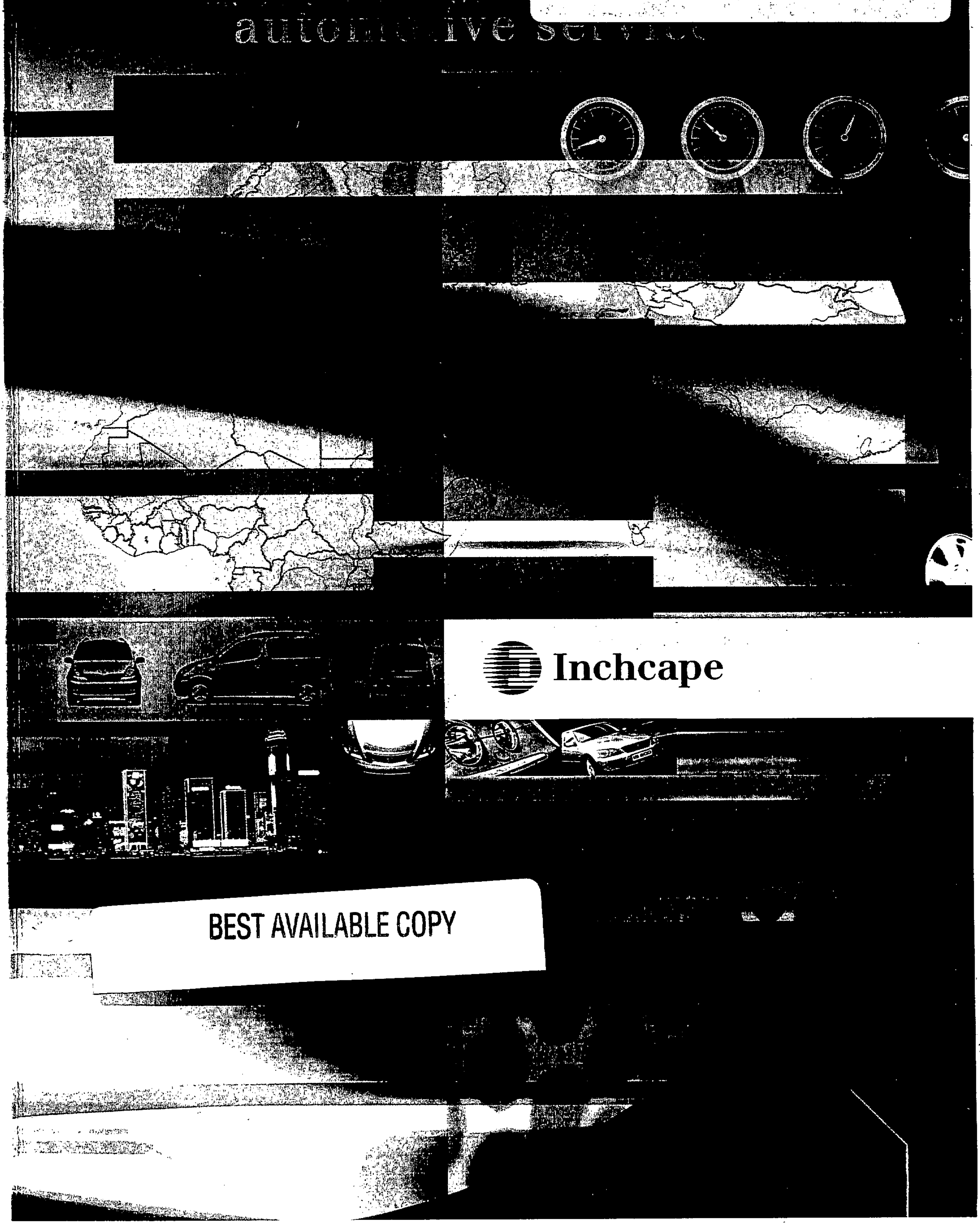
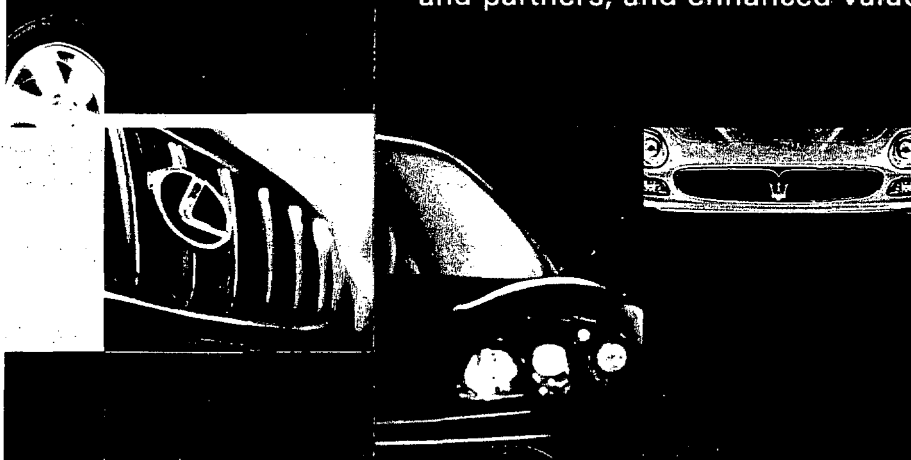
Annual Report & Accounts 2000



Inchcape provides a broad choice of motoring solutions for customers and quality representation for its manufacturer partners. As an international automotive services group, we are focused on offering value, choice, convenience, quality and reliability to our customers; excellence of service to our principals and partners; and enhanced value to our shareholders.



2000 Highlights

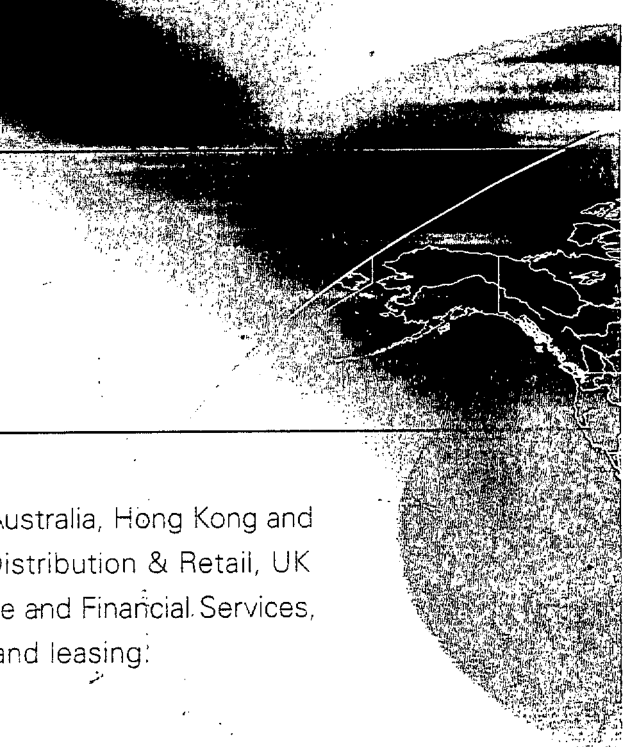
GROUP FINANCIAL HIGHLIGHTS	2000	1999
Turnover (incl associates and joint ventures)	**£3,717.4m**	£4,450.0m
Headline profit before taxation[1]	**£74.1m**	£85.3m
Headline earnings per share[2]	**49.3p**	60.0p
Dividends per share[2]	**22.0p**	21.0p
Special dividend per share[2]	**–**	600.0p

1 Headline profit and earnings per share are defined in note 8 of the Financial Statements.

2 Adjusted for share consolidation.

GROUP OPERATIONAL HIGHLIGHTS
Continuing operating profit increase of 3.9%
Import, Distribution & Retail operating profits increased 18.9% to £86.2m
Asia operating profits increased 65.2% to £65.9m
Acquired 49.0% of Eurofleet in UK – 35.3% operating profit growth in 2000
Autobytel UK has attracted over five million unique visitors since launch
Net debt down from £149.0m to £69.1m

Inchcape World



Inchcape's core markets are UK, Greece, Belgium, Australia, Hong Kong and Singapore. The Group's activities include Import, Distribution & Retail, UK Retail of new and used cars, automotive E-commerce and Financial Services, including consumer and dealer finance, insurance and leasing.

UNITED KINGDOM

We import and distribute *Ferrari/Maserati* in the UK. In addition we have a substantial retail business Maranello Concessionaires in Egham, Surrey. The re-launch of Maserati, one of the world's most exciting high performance marques, presents opportunities for Inchcape. Ferrari SPA, is totally committed to the rebuilding of the Maserati brand recently investing c.£90.0m in new facilities and products.

In our *Retail* business, Inchcape primarily focuses upon specialist brands. We will expand our portfolio with these manufacturers as opportunities arise. The outlook for volume retailing is much less certain and depends upon the outcome of the Block Exemption renewal debate. Future investment may be considered once there is more clarity in this area.

In *Financial Services*, we will continue to grow our joint venture with the Bank of Scotland supporting our retail operations. Our *Leasing* business will exploit opportunities in the growth market of personal leasing. Our *E-commerce* business comprises an investment in US-based Autobytel.com, a 20-year licence to operate Autobytel UK, which we launched in 1999, and a 6.7% equity interest in Autobytel Europe.

Since launch, Autobytel UK has attracted over five million unique visitors. The brand recognition for this new channel continually ranks among the top 20 in the UK. The opportunities for growth from this new channel are considerable, although for new car sales this is dependent upon the exact nature of Block Exemption renewal.

In *Business Services*, we are considering the integration of Seaking, our logistics business, into our recently acquired associate company Eurofleet. Our *Fleet Management* business, the third largest in the UK, will continue to expand.

The breadth of our UK structure enables Inchcape to offer a unique service in the areas of vehicle sourcing, fleet and used car refurbishment and used vehicle re-marketing. As the distribution/retailing landscape changes, we are well placed to support new channel entrants who will need to support their new car customers with a full range of services.

GREECE/BELGIUM

We will further develop the Toyota and Lexus brands in Greece and Belgium through our successful Import and Distribution businesses. Where appropriate, we will invest downstream into retail achieving scale economies in large market areas. Our early investments in the Balkans use our Greek distribution infrastructure and offer considerable opportunities for the future.

AUSTRALIA

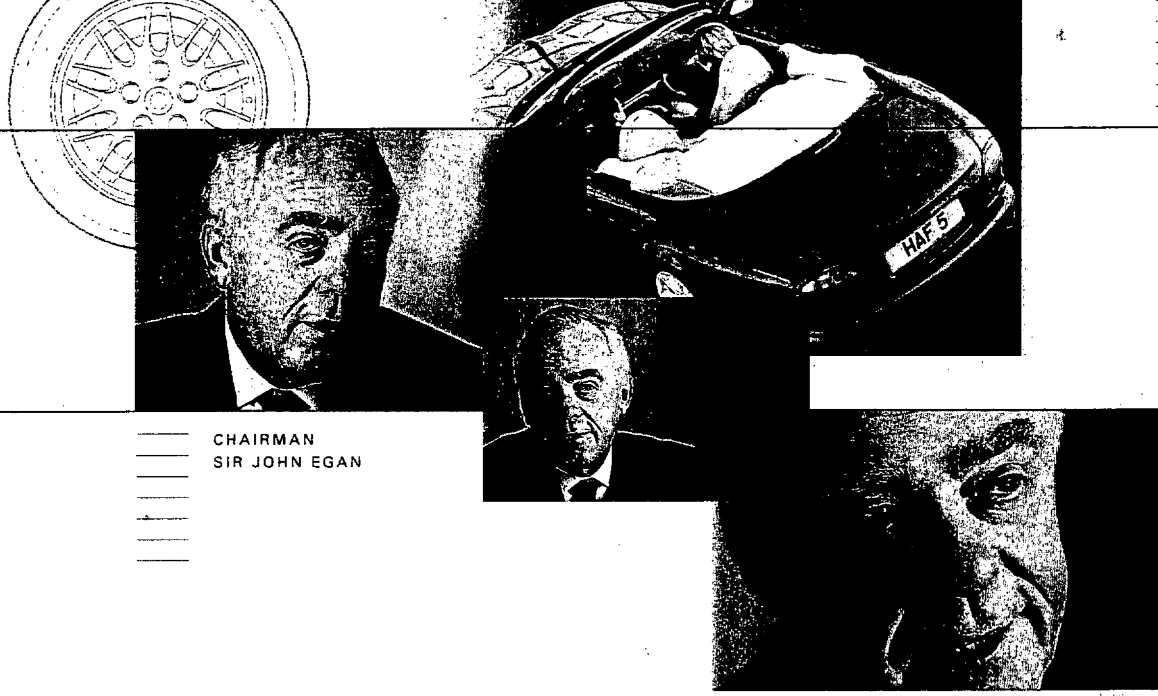
Subaru is the cornerstone of our Australian business and is second only to the USA as an export market for Subaru. We will invest in retail with Subaru during 2002, representing them exclusively in Melbourne which accounts for 22.1% of the Australian car market. It is our intention to challenge conventional retail processes and structures with this investment, the objective being to increase customer satisfaction, while reducing asset intensity and business costs.

Our retail operation in Sydney, which represents 40.0% of the Australian car market, exclusively represents VW and Jaguar. 2001 will be a year of further developments as sites are refurbished. We also import and distribute Peugeot.

ASIA – HONG KONG/SINGAPORE

Inchcape is the market leader in Hong Kong with over 40.0% of the market. We also achieve a market share of 21.5% in Singapore. Inchcape represents Toyota, Lexus, Mazda, Jaguar and Peugeot in Hong Kong and Toyota, Lexus and Suzuki in Singapore. We will continue to grow our sales and after-sales businesses reviewing, with our partners, the opportunities in China as they develop in the future.

In Hong Kong, we will continue to grow our very successful financial services joint venture with the Bank of America.



CHAIRMAN
SIR JOHN EGAN

Chairman's Statement

Inchcape's excellent performance in Asia supported by solid results from our Continental European operations, reduced the impact of the downturn in the UK giving an encouraging overall picture.

INTRODUCTION

Inchcape's results for 2000 provide considerable encouragement for the prospects of the Group. The excellent performance from our operations in Asia with profits up 65.2% to £65.9m, supported by solid results from our Continental European operations, reduced the impact of the widely documented downturn in the UK automotive market.

DISPOSALS

During 2000, we disposed of 16 businesses, generating proceeds of £64.4m. These businesses reported an operating profit of £0.1m in the year. During 2001 we have already announced the disposal of IRB, our Financial Services subsidiary in Brunei, and Mazda France.

We regularly review our portfolio of businesses and will continue to exit those where we cannot add value, or where the business is unlikely to become a scale contributor. The disposal programme to date has transformed the Group's financial position. Further disposals will occur in 2001.

Since the special dividend of £529.3m paid on 9 July 1999, net debt has fallen by over £125.0m to £69.1m as a result of successful disposals allied to strong operational cashflow. The sale of IRB and Mazda France will further reduce debt by some £78.0m moving the Group into a net cash position on a pro forma basis.

RETURN OF CAPITAL

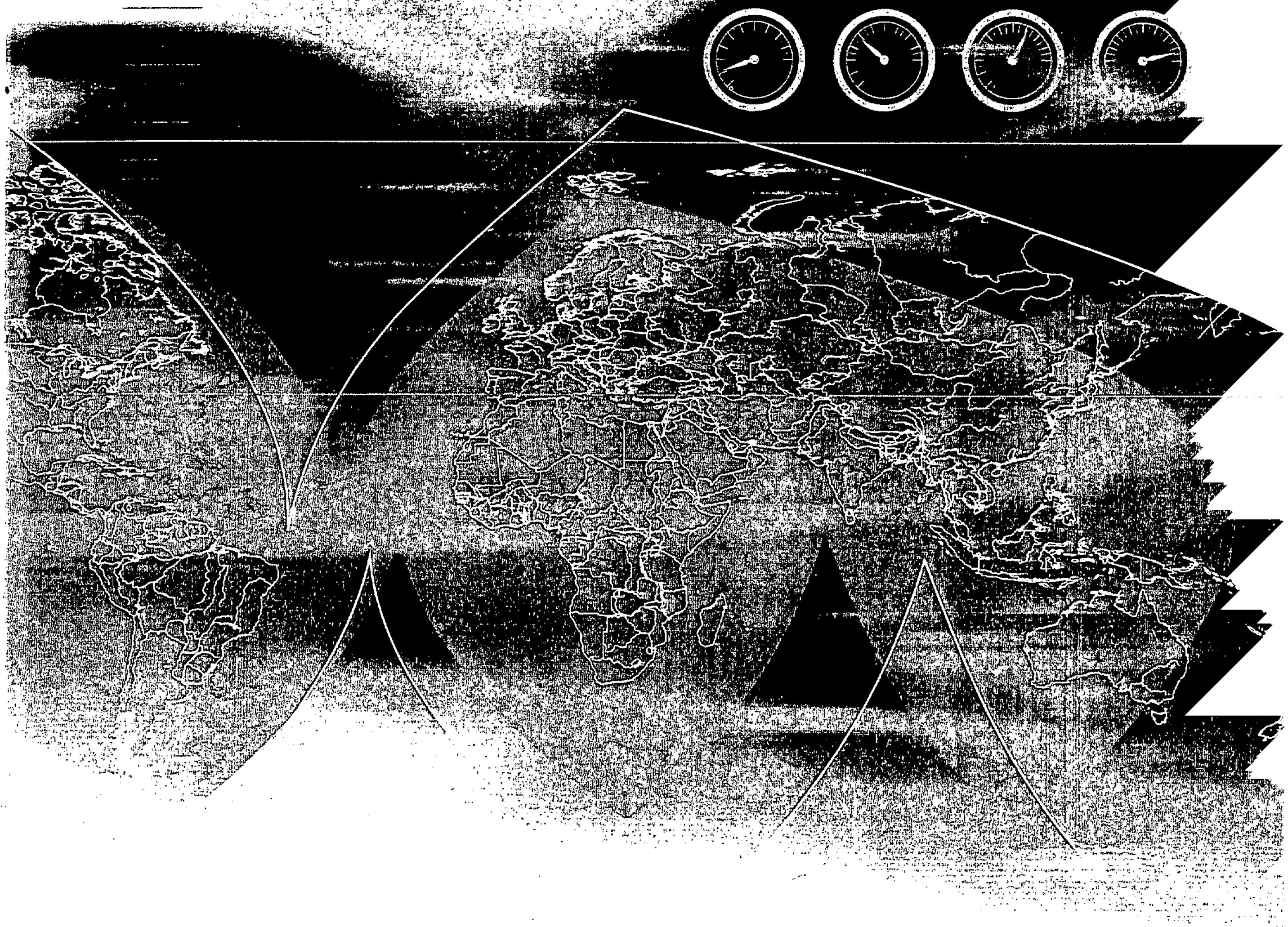
The Board has powers to purchase up to 10.0% of the Company's capital. We intend to extend that authority to 14.99% at the forthcoming AGM. In the light of the financial resources now available to us, we expect to return up to £45.0m (equivalent to approximately 50p per share) to shareholders in coming months as conditions allow.

At this level, the Group will remain well positioned to capitalise on future investment opportunities as they arise, especially in the UK, over the next two years. These investments will continue the transformation of the Group and the Board will ensure that they continue to meet its stringent requirements in relation to return on capital employed. If available funds arising either from operational cashflow or disposals are not applied for investment purposes, the Board will make additional returns of capital to shareholders.

STRATEGY UPDATE

We supply automotive services and currently have profitable scale operations with prospects of growth in six core markets. We also have quality long-term relationships with excellent manufacturers. In concentrating on these, we will continue to significantly improve the quality of earnings of Inchcape.

We will develop our core markets – the UK, Greece, Belgium, Australia, Hong Kong and Singapore by broadening



INCHCAPE BY ACTIVITY

IMPORT, DISTRIBUTION & RETAIL
This segment comprises two types of business:

Pure import and distribution – we are a seamless extension of the manufacturer responsible for brand development, inventory management, advertising and the appointment of a dealer network.

Vertically integrated retail (VIR) – which incorporates all the elements of import and distribution and also involves retailing a significant proportion of the cars imported.

Inchcape is progressively moving from pure import and distribution to VIR with our key partners – Toyota/Lexus, Subaru, Ferrari and Jaguar (Premier Automotive Group).

E-COMMERCE
This segment includes our Autobytel UK operation and our investments in Autobytel.com and Autobytel Europe.

UK RETAIL
This is a substantial business in stand-alone retail comprising 55 dealerships. This business has focused on specialist manufacturers who now account for c.65.0% of our operation. In addition we have, where possible, concentrated the business in geographic clusters like Southampton and Guildford.

FINANCIAL SERVICES
This includes our UK Leasing business which in size is ranked within the top 20 of its sector.

Other businesses in this segment are mainly joint venture companies with quality banking partners that support our Import, Distribution & Retail businesses in our key markets by providing finance to our retail customers and in certain cases providing wholesale finance to our dealer networks.

"The emergence of Inchcape as a pure automotive group has brought with it a stronger focus in the business and greater clarity for shareholders."

our business base, moving closer to the end customer and expanding the retail offering.

Our major manufacturer relationships are with Toyota, Ferrari, Subaru and Jaguar. We are Toyota's largest independent distributor and Ferrari's largest independent distributor and retailer. These relationships, in many different markets and the strength of our performance, have brought a trust and respect that protects and enhances the quality of our business over time and opens up new opportunities for Inchcape.

The special relationship we enjoy with Toyota Motor Corporation (TMC) provided us with an opportunity, using our base in Greece, to expand into the Balkans pushing into retail in many of these markets. We are also in early conversations with TMC on the possibility of future representation opportunities in China, leveraged from our Hong Kong business.

As Ferrari's largest independent distributor and retailer we continue to work with them to increase our business portfolio. We have recently become the major retailer for Ferrari in Belgium and are in negotiations to add the Maserati business.

In Australia we have invested in retail and provide exclusive representation for VW and Jaguar in Sydney. We have launched an exciting new initiative with Subaru to represent them exclusively in Melbourne.

In the UK we had a particularly turbulent time in the last few years driven by the impending renewal of Block Exemption and the structural change in our distribution business. Inchcape predicted several years ago that certain manufacturers would wish to control their own distribution. With this in mind we have successfully exited those distribution businesses which, in part, has resulted in our much-strengthened balance sheet.

Structural change will continue and presents significant opportunities for Inchcape both within and outside the retail arena.

Opportunities in the Business Services sector arise in the provision of vehicle logistics, used car re-marketing and fleet management. We are well placed to take advantage of these opportunities especially with our recent acquisition of 49.0% of Eurofleet, one of the acknowledged UK industry leaders in the area of vehicle refurbishment and logistics. We will be looking to further enhance our business services and logistics capabilities. We will also be seeking to expand our fleet management capability.

Our retail strategy is to develop scale investments with a number of specialist manufacturers. Within the UK market the returns from volume franchises have been far less attractive and there is no evidence today that the consolidation into larger Customer Marketing Areas (CMAs) has brought the predicted improvement in returns. We intend to await the outcome on ultimate Block Exemption renewal before making any further investments in volume franchises.

We are uniquely placed through our international strength, broad business infrastructure and strong manufacturer relationships to exploit opportunities as they arise in the UK market.

FINANCIAL PERFORMANCE

Continuing operating profit, after a £7.0m residual value provision in our UK Leasing business and a £3.0m one-off Central cost, rose by 3.9% to £83.5m. Total operating profit was £90.1m compared to £101.0m for 1999 due to the impact of discontinued businesses.

Headline profit before tax was £74.1m compared to £85.3m in 1999. Headline earnings per share fell to 49.3p from 60.0p.

The £0.7m net exceptional loss arises from businesses and properties sold.

DIVIDEND

The Board recommends that a final ordinary dividend of 14.7p (1999 – 14.0p) should be paid, giving a total dividend for the year of 22.0p (1999 – 21.0p). The dividend is 2.3 times covered by Headline earnings per share.

INCHCAPE MANAGEMENT AND EMPLOYEES

I would like to compliment the management team on its effectiveness in repositioning the Group for the future. They have been particularly successful in driving the disposal programme, reducing working capital and strengthening our balance sheet.

On behalf of the Board I thank employees of Inchcape for all their hard work and for their support during the year. Our team continues to embrace the changes that we are pushing through the Group and I am confident that together we can make a difference to Inchcape.

Chairman's Statement

continued

BOARD CHANGES

Lord Marshall resigned from the Inchcape Board on 15 June 2000. He joined the Board in November 1995 and was appointed non-executive Chairman in January 1996. I express on behalf of the Board thanks to Lord Marshall for leading the Group through its recent restructuring from a diverse distribution company into a pure automotive group.

Trevor Taylor resigned from his position as Executive Deputy Chairman and an Executive Director of the Inchcape Group on 31 January 2001. However, we are delighted that he will remain on the Inchcape Board as non-executive Director and non-executive Deputy Chairman.

Liam Strong retired from his position of non-executive Director of the Inchcape board on 14 July 2000. As a non-executive Director for over seven years Liam made a significant contribution to Inchcape.

CURRENT TRADING AND PROSPECTS

We have seen evidence of improved retail trading conditions in the UK in the first two months of 2001 and expect this to continue. Our UK results will benefit significantly from this, from the non-recurrence of such leasing residual value provisions and from the reduced costs of Autobytel UK. We will also achieve financial synergies in Business Services through the combination of Eurofleet and Seaking.

Asia will continue to perform well and our business in Australia will grow as our retail investments begin to show returns.

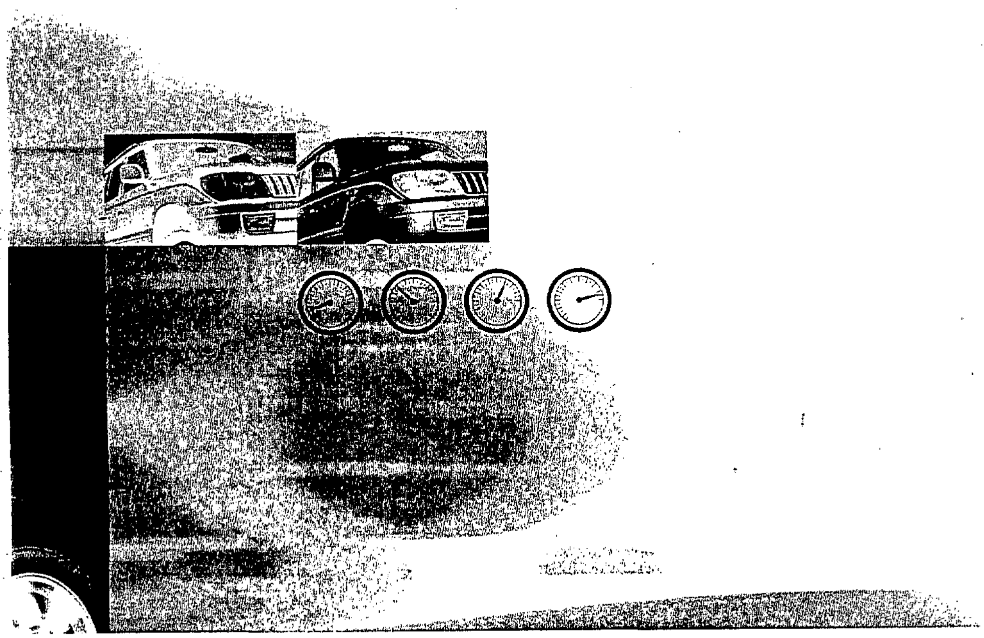
We will continue to broaden our business base and drive shareholder value by investing in areas that complement our existing business infrastructures in our core markets. We will continue to exit markets where we cannot add value as an independent distributor or achieve scale returns.

