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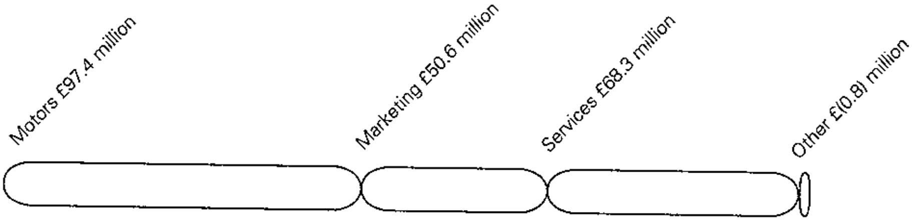
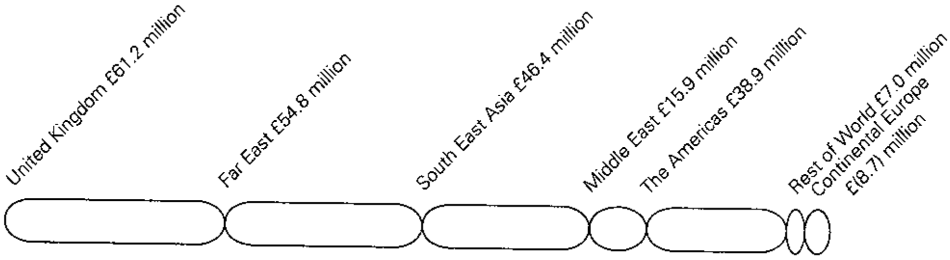
Financial highlights



Profit by activity*



Profit by region*

Turnover £ million

95	**6,295.9**
94	6,101.6
93	5,876.9
92	5,036.7
91	3,642.9

Dividends per share pence

95	**11.5††**
94	15.0
93	14.8
92	13.75
91	11.75

Headline Profit before taxation† £ million

95	**146.8**
94	230.6
93	252.4
92	249.0
91	180.3

Headline Earnings per share† pence

95	**14.0**
94	26.4
93	30.4
92	31.1
91	25.9

† Headline profit and earnings exclude exceptional operating expenses, profits and losses on disposal of properties and investments and other exceptional items.

* Profit is the adjusted total operating profit per the segmental analysis (Note 1 to the Accounts) and excludes discontinued operations £2.8m and central charges £(15.9)m. Exceptional operating expenses of £(65.2)m arising in the year are shown separately in the segmental analysis.

†† Includes 1.5p Foreign Income Dividend enhancement.

Chairman's statement

I was pleased and honoured to be invited to take over from Sir David Plastow on 1st January 1996 and therefore to present the 1995 Report to you. The results for the year are shown in full on page 32 and clearly reflect a disappointing outcome, largely as predicted at the time of the interim statement. Since then we have continued efforts to reduce or contain costs and to restructure where appropriate.

Inchcape employees

I pay tribute to the people of the Inchcape Group who have coped well throughout a difficult period. I also acknowledge with thanks the strong support provided by my fellow Board directors.

Strategic Review

The performance of the Group in 1995 marks a second year of profit downturn. Since my arrival in the Chair the executive management have devoted much of their time to a thorough review of our various businesses in order to narrow the focus and define the ongoing strategy of your Group, with three fundamental objectives. The first is to focus on a smaller number of potentially larger international businesses to ensure that management effort is spent in the most appropriate areas and to the greatest effect for our shareholders. Secondly, we need to increase the Group's financial flexibility to support these businesses and exploit the growth opportunities they offer. The final objective is to make a clear, coherent statement to all our stakeholders as to the present and future nature of Inchcape, as an international distribution group. The divestment of Bain Hogg and Inchcape Testing Services in 1996 will assist us substantially in the achievement of all three of these objectives.

Looking to the future, Motors will remain the largest activity in Inchcape. The strategic appraisal undertaken in 1995, and described in the Chief Executive's Review, is now being implemented and recovery, essential to the Group's future performance, is underway.

In Marketing, we will be moving the management to Asia and the Middle East, to be closer to its markets and therefore leaner and faster to react to opportunities. Additionally, in Asia we will consider the introduction of new partners or local shareholders to add value and improve the stability and growth of this business.

We are establishing our Coca-Cola bottling businesses and Inchcape NRG, our office automation joint venture with Ricoh, as separate operations. Each is an example of a focused international distribution business with good positioning in developing markets.

Shipping Services fits comfortably with the future activities of the Group and contributes strongly to shareholder value, with attractive cash generation characteristics. For historical and geographical reasons it is closely integrated with many of the Marketing businesses in the Middle East and elsewhere.

In support of the strategy to focus on international distribution, we will exit completely from Bain Hogg. We have already publicly stated our intention to float Bain Hogg, and we expect to accelerate this process of divestment either by demerger or flotation during 1996. Bain Hogg is a strong performer in its chosen markets and is well positioned to move into a new phase of development. Similarly, Testing Services is an excellent business which has generated strong and sustained growth for Inchcape over several years. However, it is not in international distribution and is based on different skills and characteristics. The disposal, also anticipated to be completed in 1996, will unlock the substantial value that has been created in this business, and allow the Group to concentrate management and capital resources where they can be most effective.

Board changes

With a more focused, less complex Group, there is no longer a requirement for both a Chief Executive and Group Managing Director. I am pleased that Charles Mackay agreed with your Board that he would step down, which led to the appointment of Philip Cushing as Chief Executive with effect from 25th March 1996. Mr Mackay has made a significant contribution to this Company throughout the past 10 years and we are grateful to him for all of his efforts, especially through the last two difficult years. I believe that Mr Cushing's wide experience will serve us well in leading the new Inchcape into the next century.

As you know, Sir David Plastow retired from the Board on 31st December, 1995 after three years as Chairman. I thank him for his help, advice and guidance to the Company.

David John left at the end of 1995 after 14 years with the Group, during which time he has played a significant role in its development. We wish him every success in his future career.

Peter Baring has decided not to offer himself for re-election at the Annual General Meeting and I would like to pay a special tribute to him for his many years of valuable contribution to the Board. He leaves us with our considerable gratitude for his wise counsel which will be missed.

Prospects

We remain cautious about the level of profits before exceptional charges in the first half, but our actions, and those of the manufacturers with whom we work, should progressively benefit us in the second half of the year, as will the weaker yen. We are, therefore, cautiously optimistic that 1996 as a whole should show an upturn in our fortunes.

Dividend

Your Board considers that the ongoing cost reductions and the refocusing of the Group will build a sound operational and financial base which will enable the Group to deliver future growth.

Although the cash flow, interest cover and balance sheet of the Group remain strong, the Board recommends that in the light of the Group's results in 1995, the final dividend should be reduced to 4 pence (1994 – 9 pence) making a total net dividend for the year of 10 pence – 11.5 pence including the Foreign Income Dividend enhancement for the Advanced Corporation Tax credit (1994 – 15 pence). The net 10 pence dividend is covered 1.4 times by earnings per share before exceptional charges. From this level it is considered that the Group will be in a position to increase the dividend as earnings recover, while also rebuilding dividend cover in the medium term to a target level of 2.0 times.

Sir Colin Marshall
1st April 1996

Chief Executive's statement

The factors that made 1994 such a difficult year for Inchcape persisted throughout last year; in some areas, particularly the Continental European motors markets and Hong Kong, trading conditions deteriorated further. Profits before exceptional operating expenses and tax fell 36% to £146.8m (1994 – £230.6m).

Strong action

Faced with similar adverse circumstances to those that first arose in 1994, we continued the programme described in the interim statement, to realign the Group's cost base and to improve margins and asset utilisation.

Specific actions have included the elimination of several loss making or sub-scale businesses; a major campaign to improve product competitiveness; and the reduction of the workforce by over 2,000. These actions contributed towards substantial exceptional charges for the year, totalling £129.4m, which are described fully in the Financial Review. Over time, an incremental net cash inflow of £100m is expected to be generated from all 1995 exceptionals. We anticipate a £38m per annum benefit from cost savings whilst closures and disposals mean that operating losses of £11m incurred in 1995 will not be repeated.

It is expected that 1996 will benefit from exceptional profits of around £25m, offset by future disposal or closure losses of a similar sum, excluding any effects of the divestments of Bain Hogg and Testing Services.

Asset turn was improved substantially by a concerted programme of working capital reduction, particularly in Motors Import & Distribution, and we began several new programmes designed to shorten and improve the flexibility of the various supply chains in our distribution businesses.

Improved cash flow

The Group has made good progress in reducing its working capital levels, and free cash flow was £147m (1994 – £85m). Capital gearing increased to 70% (1994 – 62%) largely due to the advanced payment of the 1995 interim dividend; net interest charges of £38.3m were 27% higher than last year, primarily due to the full year funding of the Hogg acquisition, and interest cover declined to 4.8 times (1994 – 8.7 times).

Strategy for recovery

Following the projected divestment of Bain Hogg and Testing Services, Motors will continue to be the largest part of the Group representing, on 1995 figures, 60% of operating profit. The focus remains on Import & Distribution on behalf of the world's leading manufacturers, the most important of which is Toyota. Despite continuing market pressures, we are confident that the turnaround of the 1995 performance is well underway.

We have conducted a complete reappraisal of the best way to run this business and established a strategy for rebuilding our returns over the coming years. This comprises four themes. Firstly, we will continue the process of rationalising our franchise portfolio to ensure that we concentrate all our efforts and resources on franchises, or groups of franchises, with a strong enough competitive position and scale to offer us long term profitable growth. Secondly, we will continue to restructure our multiple franchises for greater competitiveness and to improve returns. Thirdly, we will be making strenuous efforts to shorten and make more flexible the order to delivery cycle which has a critical influence on improving the returns in this business. We have major projects which have been started in the last six months and are already delivering significant improvements in the UK, Belgium and France. The net effect of the pressure we have brought to bear and the improved processes we have introduced to our motors businesses is an improvement of £50m in working capital in 1995.

Finally, we are implementing a comprehensive programme to generate profits from sources other than new cars. Areas covered by this programme include, of course, parts, service and accessories as well as used cars. However, one particularly important area is financial income. This derives mainly from finance provided to customers and dealers, but also in the areas of insurance and warranty. Our existing business in this area has represented a major and growing source of profit to us in the last few years. In the UK, France, Greece, Hong Kong and Brunei we generated profits of £28m in 1995, a very substantial base on which to build.

Elsewhere in the Group the relocation of the Marketing stream's management to Asia and the Middle East will be accompanied by a continued process of improving returns by elimination of low performing areas of activity and investment for growth.

Our Coca-Cola bottling business, now managed internationally as a stand-alone activity, is set for strong growth. Our existing, very successful, Chilean business, our start up in Russia and our new investment in Peru provide a good basis for future development.

Inchcape Shipping Services is investing heavily for future growth in both its Liner and Ship Services businesses, concentrating particularly on productivity improvements to be gained from major information technology innovations.

Our new venture with Ricoh, Inchcape NRG, which commenced trading in September, also represents a good opportunity for growth in office automation in the Asia Pacific region.

Commitment to people

Despite the difficult circumstances of the past two years and continuing performance pressure in the coming months, we remain totally committed to investment in the training and development of our staff. In 1995 we began important programmes for management in vital areas such as shareholder value and leadership skills.

The inevitable but regrettable loss of staff in areas under the greatest competitive pressure has clearly created extra burdens for all of us. The cheerful commitment with which our staff have carried these extra burdens has been a source of pride and inspiration to us all.

Philip Cushing
1st April 1996

Profit £ million

95	**97.4**
94	147.6

Turnover £ million

95	**4,243.1**
94	4,087.2

Motors There were some signs that market conditions may have stabilised in some of our key markets in the last quarter of 1995, but generally the difficult trading conditions experienced in 1994 continued, and in many areas worsened. Major markets in Western Europe and Hong Kong suffered from consumer uncertainty, reduced overall demand and increased competition. In the latter part of the year there was some moderation of the yen's strength against most major currencies, but it remained high by historic standards, affecting the price competitiveness of Japanese products in many markets. To mitigate these difficult circumstances, we made a number of significant changes to our cost base and our business processes.

motors

Inchcape Toyota Motors

Inchcape Toyota Motors' profits continued to be adversely affected by the relative strength of the yen, and by weak consumer demand particularly in Hong Kong and Belgium. However, the majority of our Toyota businesses performed strongly against the competition. Important market share increases were achieved in the UK and Hong Kong, and we maintained market leadership in Singapore and Brunei.

In the UK, Toyota (GB) achieved record sales of 61,190 cars and commercial vehicles, an increase of 6% in a market which grew by just 2%. As production of UK built Carina Es has increased, Toyota (GB) has responded strongly. Fleet sales were up 42% compared with growth in that sector of 7%. Sales to fleet purchasers now account for some [illegible]5% of Toyota vehicle sales in the UK, compared with 26% in 1994.

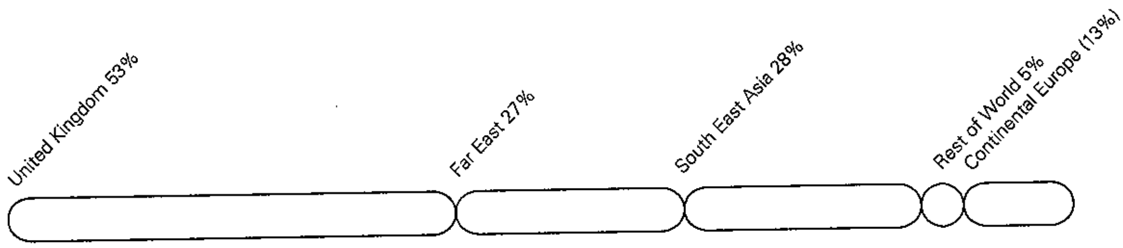
A number of new models were successfully launched during the year, including the new Lexus LS400, five-door RAV4 and Hilux 4WD double cab pick-up. In addition, sales performance benefited from a number of initiatives within the existing product range, including the realignment of the Carina E and Corolla model ranges with enhanced specifications and more competitive price positioning.

Independent surveys continued to underline Toyota's exceptional customer satisfaction record, with the Corolla being rated top model among all marques for the second year running, and Toyota achieving the number one rating in both sales and after-sales for the first time.

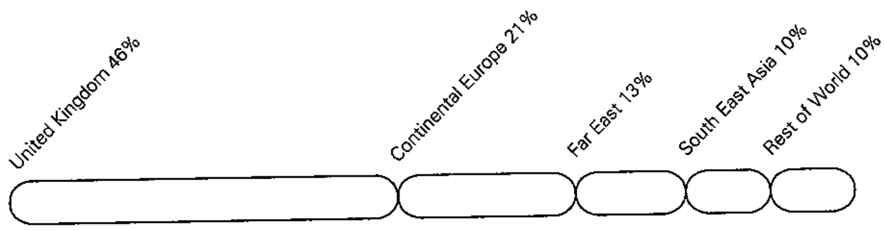
The Belgian market continued to be affected by government actions to reduce public spending and by rising unemployment, which together created a climate of severe consumer uncertainty. Total passenger vehicle sales fell by 7% to their lowest level since 1984, and the distortion caused by the favourable tax treatment of diesel models meant that sales of petrol engined vehicles fell even more severely, by 14%. In this extremely difficult market place, Toyota's total share declined from 6% to 5%, principally reflecting a lack of presence in the diesel section. Nevertheless, Toyota retained its position as the leading Japanese marque.

In Greece, demand for private cars responded positively to lower interest rates and easier consumer lending, though the market for light commercial vehicles continued to decline. Toyota remained the number two manufacturer in the passenger car sector, but volume sales were only marginally ahead of the previous year, reflecting pricing problems arising from the strengthening Japanese yen. Commercial vehicle volumes rose by over 50%, giving Toyota market leadership in this sector.

The Hong Kong vehicle market contracted substantially during the year, affected by general slowing of the economy, volatility in the stock market and property market, rising unemployment and unwillingness of consumers to commit to major personal expenditure prior to 1997. For 1995 as a whole, market volumes fell by almost one third.



1995 Percentage* Profit by region



1995 Percentage* Turnover by region

*Profit and Turnover percentage by region has been calculated before Exceptional operating expenses, Central stream costs and the reversal of Associated companies' turnover

Nevertheless, Toyota retained its leadership in all sectors, with an impressive increase in market share.

However, intense competition and further increases in advertising and promotional expenditure produced substantial pressure on margins despite a vigorous programme of cost reduction.

In Singapore, where the market grew by 11%, Toyota retained its leadership in the private car, taxi and light commercial vehicle sectors in the face of intense competition. However, profitability suffered from a change in the sales mix and higher certificate of entitlement prices at the luxury end of the market. Despite this, a number of new models were successfully launched, and the move to an expanded showroom and service complex was completed.

Market leadership was also maintained across all sectors in Brunei, though the government's introduction of substantially increased import duties has increased the selling prices of passenger cars by between 20% and 40%, with particularly negative effects on higher performance models. The Toyota Kijang, produced in Indonesia, has performed particularly well in the face of growing competition from low-cost vehicles manufactured in India and Korea.

Finally, in the smaller markets, Toyota remained the leading marque in Guam and performance was also strong in Ethiopia.

Inchcape Motors International
The performance of our Japanese franchises, other than Toyota, was significantly affected by the strength of the Japanese yen resulting in margin pressure in key European markets. Highlights in the UK Distribution business included the continued strong performance of Chrysler

Motors	Turnover 1995 £m	Turnover 1994 £m	Profit 1995 £m	Profit 1994 £m
Europe:				
UK	**1,976.2**	1,861.1	**56.1**	64.9
Continent	**873.9**	846.0	**(13.6)**	6.6
Far East	**538.5**	643.3	**28.6**	43.7
South East Asia	**417.7**	378.0	**29.0**	28.8
Rest of World	**436.8**	358.8	**4.8**	10.4
Central stream costs	–	–	**(7.5)**	(6.8)
	4,243.1	4,087.2	**97.4**	147.6
Reversal of associated companies	**(215.4)**	(211.2)		
	4,027.7	3,876.0		

Jeep. Further progress is expected in 1996 with a major programme of product launches for this manufacturer, including the launch of the Voyager into the multi purpose vehicle market and the Grand Cherokee 4x4. The Ferrari business had an excellent year with encouraging results across the product range while the Group's minority holding in loss making Proton UK was sold during the year.

