
| – Retail | **190.3** | 139.4 | 36.5 | 11.2 |
| **Trading profit** | **37.4** | 16.6 | 125.3 | 84.2 |
| – Distribution | **29.7** | 12.8 | 132.0 | 90.2 |
| – Retail | **7.7** | 3.8 | 102.6 | 64.1 |
| **Like for like trading profit** | **37.4** | 16.6 | 125.3 | 84.2 |
| – Distribution | **29.7** | 12.8 | 132.0 | 90.2 |
| – Retail | **7.7** | 3.8 | 102.6 | 64.1 |
| **Trading margins (%)** | **6.8** | 4.6 | 2.2ppt | 2.2ppt |
| – Distribution | **8.2** | 5.9 | 2.3ppt | 2.4ppt |
| – Retail | **4.0** | 2.7 | 1.3ppt | 1.3ppt |
| **Operating cash flow** | **41.4** | 38.2 | | |
| – Distribution | **34.5** | 24.0 | | |
| – Retail | **6.9** | 14.2 | | |

* At actual exchange rates

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

The New car market in Australia has shown solid growth of 17% from last year, driven by an improving economy and strong consumer confidence.

We have taken full advantage of the solid market recovery in Australia.

The first half performance in our Australasian Distribution business has been strong as we have benefited from the new Subaru Liberty and Outback models which were launched in the second half of last year and the expansion of the Diesel segment, into which we launched the new Forester Diesel in the second quarter.

In Australia Retail, we have leveraged our Customer 1st programmes to drive the new model launches from 2009 and our Aftersales business has performed well. Our Retail operation delivered a record trading margin of 4.0%.

Our Australasia business has delivered an impressive revenue growth of 25.6% and a trading profit of £37.4m which includes a profit on disposal of a surplus property of £7.3m.

Working capital has benefited from swift stock turn in the first half as a result of the strong market growth and as a result, operating cash flow of £41.4m was generated.

Our expectation for the Australian New car market for the second half of 2010 remains positive with a full year TIV outlook of 990,000 units, 6% higher than 2009.

Our Distribution business will benefit from the launch of the new Impreza XV and also the roll out of the Forester Diesel and will continue with our successful 'All 4 the Driver' advertising campaign across the network. We will also grow our Aftersales business and seek to outperform the market with increased customer contact through our targeted marketing offers.

Our Retail business – which will also benefit from the new Subaru model launches – will be boosted by further model launches from VW and Hyundai and we will continue to drive Aftersales retention.

# Europe

**Key performance indicators***

| | Six months to 30.06.10 £m | Six months to 30.06.09 £m | % change | % change in constant currency |
|---|---|---|---|---|
| **Sales** | **550.7** | 526.5 | 4.6 | 8.4 |
| – Distribution | **446.7** | 416.7 | 7.2 | 11.1 |
| – Retail | **104.0** | 109.8 | (5.3) | (1.8) |
| **Like for like sales** | **550.7** | 515.3 | 6.9 | 10.7 |
| – Distribution | **446.7** | 416.7 | 7.2 | 11.1 |
| – Retail | **104.0** | 98.6 | 5.5 | 9.3 |
| **Trading profit** | **18.8** | 13.4 | 40.3 | 45.9 |
| – Distribution | **17.9** | 14.5 | 23.4 | 28.3 |
| – Retail | **0.9** | (1.1) | 181.8 | 187.9 |
| **Like for like trading profit** | **18.8** | 13.9 | 35.3 | 41.1 |
| – Distribution | **17.9** | 14.5 | 23.4 | 28.3 |
| – Retail | **0.9** | (0.6) | 250.0 | 249.6 |
| **Trading margins (%)** | **3.4** | 2.5 | 0.9ppt | 0.9ppt |
| – Distribution | **4.0** | 3.5 | 0.5ppt | 0.5ppt |
| – Retail | **0.9** | (1.0) | 1.9ppt | 1.9ppt |
| **Operating cash flow** | **(2.6)** | 69.9 | | |
| – Distribution | **(2.8)** | 63.7 | | |
| – Retail | **0.2** | 6.2 | | |

* At actual exchange rates

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

We have delivered a resilient performance despite challenging trading conditions in Greece and the Toyota recall as we increased our like for like sales by 10.7% and our trading profit by 45.9% delivering a trading margin of 3.4%, 0.9ppt ahead of last year.

In Belgium, in a stronger than expected economy, the vehicle market grew by 16% from last year, boosted by the bi-annual Motor Show and government subsidies of 15% applied to fuel efficient vehicles. Our business enjoyed revenue growth driven by both our New vehicle sales and Aftersales segments.

In Greece, a very strong first quarter boosted by strong sales from the 2009 scrappage scheme was overtaken by the severe austerity measures introduced by the Government in quarter two and as a result the market declined by 13% for the first half versus last year. Despite this decline, we have delivered a record share of 13.9% up 2.8ppts compared to 2009, gaining share in most of the categories in which we operate.

In Finland, we benefited from market growth of 20% albeit from an extremely low base in 2009.

Our European Distribution business reported a trading profit of £17.9m, 28.3% above last year, with a trading margin up 0.5ppts compared to 2009. Like for like sales were 11.1% above last year.

Our European Retail operations delivered like for like sales growth of 9.3% with trading profit of £0.9m, 187.9% up on last year and trading margin up 1.9ppts.

Our European operations generated £2.6m of operating cash outflow reflecting the increased investment in working capital to support growth.

We expect the trading environment to remain challenging in Greece, demand to remain resilient in Belgium and industry recovery to continue in Finland.

In Belgium we will leverage the roll out of new Toyota Hybrid technology, drive Aftersales service retention and enhance customer service in our network through our Inchcape Advantage programmes.

In Greece we will focus resources behind our small car programmes, enhancing their superior value for money proposition and leverage the Hybrid technology, while continuing to drive our successful Vehicle Health Check programme to grow Aftersales.

Our Finnish business should benefit from its low cost base and good revenue growth.

# North Asia

**Key performance indicators***

| Distribution | Six months to 30.06.10 £m | Six months to 30.06.09 £m | % change | % change in constant currency |
|---|---|---|---|---|
| Sales | **209.9** | 141.2 | 48.7 | 52.8 |
| Like for like sales | **206.5** | 137.7 | 50.0 | 54.2 |
| Trading profit | **18.5** | 6.7 | 176.1 | 183.7 |
| Like for like trading profit | **18.0** | 6.8 | 164.7 | 173.4 |
| Trading margins (%) | **8.8** | 4.7 | 4.1ppt | 4.1ppt |
| Operating cash flow | **6.7** | 36.9 | | |

* At actual exchange rates

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

North Asia had a strong start to the year with a strong market recovery in which Toyota has been the fastest growing brand.