The Board will ensure that in supporting the planned strategic initiatives, we adopt a shareholder value driven approach balancing short term cash considerations with long-term investment opportunities.

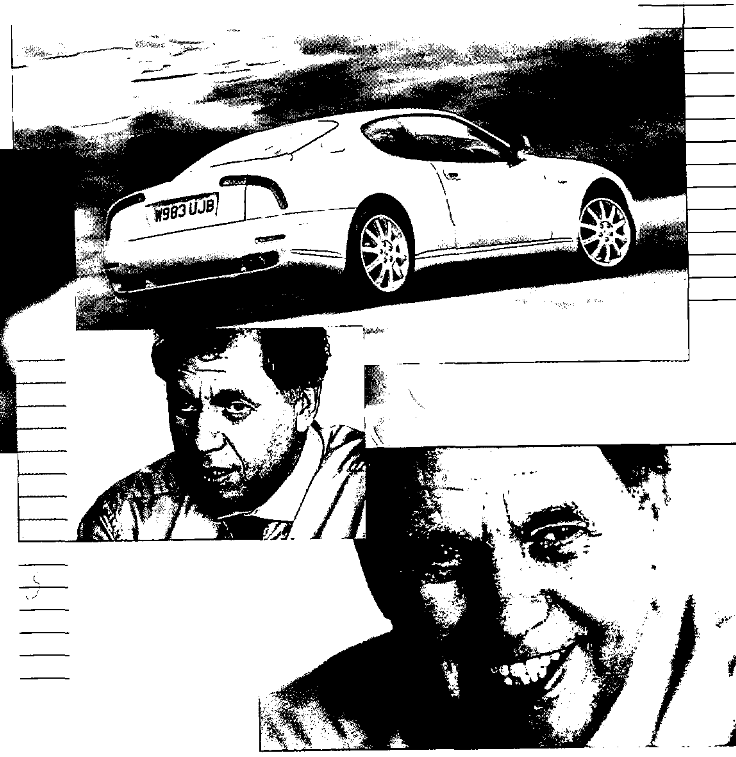
John Egan

SIR JOHN EGAN

5 MARCH 2001



GROUP CHIEF EXECUTIVE
PETER JOHNSON



Chief Executive's Review

Significant changes in the dynamics of the automotive sector have taken place over the past two years bringing both challenges and opportunities to Inchcape.

STRATEGY UPDATE

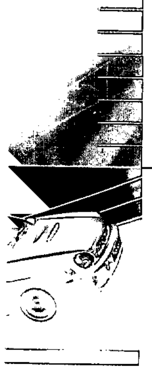
Significant changes in the dynamics of the global automotive sector have taken place over the past two years, and Inchcape's strategy has been formulated to ensure that the Group is well positioned to exploit the opportunities that such change presents.

The desire by automotive manufacturers to seek alliances through acquisition or collaboration accelerated during 2000, and the pressures to take cost out of the supply chain intensified. This presented a challenge to the traditional model of pure import and distribution in major markets, particularly Europe, as manufacturers looked to consolidate this function across brands and national borders. Recognising this, Inchcape successfully exited its major import and distribution businesses, Daihatsu (UK) and Toyota (GB), during the course of 2000. In our other key markets where we have pure import and distribution businesses we are pursuing our strategy of moving further into retail, where we can achieve a major market position. This combination of retail and distribution increases our margin and makes us more responsive to our customers' requirements. In addition we are exploring differing retail structures. In Melbourne, for example, our Subaru retail investment will require a significantly lower asset base and cost structure than the existing retail infrastructure in that market.

We identified the need to concentrate our resources in key markets with fewer, stronger manufacturer partners. This has led to the disposal of many of our non-strategically aligned businesses throughout the world. During 2000 the disposal programme included our agricultural businesses in South America, Mazda in Oman and our joint venture with Peugeot in Japan. In 2001 we have announced the sale of IRB, our Financial Services subsidiary in Brunei, and Mazda France. We have exited 25 businesses since June 1999 and will continue this programme seeking to balance timing of exit with the ultimate value achieved. Through these disposals we have improved the quality of earnings whilst significantly strengthening our balance sheet.

An immediate issue facing our European businesses is the European Commission's decision on the renewal of Block Exemption. Block Exemption is the legal framework that enables automotive manufacturers to operate a selective and exclusive franchise system within the European Union, based on the principles of selected partners with exclusive territories. At this stage, while it is not possible to forecast the outcome of the Commission's deliberations, most industry observers believe it is unlikely to be renewed in its current form. We are confident that we are in a position to take advantage of any possible opportunities that may occur. Our recent investment in Eurofleet is an example of us positioning ourselves to do so.

Eurofleet is one of the UK's leading vehicle refurbishment and logistics providers and it significantly enhances our presence in this fast growing sector whilst complementing many of our existing UK businesses such as Autobytel UK.



Chief Executive's Review

continued

Importantly, when aligned with Inchcape's UK business activities, it means we are well placed to react to opportunities in the retailing of new and used vehicles direct to the public. We not only have the infrastructure in place to meet traditional sales channels, but can provide services in the areas of procurement, re-marketing and after-sales using new channels or partnering with new entrants, following the anticipated changes in Block Exemption.

OPERATIONAL REVIEW

CONTINUING BUSINESSES

Continuing operating profit before exceptionals increased by 3.9% to £83.5m. Of this increase, £1.2m relates to the exchange benefit of using 2000 average rates compared to 1999 rates. Continuing operating profit by market is analysed below.

UNITED KINGDOM

Operating Profit £0.7m 2000, £25.0m 1999.

The market uncertainty that arose from the Competition Commission enquiry into new car pricing particularly impacted the second half of the year, affecting the majority of our businesses.

£10.5m of the £24.3m UK shortfall related to our Leasing business (categorised in Financial Services). Leasing was impacted by the substantial fall in used car residual values, down approximately 10.0% during the year. As a result, provisions of £7.0m were made to cover future losses anticipated on residual value buy back guarantees.

£6.5m of the shortfall was due to Autobytel UK our E-commerce business. Our investment in Autobytel UK reached its peak in 2000 – its first full year of operation. The year-on-year comparison was impacted by the release in 1999 of a £3.0m provision previously held against the Group's investment in Autobytel.com. To date, we have invested £12.3m in Autobytel UK. Brand recognition remains exceptionally strong with over five million unique visitors since launch and a 70,000 strong customer database. We believe strongly that e-commerce can play a significant part in the automotive services sector in the long-term, and remain committed to fully exploiting this new channel to market. Levels of expenditure required to develop the Autobytel product and brand will reduce significantly going forward.

Profits from our associate, the MCL Group (the Mazda and Kia distributor), fell by £1.7m, with Mazda volumes down 14.1%. Seaking, our logistics business, lost £4.0m in the year. This business is now in the process of being integrated into Eurofleet. It will benefit from their systems and processes and will result in significant cost reductions.

Our UK Retail profits declined by £0.3m to £8.8m, after a £0.7m cost associated with the restructuring of our Rover dealerships. Underlying Retail profits, therefore, grew year-on-year in spite of significant consumer uncertainty in the UK market. The financial services profits (included in Financial Services results) generated from our UK Retail operations increased to £1.0m. We remain confident that with the forecast market improvement our UK Retail business will produce our targeted returns.

Our Ferrari business continues to perform well, again increasing its profits. However losses were incurred in the re-launch of the Maserati brand, one of the world's most exciting high performance marques.

GREECE/BELGIUM

Operating Profit £17.7m 2000, £16.7m 1999

Within these markets profits rose by 6.0% to £17.7m.

In Greece profits increased due to the improved performance in our financial services business. However, Toyota suffered margin pressure arising from the weak Euro and volumes remained static partly due to the limited product availability. French production of the Yaris in late 2001 will reduce these supply constraints.

We are currently investing in a number of markets in the Balkans. By utilising our Greek distribution infrastructure, we have reduced both initial investment levels and risk. In the medium term there is significant growth potential in these markets.

Profitability in Toyota Belgium increased despite both volume and market share performance being affected by the lack of competitive diesel products in a market dominated by diesel derivatives.

AUSTRALASIA

Operating Profit £9.4m 2000, £11.4m 1999

Subaru remains the cornerstone of our Australasian operations and again performed exceptionally well. It increased both market share and sales volumes in a declining market.

"We are determined to remain at the forefront of the important developments in the automotive industry."

Outside of Japan and the USA our Australia Subaru market share of 3.5% is the highest in the world. However, with the Australian dollar falling to its lowest level for 10 years against the Yen, margins came under pressure.

Profits for Jaguar were static at £1.5m. As envisaged the Jaguar distribution business will revert back to the manufacturer during 2001, but our Jaguar retail operations in Sydney have been granted exclusive rights of representation. We also have exclusive VW representation in Sydney.

In addition in 2001, we are investing in Melbourne where, from 2002 onwards, we will be the exclusive Subaru retailer. Melbourne represents 22.1% of the Australian market. Our Peugeot business reduced losses during the year to less than £1.0m, and profits are expected in 2001.

HONG KONG

Operating Profit £40.7m 2000, £24.0m 1999
In Hong Kong we achieved excellent profit growth driven primarily by an outstanding Toyota performance but with all franchises showing marked improvements. Market growth was a key factor and margins also held across the franchises. The cost of providing extended warranties was lower than expected and this will continue to favourably impact profits in 2001. Strong after-sales performance and a buoyant second half taxi market were also significant contributors. The taxi market, where Toyota achieves over 80.0% share, has been positively influenced by the change from diesel to Liquid Propane Gas (LPG). The Financial Services profits were also higher at £6.7m (1999 – £6.1m).

SINGAPORE/BRUNEI

Operating Profit £25.2m 2000; £15.9m 1999
In Singapore the additional release of Certificates of Entitlement (COEs) resulted in a market growth of 60.0%. Toyota volumes increased by 48.1% and profits grew by 48.5% despite a fall in new car margins due to high COEs prices. The market in 2001, whilst remaining strong, is likely to be lower than in 2000. However, the launch of the new Corolla in late 2000 will continue to help sustain profitability and volumes in 2001.

In Brunei, Toyota retained market leadership with 23.9% share in a static market. Profits in IRB rose due to lower bad debt provisions.

OTHER

Continuing Operating Profit £6.1m 2000, £5.2m 1999
Despite a 17.3% improvement in profits this category includes some businesses where subsequent disposals are likely.

CENTRAL COSTS

£(16.3)m 2000, £(17.8)m 1999
Central Costs for 2000 included a one-off charge of £3.0m relating to the research and development of new products and alternate channels to market. 1999 included £3.5m one-off costs arising from the non-Motors divestment programme.

We have ensured that costs incurred in managing the Group do add value and we will keep the organisation as lean as possible. As our business becomes more focused we will continue to take out cost.

It is also worth noting that the disposal programme which put our Company in such a strong financial position has been driven by Head Office staff.

DISCONTINUED BUSINESSES

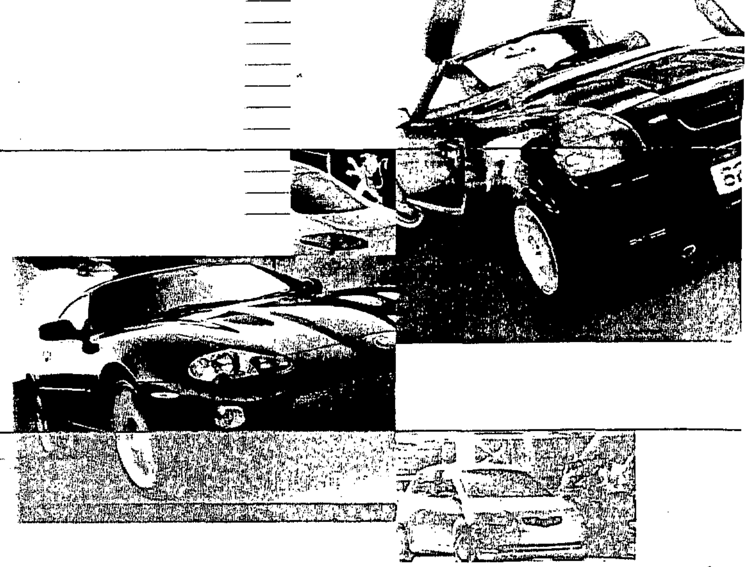
Profits of £6.6m related to businesses that were sold, closed or transferred prior to 5 March 2001. As the disposal of IRB is not expected to complete until late March 2001, it is treated as a continuing business. The most significant contribution came from our VW Distribution business in Australia, which was transferred back to the manufacturer. Profits relating to businesses sold or closed amounted to £0.1m. The consequential proceeds in 2000 were £64.4m whilst in 2001 debt will be reduced by c.£78.0m following the sale of IRB and Mazda France.

LOOKING AHEAD

Inchcape has made considerable progress in the last 18 months. We have successfully disposed of many of our non-core businesses and are now focusing on six markets, with excellent manufacturer relationships, a strong balance sheet and an outstanding opportunity to deliver our strategy.

Peter Johnson

PETER JOHNSON
5 MARCH 2001



Financial Review

The trading results of the businesses are explained in the Chairman's Statement and the Chief Executive's Review. This review gives further information on accounting and financial matters.

No new Financial Reporting Standards (FRS) were adopted in the year. As noted in the 1999 Annual Report & Accounts, the Group has already adopted FRS15 'Tangible Fixed Assets' and FRS16 'Current Tax'. FRS17 'Retirement Benefits', FRS18 'Accounting Policies' and FRS19 'Deferred Tax', will be adopted within the time scales advised in those pronouncements. In relation to FRS18 the Group's policy is already consistent with this new standard.

SEGMENTAL REPORTING

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

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

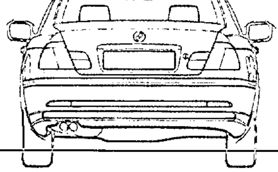
The new activity analysis splits out our E-commerce and pure UK Retail businesses. The separation of our E-commerce activity ensures that our investment and performance in this area is explicitly disclosed. This was previously included as part of the old Import and Distribution activity, now renamed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

DISPOSALS AND DISCONTINUED ACTIVITIES

As noted in the Chief Executive's Review, the Group has continued to concentrate its resources in core markets with fewer, stronger manufacturer partners. Accordingly, the Group has sold, closed or transferred 18 businesses this year. The operating profit associated with businesses sold or closed in the year was £0.1m, with the proceeds being £64.4m. For businesses transferred the operating profit was £6.8m. The transactions which had the most significant impact on the results this year were: the sale of the 49.0% equity interest in Toyota (GB) to Toyota Motor Corporation; the sale of the Group's 60.0% equity interest in its operations in China to one of the minority shareholders; and the transfer of the Volkswagen Passenger Import and Distribution business in Australia back to the manufacturer, as agreed. Discontinued activities in 2000 mainly consisted of these businesses, along with Mazda France referred to below in "Post Balance Sheet Events".

POST BALANCE SHEET EVENTS

Note 28 explains the disposals agreed since 31 December 2000. Mazda France, an Import and Distribution business, lost £0.3m



in the year and is treated as discontinued. IRB, a Financial Services subsidiary which made £3.3m in the year, is treated as continuing as completion of the transaction is not expected until late March 2001.

ACQUISITIONS

In late December 2000, the Group acquired a 49.0% equity interest in Eurofleet Limited for £12.3m (excluding professional fees). The results of the Group for the year ended 31 December 2000 are not impacted by this acquisition. As a result of this transaction, loan notes were issued that have been included within debt and goodwill of £17.9m has been included within associate investments. The goodwill is to be amortised over its estimated useful life, which is considered to be 20 years. Our share of net liabilities acquired was £4.9m.

OPERATING PROFIT

2000 operating profit was £90.1m of which £6.6m related to discontinued businesses. Continuing operating profit of £83.5m was £3.1m higher than 1999. Included in the operating profit results of 2000 is a one-off charge of £3.0m within Central costs relating to the research and development of new products and channels to market. In addition the Group's UK Leasing business, whose results are included within the activity of Financial Services in note 1b(ii), made provisions of £7.0m to cover future losses anticipated on residual value buy back guarantees.

EXCEPTIONAL ITEMS

The exceptional items, a net loss of £0.7m, are set out in note 4. The material transactions are as follows:

- £14.0m gain on the disposal of the Group's 49.0% equity stake in Toyota (GB);
- £6.2m loss on the disposal of the Group's 60.0% equity stake in its operations within China, including £0.9m of goodwill previously written off to reserves;
- the Group has sold or closed its Timberland businesses and the loss associated with these transactions was fully provided for in 1998.

In addition, but included within tax, is a £5.0m exceptional deferred tax benefit arising in respect of prior year disposals, as set out in note 6.

CASH FLOW

Net debt at 31 December 2000 was £69.1m compared to £149.0m at 31 December 1999. Net debt at the year end benefits by £20.6m as a result of substituting debt financing for working capital in Greece, with economically priced supplier related credit (shown in creditors). This was put in place in late December 2000. This policy will continue in 2001.

The disposal of Toyota (GB) on 31 July 2000 generated cash of £42.1m. Spending on acquisitions totalled £22.1m mainly relating to the investment in Eurofleet and the purchase of shares in Autobytel Europe. Total net funds from acquisitions and disposals was £48.2m.

Working capital absorbed £2.0m in the year, with £44.7m being generated in the first half of the year and £46.7m being absorbed in the second half of the year. Activity levels in the final quarter of the year were the cause of this significant change.

Capital expenditure less disposal proceeds was £21.1m, which was £3.7m less than the depreciation charge.

INTEREST

Net interest charge for the year ended 31 December 2000 was £16.0m (1999 – £15.7m). The net interest charge in 1999 benefited from holding the proceeds from the non-Motors disposal program prior to the payment of the £529.3m special dividend on 9 July 1999.

Of the net interest charge, £4.8m relates to the share of associates and joint ventures, which is non debt related for the purposes of the Group's balance sheet. As noted in the above section 'Cash Flow', part of the Group's debt, previously used to fund working capital is being replaced by supplier related credit. This will impact the 2001 profit and loss account as the cost of this financing (some £2.0-3.0m p.a.) transfers from interest to operating profit, as interest on supplier related credit is included in cost of sales. There is no material effect on profit before tax.

The net interest charge for the six months ended 30 June 2000 was £10.4m, including £3.7m relating to associates and joint ventures. The second half net interest charge was £5.6m, of which £1.1m related to associates and joint ventures. The decrease was attributable to the sale of Toyota (GB) on 31 July 2000, this business being treated as an associate, plus the benefit of the proceeds from this and all other disposals held within the business.

Financial Review

continued

TAXATION

The Headline tax rate was 31.0% (1999 – 31.0%). The rate was impacted from a change in geographical mix of profits, with a higher percentage being earned in Hong Kong, a low tax jurisdiction, being more than offset by unrelieved losses in the UK. This adverse impact was offset by one-off benefits including those arising from the utilisation of losses in markets such as Australia. In 2001 the geographical mix in profits is likely to be more favourable than this year, however this year's one-offs are not expected to be repeated.

MINORITY INTEREST

The two main constituents are Inchcape Motors Limited in Singapore and Subaru (Australia) Pty Limited in Australia. The charge for 2000 of £7.6m is £2.2m higher than 1999 as the increased profits from Singapore outweighed the lower profits from Subaru Australia. Also 1999 contained a loss of £0.6m in relation to discontinued non-Motors businesses.

TREASURY POLICIES AND ACTIVITIES

The centralised Treasury function is responsible for managing the key financial risks of the Group; funding, foreign exchange and interest rate risks. This function operates under Board approved objectives and policies that expressly forbid speculative transactions and is subject to regular internal audit.

Group policy restricts the use of derivative instruments to forward foreign exchange contracts, foreign currency and interest rate swaps, forward rate agreements, currency options and caps. Where possible the Group will match foreign exchange transaction exposures before entering into currency instruments, usually forward contracts, to hedge the net exposure. Foreign currency swaps are used to hedge cross border Group loans. Interest rate fluctuations are managed by the use of swaps, forward rate agreements or caps.

BORROWING FACILITIES

The Group's principal committed borrowing facilities are a £250.0m standby revolving credit facility, a £30.0m term loan and a US private placement for US$72.0m. Loan notes for £12.3m, due 31 October 2005, were issued on 19 December 2000 following the acquisition of a 49.0% interest in the share capital of Eurofleet Limited.

The standby revolving credit facility has a maturity date of March 2003. The facility was not utilised during the year ended 31 December 2000.

Maturing loan notes totalling US$100.0m were part refinanced in May 2000 with a £30.0m term loan, provided by a relationship bank. These loan notes represented the first tranche of a US private placement totalling US$172.0m put in place in 1995. It was deemed appropriate to refinance the loan notes for a lower amount given the ongoing disposal program and the lower forecast borrowing requirement for the Group. The term loan, which has been fully utilised since inception, matures in September 2002. The second tranche of the US private placement comprises loan notes for US$72.0m with a coupon of 7.09% and a maturity date of May 2002. These loan notes were swapped to sterling in 1998.

In addition to the committed facilities the Group has available significant uncommitted borrowing lines made available by relationship banks. These facilities are used for liquidity management purposes.

CASH AND DEBT

£M	DEBT	CASH	NET
Greek Drachma	(77.3)	8.3	(69.0)
Hong Kong Dollar	–	31.2	31.2
Singapore Dollar	(55.0)	42.8	(12.2)
US Dollar (Latin America)	(2.5)	7.3	4.8
Other	(10.9)	15.2	4.3
Total other than Sterling	**(145.7)**	**104.8**	**(40.9)**
Sterling	(46.3)	61.6	15.3
Swapped US Loan Notes	(43.5)	–	(43.5)
Total Sterling	**(89.8)**	**61.6**	**(28.2)**
Total	**(235.5)**	**166.4**	**(69.1)**

The Group has significant borrowings in Sterling, Greek Drachma and Singapore Dollars.

Sterling debt includes the swapped US loan notes totalling £43.5m, the term loan for £30.0m and loan notes for £12.3m.

Borrowings in Greek Drachma include trade finance of £41.1m and money market borrowings of £36.2m. Agreement was reached before the year end to replace the trade finance facility with supplier related credit. As a result the trade finance funding at the year end will mature by the end of the first quarter 2001. Following Greek entry into the Euro a pan-European cash management structure is under consideration which would enable the pay down of Greek debt with surplus Euros held elsewhere in the Group.

IRB, our Financial Services subsidiary, is financed by customer deposits of £54.1m and loans from Group companies of £21.4m. Cash totalling £23.2m is held for regulatory and liquidity purposes.

On 5 March 2001 Inchcape Motors Limited, the Group's Singapore quoted company, entered into an agreement to sell its 70.0% interest in IRB for c.£15.5m. This transaction is not expected to complete until late March 2001. Following disposal, Group net debt will be reduced by c.£67.8m.

Cash is held locally in Hong Kong ahead of remittance to the UK, whilst deposits are held in Singapore to support purchases of Certificates of Entitlement required for new car sales.

EFFECTIVE INTEREST RATES

The objective of the Group's interest rate policy is the minimisation of net interest expense and the protection of the Group from material adverse movements in interest rates. Following review, the policy of adjusting from time to time, the balance of fixed and floating debt has been continued. In light of reductions in Group debt, and a benign interest rate outlook, the Group's principal gross borrowings were at floating rates at the year end.

BALANCE SHEET TRANSLATION

Translation exposures are managed, where possible, by financing working capital requirements in local currency and maximising the remittances of overseas earnings into sterling. In early December 2000 the Group's exposure to the Euro was significantly reduced by the permanent remittance of Euros 177.8m (c.£105.0m) into sterling. Largely as result of this remittance the 59.5% of Group assets denominated in the Euro at 31 December 1999 has been reduced to 9.1% at 31 December 2000.

The percentages of net assets by currency at 31 December 2000 for the Group are set out below:

NET ASSETS BY CURRENCY	%
Sterling	12.5
Euro	9.1
Greek Drachma	3.5
US Dollar	6.9
Hong Kong Dollar	25.3
Singapore Dollar	27.4
Other	15.3
Total	**100.0**

FOREIGN CURRENCY TRANSACTION EXPOSURE

In many of our businesses the Group has negotiated local currency billing arrangements with our principals. For businesses which continue to be billed in foreign currency Group policy requires that committed transaction exposures are hedged into their reporting currency. Where possible the Group will match foreign exchange exposures internally before entering into currency instruments, usually forward contracts to hedge the Group's net exposure.

Uncommitted transaction exposures are monitored and cover put in place where appropriate. In addition to existing and future anticipated exchange rates, the level of cover is evaluated by reference to the manufacturer's pricing strategy and the competitive position of the product in the market.

FOREIGN CURRENCY EARNINGS EXPOSURE

Had the average sterling rates in 1999 continued into 2000 the Group's 2000 operating profit for the continuing businesses would have been £1.2m lower. Headline profit before tax would have been £1.8m lower.

Inchcape in the Community

Inchcape is an international company operating across many boundaries and cultures. We believe in supporting the communities from which we earn our living and have established a cause related marketing strategy to support our business objective of combining global initiatives with local implementation.

Between 1996 and 2000, we invested £1.25m into the Inchcape Initiative, a project between Inchcape and youth development charity Raleigh International. Our support enabled Raleigh International to take young people from around the world on challenging expeditions to undertake important projects in rural communities. For Inchcape, the programme helped to strengthen our links with many of the local markets in which we operate. A number of our staff took part in the expeditions which supported their personal development.