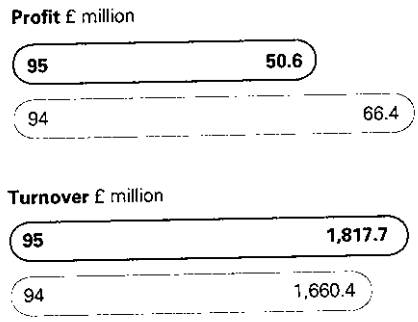
Our French franchises incurred significantly increased losses, reflecting difficult conditions in our main segments, stock liquidation programmes and margin pressure.

Profits in Australia fell considerably. Costs of new product launches from SEAT, Proton and Volkswagen were compounded by demand reduction for Peugeot vehicles following nuclear testing in the Pacific.

Mazda suffered a fall in share in the declining Hong Kong vehicle market, with a deterioration in the yen exchange rate substantially affecting margins and volumes. However, most of the European marques increased their market share. Elsewhere in Asia, Suzuki's performance was outstanding in Singapore and the strength of the yen helped both Mercedes and Peugeot to reduce losses in Japan.

Results from Latin American businesses were mixed, with a promising first full year performance from BMW Chile but elsewhere sales were affected by political conflict in Ecuador and Peru and uncertainty in the Latin American banking sector.

UK Retail profits, which benefited in 1994 from the release of certain provisions, were lower as a result of the very competitive market. Mann Egerton Vehicle Contracts Limited and Kenning Leaseline Limited, our UK leasing companies continued to perform well, benefiting from higher residual values.



Marketing has had a difficult year. There have been some extremely difficult market conditions for us to deal with, particularly in the second half. In addition, we have incurred larger than expected start up losses within our branded life style business, and we have both terminated and lost some agencies, mainly in South East Asia. On the positive side we have experienced strong organic growth in fast moving consumer goods distribution in Hong Kong and Taiwan and in industrial distribution in Japan.

1995 has been a year of strategic change and investment against a background of often disappointing market conditions.

Strategic change and investment
Following the Group's expansion in Coca-Cola bottling in Russia, announced last year, a separate Coca-Cola organisation has been established. In March 1996 the acquisition of a 25% effective interest in the largest Coca-Cola bottler in Peru, Embotelladora Latinoamericana, was announced. Current sales are around £60m and the company has a 44% share of the soft drinks market in the Lima area.

Early in 1995 we announced an Asia-Pacific wide distribution deal with Timberland, which has resulted in a total investment of £16m to date, and a further £10m planned for 1996 with coverage in 12 markets. We expect this business to have a turnover of £90m in three years.

The drive for greater focus has led to the divestment of a number of underperforming operations and unprofitable agencies during the year. Re-engineering of our business processes across all divisions has resulted in significant improvements in working capital, while enhancing customer service.

marketing

Consumer

Profits from Consumer fell in 1995, reflecting a downturn in consumer spending and the continuing impact of austerity measures in China. However, the division has continued to expand its relationships with major principals.

In the Middle East, new business was gained during the year from Procter & Gamble, Weetabix and Nabisco.

The Spinneys supermarket chain launched two new flagship stores in Bahrain and Dubai, each carrying the updated corporate identity and an expanded product range. The division is investing in new warehousing in the United Arab Emirates to improve storage and distribution of stock across Spinneys' 15 stores in the region.

In Japan, the first half performance was particularly strong reflecting the reorganisation of the business during the year. Here, the range of Pringles snacks distributed for Procter & Gamble was extended, and new agencies were added with Clorox and Sentry fire safes.

In South East Asia, performance suffered from weak consumer spending and the termination and loss of some agencies. A major investment in warehousing is being undertaken to facilitate nationwide distribution in Thailand. New business gained in the region included NutraSweet and Bostik.

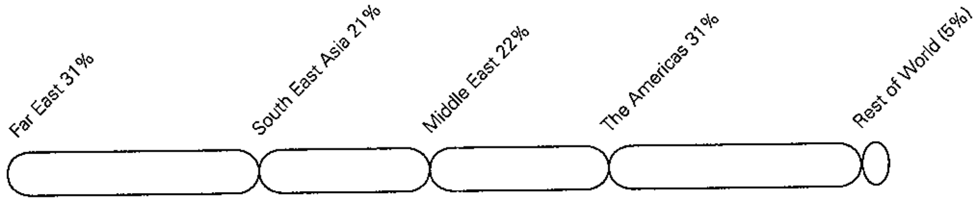
Profitability in Greater China suffered from depressed consumer spending, as a result of the Chinese government's continuing austerity measures and growing economic and political uncertainty in Hong Kong. New agencies were gained with Kelloggs, Campbells and Klim powdered milk. The Slumberland bed and upholstered products business continued to make good progress and we commenced manufacture in China during the year, with a further factory in Thailand planned for 1996.

Liquor

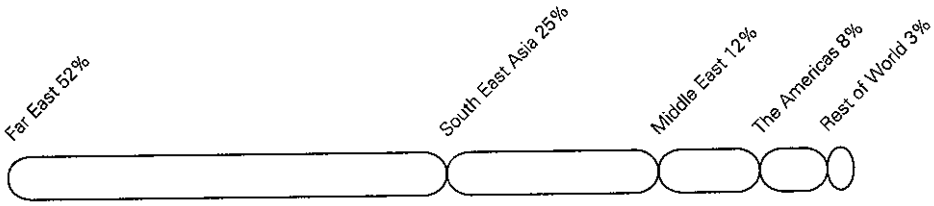
Results were impacted by significant duty increases in the United Arab Emirates which affected volume and margins, and business conditions in China and South East Asia were difficult. The division has focused on the expansion of its wines business during 1995, with extensive staff training and the improvement of storage and distribution facilities in all markets. New principals include Lindemans wines and Brown Forman, owners of the Jack Daniels and Southern Comfort brands. In both cases the agreement includes Asia-wide distribution.

Coca-Cola

The business in Chile had an outstanding year, increasing its share of an expanding market and achieving substantial profits growth. The new plant at Talca became operational as planned in September and Chilean sales



1995 Percentage* Profit by region



1995 Percentage* Turnover by region

*Profit and Turnover percentage by region has been calculated before Exceptional operating expenses, Central stream costs and the reversal of Associated companies' turnover

are expected to reach around £120m in 1996. The first of our six planned facilities in Russia, near Volgograd, representing an initial investment of £8m, began production in September. Current plans envisage investment of a further £42m with two more bottling plants opening during the course of 1996. Initial consumer acceptance has been encouraging and distribution operations are gradually being established.

Branded Lifestyle Products

Although profits fell reflecting continuing heavy investment and depressed consumer spending in Hong Kong and Singapore, the division has made good progress in the development of strategic partnerships with major international brand owners. During the year, a number of small or single market agencies were relinquished to focus on those principals with regional potential.

The relationship with Salvatore Ferragamo has continued to make strong progress, with new shops opened in Singapore and Kuala Lumpur.

The exclusive distribution agreement with Timberland, covering 12 Asia-Pacific markets, commenced in January. This included acquisition of Timberland's subsidiaries in Australia and New Zealand. While continuing to develop the Timberland brand in existing markets, the main focus during 1995 was on the commencement of operations in Japan. By the end of the year three boutiques, 11 in-store concessions and 400 wholesale accounts had been established.

A new store was opened in Hong Kong for the Australian clothing and homeware retailer, Country Road. A further two shops for Country Road were opened in Singapore.

Healthcare

The Healthcare Division handles a range of medical and dental equipment and supplies, pharmaceuticals and over the counter products. Sales of medical equipment largely consist of high value, highly specialised technical products used in operating theatres and for intensive care. Here, the

Marketing	Turnover 1995 £m	Turnover 1994 £m	Profit 1995 £m	Profit 1994 £m
Far East	**947.4**	863.5	**17.2**	21.5
South East Asia	**454.8**	428.6	**11.4**	22.1
Middle East	**211.6**	185.6	**12.3**	16.6
The Americas	**137.6**	114.3	**16.8**	11.9
Rest of World	**66.3**	68.4	**(2.8)**	(2.4)
Central stream costs	**–**	–	**(4.3)**	(3.3)
	1,817.7	1,660.4	**50.6**	66.4
Reversal of associated companies	**(299.8)**	(256.9)		
	1,517.9	1,403.5		

division has focused on generating revenue from after-sales service and equipment maintenance.

Industrial

During the year the division introduced Toro, a leading manufacturer of irrigation equipment and a long-standing principal of Inchcape to the Chinese market. We also secured renewal of a three year government contract to provide oilfield services in Oman, and entered the oilfield services market in Qatar, one of the most active oil and gas markets in the region.

The division won two awards for distributor performance from Domino, the British manufacturer of ink-jet printers, which we represent in Japan, Australia and New Zealand.

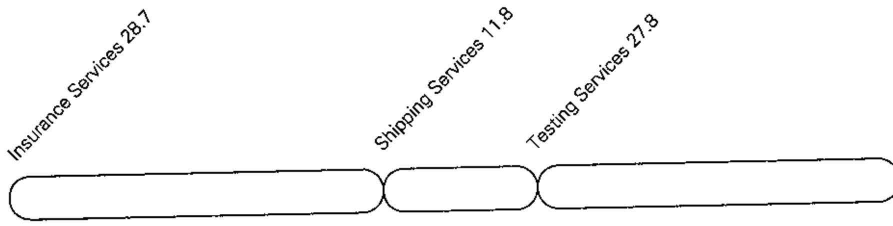
The depressed state of the property and automotive markets in Hong Kong and China had an adverse impact on the division's performance during the year.

The continuing government austerity measures and difficulties in collecting payment from customers represented significant problems for the division throughout the year. The Japanese beer keg business performed strongly in response to strong demand, particularly in the first half.

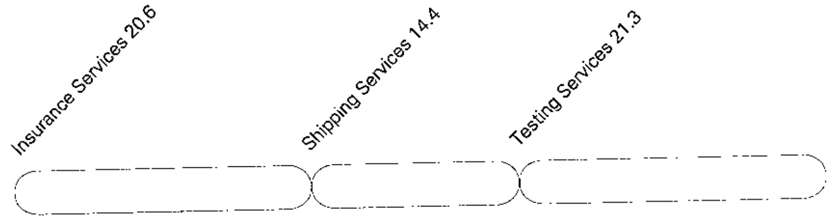
Office Automation

The new joint venture company with Ricoh, Inchcape NRG, commenced operations in September 1995. This brings together Inchcape's own office automation businesses with the Asian operations of Gestetner, which was acquired by Ricoh in 1995. The joint venture covers nine markets in Asia Pacific, where demand for office automation is growing rapidly, and is now the region's largest independent distributor of photocopiers, facsimile machines and the new computer-based technologies which are transforming the business machines industry.

Services The Services businesses had a very successful year, with aggregate profits increasing by 21.3% to £68.3m. The merger of Bain Clarkson and Hogg delivered significant cost savings, enabling Bain Hogg to achieve excellent profits growth despite flat or softening rates in nearly all its major markets. Testing Services also performed very well, with Quality Systems and Minerals making particularly strong progress. Shipping Services' profits fell largely because of continuing difficulties in Liner Services, although Ship Services increased volume and market share. Buying Services was sold in 1995.



1995 Profit £ million



1994 Profit £ million

ervices

Insurance Services

Substantial benefits were gained from the acquisition of Hogg Group in May 1994 and its merger with Bain Clarkson. In total, profit before tax grew by £8.1m to £28.7m. Bain Hogg's underlying revenue growth was affected by excess capacity and the consequent weakening of rates in the major markets. This was more than offset by cost savings following the merger, exceeding the £7m forecast at the time of the Hogg acquisition. Results also benefited from an increase in investment income, reflecting further improvements in cash management and higher average interest rates during the year.

In the UK commercial market, where Bain Hogg is the leading broker, there was continued overcapacity and rates continued to soften throughout the year. Good profit growth was nevertheless achieved through cost savings, including rationalisation of the office network. The trend towards fee-based risk management has partially offset the impact of softer rates.

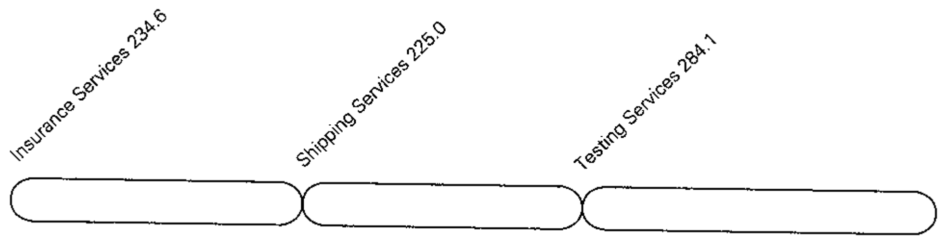
Merger savings led to an improvement in the International division's profits despite severe rate reductions, particularly in the Property, Marine and Reinsurance markets. Aviation was the most resilient sector, where Bain Hogg's business performed well, as did the Accident and Health division.

Further excellent profit growth was achieved by The Credit Insurance Association, which is the world's leading credit insurance broker.

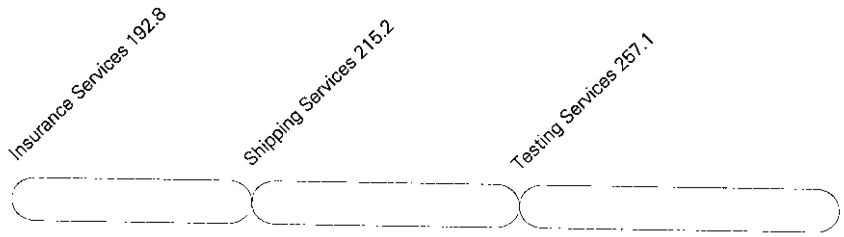
The group's beneficial interest in French associate, CECAR, was increased from 27% to 33% and the business continued to expand both organically and through acquisition.

The Asia Pacific region made modest overall progress, with motor income in Hong Kong declining in line with the weakening of the vehicle market. Singapore achieved steady growth through the development of new marine accounts, while businesses in the South Pacific islands again achieved very satisfactory profit increases. Operations were extended in the Philippines through the formation of a new joint venture, Ayala Inchcape Insurance Brokers.

In September Bain Hogg strengthened its capability in the field of fee-based international risk management when it joined forces with five international risk management practitioners to form a global client service network, ExcelNet, offering access to 240 offices in 70 countries worldwide.



1995 Turnover £ million



1994 Turnover £ million

Testing Services

Testing Services produced another very good performance, increasing its operating profits by 30.5% to £27.8m. All divisions apart from Environmental greatly improved their results, with Quality Systems, which accounted for over half the stream's profits, again achieving excellent growth. This particularly reflected growing demand from manufacturers of electrical and electronic products for electromagnetic compatibility ("EMC") testing. Compliance with a European Community directive on EMC became mandatory on 1st January 1996 and Testing Services, through its 1994 acquisition of Semko and its other Quality Systems businesses, will continue to benefit from increasing regulation in this area.

Caleb Brett, the petroleum inspection and testing division, saw a strong improvement in Europe where a major cost reduction programme has been implemented. Operations in the Middle East and Asia also made progress. These successes were partially offset by severe price competition in the USA where a restructuring programme is addressing this problem.

The North American market for Environmental Testing continued to experience intense competition, as a result of industry overcapacity. However, progress has been made in reducing costs in this division including the closure of the Houston laboratory, and results improved in the second half of the year.

Minerals Testing had another good year, benefiting from an upturn in exploration activity in Africa, Asia and South America. Sample volumes increased significantly with new laboratories opening in the Philippines, Burkina Faso and Guinea.

New Foreign Trade Supervision contracts were signed with Tanzania and the Saudi Arabia Standards Organisation in May, Colombia in June and with Mozambique in December.

Shipping Services

Shipping Services increased revenues slightly, but profits were reduced, largely because of continuing difficulties in Liner Services.

Ship Services, the ship husbandry operation, handled 7% more ship calls than in the previous year. The Middle East associates grew strongly with gains in both the dry bulk and tanker sectors, as did Japan, which began to benefit from a significant restructuring during the year; however a downturn in the American and African subsidiaries restricted profits growth. American income was affected by the downturn in car-carrier ship calls in the last quarter of the year while the lower levels of aid cargoes reduced revenues from Africa. The network was expanded with new offices opened in Saudi Arabia, Indonesia, Argentina, Chile and the West Mediterranean and a number of global agreements gained, including a contract with the Ministry of Defence to attend Naval support vessels around the world.

Insurance Services	Turnover 1995 £m	Turnover 1994 £m	Profit 1995 £m	Profit 1994 £m
Europe:				
UK	**153.5**	128.8	**19.7**	8.3
Continent	**48.5**	35.5	**3.3**	6.3
Far East	**13.4**	14.0	**2.1**	2.7
South East Asia	**3.8**	5.8	**0.7**	0.9
The Americas	**6.5**	3.4	**1.7**	1.4
Rest of World	**8.9**	5.3	**1.2**	1.0
	234.6	192.8	**28.7**	20.6
Reversal of associated companies	**(31.0)**	(20.1)		
	203.6	172.7		

Liner Services fared less well although volumes handled increased 7%. Associate profits grew in the Middle East due to an increase in the volume of transhipment cargo handled in Dubai. America also performed well with strong profits growth from rising volumes, and productivity gains arising from significant investment in information technology.

Our Japanese agencies were significantly restructured during the year to reflect the very difficult market conditions. A processing centre for Europe was established in Peterborough which opened in February 1996, handling documentation, accounting and logistics, initially for the UK and on a phased basis through the remainder of Europe.

Finally, the two smaller divisions, Machinery Services and Broking showed some profits growth but this was offset by bad debt provisions within LandOcean Inchcape, the transport joint venture in China.

Shipping Services	Turnover 1995 £m	Turnover 1994 £m	Profit 1995 £m	Profit 1994 £m
Europe:				
UK	**32.7**	29.2	**–**	1.2
Continent	**22.8**	21.7	**(0.2)**	3.2
Far East	**89.4**	84.7	**0.6**	0.2
South East Asia	**5.6**	9.8	**1.6**	2.1
Middle East	**16.9**	8.6	**3.4**	3.1
The Americas	**55.3**	58.9	**7.4**	5.7
Rest of World	**2.3**	2.3	**0.6**	0.6
Central stream costs	**–**	–	**(1.6)**	(1.7)
	225.0	215.2	**11.8**	14.4
Reversal of associated companies	**(24.4)**	(15.3)		
	200.6	199.9		

Testing Services	Turnover 1995 £m	Turnover 1994 £m	Profit 1995 £m	Profit 1994 £m
Europe:				
UK	**36.2**	27.6	**1.1**	1.2
Continent	**35.2**	26.4	**3.7**	1.8
Far East	**36.3**	33.5	**7.0**	5.9
South East Asia	**12.8**	9.8	**2.4**	0.9
Middle East	**4.5**	4.2	**1.1**	0.7
The Americas	**151.0**	149.5	**12.9**	10.9
Rest of World	**8.1**	6.1	**1.3**	1.4
Central stream costs	**–**	–	**(1.7)**	(1.5)
	284.1	257.1	**27.8**	21.3
Reversal of associated companies	**(2.4)**	(2.6)		
	281.7	254.5		

Inchcape in the community

Inchcape's corporate community involvement policy is to concentrate the majority of its funding on one charity where it can make a significant difference and enable that charity to achieve its own objectives. In addition, Inchcape seeks opportunities where it can involve its employees and principals, and can strengthen its links with many of those communities where it conducts its business.