The first half of the year has seen a significant recovery in the New car market in Hong Kong, with total market volume growing by 58% over the same period last year, driven largely by improving economic conditions and a return of consumer confidence. The recovery in the vehicle market has been seen in all segments.

Inchcape has taken full advantage of the strong market recovery and grown market share in Hong Kong by 3.0ppts to 31.4% in the first half through leveraging strong new product launches, growing the Hybrid category and establishing the Lexus IS250 as the number one brand in its segment.

The market and share growth in Hong Kong has driven a strong first half performance, with Vehicle sales and Aftersales revenues both well ahead of last year. Like for like revenue growth was 54.2%. Trading profit was up 183.7% thanks to strong control on margin and costs to achieve a trading margin of 8.8%, 4.1ppts ahead of last year.

Operating cash flow is lower than last year at £6.7m reflecting the benefit from strong destocking in the first half of 2009 and stock build in the first half of 2010 to satisfy market demand in both the private and commercial vehicle segments in the Hong Kong market.

We expect the markets in this region to continue their recovery in the second half of the year. In Hong Kong we expect to leverage the launch of two new entrants to the growing MPV segment – the Wish and the Vellfire – and we will drive Aftersales with targeted marketing campaigns offering value added packages.

# South Asia

**Key performance indicators***

| Distribution | Six months to 30.06.10 £m | Six months to 30.06.09 £m | % change | % change in constant currency |
|---|---|---|---|---|
| Sales | **198.9** | 317.3 | (37.3) | (39.6) |
| Like for like sales | **198.7** | 317.3 | (37.4) | (39.6) |
| Trading profit | **17.3** | 31.1 | (44.4) | (46.6) |
| Like for like trading profit | **17.2** | 31.1 | (44.7) | (46.9) |
| Trading margins (%) | **8.7** | 9.8 | (1.1)ppt | (1.1)ppt |
| Operating cash flow | **1.9** | 49.6 | | |

* At actual exchange rates

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

The first half of 2010 has been extremely challenging for the New vehicle market in Singapore. Despite a buoyant economy, with GDP growth reaching a 16 year record high of 15.5%, the demand for New cars was, as expected, down by 33% in the first six months compared to last year.

The overall performance in Singapore has been heavily impacted by the constrained vehicle market resulting in a significant increase in Certificate of Entitlement (COE) premiums and a highly price competitive market.

Despite a like for like revenue decline of 39.6% our South Asia business delivered a healthy trading margin of 8.7%. We successfully defended our market leadership position through the launch of new products and good value limited edition vehicles while protecting margin. We additionally delivered a strong Aftersales performance and reduced our cost base.

Operating cash inflow was down compared to last year reflecting the lower trading and the strong benefits of working capital reduction in 2009.

We expect the Singapore market to remain challenging in the second half, with reduced quota sizes and COE premiums which will result in a heavily discounted trading environment. Our full year forecast for the market is therefore 38% lower than 2009.

Given the challenging outlook in the second half, our strategy will remain focused on margin protection in the New car market and on growing Aftersales. We will focus on our proven Inchcape Advantage processes to improve the customer experience, drive Aftersales service retention by extending our successful first half programmes and extend these to our Parts business and continue to control operating costs tightly.

# United Kingdom

**Key performance indicators**

| | Six months to 30.06.10 £m | Six months to 30.06.09 £m | % change | % change in constant currency |
|---|---|---|---|---|
| **Sales** | **1,108.5** | 1,005.7 | 10.2 | 10.2 |
| – Distribution | **19.8** | 14.0 | 41.4 | 41.4 |
| – Retail | **1,088.7** | 991.7 | 9.8 | 9.8 |
| **Like for like sales** | **1,101.4** | 975.9 | 12.9 | 12.9 |
| – Distribution | **19.8** | 14.0 | 41.4 | 41.4 |
| – Retail | **1,081.6** | 961.9 | 12.4 | 12.4 |
| **Trading profit** | **31.2** | 19.6 | 59.2 | 59.2 |
| – Distribution | **2.7** | 1.7 | 58.8 | 58.8 |
| – Retail | **28.5** | 17.9 | 59.2 | 59.2 |
| **Like for like trading profit** | **31.1** | 20.3 | 53.2 | 53.2 |
| – Distribution | **2.7** | 1.7 | 58.8 | 58.8 |
| – Retail | **28.4** | 18.6 | 52.7 | 52.7 |
| **Trading margins (%)** | **2.8** | 1.9 | 0.9ppt | 0.9ppt |
| – Distribution | **13.6** | 12.1 | 1.5ppt | 1.5ppt |
| – Retail | **2.6** | 1.8 | 0.8ppt | 0.8ppt |
| **Operating cash flow** | **58.1** | 51.3 | | |
| – Distribution | **8.1** | 3.7 | | |
| – Retail | **50.0** | 47.6 | | |

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

The New vehicle market has continued the growth which began last year with the introduction of the scrappage scheme. The market grew by 20% for the first six months and excluding scrappage orders grew by 14.5%. The market remains well below its 2007 peak however, with the first half 21% below those levels.

Inchcape's share of the premium retail market grew in the first half of 2010 compared to last year.

Our Retail business has delivered a very strong first half performance with like for like revenue 12.4% ahead of last year, predominantly driven by New and Used vehicle sales. Operating margins have improved across the board compared to 2009 thanks to solid cost management and top line growth which have driven trading margins up 0.8ppt to 2.6%, our best ever result for the first half.

Our Distribution business, Inchcape Fleet Solutions, has delivered a very strong first half with revenue 41.4% ahead of last year. With improved supplier pricing and flat operating costs, trading profit has increased by 58.8% compared to 2009.

Despite a likely pull forward of sales from early 2011 into the end of 2010, ahead of the VAT increase in January, we are likely to see a smaller overall market in the second half than the first. Additionally, the market will compare to very solid growth in the second half of 2009, triggered by the scrappage scheme.

Our focus for the second half will be to continue to outperform the industry and deliver higher margins and returns through capitalising on strong new product launches, the further development of Aftersales with Inchcape Advantage programmes focused on appointment desk, follow-up calls, Electronic Vehicle Health Check and loyalty offerings.