Successful expeditions took place to Chile in 1996, Malaysia in 1997 and China in 1998 – the first such event ever to take place in China. Another first was the Inchcape Initiative to Oman in 1999, Raleigh's first operation in Arabia. The fifth and final Inchcape Initiative took place between September and November 2000 in Brunei. Venturers from all around the world, including three Inchcape employees, spent 10 weeks working on six core projects in the Belait, Temburong and Tutong districts of Brunei with a focus on community-based and environmental projects. Our Toyota business in Brunei, NBT Brunei, played an active part in the expedition supporting the venturers during their stay.

Around the world, Inchcape companies are active in supporting their local communities. This is visible in Hong Kong where the Inchcape scholarship programme at the University of Hong Kong promotes mutual understanding through a series of international student exchanges. Crown Motors, our Toyota distributor and retailer in Hong Kong, sponsors the Transport Department initiative to improve the quality of taxis in Hong Kong both for passengers and for the environment. They also contribute to the Community Chest of Hong Kong, which focuses on helping people in need.

Inchcape Motors Australia contributes to a number of worthy causes. These include the Starlight Children's Foundation – an organisation which grants wishes for seriously ill children between the ages of four and eighteen – and Mission Australia which empowers the young, those with special needs and the elderly to take control of their lives through employment and community services.

As part of an arts programme, our Toyota operation in Greece supported a series of events to contribute to the community's cultural enhancement. This Inchcape company also seeks and promotes young, talented rally drivers by co-supporting the 'Be a Champion' programme which places the winner in the annual Greek Rally Championship.

In the UK, Inchcape and its subsidiaries have given money during the year for charitable purposes amounting to £0.1m (1999 – £0.3m). Total charitable donations made by the Group worldwide during the year were £0.2m (1999 – £0.4m).

Environment, Health and Safety

Inchcape is committed to pursuing sound environment, health and safety management policies and practices across our business.

We recognise that, by providing customers with access to leading products and services, we can support the achievement of environment, health and safety standards in both developed and emerging markets.

It is the policy of Inchcape that we will:

- consider environment, health and safety issues within existing and future business activities through implementation of appropriate policies and procedures;
- monitor and manage the environment, health and safety impacts, risks and opportunities for our businesses for the benefit of employees, customers, principals and local communities in which we operate;
- promote awareness of the Environment, Health and Safety Policy amongst employees, customers and principals;
- regularly review implementation of the Environment, Health and Safety Policy across our businesses to assess performance and set practical targets for improvement; and
- report as appropriate on the status of the environment, health and safety performance within the businesses.

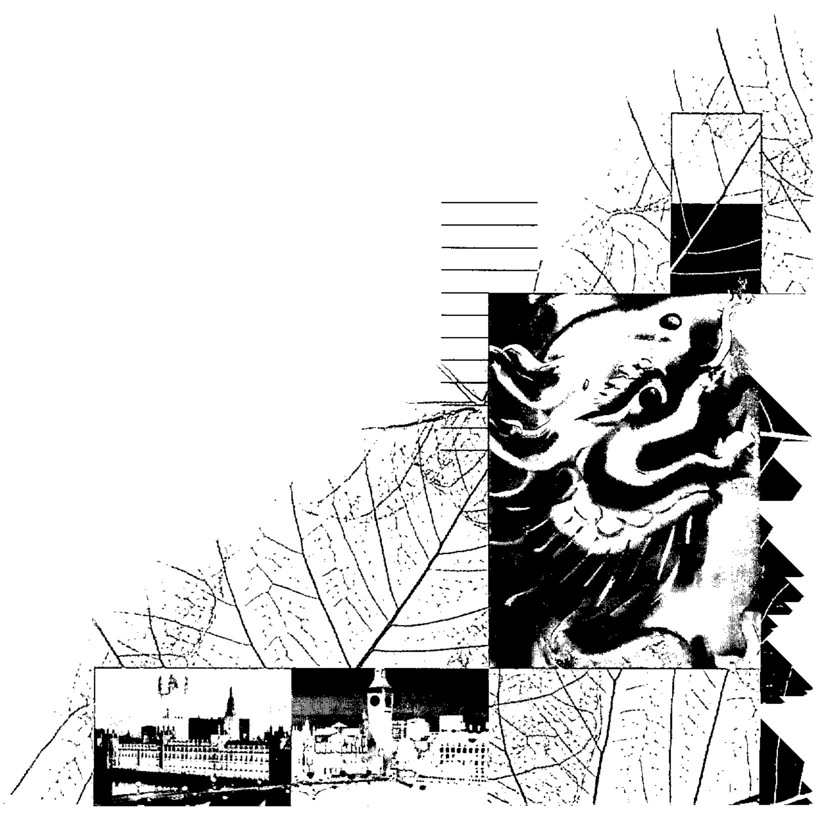
Implementation of the Policy is the responsibility of management within each Group business, supported and monitored by the Group Board.

Common standards are applied on a wide range of environment, health and safety matters. Whilst compliance with local statutory requirements is a minimum standard, in some countries where we operate, local standards are below international good practice. In these countries it is our policy to follow good UK practice.

A cornerstone of our approach are the Environment, Health and Safety Focus Groups at business unit level. These Groups are responsible for improving environment, health and safety performance through the monitoring and development of local standards and staff training.

Our businesses carry out detailed half-yearly inspections. Copies of these inspection reports and related action plans are forwarded to the Group Risk Manager who reports significant issues to the Group's Risk Committee.

During the year the Group Risk Manager visited 60 sites in 10 countries in which Inchcape operates, attending a number of Focus Group meetings and performing site inspections. His visits in 2001 will be supplemented by site reviews undertaken by Internal Audit.



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Board of Directors

1 SIR JOHN EGAN *(A)(B)(C)** *Chairman*

Age 61. Appointed non-executive Chairman on 15 June 2000. Sir John is Chairman of Harrison Lovegrove Company Limited, President of the Institute of Management and Chairman of NewDERA. He is also Deputy Chairman of London First Council Limited, Vice President of The Marketing Council Limited and a member of the Council of the Institute of Directors. He was Chairman of MEPC from 1 August 1998 to 3 August 2000. He was previously Chief Executive of BAA from 1990 to 1999 and was Chairman and Chief Executive of Jaguar plc prior to joining BAA.

2 PETER JOHNSON *(C)* *Group Chief Executive*

Age 53. Joined the Group in 1995 as Chief Executive of Inchcape Motors Retail and became Chief Executive of Inchcape Motors International in 1996. He joined the Inchcape Board in January 1998 before becoming Group Chief Executive on 1 July 1999. He is also a Director of Autobytel Europe. He was previously Sales and Marketing Director of the Rover Group and Chief Executive of the Marshall Group.

3 ALAN FERGUSON *Group Finance Director*

Age 43. Joined Inchcape plc in 1983 having qualified as a Chartered Accountant with KPMG in 1982. He occupied several positions with various Group businesses before being appointed Finance Director of Inchcape Motors International in 1995. He was appointed to the Board as an executive Director on 1 January 1999 and became Group Finance Director on 9 March 1999.

4 TREVOR TAYLOR *Non-executive Deputy Chairman and non-executive Director (with effect from 1 February 2001)*

Age 63. Joined the Group in 1987 as Deputy Managing Director of Toyota (GB), becoming Chief Executive in April 1993 and Chief Executive of Inchcape Toyota Division in 1995. He joined the Inchcape Board in January 1998 and resigned his executive role with Toyota (GB) to become a non-executive Director. He was appointed executive Deputy Chairman on 1 July 1999 and became a non-executive Director and non-executive Deputy Chairman on 1 February 2001, having relinquished his executive responsibilities. He was previously with Ford Motor Company and the Rover Group.

5 HUGH NORTON *(A)(B)(C)** *Non-executive Director*

Age 64. Joined the Inchcape Board in January 1995. He is a non-executive Director of Standard Chartered plc.

6 SIMON ROBERTSON *(A)(B)(C)** *Non-executive Director*

Age 60. Joined the Inchcape Board in May 1996. He was formerly Chairman of Kleinwort Benson Group plc. He is currently President of Goldman Sachs Europe Limited and Managing Director of Goldman Sachs International. He is also a non-executive Director of Invensys plc and Berry Bros & Rudd Limited.

7 TONY ALEXANDER *(A)(B)(C)** *Senior independent non-executive Director*

Age 62. Joined the Inchcape Board in January 1993. Formerly a Director and Chief Operating Officer UK of Hanson plc, he is now Vice Chairman of Imperial Tobacco Group plc. He is also a non-executive Director of Cookson Group plc, Laporte plc and Misys plc.

8 DR RAYMOND CH'IEN *Non-executive Director*

Age 49. Joined the Inchcape Board in July 1997 and became Chairman of Inchcape Greater China in 1999. Raymond Ch'ien is a member of the Executive Council of the Hong Kong Special Administrative Region, Chairman of the Hong Kong Industrial Technology Centre Corporation, the Hong Kong/Japan Business Co-operation Committee and the Advisory Committee on Corruption of the Independent Commission Against Corruption. He is also Chairman of HSBC Private Equity (Asia) Limited, Chairman of chinadotcom corporation and its subsidiary, hongkong.com corporation, and is a non-executive Director of the Hongkong and Shanghai Banking Corporation Limited, HSBC Holdings plc and the MTR Corporation Limited.

Notes:
(A) Member of the Audit Committee
(B) Member of the Remuneration Committee
(C) Member of the Nomination Committee
**Independent*

Tony Alexander is Chairman of the Audit Committee, Hugh Norton is Chairman of the Remuneration Committee and Sir John Egan is Chairman of the Nomination Committee.

Directors' Report

BUSINESS ACTIVITIES

A review of the activities of the Group, likely future developments and important events occurring since the end of the year is given on pages 7 to 13 and in note 28 on page 64.

RESULTS AND DIVIDEND

The Group's results are shown on page 30. The Board has recommended a final dividend of 14.7p per share. If approved at the Annual General Meeting, the final dividend will be paid on 15 June 2001 to shareholders registered in the books of the Company at the close of business on 25 May 2001.

SHARE CAPITAL

Details of the share capital of the Company are shown in note 22 on page 55. There have been no changes to the issued or authorised share capital of the Company.

SUBSTANTIAL SHAREHOLDINGS

The following notification of substantial interests in the Company's issued ordinary share capital had been received by 5 March 2001 under the provisions of the Companies Act 1985:

Guinness Peat Group plc	15.99%
I.M. Group Limited	10.07%
Fidelity International Limited	6.01%
Toyota Motor Corporation	4.76%
M&G Investment Management Limited	3.71%

DIRECTORS

Sir John Egan was appointed to the Board on 15 June 2000 and he was elected as non-executive Chairman on the same date. In accordance with the Articles of Association of the Company, Sir John Egan will retire at the forthcoming Annual General Meeting and offers himself for election.

Peter Johnson and Hugh Norton retire by rotation at the forthcoming Annual General Meeting and offer themselves for re-election in accordance with the Articles of Association.

Lord Marshall and Liam Strong retired from the Board on 15 June 2000 and 14 July 2000 respectively. Trevor Taylor relinquished his executive responsibilities effective 31 January 2001. He remains on the Board as a non-executive Director and non-executive Deputy Chairman.

The names of the Directors, plus brief biographical details, are given on page 17. Except as stated above, they all held office throughout the year.

DIRECTORS' INTERESTS

The table below shows the interests, other than options, including family interests, on the dates indicated, in the shares of the Company and its subsidiaries, of the persons who were Directors at 31 December 2000. All the interests are beneficial.

Details of options held by Directors, including under the Inchcape 1999 Share Option Plan and the Inchcape SAYE Share Option Scheme, together with details of awards under the Inchcape Deferred Bonus Plan, are shown in notes 3 and 4 on pages 26 and 27.

	ORDINARY SHARES OF 150P EACH	
	31.12.00	1.1.00
Tony Alexander	1,666	1,666
Raymond Ch'ien	4,000	4,000
Sir John Egan (a)	17,000	–
Alan Ferguson (b)	18,228	6,799
Peter Johnson (b)	45,561	24,404
Hugh Norton	500	500
Simon Robertson	1,000	1,000
Trevor Taylor (b)	8,771	5,271

Notes:

(a) *Acquired by Sir John Egan on 7 August 2000.*

(b) *The executive Directors of the Company, together with other employees of the Group, are potential beneficiaries of the Inchcape Employee Trust and, as such, are deemed by the Companies Act 1985 to be interested in any shares held by the Trustees. At 31 December 2000, the Trustees' shareholding totalled 1,301,074 ordinary shares of 150p each (1 January 2000 – 126,402 ordinary shares of 150p each).*

On 1 February 2001 options over 977 shares granted to Trevor Taylor under the Inchcape SAYE Share Option Scheme lapsed. Otherwise there have been no changes in Directors' interests between 1 January and 5 March 2001.

CORPORATE GOVERNANCE

The Listing Rules of the Financial Services Authority require listed companies to disclose, in relation to Section 1 of the Combined Code, how they have applied its principles and whether they have complied with its provisions throughout the accounting period.

Set out below is an explanation of the way in which the Company applies the principles of the Combined Code.

THE BOARD

The Chairman is non-executive and his role is separate from that of the Chief Executive. In addition to the Chairman, the Board includes a number of other non-executive Directors who bring a wide diversity of experience and expertise. Currently the

Board has six non-executive Directors of which four, including the Chairman, are considered to be independent of the management of Inchcape and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. Tony Alexander is the senior independent non-executive Director. Trevor Taylor, formally an executive Director who became a non-executive Director and non-executive Deputy Chairman having relinquished his executive responsibilities effective 31 January 2001, is not regarded as independent of the management of Inchcape. Raymond Ch'ien is also not regarded as independent because he has a service contract with Crown Motors Limited, a subsidiary of the Company in Hong Kong.

Non-executive Directors are usually appointed for an initial period of three years, which may be extended by agreement with the Board. All Directors currently on the Board have submitted themselves for election or re-election as applicable in accordance with the Company's Articles of Association within the last three years and the Board satisfies itself to this effect each year.

The Board is responsible for leading and controlling the Group and meets regularly to deal with strategy and policy issues, to review the Group's financial performance and to examine significant acquisitions and disposals and major operational capital expenditure. In 2000 the Board had seven scheduled meetings and a number of ad hoc meetings to deal with particular matters. In addition a Board strategy review was held. There is a procedure for Directors to take independent professional advice at the Company's expense where relevant to the execution of their duties. The Board has a schedule of matters required to be brought to it for its decision. The Board considers that it has been supplied with sufficient timely and accurate information to enable it to discharge its duties. Newly appointed Directors who have not previously held listed company board appointments receive appropriate external training. A briefing process has been developed for newly appointed non-executive Directors to ensure they are fully apprised of the Group's activities and strategic direction. Training is available subsequently should either the Company or a Director feel it necessary.

All members of the Board have access to the services and advice of the Group Company Secretary.

BOARD COMMITTEES

The Board has three principal Committees all with defined written terms of reference. Membership of each of the Board Committees is indicated on page 17. The Chairmen of these Committees are expected to be available to answer questions at the Company's Annual General Meeting on 15 May 2001.

The Audit Committee is responsible for reviewing a wide range of financial matters including the interim and year-end accounts, litigation reports, matters relating to the external audit, Corporate Governance matters, the preservation and promotion of good ethical practices and monitoring of the Group's internal controls. The Group Chief Executive, the Group Finance Director, the Group Audit Director and the external auditors attend the meetings of the Committee. The non-executive Directors on the Committee also have the opportunity at each meeting to review any issues with the external auditors in the absence of executive management. Part of the Committee's responsibility in relation to external auditors is to review the nature and the extent of non-audit services provided.

The Remuneration Committee is responsible for remuneration issues regarding executive Directors and certain other senior management within the framework recommended by the Committee and approved by the Board as described in the Board Report on Remuneration. More details are given on pages 22 to 27.

The Nomination Committee is responsible for making recommendations to the Board on selection and nomination of Directors and their election or re-election at the Annual General Meeting and does so in accordance with agreed procedures.

The Audit Committee meets at least twice a year and the Remuneration Committee and the Nomination Committee meet at least once a year. In addition the Committees hold ad hoc meetings when required.

The Company encourages two-way communication with its institutional and private investors and responds quickly to all queries received verbally or in writing. The preliminary and interim results are presented publicly to analysts and other meetings with shareholders are arranged as appropriate.

INTERNAL CONTROL

The Board of Directors has overall responsibility for establishing key procedures designed to achieve a sound system of internal control and for reviewing its effectiveness. Such systems can provide only reasonable and not absolute assurance against any material mis-statement or loss and cannot eliminate business risk. It is the responsibility of the Audit Committee to monitor internal controls, with its Chairman reporting the results of such reviews to the Board. In addition the Board has entrusted executive management with responsibility for the implementation of the systems of internal control.

During 1999 executive management established a Risk Committee. The Risk Committee is chaired by the Group Chief Executive and includes, inter-alia, the Group Finance Director, Group Company Secretary, Group Audit Director and the Group Risk Manager. The Risk Committee meets quarterly to consider what changes to risk management and control processes should be recommended. Its review covers matters such as responses to significant risks identified, output from monitoring processes, including internal audit reports, and changes made to the internal control system. It also follows up on areas which require improvement and reports every six months to the Audit Committee or more frequently if required.

The Group Chief Executive also reports to the Board, on behalf of executive management, significant changes in the business and the external environment which affect key risks. The Group Finance Director provides the Board with monthly financial information which includes key performance and risk indicators.

The Group's key internal control and monitoring procedures include the following:

Financial reporting – there is a comprehensive budgeting system with an annual budget approved by the Directors. Monthly actual results are reviewed and reported against budget and revised forecasts at each of the Board's scheduled meetings.

Monitoring systems – the Audit Committee receives reports arising from internal audit's examination and evaluation of the adequacy and effectiveness of the Group's systems of internal control. The internal audit group works closely with management and the external auditors and significant issues are reported to the Committee.

Operating unit controls – the overall control framework for the Group is detailed in the Group Finance and Information Systems manuals and supplemented by Risk Management policies. Compliance with Group policies and the effectiveness of internal controls are regularly assessed through the audit process and through a process of self certification which requires business unit management to assess annually the quality of internal controls in their businesses.

Risk management – the Group's management operates a risk management process which identifies the key risks facing each business unit twice a year. A risk register which identifies the key risks, the impact should they occur, and actions being taken to manage those risks to the desired level, is produced for each business unit. In addition, actions to be taken in the event that such risks crystallise and proposed improvements to the way they are managed are also included. This information is passed up the organisation on a filter basis, culminating in the production of a Group Risk Register which is provided to and discussed with the Audit Committee. In addition, internal audit continuously reviews financial, commercial and systems developments in the Group's business units to ensure appropriate audit focus in the major risk areas.

Investment appraisal – the Group has clearly defined policies for capital expenditure. These include annual budgets and detailed appraisal and review procedures.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

STATEMENT OF COMPLIANCE WITH THE COMBINED CODE

The Company was in compliance throughout the year ended 31 December 2000 with the Code provisions set out in section 1 of the Combined Code appended to the Financial Services Authority Listing Rules.

The Board has reviewed the effectiveness of systems of internal control in operation during the financial year through the processes set out above.

TRANSACTIONS WITH DIRECTORS

No transaction, arrangement or agreement required to be disclosed in terms of the Companies Act 1985 was outstanding at 31 December 2000, or occurred during the year for any Director and/or connected person (1999 – none).

CREDITOR PAYMENT POLICY

The Company is responsible for agreeing the terms and conditions including terms of payment under which business transactions with the Group's suppliers are conducted. While the Company does not follow any single external code or standard, in line with Inchcape Group policy, payments to suppliers are made in accordance with agreed terms and conditions. The number of days purchases outstanding at 31 December 2000 in respect of our UK businesses is calculated at 44 days (1999 – 38 days).

EMU

The introduction of the Euro in January 1999 has not had a material effect on the operation of businesses in Continental Europe. We are pursuing opportunities for more efficient Euro cash management, particularly since the entry of Greece into the Euro on 1 January 2001.

CHARITABLE AND POLITICAL DONATIONS

A description of the Group's charitable involvement and a note of donations made is shown on page 14. No political donations were made in the year (1999 – none).

EMPLOYMENT POLICY

Inchcape recognises the value of its employees. The Group's success depends upon their quality, motivation and commitment. Inchcape attracts and retains high quality staff through effective policies and practice. It is also committed to equal opportunity and non-discrimination, on the grounds of disability, sex, marital status, race, colour or creed. Furthermore, the Group is dedicated to facilitating employees' personal development in every country, and at every level.

Inchcape also understands the importance of its employees being well informed regarding the business and issues affecting them, and therefore has formal and informal systems in place to ensure effective communication.

ENVIRONMENT

The Group's policy on Environment, Health and Safety is shown on page 15.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 11.00am on Tuesday, 15 May 2001 at The Conference Forum, The Marsh Centre, London, E1 8DX. The notice convening the meeting and an explanation of the special business to be put to the meeting accompanies these Accounts. The special business will include proposals to renew the existing authorities for Directors to allot securities in the Company. The Company currently has authority to purchase up to 8,835,142 shares (approximately 10% of its issued share capital). The special business will also include proposals to increase the Company's authority to purchase its own shares up to 14.99% of its issued share capital.

PricewaterhouseCoopers have expressed their willingness to continue as auditors and resolutions to reappoint them and to authorise the Directors to determine their remuneration, will be proposed at the Annual General Meeting.

By order of the Board
Roy Williams, Secretary
5 March 2001

Board Report on Remuneration

The members of the Remuneration Committee are Hugh Norton (Chairman), Sir John Egan, Tony Alexander and Simon Robertson. They are all non-executive and independent of the management of Inchcape.

Hugh Norton, Chairman of the Committee, and Tony Alexander served on the Committee throughout the year. Sir John Egan and Simon Robertson were appointed to the Committee on 15 June 2000 and 3 August 2000 respectively. Lord Marshall and Liam Strong served on the Committee until their resignations from the Board on 15 June 2000 and 14 July 2000 respectively. The Committee has formal Terms of Reference. It is responsible for recommending to the Board the Company's framework or broad policy on executive remuneration and its cost. It is also responsible for determining specific remuneration packages and terms of employment for executive Directors and certain other senior executives, including pension rights and any compensation matters. This includes agreeing performance incentive arrangements and approving executive share option allocations or allocations under any long-term incentive arrangements.

The Committee has an annual meeting to review compensation for executive Directors, and certain other senior executives, in advance of the annual salary review on 1 April. The Committee met four times during 2000. The Group Chief Executive and the Group Human Resources Director were invited to attend meetings when their input was required. No one attends any discussion regarding his or her own remuneration.

Throughout 2000 the Company complied with the provisions of Schedule A of the Combined Code relating to the design of performance related remuneration. In preparing this report the Board has followed the provisions of Schedule B of the Combined Code.

REMUNERATION POLICY

When considering the remuneration packages of executive Directors, the Remuneration Committee follows the framework it has recommended and the Board has approved, as set out in this report. Its key features are:

- the packages should be competitive when compared with those in organisations of similar size, complexity and type;
- there should be a clear link between the level of remuneration and the performance of the Group and the individual, to the extent that performance related elements should form a significant part of executives' total remuneration package;
- the interests of the shareholders should be safeguarded and the remuneration package of executives should be aligned with shareholders' interests;
- the package as a whole should be easy to understand and motivating for the individual; and
- the composition of the package should reflect best practice among comparable companies.

The Remuneration Committee has access to a number of major surveys regularly carried out by leading remuneration consultants. The Committee is also authorised by the Board to obtain the services of an independent adviser, as it may require. These external sources of data and advice, together with consideration of the levels of pay increases for other employees and the principles outlined above, provide a framework for the decision making process.

The remuneration packages for the executive Directors are made up of the following elements:

BASE SALARY

This is based on the level of responsibility, experience, individual performance and salary levels in comparable companies.

ANNUAL BONUS

The annual bonus plan for executive Directors is reviewed every year to ensure that targets are both stretching and business growth driven. In 2000 Peter Johnson, Trevor Taylor and Alan Ferguson participated in a bonus plan which yielded a bonus of 30% of base salary for on-target performance, with a bonus of 60% of base salary at 110% of target. The plan was based on profit before tax and working capital/turnover ratio targets. The bonuses paid under this plan for 2000 are shown in note 1 on page 25. In 2001 the executive Directors will participate in a similar target driven bonus plan but based purely on profit before tax. Bonus payments for Peter Johnson and Alan Ferguson are non-pensionable. For Trevor Taylor, 70% of his 2000 bonus was pensionable since he remains a member of the Toyota (GB) pension scheme that is based on 'P60' earnings i.e. base salary plus a portion of bonus. In 2001 Trevor Taylor will not participate in the bonus plan.

EXECUTIVE SHARE OPTIONS

Under the Inchcape 1999 Share Option Plan, share options have been granted to executive Directors and senior managers throughout the Group. The 2000 grant of options covered 256 participants across the world.

As with previous option grants, the exercise of each option granted under the Plan will be subject to a performance target that respects guidelines outlined by the Association of British Insurers (ABI) and the National Association of Pension Funds (NAPF). These guidelines imply that the objective of any performance target should be significant and sustained improvement in the underlying financial performance of the Company. The Remuneration Committee has established performance criteria for the exercise of options granted under the Plan in 2000 whereby growth in Company earnings per share over a three-year period must exceed the increase in the Retail Prices Index over the same period by at least 9%.

Details of share options granted to executive Directors in 2000 are shown in note 3 on page 26.

Special arrangements for options were put in place for Raymond Ch'ien in 1997, as part of the terms and conditions under which he was appointed Chairman of Inchcape Pacific Limited. During 1999 his service contract was transferred to Crown Motors Limited following the disposal of Inchcape Pacific Limited as part of the sale of the Asia Pacific Marketing business. Details of his special arrangements are shown in note 3(c) on page 26.

DEFERRED BONUS PLAN

The Deferred Bonus Plan is a voluntary plan available to executive Directors and certain other senior executives. Under the terms of this plan, participants may use a minimum of 10% and a maximum of 50% of any bonus award (after tax) to acquire shares in the Group. The award of the bonus itself is subject to performance targets, agreed annually by the Remuneration Committee. Subject to these shares being held in trust for three years and the participant remaining an employee of the Group, the participant will become entitled to awarded shares to an amount equal to the gross amount of the bonus used to acquire shares in the Company. Details of awards under the Deferred Bonus Plan are shown in note 4 on page 27.

SAYE SHARE OPTION SCHEME

The Inchcape SAYE Share Option Scheme is open to employees in the UK with at least 3 months' service. Until and including 1995, participants made savings for a five-year period. For subsequent invitations, monthly savings are made for a three year period. At the end of the savings period options become exercisable within six months.