1995 saw the realisation of this policy, with the launch of The Inchcape Initiative, a partnership between Inchcape and youth development charity, Raleigh International. The Initiative will comprise five expeditions over five years, and Inchcape's support totals around £1m in cash, in addition to goods and services, provided by Inchcape's business streams and many of the companies represented by the Group world-wide.

Following detailed planning and Venturer recruitment throughout 1995, the first expedition, to southern Chile, set off early in January 1996. UK Venturers were waved off by the Initiative's patron, former England soccer captain Gary Lineker, and Inchcape's Chairman Sir Colin Marshall. Through bursaries provided by Inchcape, ten more international Venturers, from Malaysia, India, Argentina and Chile, were able to join the expedition, helping Raleigh to achieve its objective of becoming truly international. In addition, four Inchcape employees participated, making the most of the opportunity to develop various skills, such as teamwork, leadership and communication skills, which will benefit both them and Inchcape when they return to work.

During the ten week expedition, the 105 Venturers worked on various projects. These focused on environmental projects, such as studying glaciers and wildlife, and adventure projects, such as sea-kayaking and trekking. In addition, they all undertook community work of significant benefit to the indigenous population, the Mapuche Indians. A donation of £25,000 from Inchcape enabled the Venturers to build three community halls in extremely remote areas, and these will also be used as essential medical centres.

The 1997 Initiative will take place in Malaysia, with future expeditions expected to include the pioneer destinations of Vietnam and China.

Although Group companies are supporting The Inchcape Initiative, they continued to support their local communities as well. Charitable donations included Inchcape Pacific and Jaguar Hong Kong's donation of a Jaguar XJR to the Hong Kong Community Chest auction, raising a total of HK$1,038,000 (£87,521), while Inchcape Marketing Services in Japan assisted the victims of the Hanshin earthquake disaster with a donation of Y15,000,000 (£100,000) and four desalination machines to produce fresh water.

The Company and its subsidiaries have given money during the year for charitable purposes in the United Kingdom amounting to £401,000 (1994 – £443,000). The total charitable donations made by the Group worldwide during the year was £654,000 (1994 – £875,000). No donations were made for politica purposes in the United Kingdom.

Financial review

This review is intended to provide supplemental, but not repetitive, analysis of the information provided elsewhere in the Accounts.

The Accounts have been redesigned to present information more concisely in that the Directors' Report has been modified to encompass all relevant information relating to the Directors, and the Notes have been rearranged to group items of a similar nature, involving the creation of the new generic headings such as treasury information, taxation, and net current assets.

Accounting standards

Accounting Standards FRS6 Acquisitions and Mergers and FRS7 Fair Values in Acquisition Accounting were adopted during the year.

Acquisitions and discontinued activities

Acquisitions in the year comprised the purchase of the Timberland Asian and Australasian businesses and an additional holding in CECAR – an insurance broking associate. The loss of £0.7m resulted from the initial expansion of the Timberland operation. The results of discontinued activities were predominantly made up of £6.8m investment income from Rolex Singapore offset by £3.6m losses in Australia Telecoms and a £0.9m first half loss from Buying Services prior to its disposal.

The goodwill on acquisitions of £40.9m was primarily in respect of Timberland, CECAR and an adjustment of £10.3m relating to the 1994 acquisition of the Hogg Group.

Exceptional operating expenses

These comprised £13.7m for the vacant leasehold property provision, £7.6m for the move from the St James's House head office to a less expensive location at Cavendish Square, and £43.9m for restructuring costs – mainly redundancies and re-engineering costs and some branch closures. The provision for vacant leasehold property is a refinement of accounting practice that prudently reflects expected future estimated net costs. Restructuring costs were incurred mainly in Motors – £19.7m, Marketing – £9.6m, Shipping – £10.2m and in the Corporate office – £1.9m. The Motors expense includes £6.1m in respect of part of the pension surplus arising on the TKM acquisition which the Group is no longer able to access due to restructuring actions.

Disposal of properties and investments

A net gain of £17.7m arose primarily from the £28.0m profit on the sale of the Quarry Bay property in Hong Kong and £6.8m from the Hua Mark site in Thailand, offset by the loss of £12.4m incurred on the disposal of the Group's shareholding in Gestetner.

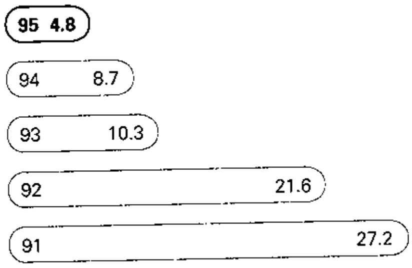
Particulars of changes in fixed assets of the Company and its subsidiary undertakings during the year are detailed in notes 6 and 7 to the Accounts.

Other exceptionals

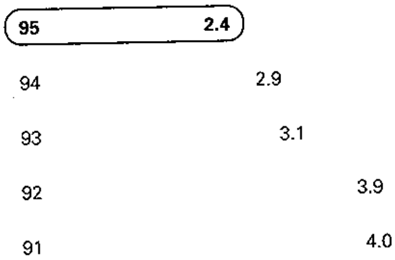
Net other exceptional losses of £81.9m arose mainly from provisions for exit costs from various loss making and underperforming businesses. The logistics service operation in Turkey incurred a loss of £16.9m; the Proton UK associate disposal a loss of £18.5m; a £17.4m loss in exiting Australia Telecoms and effecting the partial disposal of our Business Machines operations to the Inchcape NRG joint venture with Ricoh; a loss of £21.0m in exiting a Motors business; and, as a result of

Financial review continued

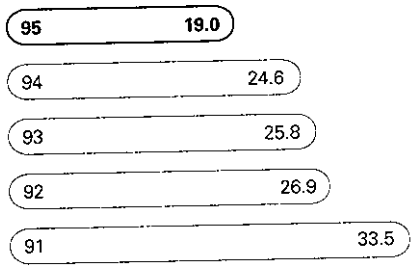
Interest cover times



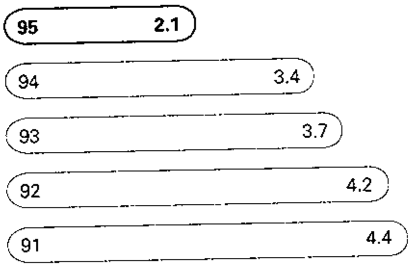
Fixed charge cover times



Return on capital employed %



Operating margin %



various disposals £20.5m was written off the remaining pension surplus relating to the TKM pension scheme. These losses were mitigated by the £14.4m profit on the disposal of Buying Services. Included in these exceptional items was goodwill of £48.6m, which had already been charged against reserves.

Interest

The net interest cost of £38.3m was 27% higher than last year primarily due to the full year funding of the Hogg acquisition together with higher average working capital balances, largely in the Motors stream, during the first half of the year. Interest cover* was 4.8 times (1994 – 8.7 times), and fixed charge cover* was 2.4 times (1994 – 2.9 times).

Taxation

The tax charge on Headline profit before exceptional operating expenses was 39.0% (1994 – 32.9%). This abnormally high rate is due to unrelieved losses, particularly in France, which will be available for offset against future profits.

However, the tax rate has been mitigated by the payment of the 1995 interim dividend as a Foreign Income Dividend which will enable the associated Advance Corporation Tax to be recovered. The result of this was a reduction in the Group tax charge of £7.9m and a benefit to the tax charge on Headline profit before exceptional operating expenses of 5.3%.

Minority interests

The minority interest charge of £15.7m (1994 – £15.6m) represents 17.5% (1994 – 10.1%) of Headline profit after tax before charging exceptional operating expenses.

Retained loss for the financial year

A loss of £104.8m after charging the cost of dividends to ordinary shareholders has been transferred to reserves.

Operating returns

Return on capital employed* of 19.0% reflected a decline of 5.6% over 1994. The Group operating margin* of 2.1% showed a significant reduction of 1.3% on last year largely reflecting the difficult conditions in Motors Import & Distribution and Marketing. However asset turn increased due mainly to improved working capital performance.

*Definitions as shown on page 59 of the Accounts.

Exchange effects

The table below demonstrates the effect of year on year exchange rate movements on the translation of profit.

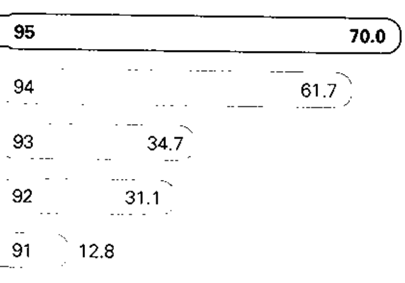
	1995 £m	Exchange Translation Effect £m	Change at Constant Rates £m	1994 £m
Motors	**97.4**	(2.1)	(48.1)	147.6
Marketing	**50.6**	0.3	(16.1)	66.4
Services:				
Insurance	**28.7**	0.1	8.0	20.6
Shipping	**11.8**	(0.4)	(2.2)	14.4
Testing	**27.8**	(0.8)	7.3	21.3
Total Services	**68.3**	(1.1)	13.1	56.3
Other	**(0.8)**	0.5	(5.0)	3.7
Discontinued operations	**2.8**	–	(11.3)	14.1
Central charges	**(15.9)**	–	(0.9)	(15.0)
Adjusted total operating profit	**202.4**	(2.4)	(68.3)	273.1
Reverse Insurance and Shipping interest receivable	**(17.3)**	–	(4.9)	(12.4)
Net interest	**(38.3)**	0.6	(8.8)	(30.1)
Headline profit before tax and exceptional operating expenses	**146.8**	(1.8)	(82.0)	230.6

Cash flow and financing

The Group uses free and available cash flow as the principal measures of cash performance. These are summarised below and reconciled to year end net borrowings in note 3d(iii) of the Accounts.

Summary of cash flows	1995 £m	1994 £m
Cash inflow from operations	**281.9**	193.6
Net operational capital expenditure	**(66.8)**	(63.5)
Investment income	**8.0**	9.9
Associate dividends	**32.0**	39.5
Net interest	**(41.1)**	(25.4)
Tax	**(67.0)**	(69.2)
Free cash flow	**147.0**	84.9
Dividends	**(128.6)**	(88.7)
Available cash flow	**18.4**	(3.8)

Gearing %



Cash flow performance improved considerably in 1995, particularly due to the stronger cash inflow from operations which resulted from an £86.8m reduction in working capital largely in Motors (1994 – £102.7m increase). The ratio of free cash flow to total operating profit pre exceptional operating expenses improved to 79.4% (1994 – 32.6%). Improvement in available cash flow was held back by the advanced payment of the interim dividend from January 1996 to December 1995. Capital gearing* of 70.0% (1994 – 61.7%) was increased six points by the advanced interim dividend. Year end borrowings of £463.0m were similar to £462.1m of last year, but gearing was adversely affected by the reduction in shareholders' funds year on year of £89.4m of which £40.9m represented new goodwill arising from acquisitions.

*Definitions as shown on page 59 of the Accounts.

Financial re\ continued

Treasury policies and activities

The Board has set clear policies for the management of the Group's cash and interest rate management risks. These policies form the basis of a detailed treasury controls framework, compliance with which is monitored by Group Internal Audit. On a day-to-day basis, Group Treasury carries out these policies, within clearly defined levels of authority.

Group Treasury acts as the Group's internal bank, managing Group level financial exposures, providing exposure management advisory services to Operating Units, exercising control and enhancing cost efficiency by the centralisation of treasury dealing and debt management. Operating Units are required to transact all significant financial instruments through Group Treasury either in London (through Inchcape Finance plc) or Hong Kong. Derivatives are used only in pursuance of clearly defined and approved foreign exchange and interest rate hedging strategies. The Group also seeks to limit counter-party risk by conducting virtually all of its banking and dealing activities with a limited number of major international relationship banks. Furthermore, some 75% of Group funding requirements are satisfied through Inchcape Finance plc.

The Group has borrowings in a wide range of currencies including US Dollar and related currencies (62% of net debt), French Francs, Australian Dollars and Japanese Yen. In general, the Group seeks to match foreign currency investments with borrowings in the same currency. Funding requirements are satisfied by a mixture of short, medium and longer term debt. Medium and longer term debt is represented by the £125m 6¼% Subordinated Convertible Bonds Due 2008, a three-year £150m FID preference share issue, and a $172m US private placement, consisting of Senior Loan Notes due 2000/2. As well as these borrowings, the Group has substantial short term borrowings, principally in the form of local overdrafts and money market lines through Inchcape Finance plc, which are backed by a further £325m of committed medium term standby facilities which mature in 2000.

The Group's interest rate exposures are centrally managed by means of a variety of financial instruments. Overall, the Group maintains a balanced mix of fixed and floating rate debt.

The Group's foreign exchange risks are managed in a non-speculative manner at both the Operating Unit transaction level and the Group earnings translation level. The Group actively manages these risks by employing a clearly defined risk management methodology. Operating Units are required to hedge committed exposures and to develop strategies for earlier anticipatory hedging where this is felt to be appropriate. The Group manages its earnings exposures to the extent that currency earnings are remitted through dividend payments, the policy being to remit full dividends from subsidiaries, subject to tax and legal considerations.

Board of Directors

Chairman

Sir Colin Marshall [1,2,3,4]

Age 62. Joined the Inchcape Board in November 1995 and was appointed non-executive Chairman on 1st January 1996 on the retirement of Sir David Plastow. Sir Colin was formerly Deputy Chairman and Chief Executive of British Airways Plc and became that company's Chairman in February 1993. In addition, he is Deputy Chairman of British Telecommunications plc, and is also a non-executive Director of HSBC Holdings plc and Qantas Airways Limited.

Executive Directors

Deputy Chairman

Charles Mackay [3]

Age 56. Joined the Group in 1986 as Chairman and Chief Executive of Inchcape Pacific. He was Chief Executive of Inchcape plc from November 1991 to March 1996 and was appointed Deputy Chairman of the Group in March 1995. He will retire at the end of June 1996. Mr Mackay is a non-executive Director of HSBC Holdings plc and British Airways Plc.

Group Chief Executive

Philip Cushing

Age 45. Joined the Group as Chief Executive of Inchcape Berhad in 1990 and was appointed to the Inchcape plc Board in May 1992. Mr Cushing was appointed Group Managing Director in March 1995 and Group Chief Executive in March 1996. Mr Cushing was previously with Norcros, LEGO Group and Norton Opax. He is a non-executive Director of Bunzl plc.

Rod O'Donoghue

Age 57. Joined the Group in 1986 as Group Finance Director. Mr O'Donoghue was previously with Kimberly-Clark, Rank Xerox and Pritchard Services Group.

Andrew Cummins

Age 46. Joined the Group in May 1992 as Group Director, Strategic Development. He is also the Director responsible for the Marketing stream, Bain Hogg Group PLC and our business machines joint venture with Ricoh – Inchcape NRG Ltd. Mr Cummins was previously with BHP Ltd, McKinsey and Fosters Brewing Group Ltd. He is a non-executive Director of Toyota (GB) Ltd.

Non-executive Directors

Peter Baring [1,2,3,4]

Age 60. Joined the Inchcape Board in 1978 and was formerly Chairman of Barings plc.

Tony Alexander [1,2,3,4]

Age 57. Joined the Inchcape Board in January 1993. He is a Director and Chief Operating Officer UK of Hanson PLC. Mr Alexander is also a non-executive Director of Shanks and McEwan Group Plc.

Paul Cheng

Age 59. Joined the Inchcape Board in February 1995 and has been Chairman of Inchcape Pacific since 1992. Mr Cheng is a member of both the Hong Kong Legislative Council and the Preparatory Committee for the Hong Kong Special Administrative Region. He is also a member of the Governor's Business Council and Chairman of N M Rothschild & Sons (Hong Kong) Limited.

B. Jürgen Hintz [1,2,4]

Age 53. Joined the Inchcape Board in February 1994. He was President and Chief Executive of Carnaud/Metalbox until October 1995. Prior to joining Carnaud/Metalbox he was Executive Vice-president of Procter & Gamble. Mr Hintz is a non-executive Director of Apple Computers.

Hugh Norton [1,2,4]

Age 59. Joined the Inchcape Board in January 1995. Formerly a Managing Director of the British Petroleum Company plc until July 1995, he is a non-executive Director of Standard Chartered plc and a member of Council of the Royal Institute of International Affairs.

Liam Strong [1,2,4]

Age 51. Joined the Inchcape Board in January 1993. He is Chief Executive of Sears Plc. Mr Strong is also Chairman of the London Health Partnership.

Notes:

1 Member of Audit Committee
2 Member of Remuneration Committee
3 Member of Nomination Committee
4 Member of Chairman's Committee

Sir Colin Marshall is Chairman of the Nomination, Remuneration and Chairman's Committees and Tony Alexander is Chairman of the Audit Committee.

Corporate information

Directors
Messrs P. Baring, L. G. Strong and R. C. O'Donoghue retire by rotation. Mr Strong and Mr O'Donoghue offer themselves for re-election in accordance with the Articles of Association. Mr Baring retires as a Director at the conclusion of the Annual General Meeting on 21st May 1996.

Sir Colin Marshall was appointed to the Board on 7th November 1995 and, being eligible, offers himself for re-election in accordance with the Articles of Association.

Mr H. E. Norton and Mr P. M. F. Cheng were appointed to the Board on 1st January 1995 and 20th February 1995 respectively.

During the year, the following Directors retired from the Board:

Lord Armstrong of Ilminster
23rd May 1995
Sir David Plastow
31st December 1995
Mr D. G. John
31st December 1995

The names of the Directors, plus brief biographical details, are given on page 23. Except as stated above they all held office throughout the year.

Corporate Governance
The Board confirms that the Company has complied throughout the year with the Code of Best Practice (the "Code") published in 1992 by the Cadbury Committee on the Financial Aspects of Corporate Governance. The report by the auditors, Coopers & Lybrand, on this statement is on page 31.