# Russia and Emerging Markets

**Key performance indicators***

| | Six months to 30.06.10 £m | Six months to 30.06.09 £m | % change | % change in constant currency |
|---|---|---|---|---|
| **Sales** | **476.0** | 437.1 | 8.9 | 6.2 |
| – Distribution | **119.5** | 140.7 | (15.1) | (11.9) |
| – Retail | **356.5** | 296.4 | 20.3 | 14.1 |
| **Like for like sales** | **446.2** | 409.1 | 9.1 | 6.3 |
| – Distribution | **118.3** | 126.0 | (6.1) | (2.6) |
| – Retail | **327.9** | 283.1 | 15.8 | 10.0 |
| **Trading profit** | **8.6** | 3.4 | 152.9 | 156.9 |
| – Distribution | **5.1** | (2.6) | 296.2 | 246.4 |
| – Retail | **3.5** | 6.0 | (41.7) | (48.5) |
| **Like for like trading profit** | **8.3** | 7.1 | 16.9 | 20.6 |
| – Distribution | **4.9** | 1.4 | 250.0 | 1,046.2 |
| – Retail | **3.4** | 5.7 | (40.4) | (47.3) |
| **Trading margins (%)** | **1.8** | 0.8 | 1.0ppt | 1.1ppt |
| – Distribution | **4.3** | (1.8) | 6.1ppt | 6.8ppt |
| – Retail | **1.0** | 2.0 | (1.0)ppt | (1.2)ppt |
| **Operating cash flow** | **38.2** | 46.3 | | |
| – Distribution | **14.6** | 24.9 | | |
| – Retail | **23.6** | 21.4 | | |

* At actual exchange rates

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

Overall, our Russia and Emerging Market segment has seen a significant improvement in both revenue, which was up 6.2%, and profitability which was up 156.9%. Included in our trading profit of £8.6m is an impairment charge for land in Romania valued at £7.5m.

In Russia, following the introduction of a Government scrappage scheme in March aimed at stimulating locally produced vehicles, the market started to recover in the second quarter and was up by 3% in the first half. Foreign brands have not performed as well and although there was some recovery in May and June, the segment declined by 4% in the first half.

Despite the difficult trading conditions in Russia in the first half, our focus on growing Aftersales and delivering best in class customer service levels has ensured we remained profitable with an underlying trading profit of £5.4m and we have improved our competitive position.

China has continued to improve, with car market growth of 47% in the first half.

In Poland, demand for luxury vehicles remained strong and we have delivered an excellent trading margin of 4.2%.

In the Balkans, the markets in Romania and Bulgaria declined by 27% and 38% respectively, but we delivered a solid profitability as we improved our pricing and benefited from lower costs.

The Baltics continued to see economic instability and a lack of credit which impacted demand for New vehicles. However, we delivered a breakeven profitability.

South America has had a strong first half this year, improving from a low base last year.

Ethiopia has benefited from improved consumer confidence resulting in higher Vehicle and Aftersales revenues.

# Financial review

**Net financing costs**
Net financing costs have decreased significantly from £22.4m in 2009 to £8.5m in 2010 reflecting lower interest rates and the continued strong cash generation.

In the first half of the year, a non cash cost of £2.5m was booked in our mark to market reporting of the hedges for the remaining US loan notes.

**Tax**
The pre exceptional effective tax rate for the Group rose to 29% from 28% in 2009, which is expected to reflect the full rate for the year. This is due to the change of profit mix around the Group.

**Exceptional items**
No exceptional items have been booked in the first half of this year.

Last year we reported £18.4m of exceptional costs. We recorded a further £10.3m impairment of the Group's business in Latvia. We booked costs of £5.1m related to restructuring in Finland, the Baltics and Russia together with a streamlining of European Management. We took a charge of £3.0m related to a site occupied by the Inchcape Automotive business which was sold to Camden Motors in 2007 and which went into administration in early 2009. The Group remains responsible for the head lease on this property.

**Minority interests**
Profits attributable to minority interests rose to £3.0m from £1.8m in 2009.

**Dividends**
Given the encouraging results and strong financial position of the Group, the Board intends to recommend the payment of a final dividend for the current financial year. Notwithstanding the encouraging results for the first half of 2010, the Board remain cautious regarding the outlook and will determine the appropriate dividend policy and the level of payment in light of the full year trading outcome and prospects for 2011. The proposed 2010 final dividend, subject to shareholder approval, will be included in the preliminary results announcement in early March 2011.

**Pensions**
At 30 June 2010, the IAS 19 net post-retirement benefit deficit was £49.1m (31 December 2009: £74.8m). The reduction in the deficit reflects changes to market-based assumptions for the Group's UK pension schemes together with changes in the value of scheme assets.

In the first half of the year and in line with the funding programme agreed with the Trustees, the Group made additional cash contributions to the UK pension schemes amounting to £16.9m.

**Principal business risks**

The Board set out in the Annual Report and Accounts 2009, a number of principal business risks which could impact the performance of the Group and these remain unchanged for this Interim Report. The key risks comprise, inter alia, prevailing market conditions, brand partner relationships, legal compliance and reputation and treasury risks which include: currency, funding and liquidity, interest rate and counterparty risks.

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

The Board has recently reviewed the principal risks and confirms that they remain valid for the rest of the year. The Group has launched a broad based risk management programme known as Inchcape Peace of Mind (iPOM) to leverage the synergies between the various risk management initiatives in a single collective approach.

Examples of the key risk management initiatives that have been introduced are:

- Introduction of a Risk Management Strategy Group (RMSG) in every business in the Group using a defined Terms of Reference and reporting to the Group RMSG;
- The design and launch of an online survey to better understand the knowledge of colleagues of the Group values and corporate ethics;
- The utilisation of business continuity plans in Chile to quickly respond to the earthquake both to ensure the safety of all staff and the prompt restoration of business activity;
- Development of action plans to address the requirements of the new Bribery Act.

**Currency, funding and liquidity, interest rate and counterparty risks**

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

Funding and liquidity risk is actively managed through strict controls on inventory and the use of supplier credit to fund the largest cash outflows of the Group.

Further details of the Group's principal risks and risk management process can be found on pages 38-39 and 56-61 of the Annual Report and Accounts 2009.

**Going concern**

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern for the foreseeable future. As such, the Group continues to adopt the going concern basis in preparing this interim condensed consolidated financial information.

# Consolidated income statement (unaudited)

For the six months ended 30 June 2010

| | Notes | **Six months to 30.6.10 £m** | Six months to 30.6.09 £m | Year to 31.12.09 £m |
|---|---|---|---|---|
| **Revenue** | 2 | **3,095.2** | 2,785.7 | 5,583.7 |
| Cost of sales | | **(2,639.3)** | (2,373.9) | (4,757.0) |
| **Gross profit** | | **455.9** | 411.8 | 826.7 |
| Net operating expenses | | **(332.2)** | (342.8) | (669.9) |
| **Operating profit** | 2 | **123.7** | 69.0 | 156.8 |
| Operating profit before exceptional items | | **123.7** | 87.4 | 175.2 |
| Exceptional items | 3 | **–** | (18.4) | (18.4) |
| Share of profit after tax of joint ventures and associates | | **–** | 0.4 | 0.7 |
| **Profit before finance and tax** | | **123.7** | 69.4 | 157.5 |
| Finance income | 4 | **28.2** | 25.4 | 52.1 |
| Finance costs | 5 | **(36.7)** | (47.8) | (72.9) |
| **Profit before tax** | | **115.2** | 47.0 | 136.7 |
| Tax | 6 | **(33.3)** | (20.1) | (41.7) |
| **Profit for the period** | | **81.9** | 26.9 | 95.0 |
| | | | | |
| **Profit attributable to:** | | | | |
| – Equity holders of the parent | | **78.9** | 25.1 | 92.0 |
| – Minority interests | | **3.0** | 1.8 | 3.0 |
| | | **81.9** | 26.9 | 95.0 |
| Basic earnings per share (pence) | 7 | **17.2p** | 7.3p | 22.9p |
| Diluted earnings per share (pence) | 7 | **17.1p** | 7.3p | 22.9p |