RETIREMENT BENEFITS

The Group operates the Inchcape Group (UK) Pension Scheme (an approved final salary scheme) and the Inchcape Group UK Supplemental Scheme (a funded unapproved retirement benefit scheme for executives whose benefits are limited by the earnings cap introduced under the 1989 Finance Act). Both schemes are non-contributory.

The Inchcape Group (UK) Pension Scheme provides benefits for executive Directors and senior executives at the normal retirement age of 60, equal to a maximum of two-thirds of final base salary, subject to completion of 20 years' service.

A lump sum benefit of four times base salary is provided on death in service, along with a spouse's pension of two-thirds of the member's pension. Children's pensions may also be payable, up to one-third of members' pension.

Pensions in payment are guaranteed to increase in line with the lesser of 5% and the increase in the UK Retail Prices Index.

In the case of executive Directors and senior executives appointed after 1 June 1989 the benefits under the Scheme are in respect of capped base salary. For those executive Directors and senior executives whose base salary is capped, a separate life assurance arrangement exists to supplement the approved life cover to a total lump sum benefit of four times base salary on death in service.

The Inchcape Group UK Supplemental Pension Scheme was established in April 1996 to provide for those executives whose base salary exceeds the salary cap for scheme pensions. This is a funded defined contribution scheme, established under a central trust, but with individual retirement accounts for participating executives. Executives can decline membership of the Inchcape Group UK Supplemental Pension Scheme and accept a monthly cash supplement equal to the employer contribution forgone.

Board Report on Remuneration

continued

Trevor Taylor became a member of the Toyota (GB) pension scheme in 1987, on appointment as Deputy Managing Director of Toyota (GB) Ltd. Under the scheme he enjoyed similar terms to the UK Scheme but 70% of his bonus was pensionable. In February 2001 he became a retired member of the Toyota (GB) pension scheme.

TAXABLE AND OTHER BENEFITS

These include such items as company car and medical and life assurance premium. They are in line with the Remuneration Policy framework outlined above. These benefits are non-pensionable.

CHAIRMAN

The Chairman's remuneration is dealt with by the other non-executive Directors.

NON-EXECUTIVE DIRECTORS

Non-executive Directors' fees are determined by the Board, within the restrictions contained in the Articles of Association, the non-executive Directors taking no part in the discussion or decision.

SERVICE CONTRACTS

Sir John Egan's appointment is for an initial period of two years from 15 June 2000 and is renewable. None of the non-executive Directors, including Hugh Norton who is proposed for re-election at the 2001 Annual General Meeting, are engaged on service contracts with the Company. Trevor Taylor and Raymond Ch'ien have options over shares in the Company as shown in note 3 on page 26. Trevor Taylor received a bonus for 2000. He is also a retired member of the Toyota (GB) pension scheme. Otherwise, neither the Chairman nor the other non-executive Directors are eligible for pension scheme membership or participation in any of the Company's bonus, share option or other incentive schemes.

Raymond Ch'ien has a service contract with Crown Motors Limited, a subsidiary of the Company in Hong Kong, with a notice period of one year.

Trevor Taylor relinquished his executive responsibilities effective 31 January 2001. He remains on the Board as a non-executive Director and non-executive Deputy Chairman.

Peter Johnson, who is proposed for re-election at the 2001 Annual General Meeting, and Alan Ferguson have service contracts with a notice period of one year, which include entitlements to compensation if employment is terminated without proper notice by the Company within six months of a change of control. In those circumstances, the compensation payable would not exceed the value of twelve months' remuneration.

POLICY ON EXTERNAL APPOINTMENTS

Inchcape recognises that its Directors may well be invited to become non-executive directors of other companies, and that this additional experience is likely to benefit the Company. Executive Directors are, therefore, allowed to accept one non-executive appointment (two in the case of the Group Chief Executive) as long as these are not likely to lead to conflicts of interest. Any fees received for these duties may be retained by the executive Director.

Notes to the Board Report on Remuneration

Directors' emoluments

The total emoluments of the Directors were as follows:	**2000 £'000**	1999 £'000
Remuneration and non-executive Directors' fees	**1,323**	1,314
Bonus payments	**463**	465
Total	**1,786**	1,779

1 Individual emoluments for the year

The table below shows a breakdown of remuneration, including taxable and other benefits of each Director. Details of pension entitlements and options held are shown in notes 2 and 3 on pages 26 and 27.

	Base salary/fees		**Bonus**		**Taxable and other benefits**		**Total remuneration**	
	2000 £'000	1999 £'000	**2000 £'000**	1999 £'000	**2000 £'000**	1999 £'000	**2000 £'000**	1999 £'000
Tony Alexander (c)	**28**	28	**–**	–	**–**	–	**28**	28
Raymond Ch'ien (a)	**173**	161	**–**	–	**7**	7	**180**	168
Sir John Egan (appointed 15 June 2000)	**68**	–	**–**	–	**1**	–	**69**	–
Alan Ferguson	**195**	175	**120**	105	**18**	17	**333**	297
Peter Johnson (highest paid Director)	**385**	335	**240**	201	**27**	19	**652**	555
Hugh Norton (b) (c)	**28**	26	**–**	–	**–**	–	**28**	26
Simon Robertson	**24**	24	–	–	**–**	–	**24**	24
Trevor Taylor	**246**	265	**103**	159	**4**	4	**353**	428
Directors who left in 2000:								
Lord Marshall (left 15 June 2000)	**91**	200	**–**	–	**16**	31	**107**	231
Liam Strong (left 14 July 2000)	**12**	22	**–**	–	–	–	**12**	22
Total	**1,250**	1,236	**463**	465	**73**	78	**1,786**	1,779

(a) The emoluments disclosed for Raymond Ch'ien include those in respect of his duties performed as Chairman of Inchcape Greater China and for Crown Motors Limited.

(b) In the year the Inchcape Group (UK) Pension Scheme paid the sum of £2,500 to Hugh Norton as the fee for chairing the Scheme's Trustee Board.

(c) The base salary/fees details shown for Tony Alexander and Hugh Norton include fees of £3,250 to each of them for chairing the Audit and Remuneration Committees respectively.

Notes to the Board Report on Remuneration

continued

2 Directors' pension entitlements

(i) Company contributions paid in year to or in respect of money purchase pension arrangements

	2000 £'000	1999 £'000
Peter Johnson (highest paid Director)	**116**	81
Total	**116**	81

(ii) Accrued annual pension under defined benefit schemes

	Increase in accrued pension during the year £'000	Transfer value of increase £'000	Accumulated total of accrued pension at 31.12.00 £'000	Accumulated total of accrued pension at 1.1.00 £'000
Alan Ferguson	11	119	78	65
Peter Johnson (highest paid Director)	3	43	18	14
Trevor Taylor	41	672	165	120
Total	**55**	**834**	**261**	**199**

The increase in accrued pension during the year excludes the effects of inflation.

3 Directors' share options

	Held at 31.12.00	Granted during the year	Lapsed, cancelled or waived during the year	Held at 1.1.00	Exercise price (d)	When exercisable
Raymond Ch'ien	14,671 (c)		–	14,671	£17.04	Jul 2000 – Jul 2007
	64,432 (c)		–	64,432	£3.88	Aug 2002 – Aug 2009
Alan Ferguson	90,205 (a)		–	90,205	£3.88	Sep 2002 – Sep 2009
	2,980 (b)		–	2,980	£3.25	Dec 2002 – Jun 2003
	70,422 (a)	70,422	–	–	£2.84	Aug 2003 – Aug 2010
Peter Johnson	172,679 (a)		–	172,679	£3.88	Sep 2002 – Sep 2009
(highest paid Director)	2,980 (b)		–	2,980	£3.25	Dec 2002 – Jun 2003
	140,845 (a)	140,845	–	–	£2.84	Aug 2003 – Aug 2010
Trevor Taylor	690 (b)		–	690	£15.00	Aug 2000 – Feb 2001
	287 (b)		–	287	£13.56	Aug 2000 – Feb 2001
	136,596 (a)		–	136,596	£3.88	Sep 2002 – Sep 2009

(a) Under the Inchcape 1999 Share Option Plan.

(b) Under the Inchcape SAYE Share Option Scheme.

(c) The options held by Raymond Ch'ien at 1 January 2000 were granted to him under Deeds dated 1 July 1997 and 12 August 1999. These options were granted under special arrangements agreed in 1997 as part of the terms and conditions under which he was appointed Chairman of Inchcape Pacific Limited. During 1999 the obligation was transferred to Crown Motors Limited following the disposal of Inchcape Pacific Limited under the sale of the Asia Pacific Marketing business. The first tranche was granted in 1997. In fulfilment of his special arrangements, Crown Motors Limited granted the second tranche of options during 1999 under equivalent terms to those of the Inchcape 1999 Share Option Plan. Accordingly, the option will be exercisable between three and ten years after grant, subject to the performance conditions pertaining to the 1999 grant under the Inchcape 1999 Share Option Plan.

(d) Exercise prices are determined in accordance with the Rules of the relevant share option scheme and on an equivalent basis for the Deeds in favour of Raymond Ch'ien.

No options under any of the Company's share option schemes were exercised in the year. All options were granted for nil consideration.

Notes on share options

The table shows Directors' options over ordinary shares of 150p at 1 January 2000 and 31 December 2000. The mid-market price of shares of 150p each at 31 December 2000 was £2.75. The price range during 2000 was £2.25 to £3.12.

Options under the Inchcape 1999 Plan are granted on a discretionary basis to full time senior executives based within and outside the UK including executive Directors of Inchcape plc. Such options are exercisable between three and ten years of grant.

Options may normally only be exercised if the performance target has been met. For options granted in 1999 and 2000 under the Inchcape 1999 Share Option Plan, growth in Company earnings per share over a three-year period must exceed the increase in the Retail Prices Index over the same period by at least 9%.

The Inchcape SAYE Share Option Scheme is open to employees in the UK with at least 3 months' service. Until and including 1995, participants made savings for a five-year period. For subsequent invitations, monthly savings are made for a three-year period. At the end of the savings period options become exercisable within six months.

4 Deferred Bonus Plan

The number of ordinary shares awarded to executive Directors under the Deferred Bonus Plan are:

	Awarded shares 31.12.00	Shares awarded during the year	Awarded shares 1.1.00
Peter Johnson	35,263	35,263	–
Alan Ferguson	18,421	18,421	–

The executive will become entitled to the awarded shares if he remains employed by the Group for three years and retains the shares purchased with his bonus throughout that period. Special rules apply on termination of employment and on a change of control.

Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditors

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INCHCAPE PLC

We have audited the financial statements on pages 30 to 65.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report. As described on page 28, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on page 20 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
5 March 2001

Consolidated Profit and Loss Account

FOR THE YEAR ENDED 31 DECEMBER 2000

Notes		Continuing operations 2000 £m	Discontinued operations 2000 £m	Total 2000 £m	1999 £m
1a	**Turnover including share of joint ventures and associates**	**3,073.7**	**643.7**	**3,717.4**	4,450.0
	Less:				
1a	– share of joint ventures	**(47.7)**	**(13.4)**	**(61.1)**	(164.3)
1a	– share of associates	**(196.5)**	**(373.7)**	**(570.2)**	(823.2)
1a,2a	Group subsidiaries' turnover	**2,829.5**	**256.6**	**3,086.1**	3,462.5
2a	Cost of sales	**(2,388.8)**	**(218.5)**	**(2,607.3)**	(2,864.9)
	Gross profit	**440.7**	**38.1**	**478.8**	597.6
2a	Net operating expenses	**(374.5)**	**(33.6)**	**(408.1)**	(535.5)
2a	Utilisation of termination provisions	**0.6**	**0.7**	**1.3**	7.0
2a	**Operating profit**	**66.8**	**5.2**	**72.0**	69.1
1b	Share of profits of joint ventures	**12.9**	**0.3**	**13.2**	12.5
1b	Share of profits of associates	**3.8**	**1.1**	**4.9**	19.4
1b	**Total operating profit**	**83.5**	**6.6**	**90.1**	101.0
4	Net (loss) profit on sale of properties and investments	**0.1**	**(0.5)**	**(0.4)**	1.8
4	Net (loss) profit including provisions on sale and termination of operations	**–**	**(18.5)**	**(18.5)**	91.0
4	Utilisation of provision for net loss on sale of operations	**–**	**18.2**	**18.2**	126.4
		–	**(0.3)**	**(0.3)**	217.4
4	Costs of fundamental reorganisation	**–**	**–**	**–**	(5.2)
	Profit on ordinary activities before interest	**83.6**	**5.8**	**89.4**	315.0
5	Interest			**(16.0)**	(15.7)
2b,8	**Profit on ordinary activities before taxation**			**73.4**	299.3
6	Tax on profit on ordinary activities			**(18.2)**	(27.1)
	Profit on ordinary activities after taxation			**55.2**	272.2
7	Minority interests			**(7.6)**	(5.4)
23b	**Profit for the financial year**			**47.6**	266.8
9	Dividends			**(19.2)**	(547.9)
23a	**Retained profit (loss) for the financial year**			**28.4**	(281.1)

Notes		2000	1999
8	Headline profit before tax (£m)	**74.1**	85.3
8	Headline earnings per share (pence)	**49.3p**	60.0p
	FRS3 profit before tax (£m)	**73.4**	299.3
8	Basic and diluted earnings per share (pence)	**54.2p**	302.4p

Statement of Total Recognised Gains and Losses

FOR THE YEAR ENDED 31 DECEMBER 2000

Notes		2000 £m	1999 £m
23b	Profit for the financial year	**47.6**	266.8
	Effect of foreign exchange rate changes:		
	– results for the year	**0.8**	(14.3)
	– foreign currency net investments	**10.3**	(9.9)
23a	Unrealised (deficit) on impairment of revalued properties	**(0.3)**	–
	Total recognised gains	**58.4**	242.6

Note of Historical Cost Profits and Losses

FOR THE YEAR ENDED 31 DECEMBER 2000

		2000 £m	1999 £m
	Reported profit on ordinary activities before taxation	**73.4**	299.3
23a	Realisation of property revaluation surpluses	**1.5**	5.2
	Difference between the historical cost and the actual depreciation charge	**0.6**	0.6
	Historical cost profit on ordinary activities before taxation	**75.5**	305.1
	Historical cost profit (loss) after taxation, minority interests and dividends	**30.5**	(275.3)

Consolidated and Company Balance Sheets

AS AT 31 DECEMBER 2000

Notes		Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
	Fixed assets:				
10	Intangible assets	**3.7**	4.7	–	–
11	Tangible assets	**244.5**	260.4	–	–
12	Investments:				
	– subsidiaries	–	–	**843.9**	871.8
	– joint ventures: share of gross assets	**534.5**	564.7		
	share of gross liabilities	**(479.2)**	(528.0)		
	share of net assets	**55.3**	36.7	–	–
	– associates*	**43.5**	58.9	**13.0**	–
	– other investments	**12.9**	3.6	**3.6**	0.5
		359.9	364.3	**860.5**	872.3
	Current assets:				
13	Stocks	**530.1**	573.5	–	–
14	Debtors:				
	– amounts due within one year	**255.4**	219.6	**2.8**	35.0
	– amounts due after more than one year	**68.0**	80.3	**45.7**	196.4
15	Investments	**10.4**	21.3	–	–
24b	Cash at bank and in hand	**166.4**	142.5	**0.2**	0.8
		1,030.3	1,037.2	**48.7**	232.2
	Creditors – amounts falling due within one year:				
16a	Borrowings	**(138.6)**	(228.3)	**(9.0)**	(3.2)
16b	Other	**(566.5)**	(515.9)	**(318.3)**	(295.1)
		(705.1)	(744.2)	**(327.3)**	(298.3)
	Net current assets (liabilities)	**325.2**	293.0	**(278.6)**	(66.1)
	Total assets less current liabilities	**685.1**	657.3	**581.9**	806.2
	Creditors – amounts falling due after more than one year:				
17a	Borrowings	**(96.9)**	(63.2)	**(12.3)**	–
17b	Other	**(61.8)**	(88.9)	**(184.7)**	(382.9)
		(158.7)	(152.1)	**(197.0)**	(382.9)
19	**Provisions for liabilities and charges**	**(113.9)**	(138.9)	**(51.1)**	(61.4)
	Net assets	**412.5**	366.3	**333.8**	361.9
	Capital and reserves:				
22a,23a	Called-up share capital	**132.5**	132.5	**132.5**	132.5
23a	Share premium account	**106.9**	106.9	**106.9**	106.9
23a	Revaluation reserve	**37.2**	37.6	–	–
23a	Profit and loss account	**88.7**	43.1	**94.4**	122.5
	Equity shareholders' funds	**365.3**	320.1	**333.8**	361.9
	Minority interests	**47.2**	46.2	–	–
		412.5	366.3	**333.8**	361.9

The financial statements on pages 30 to 65 were approved by the Board of Directors on 5 March 2001 and were signed on its behalf by:

Directors
Peter Johnson
Alan Ferguson

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2000

RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

Notes		2000 £m	1999 £m
	Operating profit	**72.0**	69.1
10	Amortisation	**0.9**	1.0
11	Depreciation	**24.8**	32.9
2b(i)	Loss (profit) on sale of tangible fixed assets other than property	**1.2**	(0.2)
	Decrease in stocks	**14.8**	57.3
	(Increase) Decrease in debtors	**(44.9)**	25.7
	Increase (Decrease) in creditors	**28.1**	(76.1)
	Payments in respect of exceptional operating items	**(1.3)**	(2.7)
	Payments in respect of termination of operations	**(1.1)**	(33.7)
	Other items	**(4.0)**	2.0
	Net cash inflow from operating activities	**90.5**	75.3

CONSOLIDATED CASH FLOW STATEMENT

Notes		2000 £m	1999 £m
	Net cash inflow from operating activities	**90.5**	75.3
	Dividends from joint ventures	**5.9**	4.5
	Dividends from associates	**3.1**	13.3
25a	Returns on investments and servicing of finance	**(14.8)**	(15.7)
	Taxation	**(12.4)**	(17.6)
25b	Capital expenditure and financial investment	**(21.1)**	(34.3)
		51.2	25.5
25c	Acquisitions and disposals	**48.2**	626.0
	Equity dividends paid	**(18.8)**	(570.5)
	Net cash inflow before use of liquid resources and financing	**80.6**	81.0
	Net cash (outflow) from the management of liquid resources	**(88.1)**	(25.6)
25d	Net cash (outflow) from financing	**(49.1)**	(50.7)
24a	**Net (decrease) increase in cash**	**(56.6)**	4.7

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

Notes		2000 £m	1999 £m
	Net (decrease) increase in cash	**(56.6)**	4.7
	Net cash outflow from increase in debt and lease financing	**49.1**	50.7
	Net cash outflow from the management of liquid resources	**88.1**	25.6
	Change in net funds and debt resulting from cash flows	**80.6**	81.0
	Effect of foreign exchange rate changes on net debt	**(1.4)**	(7.3)
	Inception of finance lease contracts	**–**	(0.2)
	Net loans and finance leases of subsidiaries acquired and sold	**1.0**	25.1
	Liquid resources of subsidiaries sold	**(0.3)**	(104.2)
	Movement in net debt	**79.9**	(5.6)
	Net (debt) at 1 January	**(149.0)**	(143.4)
24a	**Net (debt) at 31 December**	**(69.1)**	(149.0)

Accounting Policies

a **Accounting convention** The financial statements have been prepared on the historical cost basis, modified to include the revaluation of certain tangible fixed assets, in accordance with applicable UK accounting standards which have been applied on a consistent basis for all Group operations.

b **Basis of consolidation** The results of businesses acquired or sold are included in the profit and loss account from, or up to, the date control passes. All undertakings over which the Group exercises control or has a dominant influence are consolidated as subsidiary undertakings ("subsidiaries").

Associates are accounted for by the equity method and joint ventures by the gross equity method.

Historic goodwill arising on acquisitions made before the adoption of FRS 10 in 1998 has been charged to the profit and loss reserve. On disposal, or in the event of identification of total and permanent impairment, a charge is taken to the profit and loss account. Goodwill arising on acquisitions made from 1998 onwards is capitalised and is normally amortised over its separately evaluated useful life of up to 20 years. In exceptional circumstances the goodwill may be carried forward unamortised subject to annual impairment tests.

c **Turnover and cost of sales** Turnover is the total amount receivable for goods sold and services provided including Motors Financial Services interest and leasing income. It excludes sales related taxes and intra-Group transactions. Correspondingly, interest expense in respect of Motors Financial Services is treated as cost of sales.

d **Foreign currencies** The results and cash flows of overseas operations are translated into sterling at the average for the year of the month end rates of exchange, except when results are adjusted for the impact of hyper-inflation by using an alternative functional currency. Assets and liabilities in foreign currencies are translated into sterling at closing rates of exchange except where rates are fixed by contract.

The difference between the profit and loss account translated at average and at closing rates of exchange is included as a reserve movement in the statement of total recognised gains and losses. Exchange differences arising from the retranslation to closing rates of exchange of intra-Group dividends, opening net assets, long term foreign currency borrowings used to finance foreign currency investments, and foreign currency borrowings and instruments that provide a hedge against net assets are also reflected as a reserve movement. All other exchange differences are dealt with in the profit and loss account.

e **Financial instruments** are used to manage the Group's exposure to fluctuations in interest rates and foreign currency exchange rates. Instruments accounted for as hedges are designated as a hedge at the inception of contracts. Interest differentials on derivative instruments and amounts receivable and payable on interest rate instruments are recognised as adjustments to interest expense over the period of the contracts. Gains and losses on foreign currency hedges are recognised on maturity of the underlying transaction. Currency swap agreements are retranslated at the rates ruling in the agreements, with resulting gains and losses being offset against foreign exchange gains or losses on the related borrowing. Gains and losses arising on hedging instruments which are cancelled due to the termination of underlying exposure are taken to the profit and loss account immediately.

f **Tangible fixed assets** are stated at cost or valuation less depreciation, which is provided, except for freehold land, on a straight line basis over their estimated useful lives, mainly at the following annual rates:

Freehold buildings and long leasehold land and buildings	2%
Short leasehold land and buildings	term of lease
Plant, machinery and equipment	5% – 33.3%
Major computer software applications	33.3%

Land and buildings were last revalued in 1996 on an open market existing use basis by local firms of professionally qualified surveyors in accordance with the Group's prior policy of triennial valuation. Following the implementation of FRS 15 the Group has adopted a policy of not revaluing fixed assets. The carrying amounts of tangible fixed assets previously revalued have been retained at their book amounts in accordance with the transitional arrangements, and are subject to impairment tests when necessary. Diminution in value of individual properties below cost is charged to the profit and loss account.

Fixed asset investments are stated at cost, less provisions for impairment.

g **Vacant leasehold property** is provided to the extent of the value of the estimated future net cost.

h **Stocks and work in progress** are valued at the lower of cost and net realisable value. Cost comprises expenditure incurred in bringing stocks and work in progress to their present location and condition.

i **Leases** As lessee – assets held under finance leases are treated as if they had been purchased at the present value of the minimum lease payments. This cost is included under tangible fixed assets and depreciation is provided over the shorter of the lease term and the estimated useful life. The corresponding obligations under these leases are included within borrowings. The finance charge element of rentals payable is charged to the profit and loss account to produce a constant rate of interest. Rental payments arising from operating leases are charged on a straight line basis.

As lessor – the net investment in finance leases and hire purchase contracts is included under debtors and represents the total amount outstanding under lease agreements and hire purchase contracts less unearned income. Finance lease and hire purchase income is allocated to accounting periods to give a constant periodic rate of return on the net cash investment. Rentals receivable from operating leases are credited to the profit and loss account on a straight line basis.

j **Deferred taxation** is provided using the liability method at current taxation rates on timing differences to the extent that it is probable that a liability or asset will crystallise.

k **Trade finance** provided by manufacturers, suppliers or related finance houses is treated as a creditor and the cost of such credit is included in cost of sales.

l **Post-retirement benefits** Liabilities under defined contribution pension schemes are charged when incurred. The Group has a number of defined benefit pension schemes for which contributions are based on triennial actuarial valuations. Pension charges in the profit and loss account are calculated at a substantially level percentage of current and expected future pensionable payroll, with variations from regular cost spread over the expected remaining service lives of employees. Other post-retirement benefits are accounted for on a similar basis to defined benefit pension schemes.

Notes to the Accounts

1 **Segmental analysis**

a **Turnover**

	Group subsidiaries		Share of joint ventures		Share of associates		Total	
	2000	1999 restated	**2000**	1999 restated	**2000**	1999 restated	**2000**	1999 restated
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
(i) **By geographical market:**								
UK	**797.7**	784.1	**16.2**	19.8	**195.0**	184.8	**1,008.9**	988.7
Greece/Belgium	**560.1**	553.0	**3.8**	4.7	**1.5**	1.3	**565.4**	559.0
Australia/New Zealand	**478.2**	399.5	**6.9**	4.5	**–**	–	**485.1**	404.0
Hong Kong	**335.9**	243.2	**20.0**	20.4	**–**	–	**355.9**	263.6
Singapore/Brunei	**389.7**	295.3	**–**	–	**–**	–	**389.7**	295.3
Other	**267.9**	299.5	**0.8**	0.9	**–**	–	**268.7**	300.4
Continuing	**2,829.5**	2,574.6	**47.7**	50.3	**196.5**	186.1	**3,073.7**	2,811.0
Discontinued	**256.6**	887.9	**13.4**	114.0	**373.7**	637.1	**643.7**	1,639.0
	3,086.1	3,462.5	**61.1**	164.3	**570.2**	823.2	**3,717.4**	4,450.0
(ii) **By activity:**								
Import, Distribution & Retail	**2,132.0**	1,878.9	**–**	–	**195.0**	184.8	**2,327.0**	2,063.7
UK Retail	**621.5**	618.6	**–**	–	**–**	–	**621.5**	618.6
Financial Services	**74.9**	76.3	**47.7**	50.3	**1.5**	1.3	**124.1**	127.9
E-commerce	**1.1**	0.8	**–**	–	**–**	–	**1.1**	0.8
Continuing	**2,829.5**	2,574.6	**47.7**	50.3	**196.5**	186.1	**3,073.7**	2,811.0
Discontinued	**256.6**	887.9	**13.4**	114.0	**373.7**	637.1	**643.7**	1,639.0
	3,086.1	3,462.5	**61.1**	164.3	**570.2**	823.2	**3,717.4**	4,450.0

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

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

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

Activities treated as discontinued in 2000 were Toyota (GB), Mazda France, Volkswagen Passenger Import & Distribution business in Australia, activities in China and two agricultural and industrial vehicle activities in Latin America.