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. The Board has a schedule of matters required to be brought to it for its decision.

Board Committees: The Board has four principal Committees, all with defined written terms of reference. Membership of each of the Board Committees is indicated on page 23.

The Chairman's Committee: Its main responsibility is to review the performance of the Executive Directors and senior management of the Group, and to review the composition and balance of the Board and succession planning.

The Audit Committee: It is responsible for reviewing a wide range of financial matters, for the preservation and promotion of good ethical practices and for monitoring the Group's financial controls. Its meetings are attended by the Group Finance Director, the Group Audit Director and the external auditors. The non-executive Directors also have the opportunity at each meeting to review any issues with the auditors in the absence of executive management.

The Remuneration Committee: It is responsible for remuneration issues regarding Executive Directors and senior management. More details are given in the Remuneration Committee Report on pages 26 to 29.

The Nomination Committee: It is responsible for making recommendations to the Board on selection and nomination of new Directors as well as the reappointment of current Directors.

Internal financial control
The Board of Directors is responsible for the Group's system of internal financial control. Such systems can provide only reasonable and not absolute assurance against any material mis-statements or loss. The Board has delegated to executive management the implementation of the systems of internal financial control within an established framework applicable throughout the Group.

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

The Group's key internal financial 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 are prepared and reviewed regularly.

Monitoring systems – On behalf of the Board, the Audit Committee examines the effectiveness of these systems which are monitored and reviewed by an independent Internal Audit function. The Committee meets at least twice per year to receive reports arising from the internal and external audit process and to review issues arising therefrom with line management. Where control weaknesses are identified, follow up processes exist to ensure appropriate corrective action is taken.

Operating unit controls – The overall financial control framework for the Group is detailed in the Group Finance and Information Systems Manuals. Compliance is regularly assessed through the audit process and through a process of self certification and internal control questionnaires which requires Business Units and Business Stream management to assess annually the quality of key control elements in their area.

Risk management – There is an annual risk assessment for each Business Stream which assists the Board in ensuring that appropriate internal audit effort is focused on the significant risk areas. The risk assessment process has been developed further during the year and is now being used more extensively by operational management.

Investment appraisal – The Group has clearly defined policies for capital expenditures. These include annual budgets and detailed appraisal and review procedures. An annual post-investment appraisal is reviewed by the Board.

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.

Directors' and officers' liability insurance

During the year, the Company has maintained insurance in respect of its Directors and officers against liabilities in relation to the Company.

Transactions with Directors

No transaction, arrangement or agreement required to be disclosed in terms of the Companies Act 1985 was outstanding at 31st December 1995 or occurred during the year for any Director and/or connected person (1994 – none).

Transactions with Directors of subsidiaries

Pursuant to the requirements of the London Stock Exchange Listing Rules the following transaction with a Director of a subsidiary is notified:

The purchase from Mr F Akol, a Director of a subsidiary, of a minority interest in Inchcape Retrans Uluslararasi Dagitim ve Ticaret A.S. for a consideration of US$1.65m (plus a contingency fee which, although subject to a legal maximum of US$7.4m, the Directors consider will not exceed US$2.5m).

Annual General Meeting

The notice convening the Annual General Meeting of the Company is set out in the enclosed shareholders' circular, together with an explanation of the items of special business. The AGM will be held at 11.00am on Tuesday, 21st May, 1996 at the Four Seasons Hotel, Hamilton Place, Park Lane, London W1A 1AZ.

The circular gives details of the forthcoming electronic share settlement system (CREST). It also gives particulars of the offer to receive shares instead of cash in respect of the 1995 final dividend.

Coopers & Lybrand have expressed their willingness to continue as auditors and their reappointment is proposed. It is also proposed that the Directors be given authority to set the auditors' remuneration.

Report of the Remuı ation Committee

The Remuneration Committee
The Remuneration Committee operates as a Committee of the Board. It was chaired throughout 1995 by Sir David Plastow, and will be chaired in 1996 by Sir Colin Marshall. As indicated on page 23, other members are the following non-executive Directors:

Tony Alexander
Peter Baring
Jürgen Hintz
Hugh Norton
Liam Strong

The Committee has formal terms of reference and meets on a regular basis to discuss and determine all matters relating to the remuneration and benefits of Executive Directors. It similarly approves the remuneration and benefits of certain other senior executives. It is also responsible for share option allocations under the Executive Share Option Schemes and approves major compensation and benefit policies relating to senior managers generally in the Group. The Group Chief Executive and the Group Human Resources Director are invited to attend the meetings when their input is required. No Executive Director or senior executive attends any discussion regarding his own remuneration. The constitution and operation of the Committee fully complies with the best practice provisions annexed to Section A of the London Stock Exchange Listing Rules.

The Committee confirms that full consideration has been given to Section B of the best practice provisions annexed to the Listing Rules in framing its remuneration policy and when determining the remuneration packages applicable to the Executive Directors in 1996. The Auditors' Report on the financial statements set out on page 31 covers the disclosures contained in this Remuneration Committee Report that are specified by the London Stock Exchange as requiring audit (Tables (a) and (b) on pages 28 and 29).

Remuneration policy
When considering the remuneration packages of Executive Directors the Remuneration Committee follows the principles outlined below:

– 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;

– the interests of the shareholders should be safeguarded;

– the package as a whole should be simple, easy to understand, and motivating for the individual;

– the composition of the package should reflect best practice among other leading companies.

The Remuneration Committee has access to two major surveys, regularly carried out by leading remuneration consultants, as well as to the services of an independent advisor, as required. These external sources of data and advice, 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 level of responsibility, experience, individual performance, and salary levels in the "market".

Annual bonus
In 1995 the Executive Directors participated in a bonus plan which had a target bonus of 30% of base salary, and a ceiling bonus of 60% of base salary. The plan was based on the average real growth in the Group's earnings per share over three financial years. No bonus was payable under this plan for 1995.

The bonus plan for 1996 is designed to encourage the achievement of short term performance targets. The target and ceiling bonuses remain the same, at 30% and 60% respectively, but the bonus is based on profit and working capital targets for the year.

Long Term Incentive Plan
In 1995 the Executive Directors participated in the Executive Share Option Scheme, under which options over Inchcape shares are granted each year on a phased basis to senior managers throughout the Group. The options granted to Executive Directors in 1995 are shown in Table (b) on page 29 and exercise of these options is subject to a performance test based on the Inchcape share price outperforming the FT All Share Index over a rolling three-year period.

As notified in the circular accompanying this Report and Accounts, there is submitted for shareholder approval a new Long Term Incentive Plan, which applies from 1996 onwards to the Executive Directors, as well as to certain other senior executives. This new plan will replace grants under the Executive Share Option Schemes for those participants. The Executive Share Option Schemes will be retained for other senior managers in the Group. The new plan is designed to align the interests of Executive Directors and the other senior executives with those of shareholders, to encourage increased shareholding, and to reward sustained good performance over a period of time.

Retirement benefits
The Executive Directors are members of the UK Group Pension Scheme. A contribution rate of 44% of base salary is charged to provide for their retirement benefits. This is the sum which is referred to in the note to Table (a) on page 28 pending the decision on the new form of disclosure for pension costs. Andrew Cummins and Philip Cushing are both affected by the Inland Revenue earnings cap on approved pension benefit. They have been offered the opportunity to opt for a defined contribution Funded Unapproved Retirement Benefit Scheme in respect of their salary above the cap, as an alternative to their defined benefit commitment.

Bonus payments are not pensionable.

Taxable and other benefits
These include such items as company cars, medical insurance and life insurance premia. These are in line with standard employment practice in the UK.

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

Non-executive Directors
The fees for the non-executive Directors 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 Colin Marshall's appointment as Chairman is for an initial period of two years from 1st January 1996 and is renewable.

None of the non-executive Directors, including Mr Strong who is proposed for re-election at the 1996 Annual General Meeting, are engaged on service contracts. They, together with the Chairman, are not eligible for pension scheme membership, nor do they participate in any of the Group's bonus, share option or other incentive schemes.

All the Executive Directors, including Mr O'Donoghue who is proposed for re-election at the 1996 Annual General Meeting, have service contracts with notice periods of two years. The Remuneration Committee considers that notice periods of two years are reasonable and proper in the interests of both Inchcape and the Executive Directors having regard to prevailing market conditions and current practice among large public companies.

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 with competing companies, and are not likely to lead to conflicts of interest. Any fees received for these duties may be retained by the Executive Director.

Sir Colin Marshall
Chairman of the Remuneration Committee
1st April 1996

Notes to the Report of the Remuneration Committee

1 Directors' emoluments

The total emoluments of the Directors, including pension contributions, were as follows:

	1995 £'000	1994 £'000
– Remuneration and non-executive Directors' fees	**1,819**	2,040
– Bonus payments	**–**	67
– Pension scheme contributions	**669**	358
– Pensions to former Directors	**29**	30
	2,517	2,495

The pension scheme contributions figure includes funded and unfunded contributions. The 1994 figures have been restated to reflect the unfunded contributions.

Table (a)

The table below shows a breakdown of remuneration, including taxable and other benefits of the individual Directors. Details of options held and granted during the year are shown in Table (b) on page 29.

	Base salary/fee		Bonus		Taxable and other benefits		Total remuneration before pension contributions (a)	
	1995 £'000	1994 £'000	**1995 £'000**	1994 £'000	**1995 £'000**	1994 £'000	**1995 £'000**	1994 £'000
A. G. L. Alexander	**21**	21	**–**	–	**–**	–	**21**	21
Lord Armstrong of Ilminster	**9**	21	**–**	–	**–**	–	**9**	21
P. Baring	**21**	21	**–**	–	**–**	–	**21**	21
P. M. F. Cheng	**18**	–	**–**	–	**–**	–	**18**	–
A. D. Cummins	**239**	216	**–**	–	**8**	9	**247**	225
P. E. Cushing	**298**	205	**–**	–	**12**	11	**310**	216
R. C. O'Donoghue	**256**	244	**–**	–	**14**	10	**270**	254
B. J. Hintz	**21**	19	**–**	–	**–**	–	**21**	19
D. G. John	**246**	234	**–**	–	**12**	11	**258**	245
C. D. Mackay	**380**	375	**–**	–	**17**	14	**397**	389
Sir Colin Marshall	**3**	–	**–**	–	**–**	–	**3**	–
H. E. Norton	**21**	–	**–**	–	**–**	–	**21**	–
Sir David Plastow	**195**	195	**–**	–	**7**	7	**202**	202
L. G. Strong	**21**	21	**–**	–	**–**	–	**21**	21
Directors who retired in 1994								
S. R. Arnold	**–**	98	**–**	–	**–**	3	**–**	101
R. F. Heath	**–**	206	**–**	67	**–**	12	**–**	285
A. J. S. Marsh	**–**	71	**–**	–	**–**	5	**–**	76
J-P. Parayre	**–**	11	**–**	–	**–**	–	**–**	11
Total	**1,749**	1,958	**–**	67	**70**	82	**1,819**	2,107
Pension contributions							**669**	358
Pensions to former Directors							**29**	30
Total emoluments							**2,517**	2,495

(a) The Executive Directors are members of the UK Group Pension Scheme. A composite rate of 19.3% applied to all employees in the scheme until 31st December 1994. In March 1994 the scheme was revalued and the contribution rates applicable to different classes of member were separately determined resulting in a contribution rate of 44% being charged for Executive Directors with effect from 1st January 1995. The charge for pension contributions for the year for individual Executive Directors was as follows:
C. D. Mackay – £167,000 (1994 – £72,000); A. D. Cummins £118,000 (1994 – £89,000); P. E. Cushing £164,000 (1994 – £91,000); D. G. John £108,000 (1994 – £45,000) and R. C. O'Donoghue £112,000 (1994 – £47,000). Non-executive Directors' fees are not pensionable. Guidance is awaited on reporting the value of pension entitlements from the Institute and Faculty of Actuaries and The London Stock Exchange.

(b) *Chairman*
On 31st December 1995 Sir David Plastow, the previous Chairman, retired and, in the light of his service to the Group, was paid £200,000, subject to the deduction of tax, towards his personal pension arrangements. His salary was at the rate of £195,000 (1994 – £195,000).

(c) Mr C. D. Mackay will leave the Group on 30th June 1996. It has been agreed that he will receive the sum of £760,000, subject to deduction of tax, as compensation for loss of office. In addition, a payment of £603,000 will be made on 30th June 1996 to the UK Group Pension Scheme in respect of his pension arrangements. In line with ABI Guidelines, he will also retain the right to exercise the executive share options he now holds at dates up to 3rd October 1998.

(d) *Highest paid Director*
The highest paid Director was Mr Mackay, the Chief Executive and Deputy Chairman, who had emoluments, including pension scheme contribution, of £564,000 (1994 – £461,000).

(e) The emoluments disclosed for Mr Cheng are those in respect of his duties performed in the United Kingdom as a Director of Inchcape plc.

2 Table (b) – Directors' Share Options

	Held at 1.1.95	Granted during 1995	Exercised during 1995	Lapsed during 1995	Held at 31.12.95	Market price at date of exercise £ (e)	Option price £ (f)	Price paid for option	When exercisable (g)
P. M. F. Cheng (a)	31,700(c)				31,700		5.07	£1	May 1995–May 2002
	6,000(c)				6,000		5.85	£1	June 1996–June 2003
	10,000(c)				10,000		5.51	£1	Apr 1997–Apr 2004
A. D. Cummins	135,900(b)				135,900		5.15	£1	May 1995–May 2002
	8,900(b)				8,900		5.85	£1	June 1996–June 2003
	26,800(b)				26,800		5.51	Nil	Apr 1997–Apr 2004
		21,900(b)(h)			21,900		3.19	Nil	May 1998–May 2005
	3,911(d)			3,911			4.41	Nil	July 1999–Jan 2000
		6,900(d)			6,900		2.50	Nil	Aug 2000–Feb 2001
P. E. Cushing	64,200(b)				64,200		5.07	£1	May 1995–May 2002
	17,100(b)				17,100		5.85	£1	June 1996–June 2003
	29,000(b)				29,000		5.51	Nil	Apr 1997–Apr 2004
	1,847(d)				1,847		4.06	Nil	July 1997–Jan 1998
		203,700(b)(h)			203,700		3.19	Nil	May 1998–May 2005
	2, 313(d)			2,313			4.70	Nil	June 1998–Dec 1998
		4,140(d)			4,140		2.50	Nil	Aug 2000–Feb 2001
D. G. John	15,918(c)				15,918		2.38	£1	May 1992–May 1999
	71,312(c)				71.312		3.12	£1	May 1994–May 2001
	39,500(b)				39,500		5.07	£1	May 1995–May 2002
	10,200(b)				10,200		5.85	£1	June 1996–June 2003
	18,200(b)				18,200		5.51	Nil	Apr 1997–Apr 2004
		62,000(b)(h)			62,000(i)		3.19	Nil	May 1998–May 2005
C. D. Mackay	84,901(b)		84,901			2.98	1.41	£1	Nov 1990–Nov 1997
	42,448(b)				42,448		1.62	£1	June 1991–June 1998
	21,224(b)				21,224		2.38	£1	May 1992–May 1999
	64,733(c)				64,733		3.12	£1	May 1994–May 2001
	106,500(b)				106,500		5.07	£1	May 1995–May 2002
	41,000(b)				41,000		5.85	£1	June 1996–June 2003
	14,500(b)				14,500		5.51	Nil	Apr 1997–Apr 2004
	4,618(d)			4,618			4.06	Nil	July 1997–Jan 1998
		95,200(b)(h)			95,200		3.19	Nil	May 1998–May 2005
		6,900(d)			6,900		2.50	Nil	Aug 2000–Feb 2001
R. C. O'Donoghue	28,098(b)				28,098		1.59	£1	June 1990–June 1997
	59,427(b)				59,427		1.62	£1	June 1991–June 1998
	7,428(b)				7,428		2.38	£1	May 1992–May 1999
	65,157(b)				65,157		3.12	£1	May 1994–May 2001
	5,759(d)			5,759			1.88	Nil	Feb 1995–Aug 1995
	19,700(b)				19,700		5.07	£1	May 1995–May 2002
	23,900(b)				23,900		5.85	£1	June 1996–June 2003
	18,200(b)				18,200		5.51	Nil	Apr 1997–Apr 2004
	1,847(d)				1,847		4.06	Nil	July 1997–Jan 1998
		64,500(b)(h)			64,500		3.19	Nil	May 1998–May 2005
Sir David Plastow	180,900(b)(h)				180,900(i)		4.31	Nil	Oct 1997- Oct 2004

(a) Held at date of appointment
(b) Under the Inchcape Executive Share Option Scheme
(c) Under the Inchcape Overseas Executive Share Option Scheme
(d) Under the Inchcape SAYE Share Option Scheme
(e) The market price of the shares at 31st December 1995 was £2.49. The price range during 1995 was £4.27 to £2.06
(f) Option prices are determined in accordance with the Rules of the relevant Share Option Scheme
(g) Under the Executive Share Option Schemes, options are exercisable between three and ten years of grant
(h) Granted subject to a performance target
(i) Lapsed on retirement

Notes on Directors' share options
The table above shows Directors' options over ordinary shares.

Under the Inchcape Executive Share Option Scheme and the Inchcape Overseas Executive Share Option Scheme, options are granted on a discretionary basis to full-time senior executives based respectively within, and outside, the United Kingdom. In the case of Executive Directors in 1995, the grant of options under each of the Executive Share Option Schemes was determined by the Remuneration Committee.

Both Executive Share Option Schemes were renewed, with shareholder approval, during 1994. Options granted since the date of renewal are subject to the performance target that they may normally only be exercised if, after any three year period after their date of grant, the percentage increase in the market value of the shares has exceeded the percentage change in the FT-SE Actuaries All Share Index over the same period.

The Inchcape SAYE Share Option Scheme, which was also renewed with shareholder approval in 1994, is open to employees in the United Kingdom with at least one year's service. Participants make monthly savings for a five year period following which the options become exercisable within a six month period.

Directors' interests

Directors' interests in shares

The table below shows the interests, including family interests, on the dates indicated, in the shares of the Company and its subsidiaries, of the persons who were Directors at 31st December 1995. All the interests are beneficial.