# Consolidated statement of comprehensive income (unaudited)

For the six months ended 30 June 2010

| | Six months to 30.6.10 £m | Six months to 30.6.09 £m | Year to 31.12.09 £m |
|---|---|---|---|
| **Profit for the period** | **81.9** | 26.9 | 95.0 |
| **Other comprehensive income:** | | | |
| Cash flow hedges | **35.3** | (100.0) | (126.8) |
| Net investment hedge | **–** | 2.9 | 2.9 |
| Fair value (losses)/gains on available for sale financial assets | **(3.0)** | 0.7 | 0.4 |
| Effect of foreign exchange rate changes | **21.8** | (120.0) | (76.6) |
| Actuarial gains/(losses) on defined benefit pension schemes | **8.6** | (77.9) | (119.7) |
| Tax recognised directly in shareholders' equity | **(11.3)** | 43.8 | 60.6 |
| Other comprehensive income for the period, net of tax | **51.4** | (250.5) | (259.2) |
| **Total comprehensive income for the period** | **133.3** | (223.6) | (164.2) |
| | | | |
| **Total comprehensive income attributable to:** | | | |
| – Equity holders of the parent | **130.3** | (222.9) | (165.8) |
| – Minority interests | **3.0** | (0.7) | 1.6 |
| | **133.3** | (223.6) | (164.2) |

# Consolidated statement of financial position (unaudited)

As at 30 June 2010

| | Notes | Six months to 30.6.10 £m | Six months to 30.6.09 £m | Year to 31.12.09 £m |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | | **556.2** | 543.6 | 545.6 |
| Property, plant and equipment | | **629.1** | 663.8 | 656.6 |
| Investments in joint ventures and associates | | **21.8** | 20.9 | 22.3 |
| Available for sale financial assets | | **12.7** | 17.9 | 17.8 |
| Trade and other receivables | | **30.3** | 23.3 | 25.4 |
| Deferred tax assets | | **21.3** | 9.5 | 37.6 |
| Retirement benefit asset | | **3.9** | 0.8 | 0.8 |
| | | **1,275.3** | 1,279.8 | 1,306.1 |
| **Current assets** | | | | |
| Inventories | | **804.7** | 659.9 | 772.7 |
| Trade and other receivables | | **273.8** | 260.8 | 252.9 |
| Available for sale financial assets | | **1.6** | 0.2 | 0.7 |
| Derivative financial instruments | | **171.1** | 94.2 | 91.0 |
| Current tax assets | | **2.5** | 4.7 | 5.1 |
| Cash and cash equivalents | | **440.9** | 365.0 | 381.3 |
| | | **1,694.6** | 1,384.8 | 1,503.7 |
| Assets held for sale | 10 | **–** | 5.4 | 6.6 |
| | | **1,694.6** | 1,390.2 | 1,510.3 |
| **Total assets** | | **2,969.9** | 2,670.0 | 2,816.4 |
| **Current liabilities** | | | | |
| Trade and other payables | | **(999.7)** | (891.0) | (939.1) |
| Derivative financial instruments | | **(5.8)** | (1.1) | (21.8) |
| Current tax liabilities | | **(43.7)** | (35.7) | (46.4) |
| Provisions | | **(44.2)** | (51.0) | (46.7) |
| Borrowings | | **(139.0)** | (137.8) | (166.0) |
| | | **(1,232.4)** | (1,116.6) | (1,220.0) |
| **Non-current liabilities** | | | | |
| Trade and other payables | | **(54.6)** | (78.7) | (68.8) |
| Provisions | | **(48.5)** | (38.6) | (47.7) |
| Deferred tax liabilities | | **(14.6)** | (23.4) | (15.4) |
| Borrowings | | **(342.5)** | (333.2) | (299.2) |
| Retirement benefit liability | | **(53.0)** | (51.6) | (75.6) |
| | | **(513.2)** | (525.5) | (506.7) |
| **Total liabilities** | | **(1,745.6)** | (1,642.1) | (1,726.7) |
| **Net assets** | | **1,224.3** | 1,027.9 | 1,089.7 |
| **Shareholders' equity** | | | | |
| Share capital | | **46.4** | 163.3 | 163.3 |
| Share premium | | **126.1** | 126.1 | 126.1 |
| Capital redemption reserve | | **133.3** | 16.4 | 16.4 |
| Other reserves | | **156.1** | 89.2 | 112.4 |
| Retained earnings | | **739.4** | 612.9 | 649.5 |
| **Equity attributable to equity holders of the parent** | | **1,201.3** | 1,007.9 | 1,067.7 |
| Minority interests | | **23.0** | 20.0 | 22.0 |
| **Total shareholders' equity** | | **1,224.3** | 1,027.9 | 1,089.7 |

# Consolidated statement of changes in equity (unaudited)

For the six months ended 30 June 2010

| | 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 2009 | 121.9 | 126.1 | 16.4 | 273.1 | 458.0 | 995.5 | 24.1 | 1,019.6 |
| Total comprehensive income for the period ended 30 June 2009 | – | – | – | (183.9) | (39.0) | (222.9) | (0.7) | (223.6) |
| Share-based payments, net of tax | – | – | – | – | 1.0 | 1.0 | – | 1.0 |
| Issue of ordinary share capital | 41.4 | – | – | – | 192.9 | 234.3 | – | 234.3 |
| Dividends: | | | | | | | | |
| – Minority interests | – | – | – | – | – | – | (3.4) | (3.4) |
| At 30 June 2009 | 163.3 | 126.1 | 16.4 | 89.2 | 612.9 | 1,007.9 | 20.0 | 1,027.9 |
| At 1 January 2009 | 121.9 | 126.1 | 16.4 | 273.1 | 458.0 | 995.5 | 24.1 | 1,019.6 |
| Total comprehensive income for the year | – | – | – | (160.7) | (5.1) | (165.8) | 1.6 | (164.2) |
| Share-based payments, net of tax | – | – | – | – | 4.4 | 4.4 | – | 4.4 |
| Net purchase of own shares by ESOP Trust | – | – | – | – | (0.7) | (0.7) | – | (0.7) |
| Issue of ordinary share capital | 41.4 | – | – | – | 192.9 | 234.3 | – | 234.3 |
| Dividends: | | | | | | | | |
| – Minority interests | – | – | – | – | – | – | (3.7) | (3.7) |
| **At 1 January 2010** | **163.3** | **126.1** | **16.4** | **112.4** | **649.5** | **1,067.7** | **22.0** | **1,089.7** |
| Total comprehensive income for the period ended 30 June 2010 | **–** | **–** | **–** | **43.7** | **86.6** | **130.3** | **3.0** | **133.3** |
| Share-based payments, net of tax | **–** | **–** | **–** | **–** | **3.4** | **3.4** | **–** | **3.4** |
| Deferred share consolidation | **(116.9)** | **–** | **116.9** | **–** | **(0.1)** | **(0.1)** | **–** | **(0.1)** |
| Dividends: | | | | | | | | |
| – Minority interests | **–** | **–** | **–** | **–** | **–** | **–** | **(2.0)** | **(2.0)** |
| **At 30 June 2010** | **46.4** | **126.1** | **133.3** | **156.1** | **739.4** | **1,201.3** | **23.0** | **1,224.3** |