Activities discontinued in 1999 comprised primarily Bottling South America, Marketing, Shipping, Office Automation, Timberland and the Motors businesses of Chrysler Jeep Imports UK, Inchcape Peugeot Japan and Daihatsu (UK).

Geographical analysis of turnover is by origin and is not significantly different to turnover by destination. Turnover between segments is not material.

1 Segmental analysis continued

b Total operating profit

	Group subsidiaries		Share of joint ventures		Share of associates		Total	
	2000	1999 restated	**2000**	1999 restated	**2000**	1999 restated	**2000**	1999 restated
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
(i) **By geographical market:**								
UK	**(6.2)**	16.2	**3.4**	3.6	**3.5**	5.2	**0.7**	25.0
Greece/Belgium	**15.4**	15.0	**2.0**	1.5	**0.3**	0.2	**17.7**	16.7
Australia/New Zealand	**9.0**	11.3	**0.4**	0.1	**–**	–	**9.4**	11.4
Hong Kong	**34.0**	17.9	**6.7**	6.1	**–**	–	**40.7**	24.0
Singapore/Brunei	**25.2**	15.9	**–**	–	**–**	–	**25.2**	15.9
Other	**5.7**	4.8	**0.4**	0.4	**–**	–	**6.1**	5.2
	83.1	81.1	**12.9**	11.7	**3.8**	5.4	**99.8**	98.2
Central costs	**(16.3)**	(17.8)	**–**	–	**–**	–	**(16.3)**	(17.8)
Continuing	**66.8**	63.3	**12.9**	11.7	**3.8**	5.4	**83.5**	80.4
Discontinued	**5.2**	5.8	**0.3**	0.8	**1.1**	14.0	**6.6**	20.6
	72.0	69.1	**13.2**	12.5	**4.9**	19.4	**90.1**	101.0
(ii) **By activity:**								
Import, Distribution & Retail	**84.3**	68.4	**–**	–	**1.9**	4.1	**86.2**	72.5
UK Retail	**8.8**	9.1	**–**	–	**–**	–	**8.8**	9.1
Financial Services	**(2.1)**	5.0	**12.9**	11.7	**1.9**	1.3	**12.7**	18.0
E-commerce	**(7.9)**	(1.4)	**–**	–	**–**	–	**(7.9)**	(1.4)
	83.1	81.1	**12.9**	11.7	**3.8**	5.4	**99.8**	98.2
Central costs	**(16.3)**	(17.8)	**–**	–	**–**	–	**(16.3)**	(17.8)
Continuing	**66.8**	63.3	**12.9**	11.7	**3.8**	5.4	**83.5**	80.4
Discontinued	**5.2**	5.8	**0.3**	0.8	**1.1**	14.0	**6.6**	20.6
	72.0	69.1	**13.2**	12.5	**4.9**	19.4	**90.1**	101.0

1 Segmental analysis continued

c Net assets

	Group subsidiaries		Share of joint ventures		Share of associates		Total	
	2000	1999 restated	**2000**	1999 restated	**2000**	1999 restated	**2000**	1999 restated
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
(i) **By geographical market:**								
UK	**120.6**	116.9	**6.5**	3.9	**41.8**	25.6	**168.9**	146.4
Greece/Belgium	**123.4**	110.1	**6.8**	2.4	**1.3**	1.1	**131.5**	113.6
Australia/New Zealand	**(14.9)**	(4.1)	**4.0**	0.1	**–**	–	**(10.9)**	(4.0)
Hong Kong	**39.4**	38.3	**34.9**	30.9	**–**	–	**74.3**	69.2
Singapore/Brunei	**84.2**	53.4	**–**	–	**–**	–	**84.2**	53.4
Other	**59.1**	69.8	**3.1**	3.2	**–**	–	**62.2**	73.0
Continuing	**411.8**	384.4	**55.3**	40.5	**43.1**	26.7	**510.2**	451.6
Discontinued	**13.9**	52.0	**–**	(3.8)	**0.4**	32.2	**14.3**	80.4
Net debt*	**(16.8)**	(87.4)	**–**	–	**–**	–	**(16.8)**	(87.4)
Other unallocated assets and liabilities**	**(95.2)**	(78.3)	**–**	–	**–**	–	**(95.2)**	(78.3)
	313.7	270.7	**55.3**	36.7	**43.5**	58.9	**412.5**	366.3
(ii) **By activity:**								
Import, Distribution & Retail	**289.2**	264.2	**–**	–	**36.6**	20.7	**325.8**	284.9
UK Retail	**108.4**	102.0	**–**	–	**–**	–	**108.4**	102.0
Financial Services	**15.3**	18.2	**55.3**	40.5	**6.5**	6.0	**77.1**	64.7
E-commerce	**(1.1)**	–	**–**	–	**–**	–	**(1.1)**	–
Continuing	**411.8**	384.4	**55.3**	40.5	**43.1**	26.7	**510.2**	451.6
Discontinued	**13.9**	52.0	**–**	(3.8)	**0.4**	32.2	**14.3**	80.4
	425.7	436.4	**55.3**	36.7	**43.5**	58.9	**524.5**	532.0
Net debt*	**(16.8)**	(87.4)	**–**	–	**–**	–	**(16.8)**	(87.4)
Other unallocated assets and liabilities**	**(95.2)**	(78.3)	**–**	–	**–**	–	**(95.2)**	(78.3)
	313.7	270.7	**55.3**	36.7	**43.5**	58.9	**412.5**	366.3

* Reconciled to debt as follows:

	2000	1999
Net debt as above	**(16.8)**	(87.4)
Motors Financial Services debt in respect of consumer financing	**(52.3)**	(61.6)
Net debt as reported (note 24a)	**(69.1)**	(149.0)

** Other unallocated assets and liabilities include central provisions, taxation, dividends and assets not directly related to operating activity.

1 Segmental analysis continued

d Average number of employees

	Group subsidiaries		Joint ventures		Associates		Total	
	2000	1999 restated	**2000**	1999 restated	**2000**	1999 restated	**2000**	1999 restated
Import, Distribution & Retail	**5,443**	5,488	**–**	–	**617**	549	**6,060**	6,037
UK Retail	**2,353**	2,419	**–**	–	**–**	–	**2,353**	2,419
Financial Services	**323**	331	**205**	209	**13**	10	**541**	550
E-commerce	**40**	26	**–**	–	**–**	–	**40**	26
Total operational	**8,159**	8,264	**205**	209	**630**	559	**8,994**	9,032
Corporate	**69**	122	**–**	–	**–**	–	**69**	122
Continuing	**8,228**	8,386	**205**	209	**630**	559	**9,063**	9,154
Discontinued	**965**	3,959	**233**	2,012	**682**	3,337	**1,880**	9,308
	9,193	12,345	**438**	2,221	**1,312**	3,896	**10,943**	18,462

2 Operating profit

a **Analysis of operating profit**

	Continuing operations 2000 £m	Discontinued operations 2000 £m	Total 2000 £m	Continuing operations 1999 restated £m	Discontinued operations 1999 restated £m	Total 1999 £m
Turnover	**2,829.5**	**256.6**	**3,086.1**	2,574.6	887.9	3,462.5
Cost of sales	**(2,388.8)**	**(218.5)**	**(2,607.3)**	(2,180.4)	(684.5)	(2,864.9)
Gross profit	**440.7**	**38.1**	**478.8**	394.2	203.4	597.6
Distribution costs	**(212.4)**	**(17.4)**	**(229.8)**	(181.3)	(105.2)	(286.5)
Administrative expenses	**(163.1)**	**(16.5)**	**(179.6)**	(151.2)	(100.2)	(251.4)
Other operating income	**1.0**	**0.3**	**1.3**	1.9	0.5	2.4
Utilisation of termination provisions	**0.6**	**0.7**	**1.3**	(0.3)	7.3	7.0
Operating profit	**66.8**	**5.2**	**72.0**	63.3	5.8	69.1

b **Supplemental information**

		2000 £m	1999 £m
	Profit on ordinary activities before taxation is stated after the following charges (credits):		
(i)	Amortisation of intangible fixed assets – goodwill	**0.9**	1.0
	Depreciation of tangible fixed assets:		
	– owned	**24.8**	32.8
	– held under finance leases	**–**	0.1
	Loss (profit) on sale of tangible fixed assets other than property	**1.2**	(0.2)
	Hire of plant, machinery and equipment	**1.1**	2.2
	Other operating lease rentals payable	**18.0**	26.7
	Auditors' remuneration:		
	Statutory audit (Company: £0.1m, 1999 – £0.1m)	**1.1**	1.4
	UK non-audit fees:		
	– due diligence and other audit-related work	**0.2**	4.1
	– tax advice	**0.2**	0.2
	– management consultancy and financial advisory services	**0.8**	1.0
	Total PricewaterhouseCoopers audit and UK non-audit fees	**2.3**	6.7
	Audit fees and expenses – firms other than PricewaterhouseCoopers	**0.1**	0.2
(ii)	Staff costs:		
	Wages and salaries	**168.2**	211.7
	Social security costs	**16.9**	20.4
	Other pension costs	**4.6**	8.8
	Total employment costs of the Company and its subsidiaries	**189.7**	240.9

Information on Directors' emoluments and interests, which form part of these audited financial statements, are given on pages 25 to 27.

As permitted by section 230 of the Companies Act 1985, no separate profit and loss account is presented for the Company.

3 Pensions and other post-retirement benefits

The Group operates pension schemes for its employees in most subsidiaries. Schemes are mainly of the defined benefit type with assets held under trust in separately administered accounts. Some overseas employees are covered by defined contribution schemes which are principally linked to local statutory arrangements. The Group also has some unfunded arrangements in the UK, the costs of which are included in the pension cost figures below. The Group has no health and medical plans providing post-retirement benefits for current employees but does have a liability in respect of past employees under schemes which have been closed to new entrants.

Pensions – UK schemes

The UK consists of three main defined benefit schemes. All three schemes' pension costs were determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method.

These are considered below.

(i) Inchcape Group (UK) Pension Scheme

The latest actuarial valuation for this scheme was carried out at 31 March 2000 on a market-related basis.

The main assumptions are investment return of 5.0%, salary increase of 4.5% and pension increase of 2.5%. The market-related value of the assets covered 125.6% of the benefits that had accrued to members after allowing for expected future salary increases. The market value of the assets at the date of the valuation was £179.8m.

As a result of the financial strength of the scheme, the actuary has recommended that contributions are suspended for the foreseeable future. A pension cost of £nil has been charged from the date of the valuation.

(ii) TKM Group Pension Scheme

The latest actuarial valuation for this closed scheme was carried out at 5 April 1998 and is due to be undertaken again in 2001.

The main assumptions are investment return of 7.5%, gilt yield of 5.8% and pension increase of 3.5%. The actuarial valuation of the assets covered 116.7% of the benefits that had accrued to members. The market value of the assets at the date of the valuation was £240.5m.

(iii) Inchcape Motors Pension Scheme

The latest actuarial valuation for this scheme was carried out at 5 April 2000 on a market-related basis.

The main assumptions are weighted average investment return of 5.7%, salary increase of 4.5% and pension increase of 2.5%. The market value of the assets covered 120.5% of the benefits that had accrued to members after allowing for expected future salary increases. The market value of the assets at the date of the valuation was £114.2m.

Pensions – Overseas schemes

The assets of all overseas schemes had a market value of £112.9m based on the latest actuarial valuations. The actuarial assumptions used for overseas schemes were consistent with local practice. The actuarial valuations of the total assets covered 106.5% of the benefits that had accrued to members.

Pension cost

The pension cost charged for 2000 was £4.6m (1999 – £8.8m) of which £3.3m (1999 – £7.4m) relates to schemes of a defined benefit nature and £1.3m (1999 – £1.4m) represents the amount attributable to defined contribution schemes. The reduction in the pension cost charge of £4.6m in 2000 versus £8.8m in 1999 is principally due to the disposal program completed during 1999 of all non-Motors businesses. A provision of £2.0m (1999 – £2.5m) is included in provisions for liabilities and charges, being the excess of the pension cost charge over the amount funded. Outstanding contributions to defined contribution schemes are £0.3m (1999 – £0.3m).

4 Exceptional items

	2000 £m	1999 £m
Net (loss) profit on sale of properties and investments	**(0.4)**	1.8
Net (loss) profit including provisions on the sale and termination of operations:		
Motors:		
– Toyota (GB) – UK	**14.0**	–
– Chrysler – UK (1999 includes goodwill written off: £13.0m)	**(0.9)**	(14.8)
– Nanjing Hong Kong Changjiang – China (2000 includes goodwill written off: £0.9m)	**(6.2)**	–
– John Deere – Peru	**(3.1)**	–
– Towell Auto Centre – Oman (2000 includes goodwill written off: £5.1m)	**(3.0)**	–
– Daihatsu (UK) – UK	**(4.7)**	(4.1)
– Daihatsu (UK) utilisation of provision for net loss on sale of operations	**4.1**	–
	(0.6)	(4.1)
– Other (1999 includes goodwill written off: £4.2m)	**1.8**	(6.5)
Non-Motors:		
– Bottling South America (1999 includes goodwill written off: £14.4m)	**0.9**	279.0
– Bottling Russia	–	(2.7)
– Marketing (1999 includes goodwill written off: £23.9m)	**(14.1)**	(137.1)
– Marketing utilisation of provision for net loss on sale of operations	**14.1**	126.4
	–	(10.7)
– Shipping (1999 includes goodwill written off: £15.6m)	–	(22.8)
– Other	**(3.2)**	–
Total net (loss) profit including provisions on the sale and termination of operations	**(0.3)**	217.4
Costs of fundamental reorganisation	–	(5.2)
Total exceptional items (note 8)	**(0.7)**	214.0

During 2000 the Group has disposed of various businesses. The principal profits and losses on those transactions are noted above and in the Financial Review.

During 1999 the Group undertook a fundamental restructuring precipitated by the disposal of the following businesses: Bottling South America, Marketing, Shipping and Office Automation (during 1998 Bottling Russia was also disposed of). The financial impact of the fundamental restructuring is summarised above. The Group has given normal commercial warranties and indemnities in respect of these disposals (note 19). As a consequence, non-Motors Other includes external professional fees and other costs that have been incurred in managing those warranties and indemnities.

Goodwill written off included above of £6.0m (1999 – £71.1m) had been charged against reserves in previous years (note 23a).

5 Interest

	2000 £m	1999 £m
Interest payable and other charges:		
On bank loans, overdrafts and other loans falling due within five years	**23.1**	30.2
On finance leases mainly repayable within five years	**0.1**	0.6
Other interest	**7.6**	8.6
	30.8	39.4
Less amounts included in cost of sales for Motors Financial Services subsidiaries	**(3.8)**	(4.5)
	27.0	34.9
Interest receivable:		
Bank and other interest	**(26.9)**	(34.3)
Less amounts included in:		
– Motors Financial Services subsidiaries' turnover	**11.1**	12.0
– Discontinued activities included in other operating income (Shipping)	**–**	0.3
	(15.8)	(22.0)
The Company and its subsidiaries	**11.2**	12.9
Share of joint ventures' net interest	**0.4**	0.7
Share of associates' net interest	**4.4**	2.1
	16.0	15.7

6 Taxation

Current taxation	2000 £m	1999 £m
United Kingdom corporation tax at 30% (1999 – 30%)	**8.9**	0.9
Double taxation relief	**(10.0)**	(0.4)
	(1.1)	0.5
Advance corporation tax written off (back)	**0.2**	(1.4)
	(0.9)	(0.9)
Overseas taxes	**27.7**	24.2
Deferred taxation	**(6.7)**	0.7
	20.1	24.0
Adjustments to prior year liabilities:		
– UK	**(2.4)**	(2.9)
– overseas	**(2.1)**	(0.2)
The Company and its subsidiaries	**15.6**	20.9
Share of joint ventures' taxation	**2.5**	2.8
Share of associates' taxation	**0.1**	3.4
	18.2	27.1

The tax charge is reduced by £5.0m (1999 – increased by £0.3m) in respect of exceptional items. This benefit is in respect of prior year disposals.

7 Minority interests

	2000 £m	1999 £m
Paid or payable as dividends	**3.2**	2.7
Net retained profit for the year	**4.4**	2.7
	7.6	5.4

8 Earnings per ordinary share

	Headline		FRS3	
	2000 £m	1999 £m	**2000 £m**	1999 £m
Headline profit before tax	**74.1**	85.3	**74.1**	85.3
Exceptional items (note 4)	**–**	–	**(0.7)**	214.0
Profit before tax	**74.1**	85.3	**73.4**	299.3
Taxation (note 6)	**(23.2)**	(26.8)	**(18.2)**	(27.1)
Minority interests	**(7.6)**	(5.6)	**(7.6)**	(5.4)
Earnings	**43.3**	52.9	**47.6**	266.8
Headline earnings per share	**49.3p**	60.0p		
Basic and diluted earnings per share			**54.2p**	302.4p

The weighted average number of fully paid shares in issue during the year, excluding those held by the Inchcape Employee Trust (note 12a(ii)), was 87,776,386 (1999 – 88,225,026).

The diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares for the dilution arising from the exercise of share options where the exercise price is less than the average market price of the Company's ordinary shares during the period. The adjusted weighted average number of ordinary shares was 87,825,497 (1999 – 88,228,664).

Headline profit before tax and earnings (before exceptional items and after the utilisation of termination provisions) are adopted in that they provide a representation of underlying performance.

9 Dividends

	2000 pence	1999 pence	2000 £m	1999 £m
Special – paid 9 July 1999	**–**	600.0 *	**–**	529.3
Interim – paid 21 September 2000 (1999 paid – 23 September 1999)	**7.3**	7.0	**6.4**	6.2
Final – proposed – payable 15 June 2001 (1999 paid – 16 June 2000)	**14.7**	14.0	**12.8**	12.4
	22.0	621.0	**19.2**	547.9

If approved at the Annual General Meeting the final ordinary dividend will be paid to ordinary shareholders registered in the books of the Company at the close of business on 25 May 2001.

Dividends above exclude £0.2m (1999 – £0.8m) payable on shares held by the Inchcape Employee Trust (note 12a).

* Adjusted for share consolidation (note 22b).

10 Fixed assets – intangible assets

	Goodwill £m
Cost at 1 January 2000	**6.9**
Effect of foreign exchange rate changes	**(0.1)**
Subsidiaries sold	**(0.2)**
Cost at 31 December 2000	**6.6**
Amortisation at 1 January 2000	**(2.2)**
Provided for the year	**(0.9)**
Subsidiaries sold	**0.2**
Amortisation at 31 December 2000	**(2.9)**
Book value at 31 December 2000	**3.7**
Book value at 31 December 1999	4.7

Of the £6.6m historical cost goodwill, £2.8m relates to Ferrari Belgium and £1.8m to Australia Retail. These are being amortised over ten and five years respectively.

11 Fixed assets – tangible assets

	Freehold and leasehold land and buildings £m	Plant, machinery and equipment £m	Total £m
Cost or valuation at 1 January 2000	**210.0**	**144.8**	**354.8**
Effect of foreign exchange rate changes	**4.7**	**2.5**	**7.2**
Subsidiaries sold	**(19.4)**	**(13.6)**	**(33.0)**
Additions	**9.3**	**33.3**	**42.6**
Disposals	**(2.0)**	**(32.0)**	**(34.0)**
Deficit on impairment of revalued properties	**(0.3)**	**–**	**(0.3)**
Reclassification	**2.9**	**(2.9)**	**–**
Cost or valuation at 31 December 2000	**205.2**	**132.1**	**337.3**
Analysed:			
Valuation 1996	**138.4**	**–**	**138.4**
Cost	**66.8**	**132.1**	**198.9**
	205.2	**132.1**	**337.3**
Depreciation at 1 January 2000	**(12.0)**	**(82.4)**	**(94.4)**
Effect of foreign exchange rate changes	**(1.1)**	**(1.5)**	**(2.6)**
Subsidiaries sold	**2.0**	**10.4**	**12.4**
Provided for the year	**(4.3)**	**(20.5)**	**(24.8)**
Disposals	**0.4**	**16.2**	**16.6**
Reclassification	**(1.3)**	**1.3**	**–**
Depreciation at 31 December 2000	**(16.3)**	**(76.5)**	**(92.8)**
Book value at 31 December 2000	**188.9**	**55.6**	**244.5**
Book value at 31 December 1999	198.0	62.4	260.4

11 **Fixed assets – tangible assets** continued

	2000 £m	1999 £m
Book value of land and buildings analysed between:		
– freehold	**109.1**	124.9
– leasehold with over 50 years unexpired	**38.3**	38.0
– short leasehold	**41.5**	35.1
	188.9	198.0

Historic cost value of land and buildings analysed between:		
– cost	**193.8**	193.5
– less depreciation	**(29.2)**	(22.0)
	164.6	171.5

The book value of tangible fixed assets held for rental under operating leases amounted to:		
– cost	**28.9**	17.9
– less depreciation	**(9.5)**	(3.6)
	19.4	14.3

The book value of tangible fixed assets includes £0.8m (1999 – £2.3m) in respect of assets held under finance leases.

12 Fixed assets – investments

a Movement in book value

(i) **Group**	Shares in joint ventures and associates **£m**	Loans to joint ventures and associates **£m**	Own shares **£m**	Other investments **£m**	Total **£m**
Cost less provisions at 1 January 2000					
– cost less provisions	**61.3**	**–**	**0.5**	**3.1**	**64.9**
Restatement*	**28.9**	**–**	**–**	**–**	**28.9**
Restated balance at 1 January 2000	**90.2**	**–**	**0.5**	**3.1**	**93.8**
Effect of foreign exchange rate changes	**0.4**	**–**	**–**	**0.2**	**0.6**
Additions					
– cost less provisions	**(1.2)**	**3.7**	**3.7**	**6.0**	**12.2**
– goodwill capitalised (note 12c)	**17.9**	**–**	**–**	**–**	**17.9**
Provided/Utilised	**(0.2)**	**–**	**(0.4)**	**–**	**(0.6)**
Disposals	**(37.1)**	**–**	**(0.2)**	**–**	**(37.3)**
Cost less provisions at 31 December 2000					
– cost less provisions	**52.1**	**3.7**	**3.6**	**9.3**	**68.7**
– goodwill capitalised (note 12c)	**17.9**	**–**	**–**	**–**	**17.9**
	70.0	**3.7**	**3.6**	**9.3**	**86.6**
Share of post acquisition reserves:					
Balance at 1 January 2000	**39.4**				**39.4**
Effect of foreign exchange rate changes	**2.2**				**2.2**
Disposals	**4.8**				**4.8**
Retained profit for the financial year	**7.9**				**7.9**
Balance at 31 December 2000	**54.3**				**54.3**
Adjustment to cost in respect of net goodwill, previously written off to reserves:					
Balance at 1 January 2000	**(5.1)**				**(5.1)**
Restatement*	**(28.9)**				**(28.9)**
Restated balance at 1 January 2000	**(34.0)**				**(34.0)**
Effect of foreign exchange rate changes	**(0.3)**				**(0.3)**
Eliminated on disposal	**5.1**				**5.1**
Balance at 31 December 2000	**(29.2)**				**(29.2)**
31 December 2000					
– book value at 31 December 2000	**77.2**	**3.7**	**3.6**	**9.3**	**93.8**
– goodwill capitalised (note 12c)	**17.9**	**–**	**–**	**–**	**17.9**
	95.1	**3.7**	**3.6**	**9.3**	**111.7**
Book value at 31 December 1999	95.6	–	0.5	3.1	99.2

* Goodwill previously written off to reserves, which had been netted off against costs, has now been shown gross.

12 Fixed assets – investments continued

a Movement in book value continued

(ii) **Company**	Associates £m	Own shares £m	Shares in subsidiaries £m	Total £m
At 1 January 2000	**–**	**0.5**	**871.8**	**872.3**
Additions	**13.0**	**3.7**	**–**	**16.7**
Utilised	**–**	**(0.4)**	**–**	**(0.4)**
Provision reversal	**–**	**–**	**1.0**	**1.0**
Disposals	**–**	**(0.2)**	**(28.9)**	**(29.1)**
At 31 December 2000	**13.0**	**3.6**	**843.9**	**860.5**

Own shares at cost are held by the Inchcape Employee Trust, a general discretionary trust whose beneficiaries include employees and former employees of the Group and their dependants. The total number of shares held by the Inchcape Employee Trust at 31 December 2000 was 1,301,074 (1999 – 126,402). Their market value at 31 December 2000 was £3.6m and at 2 March 2001 was £5.2m (31 December 1999 and 3 March 2000 – £0.3m).

b Listed fixed asset investments

	Other investments	
	2000 £m	1999 £m
Book value	**6.6**	3.5
Market value	**4.2**	5.3

Although the book value is greater than the market value, the Directors do not consider the assets to be permanently impaired.

c Group share of net assets of joint ventures and associates

	Joint ventures		Associates		Total	
	2000 £m	1999 £m	**2000 £m**	1999 £m	**2000 £m**	1999 £m
Fixed assets	**12.2**	10.5	**21.3**	49.5	**33.5**	60.0
Current assets	**522.3**	554.2	**84.6**	285.6	**606.9**	839.8
Group share of gross assets	**534.5**	564.7	**105.9**	335.1	**640.4**	899.8
Liabilities due within one year	**(291.6)**	(313.1)	**(67.6)**	(261.8)	**(359.2)**	(574.9)
Liabilities due after more than one year	**(187.6)**	(214.9)	**(12.7)**	(14.4)	**(200.3)**	(229.3)
Group share of gross liabilities	**(479.2)**	(528.0)	**(80.3)**	(276.2)	**(559.5)**	(804.2)
Add: goodwill capitalised (see below)	**–**	–	**17.9**	–	**17.9**	–
Group share of net assets	**55.3**	36.7	**43.5**	58.9	**98.8**	95.6

The £17.9m goodwill relates to the 49.0% equity interest acquisition of Eurofleet Limited. This will be amortised on a straight line basis over its expected useful life of 20 years. As the acquisition took place in late December 2000, no amortisation has been charged in 2000.

12 Fixed assets – investments continued

d **Group share of results of significant associates**

	MCL* 2000 £m	MCL* 1999 £m	Toyota (GB)** 2000 £m	Toyota (GB)** 1999 £m
Turnover	**195.0**	184.8	**361.7**	569.2
Profit (loss) before taxation	**2.5**	5.2	**(2.3)**	5.0
Taxation	**(0.8)**	(1.6)	**0.8**	(1.6)
Profit (loss) after taxation	**1.7**	3.6	**(1.5)**	3.4
Fixed assets	**15.3**	15.0	–	32.7
Current assets	**51.6**	49.7	–	211.0
Liabilities due within one year	**(38.1)**	(38.8)	–	(203.8)
Liabilities due after more than one year	–	(0.4)	–	(10.3)
Net assets	**28.8**	25.5	–	29.6

* Combined results of MCL Group Ltd and Automotive Group Ltd.