	Ordinary shares fully paid of Inchcape plc of 25p each	
	31.12.95	1.1.95
A. G. L. Alexander	10,000	10,000
P. Baring	2,500	2,500
P. M. F. Cheng (a)	Nil	Nil
A. D. Cummins	20,588	20,000
P. E. Cushing	30,000	30,000
B. J. Hintz	Nil	Nil
D. G. John	11,044	10,588
C. D. Mackay	142,628	56,000
Sir Colin Marshall (a)	Nil	Nil
H. E. Norton (a)	Nil	Nil
R. C. O'Donoghue	39,043	39,043
Sir David Plastow	12,000	12,000
L. G. Strong	Nil	Nil

(a) Held at date of appointment

The following changes in Directors' interests have taken place between 1st January 1996 and 1st April 1996:

25th March 1996	Mr A. G. L. Alexander	sold 10,000 shares
26th March 1996	Mr A. G. L. Alexander	purchased 10,000 shares
27th March 1996	Sir Colin Marshall	purchased 12,000 shares
29th March 1996	Mr H. E. Norton	purchased 3,000 shares

By order of the Board

R. C. Williams
Secretary

1st April 1996

Directors' responsibilities in relation to the preparation of the financial statements

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 proper 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 also 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.

Reports of the Auditors

Report of the Auditors to the members of Inchcape plc

We have audited the financial statements on pages 32 to 57.

Respective responsibilities of Directors and Auditors

As described on page 30, the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 Group'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 mis-statement, 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 of the Group at 31st December 1995 and of the loss, total recognised losses and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand
Chartered Accountants and Registered Auditors
London

1st April 1996

Report of the Auditors to Inchcape plc on the Statement on Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the Directors' statement on page 24 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

Basis of opinion

We carried out our review in accordance with Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the Company's corporate governance procedures, nor on the ability of the Company or the Group to continue in operational existence.

Opinion

With respect to the Directors' statements on internal financial control on page 24 and going concern on page 25, in our opinion the Directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Directors and officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on page 24 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Coopers & Lybrand
Chartered Accountants
London

1st April 1996

Consolidated profit and loss account for the year ended 31st December 1995

Notes		Continuing operations 1995 £m	Acquisitions 1995 £m	Discontinued operations 1995 £m	Total 1995 £m	Total 1994 £m
1,2	**Turnover**	6,235.9	10.9	49.1	6,295.9	6,101.6
2a	Cost of sales	(4,940.3)	(5.2)	(32.3)	(4,977.8)	(4,727.3)
	Gross profit	1,295.6	5.7	16.8	1,318.1	1,374.3
2a	Operating expenses	(1,157.4)	(6.4)	(21.3)	(1,185.1)	(1,163.8)
1a	Exceptional operating expenses	(65.2)	–	–	(65.2)	–
	Net operating expenses	(1,222.6)	(6.4)	(21.3)	(1,250.3)	(1,163.8)
2a	**Operating profit**	73.0	(0.7)	(4.5)	67.8	210.5
1d	Share of profits of associated companies	44.5	–	0.5	45.0	40.3
7c	Income from other fixed asset investments	0.3	–	6.8	7.1	9.9
	Total operating profit	117.8	(0.7)	2.8	119.9	260.7
2c	Net profit (loss) on disposal of properties and investments	17.7	–	–	17.7	(4.3)
2c	Other exceptional items:					
13b	Net (loss) profit on disposal of operations	–	–	(22.4)	(22.4)	5.2
	Prior year provision utilised in the year	–	–	1.8	1.8	6.4
13b	Loss on partial disposal of operations	(17.4)	–	–	(17.4)	–
13b	Provision for loss on operations to be discontinued	(37.9)	–	–	(37.9)	(1.8)
	Loss on operations closed	–	–	(6.0)	(6.0)	(7.7)
	Profit (loss) on ordinary activities before net interest	80.2	(0.7)	(23.8)	55.7	258.5
3a	Net interest				(38.3)	(30.1)
2a	**Profit on ordinary activities before taxation**				17.4	228.4
4a	Tax on profit on ordinary activities				(49.6)	(73.7)
	(Loss) profit on ordinary activities after taxation				(32.2)	154.7
12b	Minority interests				(11.8)	(13.7)
12d	**(Loss) profit for the financial year**				(44.0)	141.0
12a	Dividends				(60.8)	(78.3)
12f	**Retained (loss) profit for the financial year**				(104.8)	62.7
	Headline profit before exceptional operating expenses and tax (£m)				146.8	230.6
2c	Headline earnings per share before exceptional operating expenses				14.0p	26.4
	Headline profit before tax (£m)				81.6	230.6
2c	Headline earnings per share				2.6p	26.4
	FRS3 profit before tax (£m)				17.4	228.4
2c	(Loss) earnings per share				(8.3)p	26.8

Statement of total recognised gains and losses for the year ended 31st December 1995

	1995 £m	1994 £m
(Loss) profit for the financial year	**(44.0)**	141.0
Exchange translation effect on:		
— results for the year	**(2.8)**	(0.6)
— foreign currency net investments	**6.8**	1.8
Total recognised gains and losses	**(40.0)**	142.2

Note of historical cost profits and losses for the year ended 31st December 1995

	1995 £m	1994 £m
Reported profit on ordinary activities before taxation	**17.4**	228.4
Realisation of property revaluation surpluses	**23.5**	7.1
Difference between the historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	**0.8**	1.2
Historical cost profit on ordinary activities before taxation	**41.7**	236.7
Historical cost (loss) profit for the year retained after taxation, minority interests and dividends	**(80.8)**	67.7

Reconciliation of movements in shareholders' funds for the year ended 31st December 1995

	1995 £m	1994 £m
oss) profit for the financial year	**(44.0)**	141.0
ividends	**(60.8)**	(78.3)
rip dividend adjustment	**1.1**	0.7
	(103.7)	63.4
ther recognised gains and losses relating to the year (net)	**4.0**	1.2
w share capital issued (net of expenses)	**2.6**	2.9
odwill acquired during the year	**(40.9)**	(202.4)
odwill recognised in the profit and loss account respect of disposals of businesses	**48.6**	2.7
t reduction in shareholders' funds	**(89.4)**	(132.2)
areholders' funds at 1st January	**632.4**	764.6
areholders' funds at 31st December	**543.0**	632.4

Consolidated and Company balance sheets as at 31st December 1995

Notes		Group 1995 £m	Group 1994 £m	Inchcape plc 1995 £m	Inchcape plc 1994 £m
	Fixed assets:				
6	Tangible assets	**590.3**	633.6	**–**	–
7	Investments	**162.8**	178.6	**343.5**	401.0
		753.1	812.2	**343.5**	401.0
	Current assets:				
8a	Stocks	**1,071.0**	1,112.1	**–**	–
8b	Debtors:				
	– amounts due within one year	**1,279.3**	1,293.2	**519.2**	199.1
	– amounts due beyond one year	**95.5**	95.9	**562.7**	350.9
3b	Cash at bank and in hand	**611.0**	427.3	**–**	31.0
		3,056.8	2,928.5	**1,081.9**	581.0
	Creditors – amounts falling due within one year:				
3b,8c	Borrowings	**(442.9)**	(527.8)	**–**	–
8c	Other	**(2,042.2)**	(2,091.8)	**(644.4)**	(101.4)
		(2,485.1)	(2,619.6)	**(644.4)**	(101.4)
	Net current assets	**571.7**	308.9	**437.5**	479.6
	Total assets less current liabilities	**1,324.8**	1,121.1	**781.0**	880.6
	Creditors – amounts falling due after more than one year:				
3b,9	Convertible Subordinated Bonds Due 2008	**(125.0)**	(125.0)	**(125.0)**	(125.0)
3b,9	Cumulative redeemable preference shares	**(150.0)**	–	**–**	–
3b,9	Other borrowings	**(157.0)**	(57.1)	**(4.1)**	(5.5)
9	Other	**(88.5)**	(80.9)	**(6.7)**	–
		(520.5)	(263.0)	**(135.8)**	(130.5)
10	**Provisions for liabilities and charges**	**(142.8)**	(109.5)	**–**	–
	Net assets	**661.5**	748.6	**645.2**	750.1
	Capital and reserves:				
12e	Called-up share capital	**132.0**	131.6	**132.0**	131.6
12f	Share premium account	**105.6**	103.4	**105.6**	103.4
12f	Special capital reserve	**–**	–	**–**	56.2
12f	Non distributable reserve	**–**	365.4	**–**	365.4
12f	Revaluation reserve	**149.5**	171.7	**–**	–
12f	Profit and loss account	**979.2**	694.9	**407.6**	93.5
		1,366.3	1,467.0	**645.2**	750.1
12f	Goodwill on consolidation	**(823.3)**	(834.6)	**–**	–
	Equity shareholders' funds	**543.0**	632.4	**645.2**	750.1
	Minority interests	**118.5**	116.2	**–**	–
		661.5	748.6	**645.2**	750.1

The accounts on pages 32 to 57 were approved by the Board of Directors on 1st April 1996 and were signed on its behalf by:

Directors
Philip Cushing
Rod O'Donoghue

Consolidated cash flow statement for the year ended 31st December 1995

	1995		1994 restated	
	£m	£m	£m	£m
Net cash inflow from operating activities				
Continuing operations	**272.2**		180.8	
Discontinued operations	**9.7**		12.8	
		281.9		193.6
Returns on investments and servicing of finance				
Interest received	**72.1**		70.2	
Interest paid	**(113.2)**		(95.6)	
Dividends received from associated companies:				
— continuing operations	**32.0**		28.4	
— discontinued operations	**–**		11.1	
Dividends received from other fixed asset investments:				
— continuing operations	**0.3**		0.8	
— discontinued operations	**7.7**		9.1	
Dividends paid to minority interests	**(10.6)**		(12.1)	
Dividends paid to shareholders	**(118.0)**		(76.6)	
Net cash outflow from returns on investments and servicing of finance		**(129.7)**		(64.7)
Taxation				
Tax paid		**(67.0)**		(69.2)
nvesting activities				
Purchase of tangible fixed assets	**(117.7)**		(134.9)	
Purchase of subsidiaries	**(29.8)**		(154.5)	
Purchase of associated companies and other investments	**(28.3)**		(26.1)	
Acquisition provision payments	**(20.8)**		(16.0)	
	(196.6)		(331.5)	
Sale of tangible fixed assets	**55.9**		59.2	
Sale of subsidiaries	**34.4**		45.3	
Sale of associated companies and other investments	**36.9**		11.9	
Sale of assets held for resale	**8.2**		55.3	
Net cash outflow from investing activities		**(61.2)**		(159.8)
Net cash inflow (outflow) before financing		**24.0**		(100.1)
inancing				
ssue of ordinary share capital	**2.6**		2.9	
apital subscribed by minority interests	**0.2**		0.9	
ncrease) decrease in Insurance Services short-term investments	**(51.9)**		9.2	
roceeds of redeemable preference share issue by subsidiary	**150.0**		–	
roceeds of US dollar senior loan notes issue	**108.2**		–	
ew short-term loans/repayment of borrowings	**5.3**		(0.6)	
apital element of finance lease rental payments	**(19.9)**		(8.4)	
et cash inflow from financing		**194.5**		4.0
et increase (decrease) in cash and cash equivalents		**218.5**		(96.1)

Accounting policies

a **Accounting convention** The accounts have been prepared in accordance with applicable UK accounting standards, on the historical cost basis, modified to include the revaluation of certain tangible fixed assets.

b **Basis of Group accounts** The results of businesses acquired or sold are included in the consolidated profit and loss account using the acquisition method from, or up to, the date control passes. All undertakings over which the Group exercises control or a dominant influence, being the right to direct the operating and financial policies, are consolidated as subsidiary undertakings ("subsidiaries"). The profit and loss account includes the Group's share of profits less losses of associated undertakings ("associated companies") and the consolidated balance sheet includes interests in associates at the Group's share of net tangible assets. The Group has taken advantage of the modification of FRS5 in respect of certain insurance broking transactions which continue to be offset in the Group's accounts.

c **Turnover** is the total amount receivable for goods sold and services provided, excluding sales related taxes and intra-Group transactions.

d **Foreign currencies** The results and cash flows of overseas subsidiaries and associated companies are translated into sterling at the average of the month end rates of exchange for the year, 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 under contractual arrangements.

The difference between the profit and loss account translated at average and at closing rates of exchange is included in the statement of total recognised gains and losses as a reserve movement. Exchange differences arising from the retranslation to closing rates of exchange of opening net assets, long-term foreign currency borrowings used to finance foreign currency investments, and foreign currency borrowings 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. Gains and losses are accounted for when the hedged transaction itself is recognised or earlier if the instrument ceases to be an effective hedge.

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 the estimated useful lives of the assets, 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	10% – 33.3%
Major computer software applications	33.3%

Land and buildings were last revalued in 1993, in accordance with the Group's policy of triennial valuation, on an open market existing use basis. Permanent diminutions in value of individual properties below cost are charged to the profit and loss account whereas deficits which the Directors consider to be temporary in nature are offset against other surpluses recognised in the revaluation reserve.

Shares in subsidiaries and other fixed asset investments are stated at cost, less provisions for permanent diminutions in value.

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 the normal course of business 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 or suppliers, or related finance houses, is treated as a creditor and the cost of such credit is included in cost of sales. Finance provided by an independent entity relating to a separately identifiable supply of goods is treated as a creditor and the charge for credit is included in interest.

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 have been 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.

m **Goodwill** represents the difference between the fair values of the cost of acquisition and the attributable identifiable net tangible assets at the date of acquisition and is eliminated against reserves. The profit or loss on the disposal of a previously acquired business reflects the attributable amount of purchased goodwill relating to that business.

Notes to the accounts

1 Segmental analysis

	Turnover by origin		Adjusted total operating profit		Exceptional operating expenses*	Net operating assets	
	1995	1994 restated	1995	1994 restated	1995	1995	1994 restated
	£m	£m	£m	£m	£m	£m	£m
(a) By business stream:							
Motors:							
Motors Import & Distribution	**2,915.5**	2,887.9	**32.4**	63.2	**(15.5)**	**278.2**	323.9
Motors Retail	**2,059.9**	2,042.0	**65.0**	84.4	**(17.0)**	**346.6**	398.7
Less: Inter segment turnover	**(732.3)**	(842.7)					
Total Motors	**4,243.1**	4,087.2	**97.4**	147.6	**(32.5)**	**624.8**	722.6
Marketing	**1,817.7**	1,660.4	**50.6**	66.4	**(9.6)**	**500.7**	490.0
Services:							
Insurance	**234.6**	192.8	**28.7**	20.6	**(3.8)**	**57.4**	20.0
Shipping	**225.0**	215.2	**11.8**	14.4	**(11.4)**	**33.0**	10.1
Testing	**284.1**	257.1	**27.8**	21.3	**(0.8)**	**71.1**	73.4
Total Services	**743.7**	665.1	**68.3**	56.3	**(16.0)**	**161.5**	103.5
Other activities	**18.3**	12.5	**(0.8)**	3.7	**–**	**15.3**	(4.2)
Discontinued operations	**71.5**	245.0	**2.8**	14.1	**–**	**8.6**	83.5
Reversal of associated companies' turnover	**(598.4)**	(568.6)					
Central charges			**(15.9)**	(15.0)	**(7.1)**		
	6,295.9	6,101.6	**202.4**	273.1	**(65.2)**	**1,310.9**	1,395.4
b) By geographical market:							
Europe:							
– United Kingdom	**2,201.9**	2,039.0	**61.2**	65.3	**(25.4)**	**224.9**	212.9
– Continent	**984.9**	934.8	**(8.7)**	18.6	**(14.9)**	**158.1**	217.4
Far East	**1,640.1**	1,628.2	**54.8**	75.7	**(7.7)**	**344.0**	360.8
South East Asia	**893.1**	878.9	**46.4**	51.7	**(5.4)**	**339.1**	312.1
Middle East	**232.9**	212.3	**15.9**	18.8	**(1.8)**	**34.7**	36.5
The Americas	**399.5**	358.8	**38.9**	31.9	**(2.8)**	**141.1**	112.7
Rest of World	**470.4**	373.2	**7.0**	12.0	**(0.1)**	**60.4**	59.5
Discontinued operations	**71.5**	245.0	**2.8**	14.1	**–**	**8.6**	83.5
Reversal of associated companies' turnover	**(598.4)**	(568.6)					
Central charges			**(15.9)**	(15.0)	**(7.1)**		
	6,295.9	6,101.6	**202.4**	273.1	**(65.2)**	**1,310.9**	1,395.4

xceptional operating expenses include mainly provisions for redundancies, office relocations and vacant leasehold property costs. here were no exceptional operating expenses in 1994.

here were no major acquisitions in 1995, but the adjusted operating profits of 1994 include seven months' contribution from Hogg roup (£4.0m, of which £3.3m in Insurance Services and £0.7m in discontinued operations). Discontinued operations in 1995 relate nainly to Buying Services, Australia Telecoms and Rolex (Singapore), and 1994 also included Kenning Car and Van Rental and Bain ogg Financial Services.

ior year comparatives have also been restated to reflect a refinement in the method of allocation of general management costs and elated net assets.