# Consolidated statement of cash flows (unaudited)

For the six months ended 30 June 2010

| | Notes | **Six months to 30.6.10 £m** | Six months to 30.6.09 £m | Year to 31.12.09 £m |
|---|---|---|---|---|
| **Cash generated from operating activities** | | | | |
| Cash generated from operations | 9a | **104.5** | 272.0 | 336.7 |
| Tax paid | | **(30.4)** | (28.3) | (58.5) |
| Interest received | | **4.7** | 3.5 | 7.2 |
| Interest paid | | **(9.5)** | (30.0) | (40.1) |
| **Net cash generated from operating activities** | | **69.3** | 217.2 | 245.3 |
| | | | | |
| **Cash flows from investing activities** | | | | |
| Acquisition of businesses, net of cash and overdrafts acquired | | **–** | – | (21.1) |
| Net cash inflow from sale of businesses | | **–** | 2.0 | 3.0 |
| Purchase of property, plant and equipment | | **(13.4)** | (35.2) | (50.1) |
| Purchase of intangible assets | | **(5.3)** | (8.8) | (14.6) |
| Proceeds from disposal of property, plant and equipment | | **21.0** | 1.7 | 15.8 |
| Net disposal of available for sale financial assets | | **0.4** | 0.2 | 0.1 |
| Dividends received from joint ventures and associates | | **–** | – | 0.6 |
| **Net cash used in investing activities** | | **2.7** | (40.1) | (66.3) |
| | | | | |
| **Cash flows from financing activities** | | | | |
| Proceeds from issue of ordinary shares | | **–** | 234.3 | 234.3 |
| Net purchase of own shares by ESOP Trust | | **–** | – | (0.7) |
| Net cash outflow from borrowings | | **(37.2)** | (448.1) | (454.8) |
| Payment of capital element of finance leases | | **(0.8)** | (1.2) | (3.7) |
| Loans granted to joint ventures | | **(0.7)** | (1.2) | (2.3) |
| Settlement of derivatives | | **17.2** | (5.4) | 10.1 |
| Minority dividends paid | | **(2.0)** | (3.4) | (3.7) |
| **Net cash from financing activities** | | **(23.5)** | (225.0) | (220.8) |
| | | | | |
| Net increase/(decrease) in cash and cash equivalents | 9b | **48.5** | (47.9) | (41.8) |
| Cash and cash equivalents at beginning of the period | | **257.2** | 312.8 | 312.8 |
| Effect of foreign exchange rate changes | | **–** | (23.5) | (13.8) |
| **Cash and cash equivalents at end of the period** | | **305.7** | 241.4 | 257.2 |
| | | | | |
| **Cash and cash equivalents consist of:** | | | | |
| – Cash at bank and in hand | | **366.8** | 258.4 | 319.6 |
| – Short term bank deposits | | **74.1** | 106.6 | 61.7 |
| – Bank overdrafts | | **(135.2)** | (123.6) | (124.1) |
| | | **305.7** | 241.4 | 257.2 |

# Notes (unaudited)

**1 Basis of preparation and accounting policies**

Basis of preparation

The interim report for the period ended 30 June 2010 has been prepared on a going concern basis in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union, and the Disclosure and Transparency Rules of the Financial Services Authority. The interim report should be read in conjunction with the Annual Report and Accounts 2009, which have been prepared in accordance with IFRSs as adopted by the European Union, and IFRIC interpretations on a going concern basis and under the historical cost convention, except for the retention of certain freehold properties and leasehold buildings at previously revalued amounts (which were treated as deemed cost on transition to IFRS) and the measurement of certain balances at fair value as disclosed in the Annual Report and Accounts 2009.

The interim report is unaudited, but has been reviewed by the external auditors. The condensed set of consolidated financial information in the interim report does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's published consolidated financial statements for the year ended 31 December 2009 were approved by the Board of Directors on 9 March 2010 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain an emphasis of matter paragraph or a statement under Section 498 of the Companies Act 2006. The condensed set of consolidated financial information on pages 14 to 28 was approved by the Board of Directors on 28 July 2010

Significant accounting policies

The accounting policies adopted in the preparation of the condensed set of consolidated financial information is consistent with those of the Group's Annual Report and Accounts 2009, other than the adoption, with effect, from 1 January 2010 of Amendment to IFRS 2 'Share-based payments group cash-settled transactions'. In addition, at interim periods, taxes on income are accrued using the tax rate that is expected to be applicable for the full financial year.

Amendment to IFRS 2 'Share-based payments group cash-settled transactions' has been adopted by the Group, which results in an immediate acceleration of the IFRS 2 expense that would otherwise have been recognised in future periods should an employee decide to stop contributing to a share-based savings plan. The Directors have concluded that to date there has been no impact on the results of the Group as a result of this amendment.

The following new standards are effective for accounting periods beginning 1 January 2010 but have not had a material impact on the results or financial position of the Group:

- IAS 17, 'Amendment to IAS 17 Leases: Transitional provisions'
- IAS 27 (revised), 'Consolidated and separate financial statements'
- IAS 28, 'Investments in associates'
- IAS 31, 'Interests in joint ventures'
- IAS 38, 'Amendment to IAS 38 Intangible assets: Recognition and measurement'
- IFRS 3 (revised), 'Business combinations'
- IFRIC 17, 'Distributions of non-cash assets to owners'
- IFRIC 18, 'Transfers of assets from customers'.

IFRS 9, 'Financial instruments', IAS 24 (Revised), 'Related party disclosures' and 'Prepayments of a minimum funding requirement', (Amendments to IFRIC 14), were in issue but were not yet effective at the balance sheet date. These 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 2011.

'Classification of rights issues', (Amendment to IAS 32) is effective for annual periods beginning on or after 1 February 2010 and IFRIC 19, 'Extinguishing financial liabilities with equity instruments' is effective from 1 July 2010. These IFRICs are currently not relevant to the Group and therefore have not been early adopted.