** Toyota (GB) was disposed of on 31 July 2000.

Transactions with joint ventures and associates include vehicle purchases and net interest paid on stock financing totalling £40.0m (1999 – £52.7m), with £1.8m outstanding at 31 December 2000 (1999 – £2.7m) and vehicle sales and rental income totalling £355.9m (1999 restated – £342.1m), with £29.1m outstanding at 31 December 2000 (1999 – £17.8m). Debt factored through an associate amounted to £61.9m (1999 – £67.0m) of which £0.5m is outstanding at 31 December 2000 (1999 – £0.2m). Management fees and expenses received from joint ventures and associates amounted to £3.9m (1999 – £2.0m), with £0.4m outstanding at 31 December 2000 (1999 – £0.6m).

13 Stocks

	2000 £m	1999 £m
Raw materials and work in progress	**1.4**	1.5
Finished goods and merchandise	**528.7**	572.0
	530.1	573.5

Certain subsidiaries have an obligation to repurchase, at a guaranteed residual value, certain vehicles which have been legally sold for leasing contracts. Although the credit risk is passed to the finance house, in substance these vehicles remain as assets of the Group and have been included in stock at the guaranteed repurchase price less appropriate provisions where realisable value is lower, with the corresponding cross guaranteed repurchase price liability included within trade creditors. Stock includes £110.1m (1999 – £134.9m) of such vehicles.

Vehicles held on consignment which are in substance assets of the Group amount to £29.0m (1999 – £46.3m), and have been included in finished goods stock with the corresponding interest bearing liability included within trade creditors. Payment becomes due when title passes to the Group, which is generally the earlier of six months from delivery or date of sale.

14 Debtors

	Group		Company	
	2000	1999	**2000**	1999
	£m	£m	**£m**	£m
Amounts due within one year:				
Trade debtors subject to limited recourse financing	**2.2**	3.1	**–**	–
Less: non-returnable amounts received	**(2.0)**	(2.8)	**–**	–
	0.2	0.3	**–**	–
Other trade debtors*	**144.4**	124.2	**–**	–
Net investment in finance leases and hire purchase contracts**	**17.2**	18.0	**–**	–
Amounts owed by: – subsidiaries	**–**	–	**–**	31.0
– joint ventures and associates*	**22.4**	12.5	**–**	–
Advance corporation tax recoverable	**0.2**	2.7	**0.2**	2.7
Corporation tax recoverable	**3.2**	–	**2.1**	–
Other debtors	**54.3**	49.0	**0.5**	1.3
Prepayments and accrued income*	**13.5**	12.9	**–**	–
	255.4	219.6	**2.8**	35.0
Amounts due after more than one year:				
Trade debtors subject to limited recourse financing	**20.2**	28.1	**–**	–
Less: non-returnable amounts received	**(18.0)**	(25.1)	**–**	–
	2.2	3.0	**–**	–
Net investment in finance leases and hire purchase contracts**	**53.6**	59.9	**–**	–
Amounts owed by: – subsidiaries	**–**	–	**45.7**	196.4
– joint ventures and associates*	**7.6**	6.1	**–**	–
Trade and other debtors*	**4.6**	11.3	**–**	–
	68.0	80.3	**45.7**	196.4
Total debtors	**323.4**	299.9	**48.5**	231.4

Trade debtors subject to limited recourse financing represent hire purchase debtors discounted with banks, so that the majority of cash received by the Group on discounting is not returnable, that carry interest at variable rates. The returnable element of the proceeds is recorded as bank loans and overdrafts falling due within and after one year as appropriate. It has been agreed with the banks that the Group is not required to make good any losses over and above the agreed recourse limit.

* To enable comparison to the related party disclosures in note 12d, certain Group comparatives have been restated to show separately amounts owed by joint ventures and associates.

** Net investment in finance leases and hire purchase contracts comprises:	**2000** **£m**	1999 £m
Total amounts receivable	**90.6**	100.9
Less: interest allocated to future periods	**(19.8)**	(23.0)
	70.8	77.9

Rentals receivable during the year under finance leases and hire purchase contracts amounted to £33.4m (1999 – £32.6m).

The cost of assets acquired during the year for onwards finance leasing was £18.1m (1999 – £22.1m).

15 Current asset investments

	2000 £m	1999 £m
Book value	**10.4**	21.3
Market value	**10.8**	17.7

16 Creditors – amounts falling due within one year:

	Group		Company	
	2000 £m	1999 £m	**2000 £m**	1999 £m
a Borrowings:				
Bank loans	**49.5**	23.0	**–**	–
Other loans	**86.7**	195.8	**–**	–
Debt due within one year	**136.2**	218.8	**–**	–
Finance leases	**0.1**	0.2	**–**	–
Bank overdrafts	**2.3**	9.3	**9.0**	3.2
Borrowings – amounts falling due within one year	**138.6**	228.3	**9.0**	3.2

b Other:				
Payments received on account	**25.5**	13.1	**–**	–
Other trade creditors	**392.3**	350.2	**–**	–
Amounts owed to: – subsidiaries	**–**	–	**298.5**	280.3
– joint ventures and associates	**1.8**	2.5	**–**	–
Corporate taxation	**27.1**	15.7	**6.2**	1.2
Other taxation and social security	**9.8**	17.3	**–**	–
Proposed final dividend	**12.8**	12.4	**12.8**	12.4
Dividends payable to minorities	**1.9**	1.0	**–**	–
Other creditors	**27.4**	20.1	**0.6**	0.9
Accruals and deferred income	**67.9**	83.6	**0.2**	0.3
Other creditors – amounts falling due within one year	**566.5**	515.9	**318.3**	295.1
Total creditors falling due within one year	**705.1**	744.2	**327.3**	298.3

17 Creditors – amounts falling due after more than one year:

a(i) Borrowings:	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Bank loans	**32.2**	7.7	–	–
Other loans	**64.2**	53.8	**12.3**	–
Finance leases	**0.5**	1.7	–	–
Borrowings – amounts falling due after more than one year	**96.9**	63.2	**12.3**	–

(ii) Maturity of borrowings:	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Repayable over one year and up to two years:				
Bank loans	**30.5**	5.3	–	–
Other loans	**51.9**	10.3	–	–
Finance leases	**0.1**	0.2	–	–
	82.5	15.8	–	–
Repayable over two years and up to five years:				
Bank loans	**1.7**	2.4	–	–
Other loans	**12.3**	43.5	**12.3**	–
Finance leases	**0.2**	0.5	–	–
	14.2	46.4	**12.3**	–
Repayable beyond five years:				
Finance leases	**0.2**	1.0	–	–
Borrowings – amounts falling due after more than one year	**96.9**	63.2	**12.3**	–

b Other:	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Amounts owed to subsidiaries	–	–	**184.7**	382.9
Corporate taxation	–	1.4	–	–
Trade creditors	**61.8**	87.5	–	–
Other creditors – amounts falling due after more than one year	**61.8**	88.9	**184.7**	382.9
Total creditors falling due after more than one year	**158.7**	152.1	**197.0**	382.9

18 Borrowings and facilities

a Borrowings

A US private placement was made in May 1995 for a total of US$172.0m (£103.2m; 1999 – £103.2m). Tranche A of the private placement for US$100.0m (£59.7m; 1999 – £59.7m) matured in May 2000. These maturing loan notes were refinanced by a floating rate £30.0m term loan linked to LIBOR with a maturity date of September 2002. Tranche B of the private placement for US$72.0m (£43.5m; 1999 – £43.5m) 7.09% loan notes matures in May 2002.

Other loans are at various rates of interest, linked to interbank market rates. Net obligations under finance leases are at various local prevailing rates of interest.

Of the total Group borrowings, £3.5m is secured (1999 – £4.8m). The Company's borrowings are unsecured.

b Facilities

The Group has committed stand-by credit facilities available to it. The undrawn committed facilities available at 31 December 2000, in respect of which all conditions precedent have been met, total £250.0m (1999 – £250.0m). These facilities will expire in more than two years.

19 Provisions for liabilities and charges

a Movement

Group	Pensions and other post – retirement benefits (note 3) £m	Product warranty £m	Motors business exits £m	Non-Motors business exits £m	Vacant leasehold £m	Deferred tax £m	Other £m	Total £m
Balance at 1 January 2000	**5.2**	**38.4**	**15.5**	**59.0**	**7.5**	**6.6**	**6.7**	**138.9**
Effect of foreign exchange rate changes	–	**0.1**	**0.1**	–	–	**0.2**	–	**0.4**
Charged to profit and loss account	**4.6**	**19.8**	**6.3**	**0.6**	**0.6**	–	–	**31.9**
Unused amounts reversed to profit and loss account	–	**(7.5)**	**(2.0)**	–	–	**(6.7)**	–	**(16.2)**
Reclassification to other trade creditors	–	–	–	–	–	–	**(6.7)**	**(6.7)**
Utilised during the year:								
– Cash	**(4.8)**	**(10.2)**	**(6.1)**	**(5.6)**	**(1.7)**	–	–	**(28.4)**
– Other	–	–	**(4.1)**	–	–	–	–	**(4.1)**
Subsidiaries sold	–	**(1.9)**	–	–	–	–	–	**(1.9)**
Balance at 31 December 2000	**5.0**	**38.7**	**9.7**	**54.0**	**6.4**	**0.1**	–	**113.9**

Company	Motors & Non-Motors business exits £m	Deferred tax £m	Total £m
Balance at 1 January 2000	**56.4**	**5.0**	**61.4**
Charged to profit and loss account	**0.1**	–	**0.1**
Unused amounts reversed to profit and loss account	–	**(5.0)**	**(5.0)**
Utilised during the year:			
– Cash	**(5.4)**	–	**(5.4)**
Balance at 31 December 2000	**51.1**	–	**51.1**

Product warranty – certain Group companies provide self insured extended warranties beyond those provided by the manufacturer. The warranty periods covered are up to six years and or specific mileage limits. Provision is made for the estimated cost of labour and parts based on historic claims experience and expected future trends. This is reviewed regularly, and as a result £7.5m (1999 – £5.0m) was released back to the profit and loss account.

Motors business exits – the ongoing Group is committed to a number of terminations and exits. During 2000, a significant proportion of the brought forward provision was utilised. However, during 2000, the Group became committed to other business exits which resulted in the charge of £6.3m (1999 – £9.8m) to the profit and loss account. This included the John Deere Peru exit as shown in note 4. The amount utilised of £4.1m relates to the disposal of Daihatsu (UK) as shown in note 4. These business exits will be completed over the next two years and will be broadly cash neutral.

Non-Motors business exits – provision has been made for warranties, indemnities and other litigation issues in relation to these exits. Any detailed disclosure of these issues could seriously prejudice negotiations. Accordingly, no information is given in regard to the likely timing or cash impact as normally required under FRS 12. Attention is drawn to note 20, which refers to two of these issues. During 2000, £5.6m was paid out in settlement of such items.

19 Provisions for liabilities and charges continued

Vacant leasehold – the Group is committed to certain leasehold premises that it no longer has a commercial use for. These are principally located in the UK. Provision has been made for the residual lease commitments, together with other outgoings, after taking into account existing sub-tenant arrangements (note 27a(i)). In determining the provision, the cash flows have been discounted on a pre-tax basis using appropriate government bond rates. The charge for amortisation of discount of £0.3m has been included in the charge to profit and loss account.

Other – a review has been made of the nature and size of each individual item within the brought forward balance of £6.7m. As a result of this review, it has been decided that these items relate in nature and timescale to normal business creditors. Accordingly, they have been reclassified into other trade creditors falling due within one year.

b Deferred taxation liability (asset)

	Group		Company	
Deferred taxation liabilities (assets) recognised in the accounts	**2000 £m**	1999 £m	**2000 £m**	1999 £m
Excess capital allowances	**1.5**	2.2	–	–
Revalued assets	**0.3**	–	–	–
Tax effect of losses carried forward	**(0.3)**	–	–	–
Other timing differences	**(1.4)**	4.4	–	5.0
	0.1	6.6	–	5.0

During 2000, £5.0m of other timing differences, held in relation to past disposals, was released to the profit and loss account (note 6).

The net recognised deferred taxation liability of £0.1m at 31 December 2000 is net of a deferred taxation asset held by a subsidiary undertaking in Australia of £2.5m (1999 – £1.3m) arising from other timing differences.

	Group		Company	
Total potential deferred taxation liabilities (assets)	**2000 £m**	1999 £m	**2000 £m**	1999 £m
Excess capital allowances	**(0.1)**	0.9	–	–
Revalued assets	**0.6**	7.2	–	–
Tax effect of losses carried forward	**(0.3)**	(1.8)	–	–
Other timing differences	**1.5**	2.0	–	5.0
	1.7	8.3	–	5.0

Advance corporation tax written off to date amounts to £9.7m (1999 – £9.5m) and is available for offset against future UK corporation tax liabilities subject to the restrictions of the 'shadow' ACT regulations.

Except for deferred taxation on accrued overseas dividends, no account has been taken of taxation which would be payable if profits of overseas operations were distributed, as there is currently no intention to remit such profits.

20 Guarantees and contingent liabilities

	Group		Company	
	2000 £m	1999 £m	**2000 £m**	1999 £m
Guarantees of joint ventures' and associates' borrowings	**0.5**	4.0	**–**	–
Guarantees of various subsidiaries' borrowings (against which £77.9m has been drawn, 1999 – £112.0m)	**–**	–	**327.9**	362.0
Other guarantees, performance bonds and contingent liabilities	**20.9**	5.9	**14.8**	–

Commitments for capital expenditure entered into and not provided for in these accounts are estimated at £3.1m (1999 – £3.0m).

Joint ventures and associates that form part of Financial Services are primarily financed by borrowings without recourse to any other Group company.

The Group also has, in the ordinary course of business, commitments under foreign exchange and interest rate instruments relating to the hedging of transactions, overseas earnings and interest exposures (note 27e).

Certain claims have been notified by Intertek Testing Services Limited ("ITS") against the Group under warranties given in connection with the sale of Inchcape Testing Services in 1996. The claims by ITS relate principally to discrepancies which have been discovered in testing data provided to clients by various laboratories in the United States. These matters are under investigation by the US Department of Justice and the US Environmental Protection Agency and ITS may incur civil and criminal liabilities as a result. ITS may seek to recover costs which are alleged to arise from the discovery of the discrepancies, including liabilities to third parties, in repeating work for, or refunding fees to, customers, in investigating the data discrepancies and in dealing with governmental authorities. As yet insufficient information has been provided to enable the merits or value of any claims to be assessed fully. In the meantime, Inchcape intends to resist the claims vigorously and any proceedings that may be brought.

Aon Corporation has made certain claims under an indemnity given in connection with the sale of Bain Hogg Limited in 1996 relating to liabilities in respect of advice given on the sale of pensions and related products, opt-outs and transfers by Bain Hogg Financial Services Limited and Gardner Mountain Financial Services Limited. Aon may seek to make further claims in respect of such advice and related costs. On the information currently available to the Company, it is not possible to assess fully the merits or value of claims under this indemnity. The Directors have taken legal advice and are pursuing all options open to them to defend or minimise the claims.

The Directors having reviewed the matters set out above and having made certain provisions consider, based on the information currently available, that they will not have a material impact on the financial position of the Group.

Inchcape Shipping Services (Shipbroking) Limited ("ISS(S)") had been served with two writs alleging that ISS(S) provided ship valuations negligently on the basis of which the plaintiff alleged they made certain secured loans. The claims in aggregate amounted to US$18m. The claim has been settled in mediation for significantly less than the aggregate amount claimed and the writs have been withdrawn.

In September 2000, the European Parliament passed Directive 2000/53/EC which deals with the collection and disposal of cars at the end of their life. Member states are required to enact legislation by 21 April 2002. The Directive includes a retrospective liability for cars put on the road prior to 2002. There are a number of uncertainties surrounding the exact form and implementation of the legislation, and it is unclear at present, what impact, if any, this will have on the Group.

In addition to the above, there were at 31 December 2000 other contingent liabilities arising in the ordinary course of business, including those in respect of disposed businesses. These are not expected to give rise to any significant loss.

21 Operating lease commitments

	Property leases		Other operating leases	
	2000 £m	1999 £m	**2000 £m**	1999 £m
Operating lease rentals payable in the next year in respect of commitments expiring:				
– within one year	**2.5**	5.1	**0.8**	0.7
– in two to five years	**9.4**	11.1	**1.1**	1.3
– after five years	**6.5**	6.4	**–**	–
	18.4	22.6	**1.9**	2.0

22 Share capital

	Authorised		Allotted, called-up and fully paid	
a Summary	**2000 £m**	1999 £m	**2000 £m**	1999 £m
Ordinary shares – authorised 131,000,000 ordinary shares of 150p each (1999 – 131,000,000 ordinary shares of 150p each) and allotted, called-up and fully paid 88,351,428 ordinary shares of 150p each (1999 – 88,351,428 ordinary shares of 150p each)	**196.5**	196.5	**132.5**	132.5

b Share consolidation

On 12 July 1999, one new consolidated share with a nominal value of 150p was issued in replacement of every six ordinary shares, each with a nominal value of 25p.

c Substantial shareholdings

Details of substantial interests in the Company's issued ordinary share capital received by 5 March 2001 under the provisions of the Companies Act 1985 have been disclosed in the Directors' Report on page 18.

d Share options

At 31 December 2000, options to subscribe for ordinary shares of 150p each in the Company under the following schemes were outstanding as follows:

Ordinary Shares of 150p Each	Exercisable Until	Option Price	Ordinary Shares of 150p Each	Exercisable Until	Option Price
The Inchcape 1999 Share Option Plan			**The Inchcape SAYE Share Option Scheme**		
– approved (Part II – UK)			20,111	1 February 2001	£15.00*
548,901	7 September 2009	£3.88	25,790	1 February 2001	£13.56*
8,310	21 September 2009	£3.61	174,268	1 June 2003	£3.25
224,667	9 August 2010	£2.84	358,652	1 May 2004	£2.38
– unapproved (Part I – UK)					
642,667	7 September 2009	£3.88			
2,770	21 September 2009	£3.61			
33,707	13 March 2010	£2.67			
498,318	9 August 2010	£2.84			
– unapproved overseas (Part I – Overseas)					
739,650	7 September 2009	£3.88			
509,479	9 August 2010	£2.84			

* Consequent upon the consolidation of Inchcape ordinary shares on 12 July 1999, options under the Inchcape SAYE Share Option Scheme were adjusted by increasing the option price by a factor of six and dividing the number of shares by six.

During the year, no shares in the Company were issued under any of the share option schemes.

The Group has taken advantage of the exemption in UITF Abstract 17 "Employee Share Schemes" not to apply the Abstract to the Inchcape SAYE Share Option Scheme.

23 Reserves

a Movements in shareholders' funds

(i) Group

	Share capital	Share premium account	Revaluation reserve	Profit and loss account*	Total	Total
	2000 £m	**2000 £m**	**2000 £m**	**2000 £m**	**2000 £m**	1999 £m
Profit for the financial year	–	–	–	**47.6**	**47.6**	266.8
Dividends (note 9)	–	–	–	**(19.2)**	**(19.2)**	(547.9)
Retained profit (loss) for the financial year	–	–	–	**28.4**	**28.4**	(281.1)
Effect of foreign exchange rate changes	–	–	**2.2**	**8.9**	**11.1**	(24.2)
Goodwill on disposals previously written off	–	–	–	**6.0**	**6.0**	71.1
Deficit on impairment of revalued properties	–	–	**(0.3)**	–	**(0.3)**	–
Transfers on realisation of property surpluses	–	–	**(1.5)**	**1.5**	–	–
Other transfers	–	–	**0.4**	**(0.4)**	–	–
Subsidiaries sold	–	–	**(1.2)**	**1.2**	–	–
Net change in shareholders' funds	–	–	**(0.4)**	**45.6**	**45.2**	(234.2)
Balance at 1 January	**132.5**	**106.9**	**37.6**	**43.1**	**320.1**	554.3
Balance at 31 December	**132.5**	**106.9**	**37.2**	**88.7**	**365.3**	320.1

Revaluation reserve includes other non distributable reserves of £7.6m (1999 – £8.0m). Net foreign exchange gains on borrowings reported in reserves amount to £0.3m in 2000 (1999 – £0.2m).

* Goodwill contained within the profit and loss account reserve comprises:	**£m**
Balance at 1 January 2000	**156.5**
Effect of foreign exchange rate changes	**1.1**
Goodwill on disposals (notes 4 and 26)	**(6.0)**
Balance at 31 December 2000	**151.6**

(ii) Company

	Share capital	Share premium account	Profit and loss account	Total	Total
	2000 £m	**2000 £m**	**2000 £m**	**2000 £m**	1999 £m
Retained (loss) for the year and net change in shareholders' funds	–	–	**(28.1)**	**(28.1)**	(521.5)
Balance at 1 January	**132.5**	**106.9**	**122.5**	**361.9**	883.4
Balance at 31 December	**132.5**	**106.9**	**94.4**	**333.8**	361.9

b Profit (loss) for the financial year

	2000 £m	1999 £m
Dealt with in the accounts of:		
The Company	**(8.9)**	26.4
Subsidiaries	**45.8**	233.9
Joint ventures and associates	**10.7**	6.5
	47.6	266.8

24 Analysis of cash and debt

a **Analysis of net (debt)**

	At 1 January 2000 £m	Cash flow £m	Acquisitions and disposals (excluding cash and overdrafts) £m	Exchange movement £m	At 31 December 2000 £m
Cash at bank and in hand	**95.1**	**(64.1)**		**(1.3)**	**29.7**
Overdrafts	**(9.3)**	**7.5**		**(0.5)**	**(2.3)**
		(56.6)			
Debt falling due within one year	**(218.8)**	**82.3**	**1.0**	**(0.7)**	**(136.2)**
Debt falling due after one year	**(61.5)**	**(34.6)**	**–**	**(0.3)**	**(96.4)**
Finance leases	**(1.9)**	**1.4**	**–**	**(0.1)**	**(0.6)**
		49.1	**1.0**		
Liquid resources	**47.4**	**88.1**	**(0.3)**	**1.5**	**136.7**
Net (debt) funds	**(149.0)**	**80.6**	**0.7**	**(1.4)**	**(69.1)**

Liquid resources are principally term deposits at bank which are not available for immediate withdrawal without penalty.

b **Cash and deposits**

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Cash at bank and in hand	**29.7**	95.1	**–**	0.8
Liquid resources	**136.7**	47.4	**0.2**	–
Cash and deposits as per balance sheet	**166.4**	142.5	**0.2**	0.8

25 Analysis of cash flow disclosures in the consolidated cash flow statement

a **Returns on investments and servicing of finance**

	2000 £m	1999 £m
Interest received	**16.1**	23.6
Interest paid	**(28.5)**	(37.4)
Dividends paid to minority interests	**(2.4)**	(1.9)
	(14.8)	(15.7)

b **Capital expenditure and financial investment**

	2000 £m	1999 £m
Expenditure on tangible fixed assets and investments	**(42.6)**	(74.1)
Inception of finance leases	**–**	0.2
Cash outflow on purchase of tangible fixed assets	**(42.6)**	(73.9)
Sale of tangible fixed assets and investments	**18.0**	36.6
Decrease in debtors	**3.5**	3.0
	(21.1)	(34.3)

c **Net cash inflow (outflow) from acquisitions and disposals**

	2000 £m	1999 £m
Disposals:		
Cash received for subsidiaries sold (note 26b)	**24.9**	650.8
Net (cash) of subsidiaries sold (note 26b)	**(5.0)**	(46.3)
Net inflow of cash in respect of the sale of subsidiaries	**19.9**	604.5
Capital injection to joint ventures and associates prior to disposal	**(2.2)**	–
Cash received for joint ventures and associates sold	**44.2**	28.2
Cash received from prior year disposals	**20.2**	3.5
Cash paid for prior year disposals	**(11.8)**	–
	70.3	636.2
Acquisitions:		
Cash paid for subsidiaries acquired	**–**	(10.2)
Cash paid for joint ventures, associates and other investments	**(22.1)**	–
	(22.1)	(10.2)
Net cash inflow	**48.2**	626.0

d **Net cash (outflow) from financing**

	2000 £m	1999 £m
(Decrease) in debt (note 24a)	**(47.7)**	(46.0)
Capital element of finance lease rental payments	**(1.4)**	(4.7)
	(49.1)	(50.7)

26 Acquisitions and disposals

a In January 2000, the Group acquired a 7.3% equity interest in Autobytel Europe for US$10.0m (£6.0m equivalent). Following the issue of new shares by Autobytel Europe, the Group shareholding at 31 December 2000 has been diluted to 6.7%. The purchase price represented fair value. The investment is held at historical cost adjusted for retranslation of foreign currency.

During December 2000, the Group acquired a 49.0% equity interest in Eurofleet Limited for £12.3m via the issue of loan notes (included in debt). A fair value table is not shown as allowed under FRS 9 and the value of differences between book value and fair value are not material. Goodwill on this transaction was £17.9m and is being amortised over its estimated useful life of 20 years. Professional costs of £0.7m were incurred and are included in the cost of investment.

b

Net assets (disposed of) acquired on (disposal) acquisition of subsidiaries	Disposals **2000** **£m**	Acquisitions 1999 £m	Disposals 1999 £m
Fixed assets and fixed asset investments (including Group share of joint ventures' and associates' net assets)	**(21.0)**	6.6	(288.4)
Stocks	**(31.8)**	3.8	(137.0)
Debtors	**(16.7)**	–	(238.3)
Cash less bank overdrafts (note 25c)	**(5.0)**	–	(46.3)
Liquid resources	**(0.3)**	–	(104.2)
Loans and finance leases	**1.0**	–	25.1
Other creditors and provisions	**31.9**	(2.5)	342.6
Minority shareholders' interests	**5.3**	–	93.3
Goodwill	**(0.9)**	2.3	(67.1)
Loss (profit) on disposal	**10.8**	–	(251.3)
Net consideration (receivable) payable	**(26.7)**	10.2	(671.6)
Satisfied by:			
Cash (received) paid (note 25c)	**(24.9)**	10.2	(650.8)
Non cash consideration	**–**	–	(13.2)
Deferred consideration (receivable)	**(1.8)**	–	(7.6)
	(26.7)	10.2	(671.6)

Subsidiaries sold during the year contributed £5.7m (1999 – £9.0m absorbed) to the Group's net operating cash flows, received £nil (1999 – £6.7m) in respect of net returns on investments and servicing of finance, received £0.9m (1999 – £3.1m paid) in respect of taxation and incurred £1.2m (1999 – £9.8m) for capital expenditure.