Notes to the accounts continued

1 Segmental analysis continued

	1995 £m	1994 restated £m
(c) Turnover by destination:		
Europe:		
– United Kingdom	**2,154.4**	1,992.0
– Continent	**1,037.7**	1,022.6
Far East	**1,596.2**	1,532.0
South East Asia	**894.9**	860.1
Middle East	**234.6**	224.5
The Americas	**422.1**	405.2
Rest of World	**482.9**	388.8
Discontinued operations	**71.5**	245.0
Reversal of associated companies' turnover	**(598.4)**	(568.6)
	6,295.9	6,101.6

	Group share of turnover by origin 1995 £m	Group share of turnover by origin 1994 restated £m	Group share of profit before tax 1995 £m	Group share of profit before tax 1994 restated £m	Group share of net assets 1995 £m	Group share of net assets 1994 restated £m
(d) Associated companies						
By business stream:						
Motors:						
Motors Import & Distribution	**188.9**	183.0	**6.6**	3.8	**52.7**	47.2
Motors Retail	**26.5**	28.2	**6.5**	8.8	**18.9**	16.3
Total Motors	**215.4**	211.2	**13.1**	12.6	**71.6**	63.5
Marketing	**299.8**	256.9	**21.0**	21.2	**65.6**	41.5
Services:						
Insurance	**31.0**	20.1	**5.4**	4.0	**5.5**	8.0
Shipping	**24.4**	15.3	**4.8**	4.0	**3.9**	5.6
Testing	**2.4**	2.6	**0.2**	0.3	**0.9**	0.9
Total Services	**57.8**	38.0	**10.4**	8.3	**10.3**	14.5
Other activities	**3.0**	6.5	**–**	0.9	**7.9**	9.2
Discontinued operations	**22.4**	56.0	**0.5**	(2.7)	**–**	4.5
	598.4	568.6	**45.0**	40.3	**155.4**	133.2
(e) Associated companies						
By geographical market:						
Europe:						
– United Kingdom	**156.3**	145.4	**6.2**	5.7	**44.8**	45.2
– Continent	**32.9**	17.1	**5.0**	3.9	**11.3**	12.1
Far East	**108.9**	94.8	**7.8**	7.6	**43.4**	24.9
South East Asia	**60.4**	62.2	**3.4**	3.3	**26.8**	27.1
Middle East	**204.3**	189.2	**20.6**	21.2	**19.2**	16.9
The Americas	**4.3**	3.6	**1.5**	1.1	**2.0**	1.8
Rest of World	**8.9**	0.3	**–**	0.2	**7.9**	0.7
Discontinued operations	**22.4**	56.0	**0.5**	(2.7)	**–**	4.5
	598.4	568.6	**45.0**	40.3	**155.4**	133.2

1 Segmental analysis continued

	1995 £m	1994 £m
(f) Reconciliations		
(i) Profit		
Adjusted total operating profit	**202.4**	273.1
Exceptional operating expenses	**(65.2)**	–
Insurance and Shipping Services interest receivable	**(17.3)**	(12.4)
Total operating profit as consolidated profit and loss account	**119.9**	260.7
(ii) Net assets		
Net operating assets	**1,310.9**	1,395.4
Net borrowings (other than Insurance and Shipping Services balances)	**(548.4)**	(505.4)
Interest bearing creditors	**(47.5)**	(28.0)
Holding company tax and dividends	**(6.6)**	(68.7)
Fair value provisions	**(26.9)**	(44.6)
Other unallocated assets and liabilities	**(20.0)**	(0.1)
Net assets as consolidated balance sheet	**661.5**	748.6

	Number employed in Inchcape plc & subsidiaries		Number employed in associated companies		Total number employed	
	1995	1994 restated	1995	1994 restated	1995	1994 restated
(g) Employees:						
Motors:						
Motors Import & Distribution	**3,218**	3,090	**457**	508	**3,675**	3,598
Motors Retail	**7,535**	8,295	**436**	477	**7,971**	8,772
Total Motors	**10,753**	11,385	**893**	985	**11,646**	12,370
Marketing	**11,450**	12,239	**5,042**	5,121	**16,492**	17,360
Services:						
Insurance	**4,576**	4,316	**1,628**	1,214	**6,204**	5,530
Shipping	**2,840**	3,387	**919**	1,163	**3,759**	4,550
Testing	**6,716**	6,013	**145**	329	**6,861**	6,342
Total Services	**14,132**	13,716	**2,692**	2,706	**16,824**	16,422
Other activities	**322**	4	**233**	569	**555**	573
Discontinued businesses	**490**	2,674	**37**	220	**527**	2,894
Corporate	**93**	100	**–**	–	**93**	100
	37,240	40,118	**8,897**	9,601	**46,137**	49,719

	1995 £m	1994 £m
The total employment costs incurred by Inchcape plc and its subsidiaries were:		
Wages and salaries	**561.7**	576.3
Social security costs	**56.6**	54.5
Other pension costs	**33.0**	28.2
	651.3	659.0

Included in the employment costs above for 1995 is £27.2m in respect of redundancy and related staff costs reported within exceptional operating expenses.

Notes to the accounts continued

2 Profit and loss

	1995 Continuing operations £m	1995 Acquisitions £m	1995 Discontinued £m	1995 Total £m	1994 Continuing restated £m	1994 Discontinued restated £m	1994 Total restated £m
(a) Analysis							
Turnover	**6,235.9**	**10.9**	**49.1**	**6,295.9**	5,912.6	189.0	6,101.6
Cost of sales	**(4,940.3)**	**(5.2)**	**(32.3)**	**(4,977.8)**	(4,642.3)	(85.0)	(4,727.3)
Gross profit	**1,295.6**	**5.7**	**16.8**	**1,318.1**	1,270.3	104.0	1,374.3
Distribution costs	**(466.6)**	**(0.6)**	**(2.5)**	**(469.7)**	(454.0)	(5.0)	(459.0)
Administrative expenses	**(705.5)**	**(5.8)**	**(18.8)**	**(730.1)**	(625.8)	(92.0)	(717.8)
Exceptional operating expenses	**(65.2)**	**–**	**–**	**(65.2)**	–	–	–
Other operating income	**14.7**	**–**	**–**	**14.7**	13.0	–	13.0
Operating profit	**73.0**	**(0.7)**	**(4.5)**	**67.8**	203.5	7.0	210.5

Exceptional operating expenses are administrative in nature.

	1995 £m	1994 £m
Profit on ordinary activities before taxation		
Profit on ordinary activities before taxation is stated after the following charges (credits):		
Depreciation of tangible fixed assets		
– owned	**75.2**	70.0
– held under finance leases	**3.9**	6.5
Profit on sale of tangible fixed assets other than property	**(1.0)**	(1.8)
Hire of plant, machinery and equipment	**6.5**	24.5
Other operating lease rentals payable	**77.0**	77.5
Rentals receivable from operating leases	**(14.7)**	(13.0)
Audit fees and expenses		
– Coopers & Lybrand	**3.2**	4.0
– Other firms	**0.2**	0.2
Accounting and other advisory services provided to Group companies in the United Kingdom by Coopers & Lybrand	**1.8**	1.4

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

(b) Directors

Information on Directors' emoluments and interests, which form part of these audited financial statements, are given on pages 28 and 29.

	Headline before exceptional operating expenses 1995 £m	Headline before exceptional operating expenses 1994 £m	Headline 1995 £m	Headline 1994 £m	FRS3 1995 £m	FRS3 1994 £m
(c) Earnings per ordinary share						
Total operating profit before exceptional operating expenses and after interest	**146.8**	230.6	**146.8**	230.6	**146.8**	230.6
Exceptional operating expenses	**–**	–	**(65.2)**	–	**(65.2)**	–
Net profit (loss) on disposal of properties and investments	**–**	–	**–**	–	**17.7**	(4.3)
Other exceptional items	**–**	–	**–**	–	**(81.9)**	2.1
Profit before tax	**146.8**	230.6	**81.6**	230.6	**17.4**	228.4
Taxation	**(57.2)**	(75.9)	**(53.8)**	(75.9)	**(49.6)**	(73.7)
Minority interests	**(15.7)**	(15.6)	**(14.0)**	(15.6)	**(11.8)**	(13.7)
Earnings (loss)	**73.9**	139.1	**13.8**	139.1	**(44.0)**	141.0
Earnings (loss) per share	**14.0p**	26.4p	**2.6p**	26.4p	**(8.3)p**	26.8p

The weighted average number of fully paid shares in issue during the year was 527.5 million (1994 – 526.0 million).

The definition of Headline earnings is given in the Statement of Investment Practice No.1 published by the Institute of Investment Management and Research (IIMR).

The dilution in earnings per ordinary share that would arise from full conversion of the Convertible Subordinated Bonds Due 2008 and the issue of shares under share option schemes is not material.

3 Treasury information

	1995 £m	1994 £m
(a) Net interest		
Interest payable and other charges:		
On bank loans, overdrafts and other loans falling due within five years	**82.8**	89.3
On bank loans, overdrafts and other loans (including the convertible bonds and US private placement) falling due after five years	**9.4**	6.3
On cumulative preference shares issued by a subsidiary	**4.1**	–
On finance leases mainly repayable within five years	**2.9**	3.0
Other interest	**7.9**	4.4
	107.1	103.0
Interest receivable	**(68.8)**	(72.9)
	38.3	30.1

	1995 £m	1994 £m
(b) Net borrowings		
(i) Analysis		
Net borrowings as defined by the Group for capital gearing purposes are:		
Borrowings – note 3b(ii)		
– Amounts falling due within one year	**(442.9)**	(527.8)
– Amounts falling due after more than one year	**(432.0)**	(182.1)
Cash and deposits	**611.0**	427.3
Net borrowings as balance sheet	**(263.9)**	(282.6)
Adjustment for third party funds included in cash and deposits	**(199.1)**	(179.5)
Net borrowings	**(463.0)**	(462.1)

Cash and deposits include certain funds held on behalf of third parties which are not freely available for use by the Group, mainly those held for the benefit of insurance creditors of Bain Hogg in designated Insurance Broking Accounts.

	Group		Inchcape plc	
	1995 £m	1994 £m	1995 £m	1994 £m
(ii) Maturity				
Long and medium term				
Bank Loans (secured £8.3m – 1994 £12.8m)				
Repayable beyond five years	**0.4**	–	–	–
Two to five years	**157.8**	11.0	–	–
One to two years	**13.4**	9.1	–	–
Loans other than from banks (secured £3.4m – 1994 £1.1m)				
Repayable beyond five years	**171.6**	126.0	**125.0**	125.0
Two to five years	**69.3**	5.5	**4.1**	5.5
One to two years	**1.8**	0.5	–	–
Finance leases				
Repayable beyond five years	**6.0**	6.6	–	–
Two to five years	**6.2**	11.6	–	–
One to two years	**5.5**	11.8	–	–
Amounts falling due after more than one year	**432.0**	182.1	**129.1**	130.5
Short term – repayable within one year				
Bank loans and overdrafts (secured £1.3m – 1994 £9.2m)	**375.6**	465.3	–	–
Loans other than from banks (secured £1.4m – 1994 £3.9m)	**58.6**	48.5	–	–
Finance leases	**8.7**	14.0	–	–
Amounts falling due within one year	**442.9**	527.8	–	–
Total borrowings and finance leases	**874.9**	709.9	**129.1**	130.5
Cash and deposits	**(611.0)**	(427.3)	–	(31.0)
	263.9	282.6	**129.1**	99.5

Notes to the accounts continued

3 Treasury information continued

The £125m 6¼% Convertible Subordinated Bonds Due 2008 are convertible at the option of the holder, on or prior to 3rd May 2008, into fully paid ordinary shares of 25p each of Inchcape plc at 689p per share. None of the Bonds were converted during the year. If the conversion rights attaching to the Bonds outstanding at 31st December 1995 were exercised 18,142,235 ordinary shares of 25p each of Inchcape plc would fall to be issued. The Bonds may be redeemed at the option of the Company, in whole or in part, at any time after 30th May 1998 or earlier if conditions are met. Unless previously redeemed or converted, the Bonds will be redeemed at par on 10th May 2008.

In May 1995 the Group launched a US Private Placement, consisting of US$100m (£64.5m) of 6.93% Senior Loan Notes, due 2000 and US$72m (£46.5m) of 7.09% Senior Loan Notes, due 2002. The Notes were placed mainly with a number of leading US Life Insurance companies.

In July 1995, a subsidiary issued £150m of Foreign Income Dividend Cumulative Redeemable Preference Shares. This issue matures in 1998 and pays a coupon of 5.84% per annum.

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.

(c) Facilities

The Group has committed stand-by credit facilities, raised by Inchcape Finance plc under an Inchcape plc guarantee, of £325m (1994 – £300m) in total expiring in 2000. No amount has been drawn under these facilities in 1995 (1994 – £Nil).

(d) Cash flow information

	£m
(i) Analysis of changes in cash and cash equivalents during the year	
Balance at 1st January 1995	**(111.9)**
Net cash inflow before exchange adjustments	**218.5**
Exchange adjustments	**3.7**
Balance at 31st December 1995	**110.3**

	1995 £m	1994 £m	Change in year £m
(ii) Analysis of the balances of cash and cash equivalents as shown in the balance sheet			
Cash at bank and in hand including short-term deposits and loans	**611.0**	427.3	**183.7**
Insurance Services short-term investments	**(113.8)**	(61.9)	**(51.9)**
Bank loans, overdrafts and other borrowings	**(386.9)**	(477.3)	**90.4**
	110.3	(111.9)	**222.2**

	1995 £m	1994 £m
(iii) Reconciliation of available cash flow to net borrowings		
Available cash flow as Financial Review – page 21	**18.4**	(3.8)
Purchase of subsidiaries, associates and investments	**(78.9)**	(196.6)
Sale of subsidiaries, associates and investments	**71.3**	57.2
Sale of assets held for resale excluding properties	**6.1**	43.1
Sale of major property	**7.1**	–
Net cash inflow (outflow) before financing	**24.0**	(100.1)
New capital (net of expenses)	**2.8**	3.8
Inception of finance lease contracts	**(5.3)**	(13.6)
Loans and finance leases of subsidiaries (acquired) sold	**(0.3)**	26.3
Exchange adjustments	**(2.5)**	(1.6)
Movement in net borrowings as balance sheet – note 3b(ii)	**18.7**	(85.2)
Total third party funds increase – note 3b(i)	**(19.6)**	(73.8)
Movement in net borrowings for capital gearing	**(0.9)**	(159.0)
Net borrowings for capital gearing at 1st January – note 3b(i)	**(462.1)**	(303.1)
Net borrowings for capital gearing at 31st December – note 3b(i)	**(463.0)**	(462.1)

3 Treasury information continued

(iv) Analysis of changes in financing during the year	Share capital and premium £m	Loans and finance lease obligations £m
Balance at 1st January 1995	**235.0**	**232.6**
Cash inflows from financing	**2.6**	**243.6**
Loans and finance lease obligations of subsidiaries acquired	–	**0.3**
Inception of finance lease contracts	–	**5.3**
Exchange adjustments	–	**6.2**
Balance at 31st December 1995	**237.6**	**488.0**

(v) Net cash inflow from operating activities	1995 £m	1994 £m
Operating profit before exceptional operating expenses	**133.0**	210.5
Payments in respect of exceptional operating expenses	**(25.1)**	–
Depreciation	**79.1**	76.5
Decrease (increase) in stocks	**30.6**	(212.2)
Decrease (increase) in debtors	**49.8**	(4.7)
Increase in creditors	**6.4**	114.2
Other items	**8.1**	9.3
	281.9	193.6

(e) Borrowings of associated finance companies

Certain associated companies provide finance to third parties, primarily in support of the Group's Motors activities, and are financed by bank borrowings without recourse to any other Group company. At 31st December 1995 total borrowings (before deducting external shareholders' interests) of the major associated companies conducting financing operations were:

Associated company	External shareholder		
Inchcape Finance SA	Cofico SA	**66.5**	60.5
Inchroy Credit Corporation	Security Pacific Limited	**238.9**	269.0
MEVC Finance Limited	Lloyds Bowmaker Limited	**45.6**	47.6
TGB Finance Limited	Lloyds Bowmaker Limited	**403.2**	355.5

(f) Operating lease commitments	Property leases 1995 £m	Property leases 1994 £m	Other operating leases 1995 £m	Other operating leases 1994 £m
Operating lease rentals payable in 1996 in respect of commitments expiring:				
– within one year	**17.0**	12.7	**1.7**	1.8
– between one and five years	**44.8**	36.6	**5.2**	2.9
– in five years or more	**25.8**	32.1	**2.3**	0.1
	87.6	81.4	**9.2**	4.8

Notes to the accounts continued

4 Taxation

	1995 £m	1994 £m
(a) Taxation on profits		
United Kingdom corporation tax at 33% (1994 – 33%)	**56.6**	45.5
Double taxation relief	**(38.1)**	(21.4)
	18.5	24.1
Advance corporation tax written (back) off	**(6.2)**	3.0
	12.3	27.1
Overseas taxes	**38.0**	46.5
Deferred tax	**(11.1)**	(5.2)
	39.2	68.4
Adjustments to prior year liabilities	**0.8**	(3.9)
Inchcape plc and subsidiaries	**40.0**	64.5
Associated companies	**9.6**	9.2
	49.6	73.7

	1995 £m	1994 £m
(b) Deferred taxation asset		
(i) Group		
Deferred taxation movements during the year comprise:		
Balance at 1st January	**12.8**	4.7
Exchange adjustments	**(1.4)**	(0.5)
Credited to profit and loss account	**11.1**	5.2
Subsidiaries acquired (including fair value)	**0.5**	4.1
Adjustment of advance corporation tax recoverable	**12.6**	(0.7)
Balance at 31st December	**35.6**	12.8

The potential amount of deferred taxation on timing differences and the amount which has been provided in the accounts comprise:

	Potential		Recognised	
	1995 £m	1994 £m	1995 £m	1994 £m
Excess capital allowances	**(4.6)**	(7.8)	**(2.3)**	(2.2)
Revalued assets	**(7.3)**	(11.5)	**(2.5)**	(0.2)
Pension fund surpluses of companies acquired	**–**	(10.1)	**–**	(10.1)
Other timing differences (including fair value)	**17.1**	13.3	**9.8**	7.3
Advance corporation tax recoverable	**30.6**	18.0	**30.6**	18.0
	35.8	1.9	**35.6**	12.8

In addition to the advance corporation tax recoverable included above and at note (ii), a cumulative £20.9m has been written off to 31st December 1995 (1994 – £27.8m), and is available for set-off against future UK corporation tax liabilities.

	1995 £m	1994 £m
(ii) Inchcape plc		
Advance corporation tax recoverable	**21.0**	15.9
Other timing differences	**0.4**	0.4
	21.4	16.3

5 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 cost 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 pension costs for the main defined benefit schemes operated in the UK were determined in accordance with the advice of independent professionally qualified actuaries based on the projected unit method (except for closed funds where the attained age method was used).

The market value of the assets held by the Group's UK schemes at March/April 1994 was £573.9m. Actuarial valuations for these schemes were carried out at that time using, in the main, per annum long-term assumptions of investment return of 9.5 – 10.0%, salary increase of 7.5 – 8.0%, dividend growth of 4.5 – 5.0% and pension increase of 3.0 – 5.0%. The actuarial valuations of the total assets covered 107% of benefits that had accrued to members.

Pensions – overseas schemes

The assets of all overseas schemes had a market value of £157m based on the latest actuarial valuations carried out during 1994. The actuarial assumptions used for overseas schemes were consistent with local practice. The actuarial valuations of the total assets covered 105% of the benefits that had accrued to members.

Pension cost

The pension cost charged for 1995 was £33.0m (1994 – £28.2m) of which £27.0m (1994 – £22.7m) relates to schemes of a defined benefit nature and £6.0m (1994 – £5.5m) represents the amount attributable to defined contribution schemes. A provision of £5.6m (1994 – £6.7m) 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 £3.5m (1994 – £3.9m).