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

| | Average rates | | | Period end rates | | |
|---|---|---|---|---|---|---|
| | **30.6.10** | 30.6.09 | 31.12.09 | **30.6.10** | 30.6.09 | 31.12.09 |
| Australian dollar | **1.72** | 2.11 | 1.99 | **1.77** | 2.04 | 1.80 |
| Euro | **1.15** | 1.11 | 1.12 | **1.22** | 1.17 | 1.13 |
| Hong Kong dollar | **11.88** | 11.55 | 12.11 | **11.65** | 12.76 | 12.52 |
| Singapore dollar | **2.14** | 2.22 | 2.27 | **2.09** | 2.38 | 2.27 |

Notes (unaudited) continued

**2 Segmental analysis**
From 1 January 2009, the Group adopted IFRS 8 'Operating segments' and determined that the chief operating decision maker is the Executive Committee.

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

The Group's reported segments are based on the location of the Group's assets. Revenue earned from sales is disclosed by origin and is not materially different from revenue by destination.

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

| | Distribution | | | | | | |
|---|---|---|---|---|---|---|---|
| **Six months to 30.6.10** | **Australasia £m** | **Europe £m** | **North Asia £m** | **South Asia £m** | **United Kingdom £m** | **Russia and Emerging Markets £m** | **Total Distribution £m** |
| **Revenue from third parties** | **360.9** | **446.7** | **209.9** | **198.9** | **19.8** | **119.5** | **1,355.7** |
| **Results** | | | | | | | |
| Segment result | **29.7** | **17.9** | **18.5** | **17.3** | **2.7** | **5.1** | **91.2** |
| Exceptional items | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Operating profit after exceptional items | **29.7** | **17.9** | **18.5** | **17.3** | **2.7** | **5.1** | **91.2** |
| Share of profit/(loss) after tax of joint ventures and associates | **–** | **(0.3)** | **–** | **–** | **–** | **–** | **(0.3)** |
| Profit before finance and tax | **29.7** | **17.6** | **18.5** | **17.3** | **2.7** | **5.1** | **90.9** |

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

| | Distribution | | | | | | |
|---|---|---|---|---|---|---|---|
| **Six months to 30.6.09** | Australasia £m | Europe £m | North Asia £m | South Asia £m | United Kingdom £m | Russia and Emerging Markets £m | Total Distribution £m |
| **Revenue from third parties** | 218.5 | 416.7 | 141.2 | 317.3 | 14.0 | 140.7 | 1,248.4 |
| **Results** | | | | | | | |
| Segment result | 12.8 | 14.5 | 6.7 | 31.1 | 1.7 | (2.6) | 64.2 |
| Exceptional items | – | (0.2) | – | – | – | (3.9) | (4.1) |
| Operating profit after exceptional items | 12.8 | 14.3 | 6.7 | 31.1 | 1.7 | (6.5) | 60.1 |
| Share of profit/(loss) after tax of joint ventures and associates | – | 1.0 | – | – | – | – | 1.0 |
| Profit before finance and tax | 12.8 | 15.3 | 6.7 | 31.1 | 1.7 | (6.5) | 61.1 |

| | Distribution | | | | | | |
|---|---|---|---|---|---|---|---|
| **Year to 31.12.09** | Australasia £m | Europe £m | North Asia £m | South Asia £m | United Kingdom £m | Russia and Emerging Markets £m | Total Distribution £m |
| **Revenue from third parties** | 478.4 | 801.8 | 312.2 | 548.2 | 30.0 | 256.4 | 2,427.0 |
| **Results** | | | | | | | |
| Segment result | 26.7 | 30.2 | 19.9 | 55.9 | 3.9 | 1.0 | 137.6 |
| Exceptional items | – | (0.2) | – | – | – | (3.9) | (4.1) |
| Operating profit after exceptional items | 26.7 | 30.0 | 19.9 | 55.9 | 3.9 | (2.9) | 133.5 |
| Share of profit/(loss) after tax of joint ventures and associates | – | 2.0 | – | – | – | – | 2.0 |
| Profit before finance and tax | 26.7 | 32.0 | 19.9 | 55.9 | 3.9 | (2.9) | 135.5 |

The segment result for Distribution includes an impairment charge of £4.2m for land in Russia and Emerging Markets.

**2 Segmental analysis continued**

| Six months to 30.6.10 | Retail: Australasia £m | Retail: Europe £m | Retail: United Kingdom £m | Retail: Russia and Emerging Markets £m | Retail: Total Retail £m | Total pre Central £m | Central £m | Total £m |
|---|---|---|---|---|---|---|---|---|
| **Revenue from third parties** | **190.3** | **104.0** | **1,088.7** | **356.5** | **1,739.5** | **3,095.2** | **–** | **3,095.2** |
| **Results** | | | | | | | | |
| Segment result | **7.7** | **0.9** | **28.5** | **3.5** | **40.6** | **131.8** | **(8.1)** | **123.7** |
| Exceptional items | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Operating profit after exceptional items | **7.7** | **0.9** | **28.5** | **3.5** | **40.6** | **131.8** | **(8.1)** | **123.7** |
| Share of profit/(loss) after tax of joint ventures and associates | **–** | **–** | **0.1** | **0.2** | **0.3** | **–** | **–** | **–** |
| Profit before finance and tax | **7.7** | **0.9** | **28.6** | **3.7** | **40.9** | **131.8** | **(8.1)** | **123.7** |

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

| Six months to 30.6.09 | Retail: Australasia £m | Retail: Europe £m | Retail: United Kingdom £m | Retail: Russia and Emerging Markets £m | Retail: Total Retail £m | Total pre Central £m | Central £m | Total £m |
|---|---|---|---|---|---|---|---|---|
| **Revenue from third parties** | 139.4 | 109.8 | 991.7 | 296.4 | 1,537.3 | 2,785.7 | – | 2,785.7 |
| **Results** | | | | | | | | |
| Segment result | 3.8 | (1.1) | 17.9 | 6.0 | 26.6 | 90.8 | (3.4) | 87.4 |
| Exceptional items | – | (1.6) | (3.0) | (8.2) | (12.8) | (16.9) | (1.5) | (18.4) |
| Operating profit after exceptional items | 3.8 | (2.7) | 14.9 | (2.2) | 13.8 | 73.9 | (4.9) | 69.0 |
| Share of profit/(loss) after tax of joint ventures and associates | – | – | – | (0.6) | (0.6) | 0.4 | – | 0.4 |
| Profit before finance and tax | 3.8 | (2.7) | 14.9 | (2.8) | 13.2 | 74.3 | (4.9) | 69.4 |

Net finance costs of £22.4m are not allocated to individual segments.