No subsidiaries were acquired during the year.

27 Financial instruments

An outline of the objectives, policies and strategies pursued by the Group in relation to financial instruments is set out in the Treasury policies section of the Financial Review covering Borrowing Facilities, Effective Interest Rates, Balance Sheet Translation and Foreign Currency Transaction Exposure on pages 12 to 13.

For the purpose of the disclosures which follow in this note (except for currency risk disclosures in note 27b), short term debtors and creditors which arise directly from the Group's operations have been excluded as permitted under FRS 13. The disclosures therefore focus on those financial instruments which play a significant medium to long term role in the financial risk profile of the Group. An analysis of the carrying value of these financial assets and liabilities is given in the fair value table in note 27c.

a Interest rate management

(i) The interest rate profile of the financial liabilities of the Group after taking account of interest rate swaps and cross currency interest rate swaps, is set out in the table below:

As at 31 December 2000

					Fixed rate	
Currency	Floating rate **£m**	Fixed rate **£m**	On which no interest is paid **£m**	Total **£m**	Weighted average interest rate **%**	Weighted average period for which rate is fixed **months**
Sterling	**89.8**	**–**	**59.8**	**149.6**	**–**	**–**
US dollar	**–**	**–**	**3.1**	**3.1**	**–**	**–**
Greek drachma	**77.3**	**–**	**3.7**	**81.0**	**–**	**–**
Singapore and Brunei dollar	**46.6**	**8.4**	**–**	**55.0**	**4.4**	**23**
Other	**10.5**	**0.5**	**3.3**	**14.3**	**10.9**	**52**
	224.2	**8.9**	**69.9**	**303.0**	**4.8**	**25**

As at 31 December 1999

					Fixed rate	
Currency	Floating rate £m	Fixed rate £m	On which no interest is paid £m	Total £m	Weighted average interest rate %	Weighted average period for which rate is fixed months
Sterling	118.5	–	87.4	205.9	–	–
US dollar	1.5	–	4.5	6.0	–	–
Greek drachma	84.8	–	3.5	88.3	–	–
Singapore and Brunei dollar	50.0	10.3	–	60.3	6.6	23
Other	20.7	1.7	2.6	25.0	11.0	84
	275.5	12.0	98.0	385.5	7.2	32

Interest payments on floating rate financial liabilities are determined by reference to short term benchmark rates applicable in the relevant currency or market (primarily LIBOR and the Greece, Singapore and Brunei equivalents). Trade finance is included in the Greek drachma floating rate financial liabilities at an interest rate fixed for less than or equal to one year. The financial liabilities on which no interest is paid comprises mainly £59.6m (1999 – £84.5m) of residual buy-back commitments whose weighted average period to maturity is 24 months (1999 – 22 months), and £5.4m (1999 – £6.4m) of vacant leasehold property provisions which have a weighted average period to maturity of 8 years (1999 – 16 years) (note 19).

27 Financial instruments continued

a Interest rate management continued

(ii) The interest rate profile of the financial assets of the Group at 31 December 2000 is set out in the table below:

As at 31 December 2000

Currency	Floating rate £m	Fixed rate £m	On which no interest is paid £m	Total £m	Fixed rate: Weighted average interest rate %	Fixed rate: Weighted average period for which rate is fixed months
Sterling	**61.7**	**–**	**3.0**	**64.7**	**–**	**–**
US dollar	**7.0**	**0.2**	**2.9**	**10.1**	**16.0**	**18**
Greek drachma	**6.3**	**10.4**	**2.3**	**19.0**	**6.5**	**88**
Singapore and Brunei dollar	**38.2**	**53.5**	**4.7**	**96.4**	**13.4**	**40**
Other	**44.6**	**1.9**	**9.7**	**56.2**	**3.6**	**36**
	157.8	**66.0**	**22.6**	**246.4**	**12.0**	**47**

As at 31 December 1999

Currency	Floating rate £m	Fixed rate £m	On which no interest is paid £m	Total £m	Fixed rate: Weighted average interest rate %	Fixed rate: Weighted average period for which rate is fixed months
Sterling	47.0	0.4	3.5	50.9	10.0	24
US dollar	6.1	1.2	20.1	27.4	13.0	30
Greek drachma	12.3	8.4	0.9	21.6	6.6	101
Singapore and Brunei dollar	30.8	59.7	7.8	98.3	15.6	41
Other	31.6	3.6	7.3	42.5	10.4	167
	127.8	73.3	39.6	240.7	14.2	54

Interest payments on floating rate financial assets are determined by reference to short term benchmark rates applicable in the relevant currency or market (primarily LIBOR and the Greece, Singapore and Brunei equivalents). The financial assets on which no interest is paid comprises mainly investments (notes 12b and 15) excluding ESOP shares carried at £3.6m (1999 – £0.5m), and certain short term bank deposits.

b Exchange risk management

The table below shows the Group's currency exposures at 31 December 2000 on transactions that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in the functional currency of the operating company involved.

	Net foreign currency monetary assets (liabilities) 2000			Net foreign currency monetary assets (liabilities) 1999		
Functional currency of the operating company	US dollar £m	Other £m	Total £m	US dollar £m	Other £m	Total £m
Sterling	**0.2**	**(0.1)**	**0.1**	1.4	(0.5)	0.9
Peruvian sol	**2.6**	**–**	**2.6**	1.7	–	1.7
Other	**0.1**	**(0.8)**	**(0.7)**	0.5	1.0	1.5
	2.9	**(0.9)**	**2.0**	3.6	0.5	4.1

The amounts shown in the table above are after taking account of cross currency swaps, forward contracts and other derivatives entered into to manage these currency exposures.

The US dollar exposure of £2.9m (1999 – £3.6m) principally relates to US dollars held in bank accounts by UK businesses and US dollar trade receivables within the Peruvian businesses. Within Peru, the majority of sales are in US dollars. The purchase of cars within Peru is also in US dollars, but is hedged by a forward exchange contract. Other exposures are principally minor unhedged transactions which are settled within a short time period which minimises exchange rate risk and the need to hedge the exposure.

27 Financial instruments continued

c Fair value

The estimated fair value of the Group's financial instruments are summarised below:

Assets (liabilities)	Book value 2000 £m	Fair value 2000 £m	Book value 1999 £m	Fair value 1999 £m
Financial instruments held or issued to finance the Group's operations				
Trade investments	**9.3**	**6.9**	3.1	5.3
Cash deposits	**166.4**	**166.4**	142.5	142.5
Current asset investments	**10.4**	**10.8**	21.3	22.7
Net investment in finance lease receivables	**53.6**	**53.6**	59.9	59.9
Other financial assets	**6.7**	**6.7**	13.9	13.9
	246.4	**244.4**	240.7	244.3
Short term borrowings and current portion of long term borrowings	**(138.6)**	**(138.6)**	(228.3)	(228.3)
Long term borrowings	**(96.9)**	**(96.9)**	(63.2)	(63.2)
Long term trade and other creditors	**(61.8)**	**(58.9)**	(87.5)	(78.9)
Other financial liabilities	**(5.7)**	**(5.7)**	(6.5)	(6.5)
	(303.0)	**(300.1)**	(385.5)	(376.9)
Derivative financial instruments held to manage interest rate and currency exposure				
Interest rate swaps – assets	–	–	–	0.2
Cross currency swaps – assets	–	**4.4**	–	2.1
– (liabilities)	–	–	–	(0.5)
Forward foreign exchange contracts and currency options	–	**(7.2)**	–	7.2

Trade investments and current asset investments

Trade investments above exclude ESOP shares carried at £3.6m (1999 – £0.5m). The fair value is based on year end quoted prices for listed investments and estimates of likely sales proceeds for other investments.

Long term trade and other creditors

Long term trade and other creditors book value of £61.8m (1999 – £87.5m) principally relates to vehicle buy-back commitments whose average period to maturity is 24 months (1999 – 22 months). In substance the vehicles remain the assets of the Group and have been included in stock at the guaranteed repurchase price less appropriate provisions where realisable value is lower, with the corresponding cross guaranteed repurchase price liability within trade creditors. The asset side of this transaction is not recorded in the above table because it does not qualify as a financial asset as defined by FRS 13.

27 **Financial instruments** continued

c **Fair value** continued

Interest rate and cross currency swaps

The fair value of interest rate and cross currency swaps is the estimated amount which the Group would expect to pay or receive were it to terminate the swaps at the balance sheet date. This is based on quotations from counterparties. The nominal value of the interest rate and currency swaps at 31 December 2000 was £43.5m (1999 – £154.7m).

Forward foreign exchange contracts and currency options

The fair value of these contracts is the estimated amount which the Group would expect to pay or receive on the termination of the positions.

At 31 December 2000 the Group had notional amounts outstanding of £346.1m (1999 – £410.1m) for forward foreign exchange contracts, and £nil (1999 – £30.1m) for foreign currency options.

d **Maturity of financial liabilities**

Maturity of financial liabilities	Borrowings and finance leases 2000 £m	Other financial liabilities 2000 £m	Total 2000 £m	Borrowings and finance leases 1999 £m	Other financial liabilities 1999 £m	Total 1999 £m
Repayable within one year	**138.6**	**–**	**138.6**	228.3	–	228.3
Repayable over one year and up to two years	**82.5**	**32.7**	**115.2**	15.8	55.9	71.7
Repayable over two years and up to five years	**14.2**	**31.7**	**45.9**	46.4	34.5	80.9
Repayable beyond five years	**0.2**	**3.1**	**3.3**	1.0	3.6	4.6
Total financial liabilities	**235.5**	**67.5**	**303.0**	291.5	94.0	385.5

e **Hedges**

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on instruments used for hedging and the underlying asset or liability are as follows:

Unrecognised gains and losses on hedges	Gains £m	(Losses) £m	Net gains (Losses) £m
Unrecognised gains and losses on hedges at 1 January 2000	**13.2**	**(4.2)**	**9.0**
Gains and losses arising before 1 January 2000 that were recognised in 2000	**(13.2)**	**4.2**	**(9.0)**
	–	**–**	**–**
Gains and losses arising in 2000 that were not recognised in that year	**11.5**	**(14.3)**	**(2.8)**
Unrecognised gains and losses on hedges at 31 December 2000	**11.5**	**(14.3)**	**(2.8)**
Of which:			
Expected to be recognised in 2001	**7.1**	**(14.3)**	**(7.2)**
Expected to be recognised in 2002 or later	**4.4**	**–**	**4.4**

The majority of the unrecognised gains and losses above arise from forward foreign exchange contracts and currency options.

In certain countries Inchcape purchases motor vehicles in a different currency to that of the country itself. Forward purchase commitments are hedged leading to unrecognised gains and losses. However, these amounts are not indicative of future profitability as the rate achieved through these contracts is only one of the factors which will drive our Import, Distribution & Retail gross profits in these countries.

28 Post balance sheet events

Mazda France

On 8 February 2001, the Group announced the disposal of Mazda France Import & Distribution back to the manufacturer. There will be no material profit or loss on this transaction. There is no historic goodwill to be realised on disposal as a result of this transaction and the business has been classified as discontinued in 2000.

IRB Finance Berhad

On 3 March 2001, the Group's quoted subsidiary Inchcape Motors Ltd entered into an agreement to sell its 70.0% interest in its Brunei Financial Services subsidiary, IRB Finance Berhad (IRB), for circa £15.5m. The Group's effective shareholding in IRB is 44.3%. No material profit or loss is anticipated and there is no historic goodwill to be realised on disposal.

The acquirer will assume responsibility for the net debt. Accordingly, Group debt will reduce by circa £67.8m.

The following sets out the assets and liabilities of IRB which were consolidated in the Group balance sheet at 31 December 2000. The operating profit in 2000 was £3.3m.

	£m
Debtors	**70.8**
Other net liabilities	**(2.9)**
Net debt	**(52.3)**
Total net assets	**15.6**
Minority interests	**(8.7)**
Group share of net assets	**6.9**

29 Principal subsidiaries, joint ventures and associates at 31 December 2000

a Principal subsidiaries

Company	Country	Shareholding	Description
Inchcape Automotive Australia Pty Ltd	Australia	100%	Import, Distribution & Retail
Subaru (Australia) Pty Ltd	Australia	92%	Import & Distribution
Toyota Belgium NV/SA	Belgium	100%	Import, Distribution & Retail
IRB Finance Berhad**	Brunei	44%	Financial Services
The Motor & Engineering Company of Ethiopia Ltd S.C.	Ethiopia	94%	Import, Distribution & Retail
Toyota Hellas SA	Greece	100%	Import, Distribution & Retail
Crown Motors Ltd	Hong Kong	100%	Import, Distribution & Retail
Mazda Motors (Hong Kong) Ltd	Hong Kong	100%	Import, Distribution & Retail
Borneo Motors (Singapore) Pte Ltd	Singapore	63%	Import, Distribution & Retail
Inchcape Motors Ltd	Singapore	63%	Publicly quoted holding company
Autobytel Ltd	United Kingdom	100%	E-commerce
Inchcape Automotive Ltd*	United Kingdom	100%	Holding company
Inchcape Overseas Ltd*	United Kingdom	100%	Holding company
Kenning Leaseline Ltd	United Kingdom	100%	Financial Services – Fleet management
Mann Egerton Vehicle Contracts Ltd	United Kingdom	100%	Financial Services – Contract hire
Maranello Concessionaires Ltd	United Kingdom	100%	Import, Distribution & Retail
Wadham Kenning Motors Group Ltd	United Kingdom	100%	UK Retail

* Owned by Inchcape plc directly

** IRB Finance Berhad is consolidated as a subsidiary through the Group's control of the Board. As set out in note 28, an agreement to sell this company was entered into during 2001.

b Principal joint ventures and associates

Company	Country	Shareholding	Description
Inchroy Credit Corporation Ltd	Hong Kong	50%	Financial Services
Automotive Group Ltd	United Kingdom	40%	Import & Distribution
Eurofleet Limited	United Kingdom	49%	Vehicle logistics & refurbishments***
Inchcape Financial Services Ltd	United Kingdom	49%	Financial Services
MCL Group Ltd	United Kingdom	40%	Import & Distribution

Only those companies that principally affect profit or assets are included. All shareholdings represent the ultimate interest of the Group in the respective company's ordinary shares, except for Inchroy Credit Corporation Ltd, where the Group holds 50% of the company's non voting deferred shares.

*** Included within Import, Distribution & Retail for segmental analysis.

30 Foreign currency translation

The main exchange rates used for translation purposes are as follows:	Average rates 2000	Average rates 1999	Year end rates 2000	Year end rates 1999
Australian dollar	**2.62**	2.53	**2.69**	2.46
Belgian franc	**66.4**	60.9	**64.2**	64.9
Dutch guilder	**3.63**	3.33	**3.51**	3.54
Euro	**1.65**	1.51	**1.59**	1.61
Greek drachma	**555**	493	**542**	531
Hong Kong dollar	**11.84**	12.55	**11.65**	12.53
Singapore dollar	**2.62**	2.74	**2.59**	2.69
US dollar	**1.52**	1.62	**1.49**	1.61

Five Year Record

Profit and loss account	2000 £m	1999 restated £m	1998 restated £m	1997 restated £m	1996 restated £m
Turnover:					
Group subsidiaries	**3,086.1**	3,462.5	4,257.0	5,931.4	6,263.2
Share of joint ventures and associates	**631.3**	987.5	1,249.4	719.5	704.6
Group plus share of joint ventures and associates	**3,717.4**	4,450.0	5,506.4	6,650.9	6,967.8
Total operating profit before exceptional operating items					
– continuing operations	**83.5**	80.4	83.6	105.6	84.9
– discontinued operations	**6.6**	20.6	51.6	84.0	122.9
	90.1	101.0	135.2	189.6	207.8
Interest	**(16.0)**	(15.7)	(29.1)	(5.5)	(42.7)
Headline profit before taxation	**74.1**	85.3	106.1	184.1	165.1
Exceptional operating items	**–**	–	(131.3)	(40.6)	–
(Loss) profit on sale of properties and investments	**(0.4)**	1.8	4.1	3.8	9.2
Net (loss) profit including provisions on the sale and termination of operations	**(0.3)**	217.4	(265.9)	(57.7)	(67.3)
Exceptional costs of a fundamental reorganisation	**–**	(5.2)	(10.6)	–	–
Profit (loss) before taxation	**73.4**	299.3	(297.6)	89.6	107.0
Taxation	**(18.2)**	(27.1)	(61.4)	(64.8)	(71.0)
Profit (loss) after taxation	**55.2**	272.2	(359.0)	24.8	36.0
Minority interests	**(7.6)**	(5.4)	(6.5)	(17.0)	(13.5)
Profit (loss) for the financial year	**47.6**	266.8	(365.5)	7.8	22.5
Dividends*	**(19.2)**	(547.9)	(59.4)	(58.3)	(61.1)
Retained profit (loss) for the financial year	**28.4**	(281.1)	(424.9)	(50.5)	(38.6)
Earnings (loss) per ordinary share:					
Headline	**49.3p**	60.0p	50.2p	115.8p	103.2p
Basic	**54.2p**	302.4p	(414.3)p	9.0p	25.8p
Dividends per ordinary share**	**22.0p**	621.0p	67.2p	66.0p	63.0p
Balance sheet					
Fixed assets	**359.9**	364.3	661.1	738.6	693.5
Other assets less liabilities other than (borrowings) cash	**121.7**	151.0	172.8	280.2	319.1
	481.6	515.3	833.9	1,018.8	1,012.6
Net (borrowings) cash	**(69.1)**	(149.0)	(143.4)	(96.0)	2.6
Net assets	**412.5**	366.3	690.5	922.8	1,015.2
Shareholders' funds	**365.3**	320.1	554.3	790.3	886.8
Minority interests	**47.2**	46.2	136.2	132.5	128.4
	412.5	366.3	690.5	922.8	1,015.2

* 1999 includes a special dividend of £529.3m (600p per ordinary share after adjusting for the share consolidation).

** Before Foreign Income Dividend enhancement.

Shareholder Information

Registered Office
Inchcape plc
33 Cavendish Square
London W1G 0PW
Tel: (44) 20 7546 0022

Registrar
Computershare Services PLC
Registrar's Department
PO Box No 82
Bristol BS99 7NH
Tel: (44) 870 702 0000

Solicitors
Slaughter and May

Auditors
PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors

Stockbrokers
UBS Warburgs

Senior executives

Group Chief Executive
Peter Johnson
Tel: (44) 20 7546 0022
Fax: (44) 20 7546 0010

Group Finance Director
Alan Ferguson
Tel: (44) 20 7546 0022
Fax: (44) 20 7546 0010

The following executives are responsible for operations:

E-commerce and Autobytel UK
Kevin Turnbull
Tel: (44) 870 607 0909
Fax: (44) 870 608 0909

Inchcape UK
Chris Franklin
Tel: (44) 1923 221 144
Fax: (44) 1923 800 622

Belgium/Greece
Martin Taylor
Tel: (32) 2 386 7211
Fax: (32) 2 386 7540

Australia
Trevor Amery
Tel: (612) 9828 9199
Fax: (612) 9725 2240

Hong Kong/Singapore
William Tsui
Tel: (852) 2562 2226
Fax: (852) 2811 1060

The following executives are responsible for staff functions:

Group Treasurer
Chris Parker

Head of Tax
Amanda Catterall

Group Financial Controller
Paul Wallwork

Group Audit and Risk Management
Tim Trounce

Business Development
Dale Butcher

Human Resources
Sarah Reeve

Information Systems
Peter Wilson

Group Communications
Helen Cartmell

Investor Relations
Emma Woollaston

Group Company Secretary
Roy Williams

Inchcape PEPs
Individual Savings Accounts have replaced PEPs as the vehicle for tax exempt individual savings. Existing PEPs may be retained indefinitely. Inchcape PEPs are managed by The Share Centre, who can be contacted at PO Box 1000, Tring, Herts. HP23 4JR, tel. no. 01442 890 844.

Inchcape ISA
Inchcape has established a Corporate Individual Savings Account (ISA). This is managed by HSBC Trust Company (UK) Limited who may be contacted for full details at Corporate PEPs and ISA Centre, 2nd Floor, Ridgeland House, 165 Dyke Road, Hove, East Sussex BN3 1UN, tel. no. 01273 363 050.

Financial Calendar

Ex-dividend date for 2000 final dividend
23 May 2001

Record date for 2000 final dividend
25 May 2001

Annual General Meeting
15 May 2001

Final 2000 ordinary dividend payable
15 June 2001

Announcement of 2001 half-year results
6 August 2001

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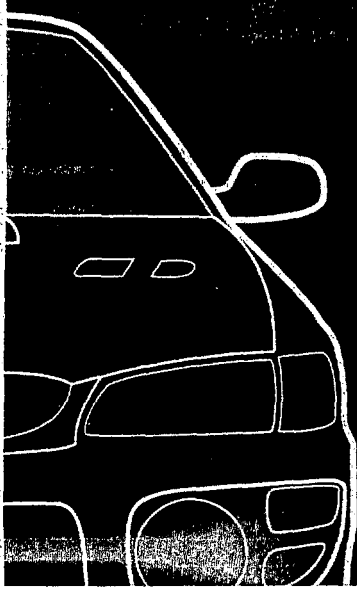

Inchcape

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

Inchcape

Inchcape plc

Notice of Annual General Meeting

and

Explanation of Requisitioned Resolutions

This document is important and requires your immediate attention.

If you are in any doubt about the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other authorised independent professional adviser duly authorised under the Financial Services Act 1986.

If you have sold or transferred all your shares in Inchcape plc you should pass this letter and all other documents enclosed with it to the stockbrokers, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice of the Annual General Meeting of Inchcape plc to be held at 11.00 am on Tuesday 15 May 2001 at The Conference Forum, The Marsh Centre, London E1 8DX is set out on pages 7 to 9 of this document. The accompanying Form of Proxy for use in connection with the meeting should be completed and returned, in accordance with the instructions printed thereon, as soon as possible but, in any event, so as to arrive by no later than 11.00 am on Sunday 13 May 2001.

Inchcape

Inchcape plc
33 Cavendish Square
London W1G 0PW

Directors:
Sir John Egan *(Chairman)**
Peter Johnson *(Chief Executive)*
Alan Ferguson *(Finance Director)*
Trevor Taylor*
Simon Robertson*
Tony Alexander*
Dr Raymond Ch'ien*
Hugh Norton*

**Non-executive*

12 April 2001

To the holders of ordinary shares and, for information only, to holders of share options

Dear Shareholder

1. Notice of Annual General Meeting

The Notice of Annual General Meeting of Inchcape plc ("Inchcape" or the "Company") is set out on pages 7 to 9 of this document. Resolutions numbered 1 to 10 are being proposed by the Company. Resolutions numbered 11 and 12 are being proposed at the requisition of a shareholder, Allied Mutual Insurance Services Limited, a company acting on behalf of Guinness Peat Group plc ("GPG").

2. Resolutions proposed by the Company – Resolutions 1 to 10

Resolutions 1 to 10 are being proposed by the Company. An explanation of each of these Resolutions is set out on pages 4 and 5 of this document.

3. Resolutions Requisitioned by a Member – Resolutions 11 and 12

GPG has requisitioned, as it is entitled to do under section 376 of the Companies Act 1985, that two Resolutions be put to the Annual General Meeting. These are Resolutions 11 and 12 in the enclosed Notice of Meeting.

To date GPG has not provided any explanation in support of the two Resolutions that it has requisitioned. If and when such explanation is received we shall send it to you together with our views on it. However, on 15 February GPG sent an open letter to the Company regarding its proposals for the Company. The issue raised by Resolutions 11 and 12 is substantively the same as GPG's demand for an immediate return of capital of £1 per share made in its letter. I responded to that letter on 5 March setting out why we did not agree with that demand and why GPG's suggestions were inappropriate in the context of the Board's strategy for the future development of the Company. What was said in that response remains unchanged today. For your convenience, the text of the GPG letter and my response is set out in the appendix to this document.

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No. 609782
Registered Office
as address

Your Board's strategy is fully explained in my letter of 5 March and in the Company's Report and Accounts for 2000, which accompanies this letter. In summary, that strategy is to drive shareholder value by investing in areas that complement the Group's existing businesses in its core markets, and to continue to exit markets where it cannot add value or achieve scale returns, whilst at the same time maintaining an efficient capital structure.

In light of this strategy and especially given the progress with the disposal programme, your Company has already committed to return up to £45,000,000 (equivalent to approximately 50 pence per share) to shareholders in coming months, as conditions allow. Since 5 March 2001 your Company has made significant progress with this programme, having purchased, as at 9 April 2001, 6,102,500 of its shares for cancellation and thus returned some £22.7 million to shareholders. In my letter of 5 March I also stated that if available funds arising from either operational cash flow or disposals were not applied for investment purposes, your Board will make additional returns of capital to shareholders and, indeed, Resolution 10 proposed by the Company gives added flexibility to do this.

Your Board believes that its approach represents the appropriate balance between the investment needs of the Company's business and the return of capital to shareholders and accordingly it does not consider a further and immediate return of capital, as called for by Resolutions 11 and 12, to be appropriate or in the best interests of shareholders as a whole.

4. Recommendation

Your Board considers that Resolutions 1 to 10 are in the best interests of the Company and shareholders as a whole. They unanimously recommend that shareholders vote IN FAVOUR of these Resolutions as they intend to do in respect of their own beneficial shareholdings.

Your Board considers that Resolutions 11 and 12 are NOT in the best interests of the Company and shareholders as a whole. They unanimously recommend that shareholders vote AGAINST these Resolutions as they intend to do in respect of their own beneficial shareholdings.

5. Action to be taken

Shareholders will find enclosed a Form of Proxy for use in respect of the Annual General Meeting. If you are not intending to attend the Annual General Meeting in person, you are urged to complete and return this, indicating how you wish your votes to be cast on each of the Resolutions. To be effective, the Form of Proxy should be completed in accordance with the instructions contained therein and returned as soon as possible, but in any event so as to reach the Company's Registrars, Computershare Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3ZZ by no later than 11.00 am on Sunday 13 May 2001.

Yours sincerely

John Egan

Sir John Egan
Chairman

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Resolution 1 – Accounts

English company law requires the Directors to present the audited accounts of the Company to a general meeting of shareholders.

Resolution 2 – Dividend

A final dividend can only be paid after it has been approved by shareholders. The Directors are recommending a final dividend of 14.7 pence per ordinary share, payable on 15 June 2001 to shareholders on the register at 25 May 2001.