As a result of disposals and reorganisations carried out by the Group and certain actions taken by the trustees of the TKM scheme the surplus in respect of the scheme is no longer expected to be available to the Group. Consequently an asset of £26.6m before tax has been written off as part of losses on disposal of operations, £20.5m, and exceptional operating expenses, £6.1m. The associated deferred tax provision of £8.8m has been released.

Notes to the accounts continued

6 Fixed assets – tangible assets

	Freehold and leasehold land and buildings £m	Plant, machinery and equipment £m	Total £m
Cost or valuation at 1st January 1995	**413.3**	**498.7**	**912.0**
Exchange adjustments	**9.8**	**9.3**	**19.1**
Assets of subsidiaries acquired	**1.6**	**2.5**	**4.1**
Assets of subsidiaries sold	**(1.2)**	**(24.1)**	**(25.3)**
Additions	**17.8**	**99.4**	**117.2**
Disposals	**(35.7)**	**(89.4)**	**(125.1)**
Provision for permanent diminution in value	**(1.7)**	**(3.1)**	**(4.8)**
Transfers	**(12.4)**	**1.8**	**(10.6)**
Cost or valuation at 31st December 1995	**391.5**	**495.1**	**886.6**
Analysed:			
Valuation 1993	**315.4**	**–**	**315.4**
Cost	**76.1**	**495.1**	**571.2**
	391.5	**495.1**	**886.6**
Depreciation at 1st January 1995	**(17.0)**	**(261.4)**	**(278.4)**
Exchange adjustments	**(1.1)**	**(4.9)**	**(6.0)**
Subsidiaries acquired	**–**	**(0.8)**	**(0.8)**
Subsidiaries sold	**0.1**	**14.8**	**14.9**
Provided for the year	**(8.2)**	**(70.9)**	**(79.1)**
Disposals	**2.0**	**52.7**	**54.7**
Transfers	**0.5**	**(2.1)**	**(1.6)**
Depreciation at 31st December 1995	**(23.7)**	**(272.6)**	**(296.3)**
Book value at 31st December 1995	**367.8**	**222.5**	**590.3**
Book value at 31st December 1994	396.3	237.3	633.6

	1995 £m	1994 £m
Book value of land and buildings analysed:		
– freehold	**191.0**	180.9
– leasehold with over 50 years unexpired	**137.0**	153.6
– short leasehold	**39.8**	61.8
	367.8	396.3
If land and buildings had not been revalued they would have been stated at the following amounts:		
– cost	**332.7**	316.3
– less depreciation	**(50.5)**	(43.0)
	282.2	273.3
The book value of tangible fixed assets held for rental to customers under operating leases amounted to:		
– cost	**11.7**	35.3
– less depreciation	**(2.3)**	(13.2)
	9.4	22.1

The book value of tangible fixed assets includes £24.6m (1994 – £36.5m) in respect of assets held under finance leases.

7 Fixed assets – investments

	Shares in associated companies £m	Loans to associated companies £m	Other investments £m	Total £m
(a) Group				
Cost less provisions at 1st January 1995	**118.3**	**30.5**	**45.4**	**194.2**
Exchange adjustments	**0.8**	**–**	**(0.1)**	**0.7**
Additions	**28.3**	**–**	**0.4**	**28.7**
Subsidiaries (sold) acquired	**(0.6)**	**–**	**0.8**	**0.2**
Disposals/repayments	**(0.6)**	**(5.8)**	**(40.3)**	**(46.7)**
Transfers to subsidiaries	**3.3**	**(0.1)**	**1.2**	**4.4**
Cost less provisions at 31st December 1995	**149.5**	**24.6**	**7.4**	**181.5**
Share of post acquisition reserves of associated companies:				
Balance at 1st January 1995	**28.6**			**28.6**
Exchange adjustments	**0.5**			**0.5**
Disposals	**(0.4)**			**(0.4)**
Retained profit for the financial year	**9.5**			**9.5**
Transfers to subsidiaries	**(0.9)**			**(0.9)**
Balance at 31st December 1995	**37.3**			**37.3**
Adjustment to cost in respect of net goodwill:				
Balance at 1st January 1995	**(44.2)**			**(44.2)**
Exchange adjustments	**0.3**			**0.3**
Additions	**(12.1)**			**(12.1)**
Disposals	**0.1**			**0.1**
Transfers to subsidiaries	**(0.1)**			**(0.1)**
Balance at 31st December 1995	**(56.0)**			**(56.0)**
Book value at 31st December 1995	**130.8**	**24.6**	**7.4**	**162.8**
Book value at 31st December 1994	102.7	30.5	45.4	178.6

The share of post acquisition reserves attributable to Inchcape plc as at 31st December 1995 is £35.0m (1994 – £26.6m).

	Associated companies		Other investments	
	1995 £m	1994 £m	**1995 £m**	1994 £m
ook value includes:				
listed on the London Stock Exchange	**–**	–	**–**	39.1
listed on stock exchanges overseas	**11.0**	11.0	**0.1**	0.7
	11.0	11.0	**0.1**	39.8
arket value	**24.7**	26.1	**0.3**	34.8

	£m
-) Inchcape plc	
hares in subsidiaries	
1st January 1995	**401.0**
dditions	**43.7**
	444.7
ovision for the year	**(101.2)**
31st December 1995	**343.5**

Notes to the accounts continued

7 Fixed assets – investments continued

	1995 £m	1994 £m
(c) Income from fixed asset investments:		
Listed	–	1.1
Unlisted	7.1	8.8
	7.1	9.9

8 Net current assets

	1995 £m	1994 £m
(a) Stocks		
Raw materials and work in progress	**30.9**	19.7
Finished goods and merchandise	**1,040.1**	1,092.4
	1,071.0	1,112.1

The replacement cost of stocks is not materially different from the amounts stated above.

	Group		Inchcape plc	
	1995 £m	1994 £m	1995 £m	1994 £m
(b) Debtors				
Amounts due within one year:				
Trade debtors subject to limited recourse financing	**3.0**	3.4	–	–
less: non-returnable amounts received	**(2.4)**	(2.5)	–	–
	0.6	0.9	–	–
Other trade debtors	**983.3**	1,016.2	–	–
Net investment in finance leases and hire purchase contracts	**26.3**	24.2	–	–
Amounts owed by subsidiaries	–	–	**497.5**	182.2
Amounts owed by associated companies	**7.0**	31.6	–	–
Deferred taxation asset – note 4b	**35.6**	12.8	**21.4**	16.3
Other debtors	**149.6**	107.9	**0.3**	0.6
Prepayments and accrued income	**76.9**	99.6	–	–
	1,279.3	1,293.2	**519.2**	199.1
Amounts due beyond one year:				
Trade debtors subject to limited recourse financing	**27.6**	31.4	–	–
less: non-returnable amounts received	**(21.8)**	(22.3)	–	–
	5.8	9.1	–	–
Net investments in finance leases and hire purchase contracts	**47.3**	44.4	–	–
Amounts owed by subsidiaries	–	–	**562.7**	350.9
Amounts owed by associated companies	**0.2**	–	–	–
Pension fund surpluses resulting from acquisitions	**1.6**	31.6	–	–
Trade and other debtors	**40.6**	10.8	–	–
	95.5	95.9	**562.7**	350.9
Total debtors	**1,374.8**	1,389.1	**1,081.9**	550.0

Trade debtors subject to limited recourse financing represent hire purchase debtors discounted with banks in the ordinary course of business, subject to strictly limited recourse so that the majority of cash received by the Group on discounting is not returnable, and which carry interest at variable rates. The returnable element of the proceeds is recorded as bank loans and overdrafts due within and after one year as appropriate. The Group will not make good any losses over and above the agreed recourse limit and the relevant banks have confirmed their acceptance of this position in writing.

8 Net current assets continued

	Group 1995 £m	Group 1994 £m
Net investment in finance leases and hire purchase contracts comprises:		
Total amounts receivable	**90.8**	79.9
Less: interest allocated to future periods	**(17.2)**	(11.3)
	73.6	68.6
Finance leases and hire purchase contracts:		
Rentals receivable during the year	**40.0**	33.8
Assets acquired during the year for onwards finance leasing	**49.5**	32.5

	Group 1995 £m	Group 1994 £m	Inchcape plc 1995 £m	Inchcape plc 1994 £m
(c) Creditors – amounts falling due within one year:				
Borrowings – see note 3b(ii)	**442.9**	527.8	**–**	–
Other:				
Payments received on account	**178.1**	162.5	**–**	–
Trade creditors	**1,511.4**	1,493.8	**–**	–
Amounts owed to subsidiaries	**–**	–	**606.7**	2.1
Amounts owed to associated companies	**3.9**	11.2	**–**	–
Corporate taxation	**27.2**	30.3	**–**	–
Other taxation and social security	**54.7**	62.3	**15.2**	19.8
nterim ordinary dividend	**–**	31.0	**–**	31.0
Proposed final ordinary dividend	**21.1**	47.3	**21.1**	47.3
Dividends payable to minorities	**5.9**	4.8	**–**	–
Other creditors	**23.7**	40.6	**0.2**	0.1
Accruals and deferred income	**216.2**	208.0	**1.2**	1.1
	2,042.2	2,091.8	**644.4**	101.4
Total creditors falling due within one year	**2,485.1**	2,619.6	**644.4**	101.4

Creditors – amounts falling due after one year:

	Group 1995 £m	Group 1994 £m	Inchcape plc 1995 £m	Inchcape plc 1994 £m
Convertible Subordinated Bonds Due 2008	**125.0**	125.0	**125.0**	125.0
Cumulative redeemable preference shares	**150.0**	–	**–**	–
inance leases	**17.7**	30.0	**–**	–
Other borrowings	**139.3**	27.1	**4.1**	5.5
otal borrowings and finance leases – see note 3b(ii)	**432.0**	182.1	**129.1**	130.5
mounts owed to subsidiaries	**–**	–	**6.7**	–
et disposal proceeds of Toyota (GB) shares	**30.0**	30.0	**–**	–
ade and other creditors	**58.5**	50.9	**–**	–
otal creditors falling due after more than one year	**520.5**	263.0	**135.8**	130.5

ade and other creditors includes £nil (1994 – £1.1m) secured on land and buildings, specific stocks or by a floating charge on assets.

et disposal proceeds of Toyota (GB) represent cash received in advance for the sale of 26% of the company to Toyota Motor orporation in 1998.

Notes to the accounts continued

10 Provisions for liabilities and charges

	Pensions and other post-retirement benefits (note 5) £m	Exceptional operating expenses £m	Other provisions £m	Total £m
Balance at 1st January 1995	**14.6**	**–**	**94.9**	**109.5**
Charged to profit and loss account	**34.1**	**65.2**	**46.3**	**145.6**
Subsidiaries acquired (including fair value)	**0.6**	**–**	**–**	**0.6**
Utilised during the year:				
– cash	**(31.7)**	**(25.1)**	**(39.6)**	**(96.4)**
– other	**(1.9)**	**(10.7)**	**(0.7)**	**(13.3)**
Disposals	**(1.1)**	**–**	**–**	**(1.1)**
Transfers	**–**	**–**	**(2.7)**	**(2.7)**
Exchange adjustments	**(0.4)**	**–**	**1.0**	**0.6**
Balance at 31st December 1995	**14.2**	**29.4**	**99.2**	**142.8**

Other provisions at 31st December 1995 are mainly in respect of acquisition provisions (see note 13), various staff costs, claims, closure costs and warranties.

11 Contingent liabilities and commitments

	Group		Inchcape plc	
	1995 £m	1994 £m	**1995 £m**	1994 £m
Guarantees of subsidiaries' borrowings	**–**	–	**–**	8.6
Other guarantees mainly in respect of associated companies	**35.9**	39.0	**–**	–

In addition to the above there were at 31st December 1995 other contingent liabilities arising in the ordinary course of business. These are not expected to give rise to any significant loss. 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.

Commitments for capital expenditure entered into and not provided for in these accounts are estimated at £15.7m (1994 – £10.5m) and those authorised but not contracted for are estimated at £14.5m (1994 – £21.2m).

Inchcape plc has given guarantees in respect of various subsidiaries' bank facilities totalling £326.0m at 31st December 1995 (1994 – £377.4m). The amounts shown above represent the amounts drawn against these facilities.

12 Dividends, minority interests and equity

	Per share			
	1995 pence	1994 pence	**1995 £m**	1994 £m
(a) Dividends				
Interim – paid 29th December 1995 (1994 – 3rd January 1995)	**6.0**	6.0	**31.8**	31.0
Final – proposed – payable 1st July 1996 (1994 – 3rd July 1995)	**4.0**	9.0	**21.1**	47.3
	10.0	15.0	**52.9**	78.3
Interim Foreign Income Dividend enhancement	**1.5**	–	**7.9**	–
	11.5	15.0	**60.8**	78.3

Adjustments arising on scrip dividends are reflected in the reconciliation of movements in shareholders' funds.

If approved at the Annual General Meeting the final ordinary dividend will be paid on 1st July 1996 to ordinary shareholders registered in the books of the Company at the close of business on 11th April 1996.

12 Dividends, minority interests and equity continued

	1995 £m	1994 £m
(b) Minority interests		
Paid or payable as dividends	**11.8**	9.4
Retained profit for the year	**–**	4.3
	11.8	13.7

(c) Substantial shareholdings

In accordance with the requirements of the London Stock Exchange the following interests in the issued ordinary shares of 25p each of Inchcape plc are noted:

	1st April 1996	31st December 1995
Prudential Portfolio Managers Limited	**4.52%**	4.16%
Toyota Motor Corporation	**4.77%**	4.77%

	1995 £m	1994 £m
(d) Profit for the financial year		
Dealt with in the accounts of Inchcape plc	**(47.8)**	89.4
Transfers (from) to reserves of subsidiaries	**(5.6)**	52.4
Transfers to (from) reserves of associated companies	**9.4**	(0.8)
	(44.0)	141.0

	Authorised		Allotted, called-up and fully paid	
	1995 £m	1994 £m	1995 £m	1994 £m
(e) Share capital				
(i) Summary				
Ordinary shares – authorised 786,000,000 ordinary shares of 25p each (1994 – 786,000,000 ordinary shares of 25p each) and issued and fully paid 527,973,092 ordinary shares of 25p each (1994 – 526,309,250 ordinary shares of 25p each)	**196.5**	196.5	**132.0**	131.6

(ii) During the year the following ordinary shares of 25p each in Inchcape plc were issued:

Under the Inchcape SAYE Share Option Scheme	**983,269**
Under the Inchcape Executive Share Option Scheme	**262,597**
Under the Inchcape Overseas Executive Share Option Scheme	**60,212**
Under the scrip dividend scheme in lieu of 1994 final dividend in cash	**357,764**

In aggregate shares to a nominal value of £0.4m were issued at a total consideration of £2.6m.

Notes to the accounts continued

12 Dividends, minority interests and equity continued

(iii) At 31st December 1995 options to subscribe for ordinary shares of 25p each in the Company under the Inchcape Executive Share Option Scheme, the Inchcape Overseas Executive Share Option Scheme and Inchcape SAYE Share Option Scheme were outstanding as follows:

Executive Share Option Scheme

Ordinary shares of 25p each	Exercisable until	Option price
28,098	8th June 1997	159.01p
205,872	3rd June 1998	162.08p
30,672	20th October 1998	186.58p
68,000	18th May 1999	238.40p
21,224	11th May 2000	239.35p
63,674	21st November 2000	222.38p
148,938	29th May 2001	311.91p
38,521	22nd November 2001	362.79p
1,158,600	22nd May 2002	507.00p
135,900	22nd May 2002	515.00p
441,200	9th June 2003	585.00p
148,700	21st October 2003	527.00p
68,100	30th October 2003	468.00p
719,700	28th April 2004	551.00p
1,188,500	27th April 2005	312.00p
400,100	18th May 2005	312.00p
9,800	9th November 2005	301.00p

SAYE Share Option Scheme

Ordinary shares of 25p each	Exercisable until	Option price
25,642	1st January 1996	186.58p
409,100	1st June 1996	158.31p
144,168	1st January 1997	261.02p
369,953	30th May 1997	285.52p
218,944	1st January 1998	406.00p
683,299	1st June 1998	339.00p
177,471	1st December 1998	470.00p
198,849	1st June 1999	428.00p
152,161	1st January 2000	441.00p
400,631	1st June 2000	343.00p
2,744,460	1st February 2001	250.00p

Overseas Executive Share Option Scheme

Ordinary shares of 25p each	Exercisable until	Option price
53,062	18th May 1999	238.40p
10,000	16th November 1999	233.69p
74,284	11th May 2000	239.35p
61,552	21st November 2000	222.38p
107,181	29th May 2001	311.91p
28,759	22nd November 2001	362.79p
489,200	22nd May 2002	507.00p
1,005,100	30th October 2002	468.00p
196,200	9th June 2003	585.00p
567,000	21st October 2003	527.00p
1,033,100	28th April 2004	551.00p
1,017,600	27th April 2005	312.00p
52,400	9th November 2005	301.00p

SAYE Share Option Scheme (Hogg Group PLC)*

Ordinary shares of 25p each	Exercisable until	Option price
18,693	1st March 1996	258.00p
6,408	1st April 1997	351.00p
55,161	1st May 1997	187.00p
172,110	1st June 1998	406.00p

* **Note:** On the acquisition of Hogg Group PLC by the Company, options held under the Hogg Group PLC Sharesave Scheme were replaced by equivalent options over the Company's shares.

12 Dividends, minority interests and equity continued

	Share premium account £m	Special capital reserve £m	Non distributable reserve £m	Revaluation reserve £m	Profit and loss account £m	Goodwill on consolidation £m
(f) Reserves						
(i) Group						
Balance at 1st January 1995	**103.4**		**365.4**	**171.7**	**694.9**	**(834.6)**
Exchange adjustments	–		–	**1.3**	**(0.9)**	**3.6**
Premium on ordinary shares issued	**2.2**		–	–	–	–
Scrip dividend adjustment	–		–	–	**1.1**	–
Goodwill on acquisitions – note 13	–		–	–	–	**(40.9)**
Goodwill recognised in the profit and loss account in respect of disposals	–		–	–	–	**48.6**
Transfer to profit and loss account	–		**(365.4)**	–	**365.4**	–
Transfers on realisation of property surpluses	–		–	**(23.5)**	**23.5**	–
Retained loss for the year	–		–	–	**(104.8)**	–
Balance at 31st December 1995	**105.6**		–	**149.5**	**979.2**	**(823.3)**
(ii) Inchcape plc						
Balance at 1st January 1995	**103.4**	**56.2**	**365.4**		**93.5**	
Premium on ordinary shares issued	**2.2**	–	–		–	
Scrip dividend adjustment	–	–	–		**1.1**	
Transfers to profit and loss account	–	**(56.2)**	**(365.4)**		**421.6**	
Retained loss for the year	–	–	–		**(108.6)**	
Balance at 31st December 1995	**105.6**	–	–		**407.6**	

The Group profit and loss account includes £653.8m (1994 – £522.9m) in respect of subsidiaries and associated companies operating overseas which, if distributed as dividends, would involve liabilities to additional United Kingdom taxation as reduced by appropriate double taxation relief and, in certain territories, additional overseas taxation. The funds representing the reserves of subsidiaries operating overseas are in the main permanently employed in the business and are unlikely to be distributed as dividends and no deferred tax has been provided thereon. Remittances from certain territories in which subsidiaries and associated companies operate require the permission of the relevant exchange control authorities.