| Year to 31.12.09 | Retail: Australasia £m | Retail: Europe £m | Retail: United Kingdom £m | Retail: Russia and Emerging Markets £m | Retail: Total Retail £m | Total pre Central £m | Central £m | Total £m |
|---|---|---|---|---|---|---|---|---|
| **Revenue from third parties** | 284.4 | 204.3 | 2,055.7 | 612.3 | 3,156.7 | 5,583.7 | – | 5,583.7 |
| **Results** | | | | | | | | |
| Segment result | 11.2 | (1.6) | 42.8 | 4.0 | 56.4 | 194.0 | (18.8) | 175.2 |
| Exceptional items | – | (1.6) | (3.0) | (8.2) | (12.8) | (16.9) | (1.5) | (18.4) |
| Operating profit after exceptional items | 11.2 | (3.2) | 39.8 | (4.2) | 43.6 | 177.1 | (20.3) | 156.8 |
| Share of profit/(loss) after tax of joint ventures and associates | – | – | – | (1.3) | (1.3) | 0.7 | – | 0.7 |
| Profit before finance and tax | 11.2 | (3.2) | 39.8 | (5.5) | 42.3 | 177.8 | (20.3) | 157.5 |

Net finance costs of £20.8m are not allocated to individual segments.

Notes (unaudited) continued

### 3 Exceptional items

| | Six months to 30.6.10 £m | Six months to 30.6.09 £m | Year to 31.12.09 £m |
|---|---|---|---|
| Impairment of property, plant and equipment | – | (10.3) | (10.3) |
| Restructuring costs | – | (5.1) | (5.1) |
| Vacant property | – | (3.0) | (3.0) |
| Operating exceptional items | – | (18.4) | (18.4) |
| Exceptional tax credit | – | – | 1.8 |
| Total exceptional items | – | (18.4) | (16.6) |

In 2009, the impairment charge of property, plant and equipment of £10.3m arose from an impairment review of the Group's business in Latvia which was updated following a further deterioration in trading conditions.

The restructuring costs of £5.1m represented the costs of headcount reduction and site closures in Finland, the Baltics and Russia, together with changes in the composition of the Executive Committee.

The vacant property cost of £3.0m represented an onerous lease provision relating to a site occupied by the Inchcape Automotive business that was sold in 2007 and which went into administration in early 2009. The Group remains responsible for the head lease on this property.

The 2009 exceptional tax credit represented a deferred tax credit of £0.9m in respect of the future deduction for overseas redundancy costs in the local territories and a current tax credit of £0.9m in respect of onerous lease costs on UK properties.

### 4 Finance income

| | Six months to 30.6.10 £m | Six months to 30.6.09 £m | Year to 31.12.09 £m |
|---|---|---|---|
| Bank and other interest receivable | 1.9 | 2.2 | 4.2 |
| Expected return on post-retirement plan assets | 23.3 | 21.9 | 44.5 |
| Other finance income | 3.0 | 1.3 | 3.4 |
| Total finance income | 28.2 | 25.4 | 52.1 |

### 5 Finance costs

| | Six months to 30.6.10 £m | Six months to 30.6.09 £m | Year to 31.12.09 £m |
|---|---|---|---|
| Interest payable on bank borrowings | 1.1 | 3.0 | 5.1 |
| Interest payable on Private Placement | 1.6 | 6.3 | 7.8 |
| Interest payable on revolving credit facility | – | 1.6 | 1.6 |
| Interest payable on other borrowings | 0.3 | 1.0 | 1.7 |
| Fair value (gain)/loss on cross-currency interest rate swaps | (40.7) | 77.6 | 70.8 |
| Fair value adjustment on Private Placement | 43.2 | (73.7) | (71.7) |
| Stock holding interest | 7.0 | 5.0 | 9.2 |
| Interest expense on post-retirement plan liabilities | 23.1 | 19.3 | 38.9 |
| Other finance costs | 1.6 | 8.1 | 10.6 |
| Capitalised borrowing costs | (0.5) | (0.4) | (1.1) |
| Total finance costs | 36.7 | 47.8 | 72.9 |

**6 Tax**

| | | Six months to 30.6.10 £m | Six months to 30.6.09 £m | Year to 31.12.09 £m |
|---|---|---|---|---|
| Current tax | – UK | **3.9** | 2.7 | 5.8 |
| | – Overseas | **29.8** | 17.3 | 47.5 |
| Adjustments to prior year liabilities | – UK | **(0.2)** | – | 8.0 |
| | – Overseas | **(1.0)** | – | – |
| | | **32.5** | 20.0 | 61.3 |
| Deferred tax | – UK | **2.3** | (3.1) | (12.1) |
| | – Overseas | **(1.5)** | 3.2 | (5.7) |
| Tax before exceptional tax | | **33.3** | 20.1 | 43.5 |
| Exceptional tax | – Current | **–** | – | (0.9) |
| | – Deferred | **–** | – | (0.9) |
| Total tax | | **33.3** | 20.1 | 41.7 |

The subsidiaries effective 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 2010 is 29% (2009 – 31%).

A number of changes to the UK Corporation Tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010 (the Act) is expected to include legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at the end of the reporting period and, therefore, are not included in the interim financial statements.

The effect of the Act on these financial statements would be to reduce the deferred tax asset by £0.3m with a £0.7m charge being taken directly to reserves and a £0.4m tax credit to the income statement. Assuming similar levels of deferred tax in future years, the total adjustment across all years would be a £1.2m reduction in the deferred tax asset, with a £2.8m charge being taken directly to reserves and a £1.6m tax credit taken to the income statement.

**7 Earnings per share**

| | Six months to 30.6.10 £m | Six months to 30.6.09 £m | Year to 31.12.09 £m |
|---|---|---|---|
| **Profit for the period** | **81.9** | 26.9 | 95.0 |
| Minority interests | **(3.0)** | (1.8) | (3.0) |
| **Basic earnings** | **78.9** | 25.1 | 92.0 |
| Exceptional items | **–** | 18.4 | 16.6 |
| **Adjusted earnings** | **78.9** | 43.5 | 108.6 |
| Basic earnings per share | **17.2p** | 7.3p | 22.9p |
| Diluted earnings per share | **17.1p** | 7.3p | 22.9p |
| Basic Adjusted earnings per share | **17.2p** | 12.7p | 27.1p |
| Diluted Adjusted earnings per share | **17.1p** | 12.7p | 27.1p |

| | Six months to 30.6.10 number | Six months to 30.6.09 number | Year to 31.12.09 number |
|---|---|---|---|
| Weighted average number of fully paid ordinary shares in issue during the period | **463,082,495** | 346,142,551 | 405,085,186 |
| Weighted average number of fully paid ordinary shares in issue during the period: | | | |
| – Held by the ESOP Trust | **(1,311,330)** | (971,093) | (1,371,122) |
| – Repurchased as part of the share buy back programme | **(2,687,560)** | (2,687,561) | (2,687,561) |
| Weighted average number of fully paid ordinary shares for the purposes of basic EPS | **459,083,605** | 342,483,897 | 401,026,503 |
| Dilutive effect of potential ordinary shares | **3,420,828** | 12,191 | 426,638 |
| Adjusted weighted average number of fully paid ordinary shares in issue during the period for the purposes of diluted EPS | **462,504,433** | 342,496,088 | 401,453,141 |

The 2009 earnings per share and weighted average number of shares presented in the above tables have been restated to reflect the 10 for 1 share consolidation that took effect on 14 May 2010.