Resolution 3 – Election of Sir John Egan

Under the Articles of Association of the Company, Directors appointed during the year hold office until the next following Annual General Meeting and they may then offer themselves for election. Sir John Egan was appointed on 15 June 2000. Accordingly, he retires under the Articles and offers himself for election. His biographical details are shown on page 17 of the Company's 2000 Annual Report and Accounts. Sir John is Chairman of the Nomination Committee, and he is a member of the Audit and Remuneration Committees.

Resolutions 4 and 5 – Re-election of Directors retiring by rotation

The Company's Articles of Association require one third of the Directors to retire each year and provide that they may offer themselves for re-election. This year, Peter Johnson and Hugh Norton retire by rotation and offer themselves for re-election. Their biographical details are shown on page 17 of the Company's 2000 Annual Report and Accounts. Peter Johnson is a member of the Nomination Committee. Hugh Norton is Chairman of the Remuneration Committee and he is a member of the Audit and Nomination Committees.

Resolution 6 – Re-appointment of auditors

The Company's independent auditors must be appointed each year at the Annual General Meeting. The Directors have recommended retaining PricewaterhouseCoopers.

Resolution 7 – Auditors' remuneration

This resolution, in accordance with normal practice, authorises the Directors to fix the auditors' remuneration.

Resolution 8 – Issues of shares by the Directors

Resolution 8 is to renew the Directors' authority to issue the authorised but unissued capital of the Company. The authority is over shares up to an aggregate nominal value of £41,083,365 (27,388,910 ordinary shares of 150p each), being approximately 33.3% of the total ordinary share capital in issue at 9 April 2001. The Directors have no present intention of exercising the authority.

Resolution 9 – Disapplication of pre-emption

Resolution 9 is to renew the Directors' authority to issue a limited number of shares for cash without first offering them to existing shareholders. This resolution is to comply with Section 89 of the Companies Act 1985. The authority is limited to shares to an aggregate nominal value of £6,168,673 (4,112,449 ordinary shares of 150p each) which represents approximately 5% of the Company's issued ordinary share capital at 9 April 2001. In relation to the exercise of this authority, the Directors will have regard to the guidelines published by the investment committees of the Association of British Insurers and the National Association of Pension Funds.

The authorities sought by Resolutions 8 and 9 are to replace the existing powers of the Directors, which will expire at the conclusion of the Annual General Meeting. The authorities sought will expire at the conclusion of the Annual General Meeting to be held in 2002.

Resolution 10 – Purchase of own shares by the Company

Resolution 10 is to renew authority for the Company to buy its own shares in the market. The authority granted at last year's Annual General Meeting covers approximately 10% of the Company's issued share capital and expires at the end of the 2001 Annual General Meeting. As at 9 April 2001, being the latest practicable date prior to the date of the notice of the Annual General Meeting, the Company had purchased for cancellation 6,102,500 ordinary shares pursuant to that authority at a cost of some £22.7 million as part of its announced intention to return up to £45,000,000 to shareholders in coming months as conditions allow.

The Company now proposes to increase the authority to approximately 14.99% of its issued ordinary share capital. This will allow the Company to complete the intended return of capital through market purchases, if appropriate, whilst at the same time providing a similar level of standing authority to that which the Company has previously taken and would normally take at its Annual General Meeting. This authority would only be exercised if the Directors believed that the balance between the Company's investment needs and the return of capital to shareholders called for it and if market conditions made it advantageous to do so. The effect of any such purchases would be to reduce the number of shares in issue and the Directors would accordingly only make such purchases if this would result in an increase in earnings per share and be in the best interests of shareholders generally.

The number of options to subscribe for equity shares in the Company outstanding on 9 April 2001 was 2,428,533 representing 2.95% of the issued share capital at that time. If the full authority to buyback shares is used then such options will represent 3.47% of the issued share capital of the Company.

Resolutions 11 and 12 – Requisitioned resolutions

GPG has not yet provided any explanation of the requisitioned resolutions. The Directors' views on these are set out in the letter which accompanies the Notice of Meeting.

LISTING RULES DISCLOSURE

In accordance with the requirements of the Listing Rules of the UK Listing Authority, the following information is disclosed:

1. The following notification of substantial interests in the Company's issued ordinary share capital had been received by 9 April 2001 under the provisions of the Companies Act 1985:

Guinness Peat Group plc	13.54%
Fidelity International Limited	9.57%
I.M. Group Limited	6.69%
Toyota Motor Corporation	5.11%
HSBC Investment Bank plc	3.66%
M&G Investment Management Limited	3.13%

2. The following changes in Directors' interests in the shares of the Company and its subsidiaries have taken place between 1 January and 9 April 2001.

   On 1 February 2001, options over 977 shares granted to Trevor Taylor under the Inchcape SAYE Share Option Scheme lapsed.

   On 22 March 2001, options under the Inchcape 1999 Share Option Plan were granted at an exercise price of 384p as follows:

   Alan Ferguson – an option over 52,083 Ordinary Shares of 150p each
   Peter Johnson – an option over 104,166 Ordinary Shares of 150p each

   The options are exercisable between March 2004 and March 2011. In normal circumstances they are exercisable only if the performance target has been met.

   On 3 April 2001 the Trustees of the Inchcape Employee Trust acquired 250,000 ordinary shares of 150p. The Trustees' shareholding at 9 April 2001 totalled 1,551,074. (1 January 2001 – 1,301,074). The executive Directors of the Company, together with other employees of the Group, are potential beneficiaries of the Trust and, as such, are deemed by the Companies Act 1985 to be interested in any shares held by the Trustees.

NOTICE OF MEETING OF INCHCAPE PLC

THE FORTY-THIRD Annual General Meeting of the Company will be held at The Conference Forum, The Marsh Centre, London E1 8DX on Tuesday 15 May 2001 at 11.00 am for the following purposes:

1. To receive the statement of accounts for the financial year ended 31 December 2000 and the Directors' and Auditors' reports thereon.

2. To declare a final dividend.

3. To elect Sir John Egan as a Director.

4. To re-elect Peter Johnson as a Director.

5. To re-elect Hugh Norton as a Director.

6. To re-appoint the Auditors.

7. To authorise the Directors to determine the Auditors' remuneration.

As special business, to consider and, if thought fit, to pass the following resolutions. Resolution 8 will be proposed as an ordinary resolution and resolutions 9 and 10 as special resolutions.

8. "THAT the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal value of £41,083,365 which authority shall (unless previously revoked or varied by the Company in general meeting) expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired."

9. "THAT the Directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by resolution 8 above as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment, provided that this power shall be limited:

   (a) to the allotment of equity securities in connection with a rights issue, open offer or other pre-emptive offer in favour of ordinary shareholders where the equity securities respectively attributable to the interests of ordinary shareholders on a fixed record date are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever; and

   (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £6,168,673, and shall (unless previously revoked or varied by the Company in general meeting) expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired."

10. "THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (as defined in Section 163(3) of the Companies Act 1985) of its ordinary shares of 150p each provided that:

    (a) the maximum number of ordinary shares which may be acquired is 12,329,122;

    (b) the minimum price which may be paid for any such share is 150p; and

    (c) the maximum price which may be paid for any such share is an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is contracted to take place.

    This authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make a contract of purchase which would or might be executed wholly or partly after such expiry and may purchase shares in accordance with such contract as if the authority conferred hereby had not expired."

Requisitioned resolutions

Also as special business, to consider the following resolutions, 11 and 12, which have been requisitioned by Allied Mutual Insurance Services Limited pursuant to Section 376 of the Companies Act 1985.

The Company has been notified that the resolutions will be proposed as ordinary resolutions.

11. "THAT in addition to the proposed final ordinary dividend of 14.7 pence, this meeting requests and recommends that the board of directors of the Company resolve to and effect the payment of a cash dividend to members of 50 pence per ordinary share (an aggregate amount of approximately £43,000,000) as soon as practicable by way of interim dividend in accordance with Article 117 of the Company's Articles of Association."

12. "THAT this meeting requests and recommends that, subject to a resolution being passed to allow the Company to purchase up to 14.99% of its share capital, the board of directors of the Company implement as soon as practicable a return of capital to members in the aggregate amount of up to £45,000,000."

BY ORDER OF THE BOARD

Roy Williams
Secretary
33 Cavendish Square
London W1G 0PW

12 April 2001

NOTES

1. Proxy

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy (enclosed) must be delivered at the office of the Company's registrars not later than forty-eight hours before the time appointed for holding the meeting. Return of a completed form of proxy will not preclude a member from attending and voting in person.

2. Entitlement to vote

The Company, pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, specifies that only those shareholders registered in the register of members of the Company at 11.00 am on 13 May 2001 (or, in the event that this meeting is adjourned, in the register of members forty-eight hours before the time of any adjourned meeting), shall be entitled to attend or to vote at this meeting in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after 11.00 am on 13 May 2001 (or, in the event that this meeting is adjourned, forty-eight hours before the time of any adjourned meeting), shall be disregarded in determining the rights of any person to attend or vote at the meeting.

3. Documents available for inspection

The register of Directors' interests and copies of the Directors' service contracts with the Company or its subsidiaries will be available for inspection at the registered office of the Company during normal business hours and on the date of the Annual General Meeting at The Marsh Centre, London, E1 8DX from 10.45 am until the conclusion of the meeting.

If you have sold or otherwise transferred all of your Inchcape plc shares, please send this document and the accompanying documents at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Inchcape

Inchcape plc
33 Cavendish Square
London W1G 0PW

Directors:
Sir John Egan *(Chairman)**
Peter Johnson *(Chief Executive)*
Alan Ferguson *(Finance Director)*
Trevor Taylor*
Simon Robertson*
Tony Alexander*
Dr Raymond Ch'ien*
Hugh Norton*

**Non-executive*

5 March 2001

To the holders of ordinary shares and, for information only, to holders of share options

Dear Shareholder

On 15 February I received an open letter from the Chairman of Guinness Peat Group plc ("GPG") making a number of suggestions in relation to the management and strategy of Inchcape plc ("Inchcape" or "the Group"). The full text of his letter is set out in the appendix to this circular and in essence two points are made. Firstly, that we should return £1 per share to shareholders immediately and secondly, that Inchcape should conduct a break-up of the Group.

I am writing to you today to emphasise why the Board considers GPG's suggestions are inappropriate and to explain the principal elements of our strategy which, we believe, will deliver greater value for the shareholders of Inchcape than a break-up of the Group.

Returning value to shareholders

Your Board has already demonstrated an active approach to the question of returning surplus capital to shareholders as evidenced by the special dividend of £529.3m paid in early July 1999, following the disposal of our non-motors businesses. The motors disposal programme that we have undertaken since then has further transformed the financial position of the Group with pro forma net debt falling from £195.9m as at June 1999 to £69.1m at 2000 year end. Since the year end we have announced the disposals of Mazda France, an import and distribution business, and IRB, a Brunei financial services subsidiary, which would have had the effect of making the Group cash positive at the year end. We expect to make further disposals in due course in areas that do not form part of our growth strategy and where we see an opportunity to realise further value in this way.

The Board has concluded that, in the light of this progress on its disposal programme, it would expect to return up to £45.0m (equivalent to approximately 50p per share) to shareholders in coming months as conditions allow. If available funds arising from either operational cashflow or disposals are not applied for investment purposes, the Board will make additional returns of capital to shareholders. The Board already has powers to purchase up to 10% of Inchcape's capital and we intend to extend that authority to 14.99% at the forthcoming Annual General Meeting.

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The permanent repatriation of funds from Holland, to which the Chairman of GPG refers in his letter, was an act of prudent treasury management, which had no bearing on the overall net cash position of the Group. To suggest that this should be the basis for an immediate return of capital of £1 per share is, therefore, simplistic and inappropriate.

Operating structure of the Group

Inchcape today is in a strong position in the global automotive retail and distribution sector, with a range of high quality, long-standing relationships with a number of leading manufacturers across its six core markets. As the automotive industry operates on a global basis, it is seeking partners of substance to provide solutions to the marketing and sales of its products across a range of markets. Such is the importance of these relationships that any move that destabilises them, such as a forced break-up, would, in the Board's view, destroy significant shareholder value.

Ferrari (the Maranello franchise) is a prime example of the opportunity to leverage a high quality, long standing relationship across a range of markets to grow value over time. As a result of our performance for Ferrari in the UK we are now their distributor in Belgium and are also developing this relationship in the Middle East. Additionally, we were asked to add the Maserati franchise to our highly successful business.

Contrary to the suggestion made within the GPG letter, the sale of our UK Toyota franchise back to the manufacturer was a well planned and executed strategy to provide value to shareholders. We successfully anticipated the increasing trend for manufacturers to capture a greater share of the value chain in certain very large markets, such as the UK. Our agreement with Toyota to take back the UK franchise was originally signed in 1989, with a gradual transfer of ownership through to 2007. During 2000 we agreed with Toyota that an acceleration of this process was in both groups' interests and our remaining 49% interest in Toyota GB was sold for £42.1m (net asset value £28.1m).

In import and distribution the opportunity for Inchcape now lies in those markets which manufacturers do not consider of sufficient global importance to merit their own operations, but where they nevertheless look for long-term relationships based on experience and mutual trust to promote their business, especially in markets where distribution is integrated with retail.

Strategy for our UK business

In the year ended 31 December 2000 we reported a fall in UK operating profits from £25.0m to £0.7m. The reductions were primarily due to residual value write-downs depressing our leasing business (£10.5m), an increased investment in Autobytel (£6.5m), and a deterioration in our pre-delivery inspection business (£3.2m). The underlying operating profit in the UK is, therefore, substantially higher, showing the continued attractiveness and importance of this market to the Group. Operating profits will rebound in the UK business in 2001.

The UK market is extremely competitive and faces structural change as manufacturers further consolidate their retail networks and the existing Block Exemption legislation changes in 2002. It is our view that such changes will neither detract from the inherent brand strength of specialist manufacturers, nor alter the high levels of customer expectation. Our specialist dealerships deliver high customer satisfaction and produce better financial returns than volume dealerships.

We have embarked, therefore, on a significant expansion of our specialist retail businesses focused on our key manufacturer partners: Toyota, Lexus, the Premier Automotive Group (Jaguar, Land Rover, Volvo) and BMW. We will also leverage off our existing scale geographic clusters and we plan to double the size of our specialist business. Until the resolution of the Block Exemption debate, we will not be investing further in volume franchises or Centralised Market Areas ("CMAs") referred to in the GPG letter, which have yet to show any significant margin enhancement for the retailer.

Our investment of £12.3m in the development of Autobytel has created the UK's leading automotive internet brand with 5 million unique visitors since launch. Autobytel now transacts directly with its customers and is supported by our existing UK infrastructure. Investment levels in Autobytel will be much reduced in 2001.

A key component supporting the development of new channels and products is the provision of business services in areas of sourcing, logistics, vehicle management and refurbishment. With the acquisition of 49% of Eurofleet, the Group is well placed to build a significant presence in this growth segment of the market, particularly if Block Exemption changes encourage new entrants into car retailing. We intend to invest further in this area over the next two years and anticipate it will make a major contribution to our UK profits.

Singapore

It is a matter of public record that Guinness Peat Group (Australia) Pty Limited has made an unsolicited approach to the Board of Inchcape Motors Ltd ("IML"), our publicly listed Singapore subsidiary. Its proposed offer was subject to a number of conditions, including acceptance by the Board of Inchcape. The Board of Inchcape has no intention of accepting an offer in relation to one of its key subsidiaries which it considers wholly inadequate and which fails to recognise the strategic value of the IML businesses to Inchcape and their importance to the overall Toyota relationship.

Singapore is one of our six core markets where we have created a strong market position with a market share of 21.5%. It is also one of the cornerstones of our global relationship with Toyota, the single most important and highly valued manufacturer relationship of the Group, which we have no intention of disrupting.

Following the recently announced sale of IRB, the Board will be discussing with the IML Board the most appropriate strategy and structure for this business going forward.

Central costs

Central costs were £16.3m in 2000, down from £17.8m in 1999. Costs for 2000 included a one-off charge of £3.0m relating to the research and development of new products and alternative channels to market. 1999 included £3.5m one-off costs arising from the non-motors divestment programme.

We have ensured that costs incurred in managing the Group do add value and we will keep the organisation as lean as possible. As our business becomes more focused, we will continue to take cost out.

It is also worth noting that the significant disposal programme, which put your Company in such a strong financial position, has been driven by Head Office staff.

Results for 2000

We have today issued our results for the year ended 31 December 2000, which are in excess of market expectations. The key messages are:

- Continuing operating profit up 3.9% at £83.5m (1999 - £80.4m).

- Strong performance in key overseas markets, with operating profits from Asia up 65.2%. Non-UK operations account for 67.2% of continuing turnover.

- UK Retail operating profits up 4.4% before Rover restructuring costs; overall UK performance impacted by market turbulence, continued investment in E-commerce business and other non-recurring factors.

- Dividend for the year 22.0p up 4.8%.
- Prospects – operating performance in the UK will rebound in the current year and the outlook for our other markets remains good. The Group's interest charge will also be lower, reflecting our much lower debt position (before the effect of any return of capital to shareholders).

Conclusion

Your Board is firmly of the view that shareholders as a whole will enjoy greater value through the implementation of its strategy, than through a complex and lengthy break-up of the Group with substantial execution risk. Our strategy comprises the following elements:

- Development of our existing strong relationships with core partners to ensure the generation of sustainable and long-term cash flows. Any move that damages these relationships will, in your Board's view, destroy significant value for shareholders.
- Focus on those key geographic markets where we have scale, the capacity to grow earnings and where we can add value for our manufacturer partners.
- Leveraging our international strength, broad business infrastructure and strong manufacturer relationships thereby taking advantage of opportunities as they arise in the UK market.
- Divesting non-core activities which lack scale or where we cannot add value as an independent distributor.
- Maintenance of an effective capital structure where surplus capital is returned to shareholders on an orderly basis.

As we have stated, we see many exciting opportunities for investment going forward and we will continue to apply demanding hurdle rates for return on future investments.

The Board, which has received financial advice from UBS Warburg Ltd. ("UBS Warburg"), believes that GPG's suggestions are inappropriate in the context of the Board's strategy for the future development of the Company. In providing its advice, UBS Warburg has relied on the commercial assessments of the Directors of Inchcape.

In my short time with the Company I have been impressed with the way the management has created a focused international automotive group, with excellent manufacturer relationships, a quality infrastructure and an extremely strong balance sheet.

Your Board will ensure that in pursuing the planned strategic initiatives we adopt a shareholder value driven approach, balancing short-term cash considerations with long-term investment opportunities.

Yours sincerely

John Egan

Sir John Egan
Chairman

UBS Warburg, which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is acting for Inchcape plc and no one else in connection with the financial advice provided and will not be responsible to anyone other than Inchcape plc for providing the protections afforded to customers of UBS Warburg, nor for providing advice in relation to the response to the letter sent by GPG.

UBS Warburg has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which it appears.

(appendix to letter of 5 March 2001)

Set out below is the text of a letter received by Inchcape plc on 15 February 2001 from Guinness Peat Group plc.

GPG

Guinness Peat Group plc

2nd floor, 21-26 Garlick Hill
London EC4V 2AU
Telephone: 020 7236 0336
Facsimile: 020 7329 8870

15 February 2001

The Chairman
Inchcape plc
33 Cavendish Square
London
W1N 9HF

Dear Sir,

Realisation of Value

Guinness Peat Group plc ("GPG") is the largest shareholder in Inchcape plc, with 14.13 million shares, which represents 16% of the issued capital of the company.

We are reasonably familiar with the company's operations and financials and we thank you for your assistance in clarifying various aspects for us.

We note the announcement of 15 December 2000 that £100 million cash has been repatriated from Holland to UK and it is our strong submission that **these funds should be immediately returned to shareholders in the form of a capital distribution of £1 per share.**

Notwithstanding the merit of the 1999 reconstruction, which reduced Inchcape to a pure automotive group, we question whether the residual operating structure continues to be appropriate in view of motor industry developments in Europe and elsewhere in the past year.

Inchcape's loss of Toyota in the UK must have major significance for the future. The remaining UK businesses lack sufficient substance and cohesion and any new acquisition would have credibility problems after the company's long standing and high profile identification with Toyota.

Mazda France (once highly profitable) has now disappeared, the 40% interest in Mazda GB looks increasingly tenuous and the UK dealerships are well represented in number but not in location.

Registered in England No. 159975
Registered office:
2nd floor, 21-26 Garlick Hill
London EC4V 2AU

Customer marketing areas ("CMA's") are steadily becoming more important than individual dealerships but to the best of our knowledge, Inchcape has not yet established its first CMA in any marque. Many of Inchcape's locations would complement other retail motor groups and would be more valuable to them than in the present ownership.

Maranello Concessions is a quality niche business but, once again, would be of greater value if sold to an aggressive entrepreneurial owner.

The overseas subsidiaries are largely a legacy of a bygone colonial era and in reality there is no added value in UK ownership of diverse geographic locations. It is difficult to see that motor vehicle dealerships in Singapore in particular, and in Hong Kong and Australia, are enhanced by the remote control and added cost burden of a London head office.

As you are aware, Guinness Peat Group (Australia) Pty Ltd has made an approach to Inchcape Motors Ltd with a view to making a takeover offer at an indicative price of S$1.65 per share, which is well in excess of previous market value. **The additional public listing in Singapore appears to add nothing to Inchcape plc** and if the offer is successful, you will receive approximately £66 million, which will be available for debt reduction and a further return to shareholders.

As an overall view, we believe Inchcape has an excellent opportunity to obtain the full value of its individual components by a controlled program of realisation rather than prolonging the existence of an outdated model for the sake of doing so. On this basis, shareholders would also effectively gain the benefit of the capitalised value of the company's central costs of £20 million per annum (very high?) and eliminate the continuing cash drain of "Autobytel".

On our estimates, **there is an ultimate realisation value of well in excess of £5 per share available to shareholders** – in direct contrast to what we anticipate will be a disappointing Year 2000 result to be announced next month.

Last, but not least, we would fully support fair and proper retirement packages for Board and management in recognition of a difficult but responsible decision to pursue a realisation program in the best interests of all shareholders of Inchcape plc.

We look forward to your response to the proposed initial return of capital of £1 per share.

Yours faithfully,

Ron Brierley,
Chairman

Annual General Meeting
15 May 2001

1/002689
DATASTREAM INTERNATIONAL LIMITED
MONMOUTH HOUSE
58-64 CITY ROAD
LONDON
EC1Y 2AL

C0000146714

To be held on 15 May 2001 at 11.00 am at The Conference Forum, The Marsh Centre, London E1 8DX.

If you wish to attend the meeting please sign this card, bring it with you and hand it in on arrival. This will facilitate entry to the meeting to shareholders (or their duly appointed proxies). Tea and coffee will be available from 10.15 am and following the meeting.

Signature ....

Inchcape

Annual General Meeting
15 May 2001

ISSUES OF CONCERN TO SHAREHOLDERS

At the Annual General Meeting we want to deal with the issues which most frequently concern our shareholders. If you have such an issue, please set it out in BLOCK CAPITALS below. If you need more space, please attach a continuation sheet. We regret that we cannot reply individually.

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No acknowledgement of receipt will be sent. Complete your name in BLOCK CAPITALS below.

NAME ....

ADDRESS ....

.... POSTCODE ....

The completed card should be returned to Inchcape by 8 May 2001. If you have attached a continuation sheet, please return both to: The Secretary, Inchcape plc, 33 Cavendish Square, London W1G 0PW.

Millnet Financial (6233-01)

Inchcape

FORM OF PROXY
Annual General Meeting

C0000146714

Form of proxy for use only by holders of Ordinary Shares having the right to attend and vote at the Annual General Meeting to be held on 15 May 2001, at 11.00 am at The Conference Forum, The Marsh Centre, London E1 8DX.

I/We being (a) registered holder(s) of Ordinary Shares in Inchcape plc hereby appoint the Chairman of the meeting (Note 2)

as my/our proxy to attend and, on a poll, vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 15 May 2001 and at any adjournment thereof.

Please indicate, by inserting a cross in the appropriate space, how you wish your votes to be cast on each of the resolutions mentioned.

If you sign this form and return it without any specific directions, your proxy will abstain or vote as he or she thinks fit.

Resolutions recommended by the Board

Type of resolution	Resolution	For	Against
1. Ordinary	To receive the Accounts and Directors' and Auditors' Reports		
2. Ordinary	To declare a final dividend		
3. Ordinary	To elect Sir John Egan as a Director		
4. Ordinary	To re-elect Peter Johnson as a Director		
5. Ordinary	To re-elect Hugh Norton as a Director		
6. Ordinary	To re-appoint PricewaterhouseCoopers as Auditors		
7. Ordinary	To authorise the Directors to determine the Auditors' remuneration		
8. Ordinary	To authorise the Directors to allot relevant securities pursuant to Section 80 of the Companies Act 1985		
9. Special	To empower the Directors to disapply pre-emption rights pursuant to Section 95 of the Companies Act 1985		
10. Special	To authorise the Company to make market purchases of its ordinary shares up to 14.99% of its issued share capital		

Resolutions not recommended by the Board (requisitioned by Allied Mutual Insurance Services Limited pursuant to Section 376 of the Companies Act 1985 on behalf of Guinness Peat Group plc)

Type of resolution	Resolution	For	Against
11. Ordinary	That the Board pay an additional cash dividend of 50p per share, as soon as practicable, by way of interim dividend		
12. Ordinary	That, subject to the passing of a resolution to allow the Company to purchase up to 14.99% of its share capital, the Board implement, as soon as practicable, a return of capital up to £45m in aggregate		

Unless instructed otherwise, the person appointed proxy may also vote or abstain from voting as he or she thinks fit on any other business which may properly come before the meeting.

Signature ....Date..2001

Information on Directors standing for election or re-election at the Annual General Meeting is given in the Report and Accounts on page 17.

Notes:

1. To be effective, this form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the office of the Company's Registrars, Computershare Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3ZZ not later than forty-eight hours before the time appointed for holding the meeting.
2. This form may be used for the appointment of any other person as proxy by deleting the words "the Chairman of the meeting" and inserting the name and address of the person whom it is desired to appoint. A proxy need not be a member of the Company.
3. Any alteration made to this form of proxy should be initialled.
4. If the appointor is a company this form of proxy must be under the common seal, under the hands of a director and its secretary or two directors or other authorised signatories in the name of the company, or under the hand of an officer or attorney duly authorised in writing.
5. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding.
6. Return of a completed proxy will not preclude a member from attending and voting in person.