Revaluation reserve includes other non-distributable reserves of £63.0m (1994 – £62.7m). Goodwill on consolidation is after writing off £56.2m against a special capital reserve in 1988. This special capital reserve which was created from share premium has now been transferred to the profit and loss account as all the necessary conditions have been met. The non distributable reserve, whilst legally distributable, has previously been described as non distributable pending clarification of generally accepted accounting practice in this area. Following the introduction of FRS4, Capital Instruments, and a further review the Directors now consider that generally accepted accounting practice does not require the reserve to be treated as non distributable. The reserve has therefore been reclassified to the profit and loss account.

Notes to the accounts conti d

13 Acquisitions and disposals

	Consideration £m
(a) Principal acquisitions, investments and disposals	
Acquisitions	
January Timberland (100%) – Far East, South East Asia and Australasia	16.1
October CECAR (additional 6%) – French associate company	9.8
Disposals	
June Buying Services	33.5
June Gestetner investment	27.3

In addition, the Group disposed of its interests in a number of Business Machines operations to a newly formed associated company, Inchcape NRG, which also acquired similar businesses from Gestetner. The information below includes both the disposal by the Group and the acquisition by Inchcape NRG.

(b) Goodwill

(i) Subsidiaries

	As acquired company's accounting records £m	Revaluation £m	Accounting policy alignment £m	Fair value to the Group £m
Fixed assets – tangible assets	3.5	(0.2)	–	3.3
– investments	0.4	–	–	0.4
Stocks	6.7	(3.5)	–	3.2
Debtors	6.9	–	1.5	8.4
Cash at bank	1.5	–	–	1.5
Borrowings	(5.9)	–	–	(5.9)
Other creditors and provisions	(4.7)	(0.4)	(1.5)	(6.6)
Minority interests in existing subsidiaries	(0.6)	–	–	(0.6)
	7.8	(4.1)	–	3.7
Fair value of consideration				22.7
Transfer from associated companies				(0.5
Goodwill				18.5
Adjustment in respect of prior year acquisition*				10.3
Total goodwill				28.8

* Following the completion of the fair value exercise in respect of the prior year acquisition of Hogg Group, the net assets have decreased by £10.3m, which has been reflected as additional goodwill.

In accordance with FRS7, the Group, where necessary, makes provisional valuations of fair values, and then effects any adjustments required in the financial statements for the first full financial year following the acquisition.

(ii) Associated companies

Share of net tangible assets	16.2	–	–	16.2
Fair value of consideration				28.3
Goodwill				12.1

(iii) Total acquisitions are split by business stream as follows:

	Fair value of consideration £m	Fair value of net assets acquired £m	Goodwi £r
Marketing	34.3	20.1	14.2
Services:			
Insurance	14.4	–	14.
Shipping	1.7	(0.4)	2.
Testing	0.6	0.7	(0.
	51.0	20.4	30.
Insurance – Hogg Group adjustment	–	(10.3)	10.
	51.0	10.1	40.

13 Acquisitions and disposals continued

	Balance 1.1.95 £m	Currency realignment £m	Utilised in year £m	Transfers £m	Released to profit and loss account £m	Balance 31.12.95 £m
(iv) Movements on acquisition provisions						
Prior year acquisitions	**44.6**	**(0.1)**	**(20.8)**	**4.1**	**(0.9)**	**26.9**

(v) Exceptional items

The net loss on disposal of operations of £22.4m includes the write off of goodwill of £32.7m, the loss on partial disposal of operations of £17.4m includes the write off of £2.2m and the provision for loss on operations to be discontinued of £37.9m includes a provision of £13.7m against goodwill.

	1995 Acquisitions £m	**1995** Disposals £m	1994 Acquisitions £m	1994 Disposals £m
(c) Cash flow				
Net assets acquired (disposed of) on acquisition (sale) of shares in subsidiaries				
Fixed assets and fixed asset investments (including Group share of associated companies' net assets)	**4.2**	**(12.0)**	38.1	(62.7)
Stocks	**3.2**	**(25.7)**	13.4	(2.2)
Debtors	**8.4**	**(40.6)**	253.6	(21.5)
Cash and cash equivalents	**(4.1)**	**(2.1)**	43.8	(8.8)
Loans and finance leases	**(0.3)**	**–**	(7.7)	34.0
Other creditors and provisions including fair value	**(6.6)**	**49.6**	(329.0)	29.4
Minority shareholders' interests	**(0.6)**	**–**	(1.4)	–
Goodwill	**18.5**		194.8	
Profit on disposal		**(20.0)**		(14.6)
Consideration payable (receivable)	**22.7**	**(50.8)**	205.6	(46.4)
Satisfied by:				
Cash paid (received)	**22.6**	**(32.8)**	196.7	(45.7)
Deferred consideration payable (receivable)	**0.1**	**(18.0)**	3.4	(0.7)
Issue of variable unsecured loan notes	**–**		5.5	
	22.7	**(50.8)**	205.6	(46.4)

Subsidiaries acquired during the year reduced the Group's net cash inflow from operating activities by £9.2m and utilised £2.4m for investing activities.

Subsidiaries sold during the year contributed £9.7m to the Group's net cash inflow from operating activities, received £0.3m in respect of returns on investment and servicing of finance, received tax refunds of £1.3m and utilised £2.3m for investing activities.

	£m
Analysis of the net inflow of cash and cash equivalents in respect of the sale of subsidiaries	
Cash consideration received (including receipts from purchasers outstanding at 31st December 1994)	**36.5**
Cash and cash equivalents of subsidiaries sold	**(2.1)**
Net inflow of cash and cash equivalents in respect of the sale of subsidiaries	**34.4**
Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	
Cash consideration paid (including payments to vendors outstanding at 31st December 1994)	**25.7**
Cash and cash equivalents of subsidiaries acquired	**4.1**
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	**29.8**

Notes to the accounts continued

14 Principal subsidiary and associated companies and investments

(a) Principal Subsidiary Companies
United Kingdom and Continental Europe

United Kingdom

Bain Hogg Limited and
Bain Hogg International Limited
Insurance Services

Inchcape Motors International plc
Holding company for the Group's European and Australian non-Toyota Motors companies

Inchcape Shipping Services (Europe) Limited
Holding company for the Group's European and African Shipping Services companies

Inchcape Testing Services Limited
Holding company for the Group's world-wide Testing Services companies

Towergate Automotive Limited
Motors Import and Distribution

Toyota (GB) Limited (75%)
Motors Import & Distribution

Wadham Kenning Motor Group Limited
Motors Retail

Belgium

Toyota Belgium NV/SA
Motors Import & Distribution

France

France Motors SARL (95%)
Motors Import & Distribution

Greece

Toyota Hellas SA
Motors Import & Distribution

Far East and South East Asia

Hong Kong

Inchcape Pacific Limited
Holding company whose subsidiaries' main activities are Motors, Marketing and Shipping Services

Crown Motors Limited
Motors

JDH Company Limited
Marketing

Mazda Motors (Hong Kong) Limited
Motors

Singapore

Inchcape Berhad (63%)
Publicly quoted company whose subsidiaries' main activities are Motors, Marketing and Shipping Services

Borneo Motors (Singapore) Pte Limited (63%)
Motors

Japan

Inchcape Marketing Services (Japan) Limited
Marketing

Inchcape Shipping Services (Japan) KK
Shipping Services

Malaysia

Inchcape Timuran Bhd (49%)
Publicly quoted company whose subsidiaries' main activities are Marketing and Shipping Services

Thailand

Inchcape Consumer Marketing Ltd
Marketing

Inchcape Engineering Ltd
Marketing

Middle East

Gray Mackenzie & Company Limited (United Kingdom) and Spinneys 1948 Ltd (United Kingdom)
Holding companies for the Group's Middle East Motors Import & Distribution, Marketing and Shipping Services businesses

The Americas

USA

Inchcape Inc
Holding company for, inter alia, Testing Services companies

SS Acquisition Corporation
Holding company for Shipping Services companies

Chile

Williamson Balfour SA
Holding company whose subsidiaries' main activities are Motors Import & Distribution, Marketing and Testing

Australasia

Australia

Subaru (Aust.) Pty Limited
Motors Import & Distribution

TKM Automotive Australia Pty Limited
Motors Import & Distribution

Caldbeck MacGregor (Australia) Limited
Marketing

14 Principal subsidiary and associated companies and investments continued

(b) Principal Associated Companies and Investments

	% Shareholding
United Kingdom and Continental Europe	
United Kingdom	
MEVC Finance Limited Contract hire	25
MCL Group Limited Motors Import & Distribution	40
TGB Finance Limited Motors finance	37.5
France	
CECAR SA Insurance Services	33.1
Inchcape Finance SA Motors finance	49
Far East	
Hong Kong	
Inchroy Credit Corporation Motors finance	50
Inchcape NRG Limited (United Kingdom) Marketing	50

	% Shareholding
Middle East	
Abu Dhabi	
Gray MacKenzie & Partners (Abu Dhabi) LLC Marketing and Shipping Services	49
Spinneys (Abu Dhabi) LLC Marketing	49
Bahrain	
Bahrain Maritime & Mercantile International BSC Marketing and Shipping Services	48
Dubai	
Gray Mackenzie & Partners (Central Emirates) Private Limited Marketing and Shipping Services	49
Spinneys (Dubai) LLC Marketing	49

Notes on (a) and (b) above: The Group comprises a large number of companies and it is not practical to include all of them in the Accounts, therefore only those companies which principally affect profit or assets are included. All companies operate mainly in the countries in which they are incorporated and are owned 100% except where shown.

Inchcape Timuran is consolidated as a subsidiary since the Group exercises dominant control.

All holdings represent the ultimate interest of Inchcape plc in ordinary shares, except in respect of Inchroy where there are also holdings of non-voting deferred shares.

15 Foreign currency translation

The main exchange rates used for the translation purposes (other than those subject to hedging activities or fixed contractual rates) are as follows:

	Average rates		Year end rates	
	1995	1994	**31.12.95**	31.12.94
US Dollar	**1.59**	1.54	**1.55**	1.56
Japanese Yen	**148**	157	**160**	156
Hong Kong Dollar	**12.3**	11.9	**12.0**	12.1
Australian Dollar	**2.15**	2.10	**2.09**	2.02
Singapore Dollar	**2.25**	2.34	**2.20**	2.28
Malaysian Ringitt	**3.98**	4.03	**3.94**	4.00
French Franc	**7.86**	8.48	**7.59**	8.35
Belgian Franc	**46.5**	51.1	**45.7**	49.8

Five year record

Profit and loss account	**Year ended 31.12.95 £m**	Year ended 31.12.94 £m	Year ended 31.12.93 £m	Year ended 31.12.92 £m	Year ended 31.12.91 £m
Turnover	**6,295.9**	6,101.6	5,876.9	5,036.7	3,642.9
Operating profit					
– continuing operations	**182.3**	246.6	252.9	235.1	170.2
– discontinued operations	**2.8**	14.1	26.7	26.0	17.0
	185.1	260.7	279.6	261.1	187.2
Exceptional operating expenses	**(65.2)**	–	–	–	–
Total operating profit	**119.9**	260.7	279.6	261.1	187.2
Net interest	**(38.3)**	(30.1)	(27.2)	(12.1)	(6.9)
Headline profit before taxation	**81.6**	230.6	252.4	249.0	180.3
Profit (loss) on sale of properties and investments	**17.7**	(4.3)	10.9	3.2	4.9
Other exceptional items	**(81.9)**	2.1	8.1	(2.1)	10.6
Profit before taxation (FRS 3)	**17.4**	228.4	271.4	250.1	195.8
Taxation	**(49.6)**	(73.7)	(79.5)	(80.8)	(63.3)
(Loss) profit after taxation	**(32.2)**	154.7	191.9	169.3	132.5
Minority interests	**(11.8)**	(13.7)	(15.6)	(14.1)	(11.9)
(Loss) profit for the financial year	**(44.0)**	141.0	176.3	155.2	120.6
Dividends	**(60.8)**	(78.3)	(77.3)	(77.1)	(45.0)
Retained (loss) profit for the financial year	**(104.8)**	62.7	99.0	78.1	75.6
Headline profit for the financial year before taxation	**146.8***	230.6	252.4	249.0	180.3
Profit for the financial year (Headline)	**73.9**	139.1	158.2	156.0	104.6
Average number of shares in issue (millions)	**527.5**	526.0	520.4	501.2	403.3
Earnings (loss) per ordinary share:					
Headline	**14.0p***	26.4p	30.4p	31.1p	25.9p
FRS3	**(8.3)p**	26.8p	33.9p	31.0p	29.9p
Dividends per ordinary share	**11.5p****	15.0p	14.8p	13.75p	11.75p

Balance sheet	**As at 31.12.95 £m**	As at 31.12.94 £m	As at 31.12.93 £m	As at 31.12.92 £m	As at 31.12.91 £m
Fixed assets	**753.1**	812.2	854.7	710.3	426.9
Other assets less liabilities	**172.3**	219.0	215.0	167.1	103.0
	925.4	1,031.2	1,069.7	877.4	529.9
Funds held on behalf of third parties	**199.1**	179.5	105.7	87.0	93.1
Other net borrowings	**(463.0)**	(462.1)	(303.1)	(228.8)	(70.7)
Net assets	**661.5**	748.6	872.3	735.6	552.3
Shareholders' funds	**543.0**	632.4	764.6	642.3	474.0
Minority interests	**118.5**	116.2	107.7	93.3	78.3
	661.5	748.6	872.3	735.6	552.3

* Exceptional operating expenses of £65.2m were charged against profit contributing an 11.4p loss in earnings per ordinary share.

** Includes 1.5p Foreign Income Dividend enhancement.

Financial ratios

				1995	1994	1993	1992	1991
Operating margin	=	Operating profit (A) / Turnover	%	**2.1**	3.4	3.7	4.2	4.4
Return on capital employed	=	Total operating profit (A) / Capital employed (B)	%	**19.0**	24.6	25.8	26.9	33.5
Capital gearing	=	Net borrowings (note 3b (i)) / Net assets	%	**70.0**	61.7	34.7	31.1	12.8
Fixed charge cover	=	Total operating profit (A) before charging lease rentals / Net interest plus lease rentals (C)	times	**2.4**	2.9	3.1	3.9	4.0
Interest cover	=	Total operating profit (A) / Net interest	times	**4.8**	8.7	10.3	21.6	27.2
Dividend cover	=	Headline earnings (A) per share (note 2c) / Dividends per share (D)	times	**1.4**	1.8	2.1	2.3	2.2

(A) Before exceptional operating expenses.

(B) Capital employed = Net assets after adding back net borrowings as balance sheet per note 3b(i) and interest bearing creditors per note 1f(ii).

(C) Net lease rentals = Charges for hire of plant, machinery and equipment plus other operating lease rentals payable, less rentals receivable from operating leases per note 2a.

(D) Excludes Foreign Income Dividend enhancement.

Shareholder information

Financial calendar

Ex-dividend date for 1995 final dividend	**1st April 1996**
Record date for 1995 final dividend	**11th April 1996**
Annual General Meeting	**21st May 1996**
Final 1995 ordinary dividend payable	**1st July 1996**
Announcement of 1996 half year results	**23rd September 1996**

Registrar
Barclays Registrars
Bourne House, 34 Beckenham Road
Beckenham, Kent BR3 4TU
Tel: (44) 181 650 4866

Secretary and registered office
Roy Charles Williams
St James's House, 23 King Street
London SW1Y 6QY
Registered in England No. 609782
Tel: (44) 171 321 0110
Fax: (44) 171 321 0604

Solicitors
Slaughter and May

Auditors
Coopers & Lybrand
Chartered Accountants and
Registered Auditors

Merchant Bankers
Baring Brothers International Limited

Stockbrokers
SBC Warburg
A division of Swiss Bank Corporation

Inchcape PEPS
The Company has two established PEPs, the Inchcape General PEP and the Inchcape Single Company PEP. Both PEPs are administered by Bradford & Bingley (PEPs) Limited and are dedicated to Inchcape plc Ordinary Shares. A brochure and application form are available from:
Group Secretarial Department
St James's House
23 King Street
London SW1Y 6QY

UK Tax on Capital Gains
For Capital Gains Tax purposes, the market value of the Company's Ordinary Shares on 31st March 1982, adjusted for the subdivision of shares in 1988 and the rights issue on 10th December 1991, (excluding scrip dividend options) and indexed up to 31st December 1995, is 194.7 pence.

Business stream Executives

Motors
Inchcape Toyota Motors
Trevor Taylor, Chief Executive
Tel: (44) 1737 768585
Fax: (44) 1737 771728

Inchcape Motors International
Peter Johnson, Chief Executive
Tel: (44) 1784 460000
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Marketing
Andrew Cummins
Group Director, Strategic Development
Fax: (44) 171 930 7807

Services
Inchcape Insurance Services
Ron Forrest, Chief Executive
Tel: (44) 171 680 4000
Fax: (44) 171 301 4007

Inchcape Shipping Services
Simon Morse, Chief Executive
Tel: (44) 171 638 7799
Fax: (44) 171 588 3573

Inchcape Testing Services
Richard Nelson, Chief Executive
Tel: (44) 171 321 0110
Fax: (44) 171 321 0348

The following executives are responsible for the Group's staff functions

Finance
Rod O'Donoghue
Group Finance Director

Martyn Smith
Group Financial Control
Director

James Long
Group Corporate Finance
Director

John Way
Group Audit Director

Strategic Development
Andrew Cummins
Group Director, Strategic Development

John Whiteman
Group Planning Development Director

Human Resources
Bob Goodall
Group Human Resources
Director

Corporate Affairs
Paul Barber
Group Corporate Affairs
Director

Secretarial and Legal
Roy Williams
Group Company Secretary