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.

Notes (unaudited) continued

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

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

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

### 8 Shareholders' equity

a. Issue of ordinary shares

| | **Six months to 30.6.10 £m** | Six months to 30.6.09 £m | Year to 31.12.09 £m |
|---|---|---|---|
| Share capital | – | 41.4 | 41.4 |
| Share premium | – | – | – |
| | – | 41.4 | 41.4 |

**Share consolidation**
On 13 May 2010, shareholders approved a consolidation of the Company's shares in issue or held in treasury, whereby shareholders received one new ordinary share of 10p each for every 10 existing ordinary shares of 1p each held at the close of business on 14 May 2010. Trading in the new ordinary shares of 10p commenced on 17 May 2010.

**Deferred shares**
On 30 June 2010, the Company completed the transfer and subsequent cancellation of 487,244,106 deferred shares. These shares, which were created in connection with the Rights Issue in 2009, had very limited rights, were not listed and were not freely transferrable, and were effectively worthless. An amount of £116.9m, equivalent to the nominal value of the cancelled deferred shares, has been transferred to the capital redemption reserve. Costs of £0.1m associated with the transfer to the Company of the deferred shares and their subsequent cancellation have been charged to the retained earnings.

**Share buy back programme**
During the six months ended June 2010, the Group did not repurchase its own shares (2009 – nil). At 30 June, the Company held 2,687,560 treasury shares (2009 – 2,687,561). These shares may either be cancelled or used to satisfy share options at a later date.

b. Dividends
There is no proposal to pay an interim dividend for the six months ended 30 June 2010.

No dividend was paid for the year ended 31 December 2009.

### 9 Notes to the statement of cash flows

a. Reconciliation of cash generated from operations

| | Six months to 30.6.10 £m | Six months to 30.6.09 £m | Year to 31.12.09 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Operating profit | **123.7** | 69.0 | 156.8 |
| Exceptional items | **–** | 18.4 | 18.4 |
| Amortisation of intangible assets | **2.3** | 1.1 | 2.8 |
| Depreciation including non-exceptional impairment of tangible assets | **21.0** | 16.0 | 32.8 |
| Profit on disposal of property, plant and equipment | **(7.9)** | (0.3) | (2.6) |
| Share-based payments charge | **3.4** | 1.0 | 3.8 |
| (Increase)/decrease in inventories | **(30.8)** | 361.1 | 271.8 |
| (Increase)/decrease in trade and other receivables | **(26.5)** | (6.9) | 0.7 |
| Increase/(decrease) in trade and other payables | **35.4** | (146.9) | (93.6) |
| Increase/(decrease) in provisions | **1.1** | (5.3) | (2.6) |
| Movement in post-retirement benefit obligations* | **(16.8)** | (17.2) | (31.9) |
| Movement in vehicles subject to residual value commitments | **0.7** | (9.3) | (6.5) |
| Payment in respect of operating exceptional items | **(1.1)** | (9.0) | (13.7) |
| Other items | **–** | 0.3 | 0.5 |
| **Cash generated from operations** | **104.5** | 272.0 | 336.7 |

* The movement in post-retirement benefit obligations includes additional payments of £17.2m (June 2009 - £16.9m).

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

| | Six months to 30.6.10 £m | Six months to 30.6.09 £m | Year to 31.12.09 £m |
|---|---|---|---|
| **Net increase/(decrease) in cash and cash equivalents** | **48.5** | (47.9) | (41.8) |
| Net cash outflow from borrowings and lease financing | **38.0** | 449.3 | 458.4 |
| Change in net cash and debt resulting from cash flows | **86.5** | 401.4 | 416.6 |
| Effect of foreign exchange rate changes on net cash and debt | **0.1** | (17.8) | (8.9) |
| Net movement in fair value | **(2.5)** | (3.9) | 0.9 |
| **Movement in net cash/(debt)** | **84.1** | 379.7 | 408.6 |
| Opening net cash/(debt) | **0.8** | (407.8) | (407.8) |
| **Closing net cash/(debt)** | **84.9** | (28.1) | 0.8 |

Net cash/(debt) is analysed as follows:

| | Six months to 30.6.10 £m | Six months to 30.6.09 £m | Year to 31.12.09 £m |
|---|---|---|---|
| Cash at bank and in hand | **366.8** | 258.4 | 319.6 |
| Short term bank deposits | **74.1** | 106.6 | 61.7 |
| Bank overdrafts | **(135.2)** | (123.6) | (124.1) |
| **Cash and cash equivalents** | **305.7** | 241.4 | 257.2 |
| Bank loans | **(341.7)** | (338.8) | (335.1) |
| Other loans | **(0.8)** | (1.5) | (1.3) |
| Finance leases | **(3.8)** | (7.1) | (4.7) |
| | **(40.6)** | (106.0) | (83.9) |
| Fair value of cross-currency interest rate swap | **125.5** | 77.9 | 84.7 |
| **Net cash/(debt)** | **84.9** | (28.1) | 0.8 |

Notes (unaudited) continued

### 10 Assets held for sale

| | **Six months to 30.6.10 £m** | Six months to 30.6.09 £m | Year to 31.12.09 £m |
|---|---|---|---|
| Assets held for sale | **–** | 5.4 | 6.6 |

As at 31 December 2009, assets held for sale related to a surplus property that was disposed of in February 2010.

### 11 Related party disclosures

There have been no material changes to the principal subsidiaries and joint ventures as listed in the Annual Report and Accounts for the year ended 31 December 2009.

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

There were no material transactions or balances between the Group and its key management personnel during the six months to 30 June 2010.

# Independent review report to Inchcape plc

**Introduction**
We have been engaged by the Company to review the condensed set of consolidated financial information in the interim report for the six months ended 30 June 2010 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information in the condensed set of consolidated financial information.

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

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

**Our responsibility**
Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial information in the interim report based on our review. This review report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

**Conclusion**
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial information in the interim report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

**PricewaterhouseCoopers LLP**
Chartered Accountants
London
28 July 2010

(a) The maintenance and integrity of the Inchcape website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

# Statement of Directors' responsibilities

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

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

The Directors and positions held during the period were as published in the Annual Report and Accounts 2009.

A Corporate Responsibility committee was appointed on 5 March 2010. Committee members are: David Scotland (Chairman), Michael Wemms, Tony George, Claire Chapman and André Lacroix.

By order of the Board

**André Lacroix**
28 July 2010
Group Chief Executive